

Presidential Appointees FY98

DISASTER AND CHAPTER SERVICES COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	10/25/97	1/14/98	2/21/98	5/29/98
4 Aida Alvarez		Shirl Thomas, Director of Small Business Administration External Affairs, represented Ms. Alvarez	Shirl Thomas, Director of Small Business Administration External Affairs, represented Ms. Alvarez	Becky Brantley, Loan Officer, Disaster Assistance represented Ms. Alvarez
William Cohen		Gail McGinn, Principal Support, Families and Education in the Office of the Assistant Secretary of Defense, Force Management Policy, represented Secretary Cohen	Gail McGinn, Principal Support, Families and Education in the Office of the Assistant Secretary of Defense, Force Management Policy, represented Secretary Cohen	
Donna Shalala			Robert Knouss, Director of Emergency Preparedness, U.S. Dept. of Health and Human Services, represented Secretary Shalala	

Presidential Appointees FY98

Gen. John Shelton			Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton	Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton
James Lee Witt		Larry Zensinger, Human Services Division Chief, Response and Recovery Directorate, represented Secretary Witt	Michael J. Armstrong, Associate Director for Mitigation, Federal Emergency Management Agency, represented Secretary Witt	
Richard Riley	Connie Jameson, Chief of Staff for Assistant Secretary of Inter-Governmental and Inter-Agency Affairs, Department of Education, represented Secretary Riley	Mario Moreno, Assistant Secretary of Inter-Governmental and Inter-Agency Affairs and Connie Jameson, Chief of Staff for Assistant Secretary of Inter-Governmental and Inter-Agency Affairs, Department of Education, represented Secretary Riley	Mario Moreno, Assistant Secretary of Inter-Governmental and Inter-Agency Affairs, Department of Education, represented Secretary Riley	
Norman Augustine	X		X	

1. Section 4.7 of American Red Cross By-laws provide that: "...with the exception of the Chairman of the Corporation, a Governor appointed by the President may send a representative to any meeting of the Board or its committees who shall be entitled to participate in such meetings, but not vote, on behalf of the Governor so represented."
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Presidential Appointees FY98

INTERNATIONAL SERVICES COMMITTEE

ATTENDANCE LIST

FY 98

			
Norman Augustine			

Presidential Appointees FY98

HUMAN RESOURCES COMMITTEE

ATTENDANCE LIST

FY 98

Norman Augustine			

Presidential Appointees FY98

BOARD OF GOVERNORS MEETINGS

ATTENDANCE LIST

FY 98

Norman Augustine	X	X	X
Donna Shalala		Robert Knuss, Director of Emergency Preparedness, U.S. Dept. of Health and Human Services, represented Secretary Shalala	
Gen. John Shelton		Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton	Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton
James Lee Witt		Armstrong, Associate Director for Mitigation, Federal Emergency Management Agency, represented Secretary Witt	
Richard Riley	Connie Jameson, Chief of Staff for Assistant Secretary of Inter- Governmental and Inter- Agency Affairs, Department of Education, represented Secretary Riley	Mario Moreno, Assistant Secretary of Inter-Governmental and Inter-Agency Affairs, Department of Education, represented Secretary Riley	
William Cohen effective 6/01/97		Gail McGinn, Principal Support, Families and Education in the Office of the Assistant Secretary of Defense, Force Management Policy, represented Secretary Cohen	
Madeline Albright effective 6/01/97	Phyllis Oakley, Assistant Secretary of State for Population, Refugees and Migration, U.S. Dept. of State, represented Secretary Albright		

Presidential Appointees FY98

Aida Alvarez effective 6/01/97		Shril Thomas, Director of Small Business Administration External Affairs, represented Ms. Alvarez	Becky Brantley, Loan Officer, Disaster Assistance represented Ms. Alvarez
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Presidential Appointees FY98

PUBLIC SUPPORT COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	10/25/97	2/21/98	5/30/98
Norman Augustine	X	X	X

Presidential Appointees FY98

STRATEGIC PLANNING COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	10/25/97	2/21/98	5/29/98
Norman Augustine			

Presidential Appointees FY98

EXECUTIVE COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	9/19/97	1/16/98
Norman Augustine	X	X

Presidential Appointees FY98

BIOMEDICAL SERVICES BOARD¹

ATTENDANCE LIST

FY 98

Committee Member	8/15/97	10/24/97	2/20/98	5/29/98
Norman Augustine				

¹ The Biomedical Services Board became the Biomedical Services Committee in May 2002.

Presidential Appointees FY98

FINANCE COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	10/24/97	12/18/97	2/20/98	2/22/98	5/30/98
Norman Augustine					X

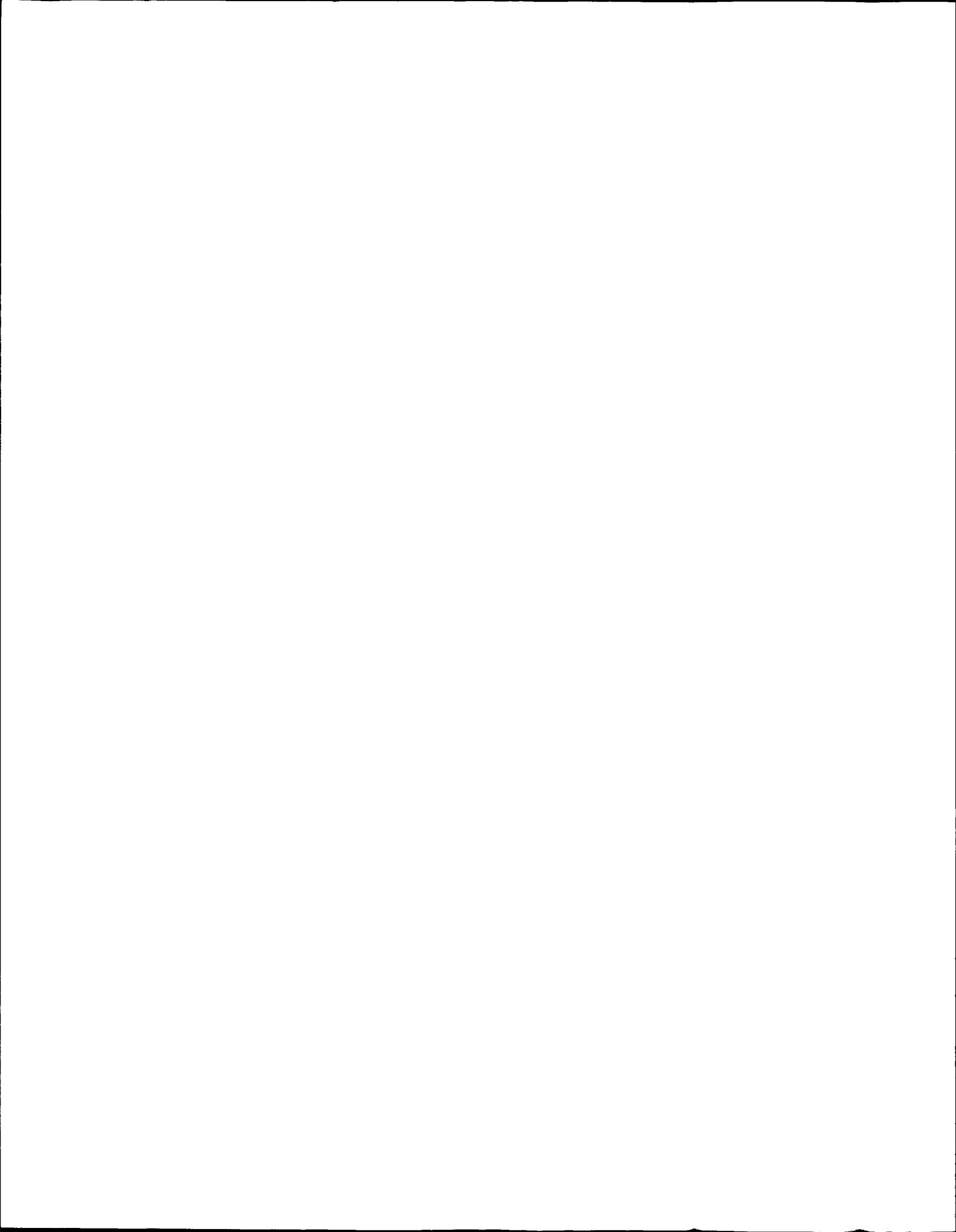
Presidential Appointees FY98

CHAPTER RELATIONS COMMITTEE

ATTENDANCE LIST

FY 98

Committee Member	10/25/97	2/21/98	5/30/98
Norman Augustine	X	X	X



DISASTER AND CHAPTER SERVICES COMMITTEE

ATTENDANCE LIST

FY 99

Committee Member	10/24/98	2/27/99	5/22/99
William Cohen	Gail McGinn, Principal Support, Families and Education in the Office of the Assistant Secretary of Defense, Force Management Policy, represented Secretary Cohen	Gail McGinn, Principal Support, Families and Education in the Office of the Assistant Secretary of Defense, Force Management Policy, represented Secretary Cohen	
Donna Shalala			
Henry Shelton	Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton	Brig. Gen. Patrick Adams, Director of Manpower and Personnel represented Gen. Shelton	
James Lee Witt		Michael J. Armstrong, Associate Director for Mitigation, Federal Emergency Management Agency, represented Secretary Witt	
Norman Augustine	X	X	

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INTERNATIONAL SERVICES COMMITTEE

ATTENDANCE LIST

FY 99

Madeline Albright	Julia Taft, Assistant Secretary of State for Population, Refugees and Migration, represented Secretary Madeleine Albright		
Norman Augustine	X		

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STRATEGIC PLANNING COMMITTEE

ATTENDANCE LIST

FY 99

Aida Alvarez		Becky Brantley, Loan Officer, Disaster Assistance represented Ms. Alvarez	Kris Swedin, Chief of Staff, representing Ms. Alvarez
Norman Augustine			

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BOARD OF GOVERNORS MEETINGS

ATTENDANCE LIST

FY 99

Norman Augustine	X	X	X
Aida Alvarez			
Madeline Albright			
William Cohen			
Donna Shalala			
Henry Shelton			
James Lee Witt			
Richard Riley			

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HUMAN RESOURCE COMMITTEE

ATTENDANCE LIST

FY 99

Committee Member	10/24/98	2/27/99*
Norman Augustine		
Richard Riley	Connie Jameson, Chief of Staff for Assistant Secretary of Inter-Governmental and Inter-Agency Affairs, Department of Education, represented Secretary Riley	

* Minutes for this meeting are unavailable.

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PUBLIC SUPPORT COMMITTEE

ATTENDANCE LIST

FY 99

Committee Member	10/24/98	2/27/99	5/21/99
Norman Augustine	X	X	

EXECUTIVE COMMITTEE

ATTENDANCE LIST

FY 99

Committee Member	9/18/98	10/24/98	1/03/99	1/29/99	2/27/99	4/16/99
Norman Augustine	X	X	X	X	X	X

BIOMEDICAL SERVICES BOARD¹

ATTENDANCE LIST

FY 98-99

Committee Member	8/7/98	10/23/98	2/26/99	5/21/99
Norman Augustine				

¹ The Biomedical Services Board became the Biomedical Services Committee in May 2002.

FINANCE COMMITTEE

ATTENDANCE LIST

FY 99

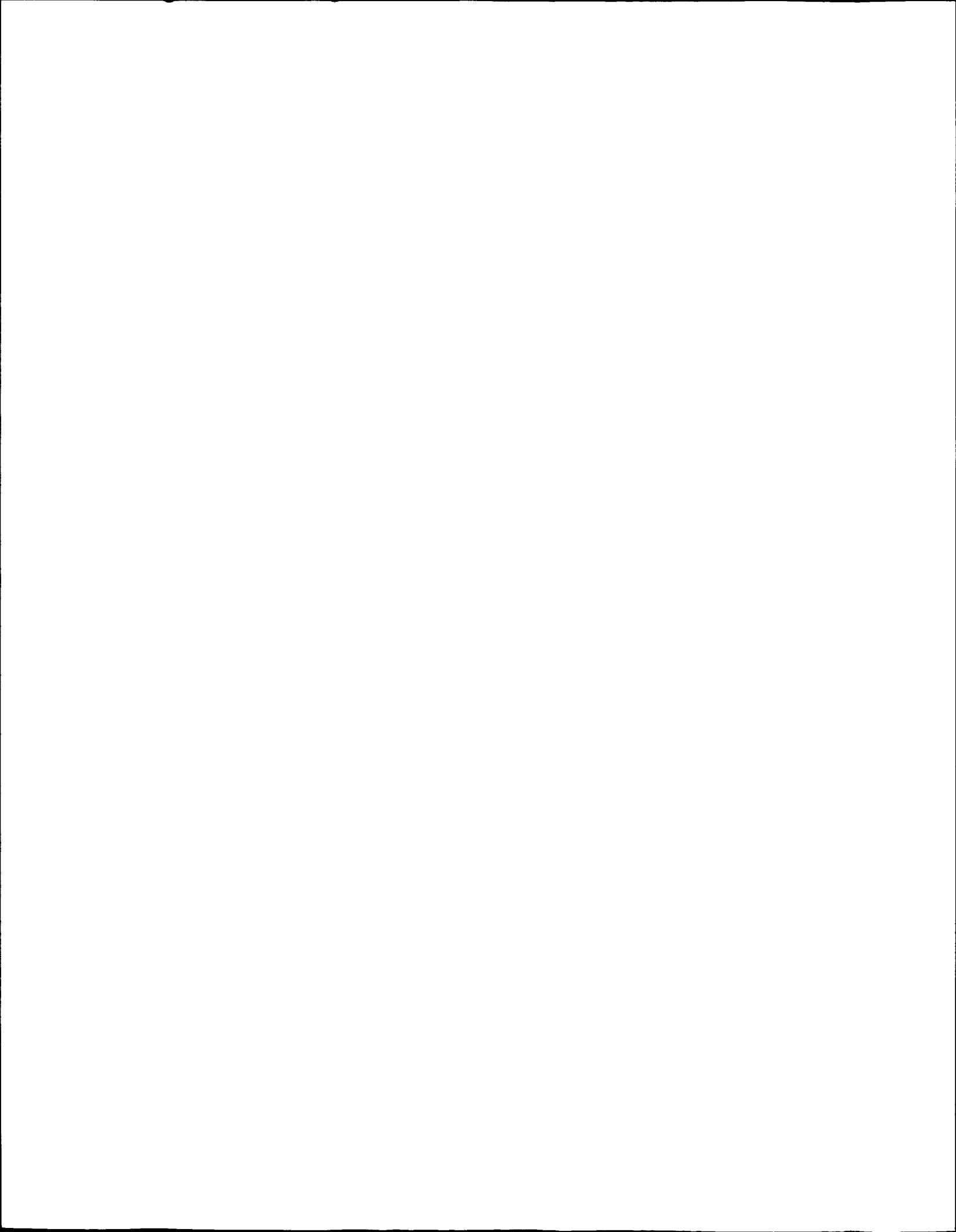
Committee Member	10/23/98	10/25/98	2/28/99	4/14/99	5/23/99
Norman Augustine					

CHAPTER RELATIONS COMMITTEE

ATTENDANCE LIST

FY 99

Committee Member	10/24/98	2/27/99	5/21/99
Norman Augustine	X	X	





**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

September 26, 2002

The Honorable Charles Grassley
Ranking Member, Senate Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Senator Grassley:

Enclosed please find our response to your letter of August 12, 2002, requesting additional information about the governance of the American Red Cross and our financial accountability. I deeply appreciate your offer to extend the deadline for this response, so that we could more fully report on the initiatives being undertaken to strengthen compliance and financial accountability throughout the Red Cross.

The lessons learned from our experience in meeting the unprecedented needs following September 11 have truly changed the way we will approach our disaster response mission in the future. The Red Cross is more committed than ever to integrate and coordinate our efforts with government agencies and other charitable organizations at all levels to be as seamless as possible. Even more, we are committed to build the public trust in our organization, support our communities and our volunteers, be good stewards of the financial and blood donations entrusted to us, and help our communities ensure they are prepared for whatever the future might hold.

An area of critical importance is that of compliance with policies designed to ensure stewardship of donated dollars and financial accountability. Accountability is a top priority. Steps have already been taken that will lead to meaningful changes in the ways we educate, assess, enforce, and monitor compliance in all areas, with a special emphasis on financial accountability and the prevention of compliance problems. We will be implementing new strategies designed to send the message to our organization that compliance is a leadership issue.

I look forward to continuing the dialogue with you and your staff on these important matters.

Sincerely,

cc: The Honorable Max Baucus
Francis E. Reardon, CPA, The Auditor General, Department of The Army
The Honorable David Walker, Comptroller General, U.S. General Accounting Office
The Honorable George J. Mitchell

SFC-ARC-A001901

**American Red Cross Response to
August 12, 2002 Letter from Senator Charles Grassley**

Question #1

The August 2001 internal document prepared at Dr. Healy's request entitled "Emerging Trends in the FY 2001 Operations of Chapters" details findings based on 80 audits at Red Cross chapters nationwide to reveal serious financial mismanagement. Although I request information and documents from the Red Cross at the end of this letter, here I ask that you explain what steps the Red Cross has taken or intends to take to remedy each of these problems. If none, explain why not.

Question #1 Response

The "Emerging Trends in the Operations of Chapters" document (published annually by Audit Services and entitled "Prevalent Audit Findings" prior to 1999) is a widely disseminated internal management tool used to improve chapter performance and stewardship. The document reports the consolidated results of all on-site audits by Red Cross' internal Audit Services for the fiscal year under review. The document identifies potential issues that if found by a chapter may require modifications of internal control systems to correct similar problems. In addition, the document provides recommended solutions and points of contact at national headquarters to assist with resolution. The Emerging Trends document is used in many settings as an educational and reference tool. Regional Executive Officers (REOs) use it as part of the training for new and current managers and new board member orientation. It is posted on the organization's internal Web site for quick reference.

In regard to the 80 chapter audits referenced in the "Emerging Trends in the FY 2001 Chapter Operations" document (see Attachment 1), each chapter submitted a corrective action plan to Audit Services at national headquarters with a copy to the respective REO. Audit Services reviewed each chapter response for adequacy (i.e., to determine if the chapter's action plan was responsive to the audit findings and recommendations). Any inadequate response resulted in the chapter being contacted directly by Audit Services. The REOs were responsible for following up on audit findings and ensuring chapter resolution.

However, prior to July 1, 2001 (FY 2002) there was no centralized system in place to ensure consistency of REO follow-up actions. Therefore, starting in Fiscal Year 2002 (July 1, 2001 – June 30, 2002) Red Cross augmented the existing audit review process by implementing procedures to achieve system-wide, consistent regional review and resolution of audit findings. The process is as follows:

- As in prior years, within 60 days of the on-site review, Audit Services produces a comprehensive written report of observations, findings and recommendations for each chapter and disseminates the report to the chapter executive and board chairman, and to Red Cross national headquarters and Regional management personnel.

- As in prior years, the chapter is required to submit a written response to each of the audit findings within 45 days of receipt of the report. This report is provided to Audit Services and the REO. The chapter response must document the actions taken by the chapter to correct the noted problem, or plans to resolve the issue, along with the timeframe for resolution.

In prior years, and with the new process implemented in Fiscal Year 2002, chapters that do not implement the necessary corrective actions to findings outlined by Audit Services can face corporate sanctions from the Regions. These sanctions are imposed in order to gain full compliance by the chapter. The sanctions vary in severity and can include:

- termination of employment of the chapter manager, board member or full board
 - progressive steps toward revocation of the chapter's charter or governance authority
 - withholding of grants or financial support
 - Chapter ineligibility for national awards
 - individual ineligibility for national positions and recognition.
- New to the audit findings resolution process is an enhanced review by the REO of the chapter's written response to each finding; validation of the proposed corrective action; and implementation of the corrective action. The REO advises senior management when the Audit Review is closed. The REO's review and follow-up may include additional on-site education and instruction, submission of additional documentation or, in the rare case that the chapter is unwilling or unable to correct the problem, the REO may consider the implementation of sanctions, as noted above.

With the establishment of the "Corporate Policies Education and Training" (CPET) program in December 2001, under the direction of the Vice President for Regional Operations, there is now an office at national headquarters charged with the responsibility of ensuring organization-wide systems for identification, tracking, monitoring and resolution of chapter non-compliance issues (including audit findings). The REOs are directly responsible to the Vice President for ensuring resolution of all audit findings.

Question #2

Please explain why the Red Cross does not require all chapters to report financial information to National. Also, identify the approximately 30% of chapter revenue and assets that National does not review, and state their monetary value. Further, state whether and how this Red Cross review policy guarantees that chapters safeguard and account for all funds; minimizes theft or fraud particularly relating to those assets and revenues that are not reviewed; and guarantees that all government filings are complete and accurate.

Question #2 Response

Please note that the Red Cross response to Question #27 in the June 14, 2002 response to your May 7, 2002 letter refers to the approval process for chapter budgets, not chapter financial reporting, which was covered in the response to question #29. The Red Cross

requires all chapters to report annual financial activity (revenues, expenses, fund balances, assets and liabilities) to national headquarters.

Red Cross policy and practices regarding financial accountability are reviewed and modified annually to help ensure greater compliance at the chapter level with effective oversight from national headquarters. Effective June 30, 2001, the following enhanced control and accountability measures were implemented:

1. The Chair of the chapter board of directors, the Chapter Executive, and the external auditor are required to sign off on the annual financial statement (previously only the external auditor was required to sign-off).
2. The Audit Committee of the chapter board must submit minutes of meetings evidencing review of financial statements to national headquarters Financial Management for review (minutes have always been required, but were retained locally).
3. Detailed compensation information for all chapter staff making more than \$150,000 must be submitted annually to national headquarters Financial Management as part of the Form 990 salary data collection effort (prior requirement was over \$200,000).
4. The Chapter Chair and Executive Director are required to sign-off on the IRS Form 990 salary data collection form (previously signed by the preparer, in most cases the chapter's Director of Human Resources).
5. Chapters are required to submit all OMB Circular A-133 Federal Awards Audits to national headquarters for review (previous requirement was to retain locally).
6. Copies of external auditor management letters must be sent to the REO as well as national headquarters Financial Management (previously only required to be sent to Financial Management). The findings contained in the external management letters are reviewed by the Vice President, Regional Operations and Financial Management to ensure that significant issues cited in the letters are rectified.

These measures were implemented to help ensure greater chapter level accountability to national headquarters for financial reporting. In combination with the information outlined for Audit Services and the Chapter Services compliance program (detailed in response to Question #1), such measures should minimize the potential for fraud or theft and ensure that government filings are complete and accurate.

We are committed to educating chapter executives and board chairs about these policies, and ensuring compliance. Training and orientation for chapter executives and board chairs include:

- Attendance at a day long session on "Building Chapter Leadership Teams"
- On-site training by state or region staff for new chapter managers within their first 30 days

- Attendance at a three day "Chapter Executive Orientation" session within the first six months (approximate) of assuming a chapter executive position
- Attendance at a recently piloted "Chapter Chair Academy" to educate new chair on their unique and critical role in chapter governance and leadership (a second session is scheduled for Fall 2002). The Red Cross Chief Executive Officer and President personally presents information on chapter accountability at these sessions
- Board orientation sessions that are held at each chapter to train new incoming board members.

Please note that Red Cross requires all of its chapters to have an appropriate level of external audit review, determined by the level of financial activity. On an annual basis, chapters with over \$100,000 in expenses are required to have an external audit performed of their activities. This requirement means that 97% of all chapter revenues are examined by an external auditor. Chapters with expenses between \$50,000 and \$100,000 are required to have either a formal external audit performed or a review by an independent CPA (representing 2% of all chapter revenue). Chapters with less than \$50,000 in expenses are required to have an independent review performed of their financial activities (representing 1% of all chapter revenue). Independent reviews are performed by a CPA or other person who is independent of the Chapter and has financial management expertise (e.g., a local banker).

These independent reviews of chapter records and management controls use the professional auditing standards established by the American Institute of Certified Public Accountants. In addition, the national headquarters of the Red Cross annually issues extensive standard guidance to all chapters and their auditors regarding specific items that need to be reviewed and reported to headquarters.

Question #3

Taken as a whole, these documents reveal a history of serious financial mismanagement by Red Cross chapters that I find troubling. However, I am more concerned that Red Cross senior management appears to take an attitude that bad news from local chapters is all best swept under the rug. The Red Cross' indifference to these major accountability problems was verbalized by Mr. Campbell during a *CBS Evening News* interview broadcast on July 30, 2002. Please explain this response in detail (Jack Campbell – "actually we were not troubled by the results of the audits at all. There was no recognition of any kind of problem"), particularly Mr. Campbell's apparent lack of concern that hundreds of thousands of dollars were at risk of not going to the 9-11 victims' fund or worse, of loss or theft.

Also, explain why these infractions occurred despite Red Cross' prior knowledge of accounting irregularities at the chapter level. Did any infraction that KPMG identified occur at a chapter with a prior financial problem known by Red Cross? If so, identify that chapter and explain Red Cross' failure to take remedial measures. Moreover, identify any remedial measure taken in response to KPMG's

September 27 findings. Further, please produce all documents relating to these findings as well as any remedial measure.

Question #3 Response

The Red Cross Board of Governors and management take very seriously any evidence of deficient internal controls or financial processes. The four internal documents highlighted in your August 12, 2002 letter were each prepared for different purposes and subsequent actions have been taken on the issues raised.

- The "Emerging Trends" document is a long-standing internal tool that is widely disseminated with the goal of improving Red Cross chapter performance and stewardship. It is not used to identify or highlight chapters with troubled finances or poor accounting practices. The detailed actions that have been taken subsequent to its publication are outlined in the response to question #1.
- Issues outlined in the April 3, 2001 letter from former President and Chief Executive Officer, Dr. Bernadine Healy, to the Audit Committee Chair and the April 16, 2001 confidential memorandum from Dr. Healy to Red Cross' General Counsel were initially addressed through new policies implemented on June 30, 2001 (See response to Question #2 above). The Red Cross continues to examine these issues to determine necessary actions to ensure appropriate oversight of chapter activity.
- The September 27, 2001 KPMG memo to Red Cross senior management is discussed below.

CBS Evening News broadcast of July 30, 2002, placed Jack Campbell's expression of confidence in the financial oversight of contributions following September 11, directly after reports of four chapters with previously identified and resolved financial problems (unrelated to September 11). This inaccurate juxtaposition created the false impression that the Red Cross did not recognize the seriousness of the incidents cited.

Mr. Campbell's comments were in response to questions posed by Ms. Sharyl Atkisson of CBS concerning the September 27, 2001 memo from our external auditor, KPMG, to former Red Cross President and CEO Bernadine Healy (see attachment 2). This memo detailed the results of one-day surprise, spot assessments of a sampling of 27 chapters to provide Red Cross management with information on how chapters were handling donated funds immediately after September 11. The basis for choosing these chapters was their location proximate to the departure and planned arrival locations for the hijacked planes (N=11) as well as chapters who had been cited previously as having significant audit findings (N=16).

Conducted on September 18, 2001, exactly one week after the attacks, these reviews were a proactive step taken by Red Cross to ensure proper handling of funds. It should be noted that KPMG's September 27 memo states that most of the issues that were noted in the assessments had already been identified and addressed by the time KPMG's report was written. Guidance provided to the chapters prior to and during the time the spot assessments were being performed supplied chapters with additional information on the proper handling of contributions. Additionally, the results of the spot assessments were

used as the basis for management issuing detailed accounting and controls guidance the following week.

Mr. Campbell's statement that, "actually we were not troubled by the results of the audits at all" was meant to convey that the results of the 27 spot assessments were not indicative of systemic problems and there was no evidence of fraud or mishandling of funds. We were aware that there was some confusion by chapters regarding initial coding of receipts. This can occur when mail volume after a significant disaster arrives with mail being returned from solicitations mailed prior to the disaster. Clarification from national headquarters is typically provided to ensure consistent treatment across the organization. Supplemental guidance was issued and over 800 chapters were required to have an independent review by a CPA of contributions handling through October 31, 2001. The remaining chapters (those with less than \$50,000 in annual expenses) were directed by national headquarters to use a self assessment tool (created by national headquarters) to assess their proper handling of funds. These measures were intended to mitigate any significant risk of Liberty Funds being misdirected, lost or stolen at chapters. Please note that CBS chose to edit Mr. Campbell's remarks *without the benefit of his follow-on comments* which explained, at least in part, the process described above.

Question #4

Importantly, KPMG's findings call into question several Red Cross statements that all of the funds received in response to the 9-11 attacks were deposited in the Liberty Fund, and that the Red Cross had and would continue to use the Liberty Fund for the 9-11 victims. These findings also cast serious doubt that, "The Red Cross has instituted unprecedented financial procedures and controls to ensure the highest level of accountability and accuracy in its accounting for contributions to and disbursements from the Liberty Disaster Relief Fund." (Red Cross response to Questions #4.) Please explain these apparent inconsistencies.

Question #4 Response

As noted earlier, the 27 surprise reviews were conducted as a proactive measure by Red Cross management to quickly assess chapter contribution processing in order to determine what supplemental guidance was necessary to help ensure that these funds were directed to the Liberty Relief Fund. The Red Cross had never experienced the sheer volume of charitable donations and the speed with which these funds were provided to national headquarters and our chapters in the hours, days and weeks following the September 11th attacks. It was our goal to ensure that the best possible guidance was available to our chapters, and that extraordinary supplemental audit procedures and special accounting practices were put into place as quickly as possible. A chronology of the procedures and controls is provided in Attachment 3.

To ensure that all donations intended for September 11 victims were properly accounted the Red Cross:

- Established the separate Liberty Fund, completely separate from the Disaster Relief Fund.

- Deposited all unsolicited contributions (not specifically designated by a donor, but payable to "the American Red Cross") in the Liberty Fund from September 11 through September 30, 2001. Under normal circumstances, these are considered unrestricted and available for use in general operations. In addition, all checks payable to the Disaster Relief Fund from September 11 through October 31, 2001, were deposited into the Liberty Fund. Considering the overwhelming response to September 11, we believe this was a prudent policy.

Question #5

To get to the bottom of whether Red Cross has secured all 9-11 donations in the Liberty Fund for the exclusive use of the victims and holds its chapters accountable, please provide detailed responses to the following questions:

Question #5.1

I have received information that at least one chapter has not yet turned over all donations meant for the Liberty Fund. Identify that chapter and any others that have not turned over these donations, explain why not, and identify any penalty imposed against that chapter.

Question #5.1 Response

As organization-wide compliance systems are being improved we continue to review the handling of Liberty Relief Funds by our chapters. In addition, KPMG is currently completing a separate audit of the Liberty Relief Fund, as part of the annual audit of American Red Cross' consolidated financial statements. An update will be provided to you on or about November 15, 2002. The information garnered through these two steps will give us an accounting of Liberty Fund receipts and remittances from the chapters.

With regard to the one chapter mentioned above, in response to an allegation from a former chapter employee, Audit Services performed an audit of the Fresno-Madera Counties Chapter processing of donations for the Liberty Relief. During the audit it was discovered that the chapter had failed to remit monies to the Liberty Relief Fund due to the incorrect coding of donations. The chapter board was informed and the chapter executive subsequently resigned. Funds were remitted to the Liberty Relief Fund.

Question #5.2

For the past three years, identify any chapter that failed to provide any required financial information to any Red Cross governing body (i.e. National) in full or on time.

Question #5.2 Response

We are currently tabulating chapter submissions of fiscal year 2002 financial information and will forward to you a summary of chapters that are delinquent, if any.

For fiscal years 2001 and 2000, the chart below summarizes chapter reporting compliance. The definition of late is greater than 30 days past the due date for chapters operating on an accrual basis, and 60 days for those operating on a cash basis.

	On-time		Late		Not Received		Total
FY 2001	849	81%	183	17%	18	2%	1,050
FY 2000	895	80%	188	16%	40	4%	1,123

In FY 2001, of the 18 chapters not submitting information, all forfeited their charters and they no longer exist as a chapter. In FY 2000, of the 40 chapters not submitting information, 39 forfeited their charters and they no longer exist as a chapter. The one remaining chapter never submitted a report, the chapter manager was replaced and a report was received for fiscal year 2001. (See Attachment 4 for the list of chapters which did not submit information in FY 2001 and 2000.)

Question #5.3

Red Cross' answer to Question #29 is unclear as to whether there are guidelines for uniform record keeping and financial reporting by the regions and chapters ("In regard to uniform record keeping and reporting, chapters use standard charts of accounts for accounting purposes.") Please clarify this response including what is meant by "standard charts of accounts."

Question #5.3

Guidelines for uniform record keeping and financial reporting are included in the *Financial Manual of Policy and Procedures* that governs chapter reporting and financial record-keeping (see attachment 5). As shown in the enclosed table of contents, guidance is comprehensive. Annual and interim reporting is required on standard forms. The standard forms are web-based and automated to eliminate math errors and automatically perform audit cross checks of information from form-to-form. This gives much greater assurance of uniform reporting throughout the chapter system.

In order to complete the forms and to ensure consistent data collection for our annual report and Federal Form 990, chapters are provided with the "standard chart of accounts." The standard chart of accounts is the common coding structure for all transactions, which helps ensure uniform reporting and enhanced internal controls (e.g. same codes prescribed to record expenses for travel, salaries, supplies, etc.).

Question #5.4

For the past three years, identify any investigation involving allegations of mismanagement or fraud by any Red Cross officer, director, employee or volunteer. Also, state the status of the investigation and whether any settlement or penalty resulted, and identify the settlement amount or penalty.

Question #5.5

For the past three years, identify all Red Cross officials who have left their positions under circumstances involving allegations of mismanagement or fraud. State whether any internal disciplinary proceeding was conducted or whether any lawsuit or charges was filed against the individual and the status of that action. Also, state whether he or she was allowed to retain benefits or transfer to another chapter and, if so, explain why.

Question #5.4 and 5.5 Combined Response

The Red Cross Misappropriation Policy requires employees and volunteers to report allegations of mismanagement or fraud. Revised and updated in August 2001, this policy is posted on the Red Cross intranet site and has been highlighted to paid staff and volunteers a number of times (See Attachment 6). Under the Misappropriation Policy paid and volunteer staff must report all suspected or actual dishonest acts committed against a Red Cross Unit by an internal or external source. The policy defines "dishonest acts" as misappropriations, acts of fraud, unethical behavior, Code of Conduct violations and external criminal activity and outlines reporting requirements.

If one suspects or is aware of a dishonest act committed against a Red Cross unit, the employee or volunteer must immediately notify the lead person overseeing the Red Cross unit. If a staff member believes that a member of local management is involved in a dishonest act, the staff member can report the act to the Region overseeing the chapter. Local or regional management, as applicable, must report the act to the Office of General Counsel (OGC) within 24 hours of receiving the information. The OGC requires the Red Cross unit or individual to complete a Misappropriation Report (See Attachment 7). OGC then leads the investigation into the allegation, and works with the appropriate Red Cross office(s) to ensure resolution, including appropriate legal action. The Red Cross pursues prosecution with appropriate law enforcement authorities of any individuals involved in criminal acts against the Red Cross. Further, we seek restitution whether it is through the criminal or civil court system or other available means.

A Fraud Awareness Task Force ("Task Force") exists to facilitate response to reported misappropriations. The mission of the Task Force is to ensure that timely, objective and appropriate actions are taken relative to the occurrence of misappropriations within the Red Cross. Members of the Task Force include representatives from the Office of General Counsel, Audit Services, Risk Management, Chapter Services, Biomedical Services, and Communications and Marketing. The Task Force maintains data on those incidents that are reported under the Misappropriation Policy.

Acts such as theft, misuse of Red Cross funds and assets, and fraud by an individual results in termination of the individual's employee or volunteer position. Again, criminal prosecution is pursued when appropriate. For example, each incident of misappropriation reported in CBS's Eye on America piece on July 29, 2002 had been previously reported through the Red Cross's Misappropriation Policy and the appropriate remedial action had been taken including seeking criminal prosecution and restitution.

Based on the data reported to the Fraud Awareness Task Force through the Misappropriation Policy, there were 34 incidents of misappropriations, acts of fraud, or unethical behavior in the past three years (See Attachment 8).

Question #5.6

Identify and explain the circumstances for the "five involuntarily dechartered" referenced in your response to Question #24.

Question #5.6 Response

The purpose of rechartering is to certify that chapters have the capacity to deliver the requisite services to their community and to meet all other chapter requirements in our corporate regulations. The responsibility for fulfilling the requirements of rechartering falls on the Chapter Executive and the Chapter Board of Directors. *Board of Governors Policy Manual*, Part Two, Section 5.1.2 outlines 33 rechartering criteria that must be met for a chapter to maintain its charter. These criteria focus on service delivery, chapter governance, financial stewardship and resource development. When the criteria have been met, the local chapter board certifies their achievement, the Regional Committee confirms their performance, and the Board of Governors grants a new charter to the chapter.

When a chapter is unable to meet the rechartering criteria and unwilling to acknowledge performance deficiencies, the Board of Governors has established a multi-step involuntary dechartering process to ensure local communities have a full opportunity to meet the standards and, thereby, maintain a chapter charter. The process includes certified notification to the chapter by the Region outlining deficiencies, a 30 day response period, on-site hearing appeals options at both the Regional and Board of Governors level, repeated review by the Regional Committee, and a comprehensive review by the Board of Governor's Disaster and Chapter Services Committee. All of these activities occur prior to the full Board of Governors consideration of the involuntary dechartering recommendation.

The five chapters that were involuntarily dechartered by action of the Board of Governors did not meet the rechartering criteria and would not acknowledge deficiencies outlined by national headquarters. The five chapters were:

1. May, 2000 Sauk County Chapter, Baraboo, WI
2. May, 2001 Westmoreland County Chapter, Montross, VA
3. October, 2001 Mendocino County Chapter, Ukiah, CA
4. February, 2002 Buena Vista Chapter, Buena Vista, VA
5. February, 2002 Unicoi County Chapter, Erwin, TN

Please note that there are other chapters where Regional Committees have initiated the involuntary dechartering process. However, at some point in the involuntary dechartering process, the chapter boards acknowledged performance problems and choose voluntary charter forfeiture, rather than involuntary dechartering.

Question #5.7

It is my understanding that the Red Cross has a strong policy that the chapters should be financially self-sufficient. The CBS Evening News reported on July 31, 2002, that the Red Cross has allowed chapters to receive money from the National Disaster Fund more than 3,000 times last year. Please list all income to and expenditures from the National Disaster Fund from Fiscal Year 2000 to the present. This list should include but not be limited to all chapter "Form 903" requests as well as chapter accruals and advances. The list should also disclose the purpose of each Form 903 request (i.e. the precise reason why the chapter requested the funds). Also, describe the method by which the Red Cross approves or denies each 903 request as well as the procedures in place to ensure, after it approves the request, that the chapter properly use the "903" funds.

Question #5.7 Response

The American Red Cross is a single national corporation, with 987 chapters in communities nationwide. To ensure that the Red Cross meets the needs of disaster victims without regard to a community's ability to financially support such relief, chapters can request reimbursement from the national Red Cross Disaster Relief Fund if they cannot meet disaster costs on their own. The Disaster Relief Fund provides the financial assurance that the Red Cross can respond to more than 67,000 disasters each year, including floods, fires, hurricanes and more. The Fund enables Red Cross staff and volunteers to respond immediately to disasters and ensuring that victims receive comparable assistance regardless of the visibility of the disaster or the ability of the community to support Red Cross efforts.

In FY 2001 (the period of time cited by CBS) the Red Cross spent \$285 million on its disaster program. During that year, chapters spent \$55.3 million of locally raised funds on disaster assistance in their communities. That same year, chapters received \$3.3 million from the national Disaster Relief Fund to cover expenses for recurring local disaster operations and \$1.6 million to cover expenses for non-recurring disaster operations where the chapter needed financial assistance (total of \$4.9 million). When reimbursements for non-recurring local disasters and larger major disasters that were administered by local chapters are added, the total Disaster Relief Fund monies received by chapters rises to \$12 million. (See attachment 9 for the list of income and expenditures from the National Disaster Relief Fund from FY 00 to the present.)

Chapters are responsible for raising appropriate revenues to cover the costs of operating their chapter and providing services to their community. In the event of a national disaster, corporate management can determine that a chapter is unlikely to be able to fulfill its fund-raising obligations and can authorize other fundraising to ensure disaster relief is provided to all those in need. Therefore, if a chapter does not have sufficient financial, human or other resources to respond to the victims of a disaster, they can request assistance from the national Disaster Relief Fund. As such, the Disaster Relief Fund serves as the financial "safety net" to ensure uninterrupted delivery of services.

Under the National Disaster Reimbursement Program, each chapter is required to locally fund an annual disaster relief budget based on its most recent five-year disaster relief experience. To seek reimbursement from the Program a chapter must provide a 5- year disaster history detailing the individual disaster incidents for each year and related costs. This information is used to establish a minimum annual disaster relief budget baseline which the chapter must fund through local donations and individual disaster event expense levels where chapters must fund disaster events below this amount. 903 funds are a reimbursement for specific disaster expenses already incurred and paid for by the chapters.

Question #5.8:

Information that I have received indicates that, contrary to the Red Cross' response to Questions #26, the organization may receive more than 5% of its funds from federal, state, and local government sources and that in many chapters this amount frequently exceeds 30 -40%. Please clarify your response and identify all chapters at which government funds (federal, state, and /or local) comprise more than 10% of the chapter budget.

Question #5.8 Response

For the past two Red Cross fiscal years (2001 and 2000) government grant and contract funding did not exceed 4% of total Red Cross revenues. The average for the past five years has been 4.6%. The data in Attachment 13 of the June 14, 2002 response to your May 7, 2002 letter (question #26) documents these percentages.

There are 70 chapters where government grants and contracts exceed 10% of revenues (see attachment 10 for a list of these chapters). Government revenues for all chapters account for nine percent of chapter total revenues. The four percent figure reported in our initial response takes into account government grants and contracts to the entire organization including Biomedical Services and national headquarters.

Question #5.9

Please produce the following documents for the past three-year time frame:

- a. Minutes of the Board of Governors and Executive, Audit, and Finance Committees;
- b. Copies of management letters and audit reports of chapters performed by the internal or external auditor; and
- c. Copies of all reviews or summaries of locally-performed chapter audits by the internal and external auditor.

Question #5.9 Response

Under separate cover, Larry Moore, Interim General Counsel will deliver to your office per agreement with Dean Zerbe and Faith Cristol of the Senate Finance Committee staff the following:

- Agendas for the Board of Governors and Executive, Audit and Finance Committees from August 1999 through August 2002

- Copies of management letters from internal and external audits of chapters where material weaknesses were identified for FY 2000 and 2001. FY 2002 management letters are still being reviewed and processed and a complete summary and set of letters is not available at this time.

Question #5.10

Has the Red Cross considered strengthening accountability to the Congress and the Executive by adding independent compensation and audit committees as well as active board members who are independent of chapters?

Question #5.10 Response

As detailed in our June 14, 2002 response, the Congressional Charter mandates the composition of the American Red Cross Board of Governors, including the total number of members and how they are chosen. Eight governors are appointed by the President of the United States, with one designated as the "principal officer of the corporation" (Chair of the Board of Governors). With the exception of the chair, the remainder of the presidential appointees "shall be officials of departments and agencies of the Federal Government", with at least one, but not more than three selected from the Armed Forces.

Thirty members of the Board of Governors are nominated by the chapters and elected by the voting delegates to the National Convention. These individuals have chapter volunteer leadership experience, and consideration is given to geographic and demographic representation. These community leaders provide the entire Board of Governors and management with a first hand view of service delivery at the community level, thus enabling the Board and management to enact policies that maximize service delivery. Further, while serving on the Board of Governors, these representatives are not permitted to hold any other appointed, elected or voting governance position or volunteer management position in the Red Cross, unless appointed or elected by the Chair of the Corporation.

In addition, there are 12 members-at-large chosen to provide a national, or public perspective. In the Report of the Advisory Committee on Organization ("Harriman Report", June 11, 1946) which led to the 1947 amendment of the Red Cross Congressional Charter (36 USC §1 et. seq.), the Committee noted that:

"The members-at-large would not be selected directly by the chapters, but by the entire Board of Governors, including the eight appointed members. They were to be chosen with a view to obtain outstanding individuals with a **national outlook** [emphasis added] and also to obtain the affiliation of religious, professional, scientific and other elements with which the Red Cross should work closely."

A recent change to the Board of Governors committee structure has elevated the oversight of compensation to the Governance Committee from a subcommittee level. As we improve our compliance processes we are working closely with the Audit Committee. We are taking steps to implement meaningful changes in the way we educate, assess, enforce, and monitor compliance in all areas, with a special emphasis on financial accountability. Congressional oversight through the jurisdiction of several congressional

committees provides appropriate accountability of the Red Cross to Congress and the American people. We believe that the current structure of the Governance and Audit Committees ensures appropriate independence from management and chapter influence.

SFC-ARC-A001915

Detailed Response to Senator
Grassley's 8/12 letter
loose leaf pages w/ tabbed sections
* see file on Senator Grassley



**American
Red Cross**

Together, we can save a life

National Headquarters
Office of the President and CEO

To: Chairman McLaughlin and
Members of the Board of
Governors

Date: September 20, 2002

From: Marty Evans

Subject: Harold Decker

It is with a sense of deep regret that I announce Harold Decker's decision to leave the American Red Cross. We owe a debt of gratitude for his exceptional service to this organization during a time of crisis and intense scrutiny.

Harold's talents became evident very quickly after he arrived at the Red Cross in February of 2001 following a successful career in the pharmaceutical industry. Hired as the Associate General Counsel, Harold immediately went to work rebuilding the legal staff and restructuring responsibilities within the office of the General Counsel. Throughout this process, Harold's first priority was determining how to best serve the needs of the chapters and insuring that the General Counsel's office added value to the needs and requirements of our field structure.

Within a matter of months, Harold was elevated to Corporate Secretary and General Counsel of the Red Cross. Very shortly thereafter, the Board of Governors asked Harold to assume the duties of Interim President and Chief Executive Officer (CEO). This request, made after the unexpected departure of his predecessor, was a clear reflection of the Board's confidence in his capacity to provide inspiration and leadership in those difficult days. Harold's courage in accepting this position, and the leadership that followed, guided this organization through the turmoil of the post September 11 response. Through press conferences, dozens of media appearances, and outreach to members of Congress and government, Harold worked tirelessly to regain the public's trust in our organization. He provided stability within the Red Cross when the organization needed it most.

At a moment like this it is not sufficient to list Harold's significant accomplishments- there is much more to his tenure. I believe the most significant term we can use is "legacy." If any one of us can come to an organization and leave a legacy for others to follow, then we will have served in the most profound way. Harold Decker leaves a significant legacy, one that is deeply etched in the long history of this proud organization. We will all miss him and are deeply grateful for his service to the American Red Cross and the nation. Please join me in congratulating Harold on a job well done and wishing him and his family Godspeed in the years to come.

09/20/02 06:58

AMERICAN RED CROSS->Man, Joan

001

09/20/02 09:58 FAX 202 639 3267

ARC MARKETING

001



**American
Red Cross**

Together, we can save a life

National Headquarters
Office of the President and CEO

To: Chairman McLaughlin and
Members of the Board of
Governors

Date: September 20, 2002

From: Marty Evans

Subject: Alan McCurry Named COO

Attached is the announcement of our new Chief Operating Officer, Alan McCurry and the functional realignment of NHQ designed to fully support our efforts to develop the Disaster Service Line of Service improvements and to build our Chapter capacity. Many of you had the opportunity to meet Alan at our retreat. I know you will find him to be a great asset to the American Red Cross team.

SFC-ARC-A001918

Alan McCurry Named COO

The following message is from Marty Evans, President and CEO:

I am pleased to announce that Alan McCurry, Military Legislative Assistant to Senator Pat Roberts of Kansas, will join national headquarters on October 7, 2002 as our new Chief Operating Officer (COO). As COO, Alan will be tasked with integrating resources and support functions to assist Terry Sicilia, our newly named Executive Vice President for Disaster Services in his efforts to successfully build disaster preparation and response programs to meet the requirements of the future while continuing to fully respond to the crises of today. To that end, I have realigned several functions under the COO. They are Disaster Services, the Chapter Services Network, International Services, Growth and Integrated Development, Human Resources and Organization Development, and Information Technology. The last three organizational units will still be providing services to all other parts of the organization. I can assure you that this reorganization is evidence of my commitment to this premier Line of Service and will also enable me to spend more time in the field with Red Cross units.

Before joining Senator Roberts' staff as the principle advisor on issues ranging from homeland security to foreign affairs, Alan enjoyed a distinguished career in the U.S. Navy. As acting commander of the Navy Recruiting Command, he led a successful organization that recruited 55,000 men and women into the Navy annually. He also served as the liaison officer for the U.S. Representative to the Military Committee at NATO, commanding officer of the USS Dixon, and served on the staff of the Joint Chiefs of Staff.

A graduate of the University of Kansas and the Industrial College of the Armed Forces, Alan completed graduate level studies in the areas of national mobilization, industrial preparedness, joint and combined operations planning and the management of resources for national security.

As COO, Alan will enhance our organization's ability to provide the seamless delivery of Red Cross services-especially disaster preparedness and response-that the public has come to expect. I hope you will join me in welcoming Alan McCurry to the American Red Cross team.

**AKIN GUMP
STRAUSS HAUER & FELD LLP**

Attorneys at Law

STEVEN ROSS
202.887.4343/fax: 202.887.4288
sross@akingump.com

January 31, 2006

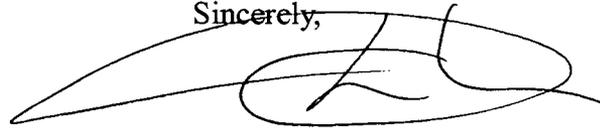
VIA MESSENGER

Dean Zerbe
Tax Counsel
Committee on Finance
SD-219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Dean:

On behalf the American Red Cross, we are providing a second set of documents in response to Chairman Grassley's letter of December 29, 2005. This document production includes documents requested in Section A and Section D of the Chairman's letter. For the Committee's convenience, we have sequentially numbered the documents. This set of documents are labeled SFC-ARC 000001 to SFC-ARC 002321 and SFC-ARC D000818 to SFC-ARC D000910.

Sincerely,



Steven Ross
Robin Weisman

cc: Mary S. Elcano
General Counsel and Corporate Secretary
American Red Cross



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

December 20, 2002

Mary S. Elcano
5606 Namakagan Road
Bethesda, MD 20816

Dear Mary,

I was delighted to learn from Marty that you had accepted the position of General Counsel at the American Red Cross. Congratulations to you and the Red Cross. You will make a great addition to the management team and to the Board's support system.

With best wishes for an enjoyable holiday and a fulfilling New Year.

Regards,

David T. McLaughlin

bcc: Marty Evans

Together, we can save a life.

SFC-ARC-A001645



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

cc given/Andrew

December 20, 2002

Gregory A. Kozmetsky
P.O. Box 1787
Austin, TX 78767

Dear Greg,

I was delighted to have an opportunity to visit with you and Marty last week. After reading your CV, I was anxious to meet you to learn how one can keep as many balls in the air as you do and be a positive contributor to each of them. You really are remarkable.

We will propose to the Executive Committee your election as a Governor at large of the American Red Cross at our meeting in mid January which will be the effective date of your joining the board. I look forward to working with you and until then wish you and your family an enjoyable holiday and a fulfilling New Year.

Warm regards,

A handwritten signature in black ink, appearing to read "D. McLaughlin".

David T. McLaughlin

cc: Marty Evans

Together, we can save a life

SFC-ARC-A001646



American Red Cross

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

Norman R. Augustine
Chairman

MEMORANDUM

TO: Board of Governors
Members

SUBJECT: Board Self Assessments
CEO Evaluation

FROM: Norm Augustine

DATE: March 16, 2001

cc: Bernadine Healy, M.D.

Last May we implemented a self-assessment for the Board of Governors and, at Dr. Healy's request, an annual CEO evaluation. Board self-assessments have become a standard and important governance practice for boards of directors and I hope that each of you takes the time to complete and return the evaluations.

The Board self-assessment consists of two parts: the first is an assessment each member completes regarding the Board as a whole. The second is an assessment each individual completes regarding his or her own performance on the Board. The purpose of the second assessment is to ensure that each member has a process by which to evaluate him or herself. In addition, it can identify weaknesses in Board orientation practices or Board development procedures.

Please return the completed evaluations to the National Association of Corporate Directors (NACD) in the appropriate envelopes by March 30. Each envelope is marked with a code for easier handling by the NACD. Please ensure that the code at the bottom of each page of the assessment matches the code on the envelope so that envelopes are not misdirected. The NACD will provide an unattributed compilation of results for our use.

Thank you in advance for your participation in this important process.

SFC-ARC-A001647

**American Red Cross Board of Governors
 SELF-ASSESSMENT QUESTIONNAIRE**

Evaluation Questions	Strongly	Disagree	Undecided	Agree	Strongly	12 Month Trend	
	Disagree				Agree	+ = better	- = worse
Roles and Responsibilities							
1. Governors understand the organization's values, mission and strategic intent.	1	2	3	4	5		
2. Governors understand the Board's oversight and policy-making role (governance) vs. the president & CEO's management role.	1	2	3	4	5		
3. The Board reviews the long-range strategic plan annually and assesses its achievement.	1	2	3	4	5		
4. The Board has effective procedures and standards to minimize and disclose conflicts of interest.	1	2	3	4	5		
Board & CEO							
5. There is mutual trust between the Board and the president & CEO.	1	2	3	4	5		
6. The Board supports the president & CEO.	1	2	3	4	5		
7. The Board challenges the president & CEO.							
8. The Board evaluates the president & CEO annually and has a mechanism in place to provide candid feedback.	1	2	3	4	5		
Risk Issues							
9. The Board reviews significant risk exposures.	1	2	3	4	5		

SFC-ARC-A001648

BOGA

Evaluation Questions	Strongly	Disagree	Undecided	Agree	Strongly	12 Month Trend	
	Disagree				Agree	+ = better	- = worse
Financial Oversight							
10. The Board reviews and approves annual operating plans and annual budget.	1	2	3	4	5		
11. The Board monitors key financial indicators.	1	2	3	4	5		
Board Role in Fund Raising							
12. The Board regularly reviews fund raising plans and assesses performance against the plan.	1	2	3	4	5		
13. The Board is regularly informed about the sources of funds and understands the fund raising strategy for the organization.	1	2	3	4	5		
14. Board members, individually, understand the obligation to obtain financial support for the organization.	1	2	3	4	5		
15. The Board has a policy on the individual Board member's responsibility make a financial contribution.	1	2	3	4	5		
Board Member Development							
16. Orientation of new Governors is effective and informative.	1	2	3	4	5		
17. The Mentor Program provides information that helps new Governors better understand and fulfill their responsibilities.	1	2	3	4	5		
Board Meetings - Effectiveness							
18. The Board focuses on appropriate governance issues.	1	2	3	4	5		
19. The Board receives clear, consise and relevant read-ahead information in a timely manner.	1	2	3	4	5		

SFC-ARC-A001649

BOGA

Evaluation Questions	Strongly	Disagree	Undecided	Agree	Strongly	12 Month Trend	
	Disagree				Agree	+ = better	- = worse
20. Timely resolution of issues occurs at meetings.	1	2	3	4	5		
21. Executive sessions are candid and constructive.	1	2	3	4	5		
Committee Meetings - Effectiveness							
22. The current committee structure is appropriate.	1	2	3	4	5		
23. Committee meetings focus on strategic issues.	1	2	3	4	5		
24. Committee members contribute to discussion in a meaningful way.	1	2	3	4	5		
25. Committee meetings are conducted with open communication.	1	2	3	4	5		
26. Timely resolution of issues occurs at committee meetings.	1	2	3	4	5		
27. The number of committee meetings per year is effective.	1	2	3	4	5		
28. Adequate time is allowed for committee meetings.	1	2	3	4	5		
Board Effectiveness							
29. The Board effectively manages its leadership and succession planning.	1	2	3	4	5		
30. Overall, the Board is effective.	1	2	3	4	5		

SFC-ARC-A001650

BOGA

Evaluation Questions	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	12 Month Trend	
						+ = better	- = worse
31. Additional Comments:							

SFC-ARC-A001651

BOGA



**American
Red Cross**

Board of Governors Office
430 17th Street, N.W.
Washington, DC 20006

SFC-ARC-A001652

Mr. Roger Raber
National Association of Corporate Directors
1828 L Street, N. W.
Suite 801
Washington, DC 20036

CONFIDENTIAL
BOGA

**AMERICAN RED CROSS
SELF EVALUATION OF INDIVIDUAL
BOARD OF GOVERNORS MEMBERS**

Please evaluate your performance as a member of the Board of Governors. Please indicate your level of performance in each category by placing an "X" under the appropriate performance heading.

Performance Level:

Excellent = accomplishes goals beyond reasonable expectations

Good = attains goals in a manner reasonably expected

Needs Improvement = shows lack of progress toward goals

	Excellent	Good	Needs Improvement
1. Understands the complexity of strategic, business and policy issues.	_____	_____	_____
2. Participates meaningfully in Board and committee Meetings.	_____	_____	_____
3. Actively participates in special assignments.	_____	_____	_____
4. Works cooperatively with other Board members, senior management and staff.	_____	_____	_____
5. Is open to making changes in the organization.	_____	_____	_____
6. Respects the Board's governance role.	_____	_____	_____
7. Is willing to present a dissenting view or make unpopular decisions, when necessary.	_____	_____	_____
8. Listens to and considers other ideas and opinions.	_____	_____	_____
9. Supports majority decisions.	_____	_____	_____
10. Continually expands relevant knowledge.	_____	_____	_____

SFC-ARC-A001653

Excellent Good Needs Improvement

- | | | | |
|---|-------|-------|-------|
| 11. Prepares adequately for Board meetings. | _____ | _____ | _____ |
| 11. Maintains confidentiality. | _____ | _____ | _____ |
| 12. Provides effective leadership to Board. | _____ | _____ | _____ |

Evaluator's signature

Date

SFC-ARC-A001654

SFC-ARC-A001655



**American
Red Cross**

Board of Governors
430 17th Street, N.W.
Washington, DC 20006

Mr. Roger Raber
National Association of Corporate Directors
1828 L Street, N. W.
Suite 801
Washington, DC 20036

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**AMERICAN RED CROSS
CHIEF EXECUTIVE OFFICER EVALUATION**

General Function:

Responsible for the success or failure of the American Red Cross (ARC). Leads by providing the vision and philosophy for ARC. Develops and implements strategic and operational plans to achieve the vision, oversees the operation of ARC, develops management, allocates resources, ensures control. Acts as ARC's chief spokesperson. Works with the Board to develop policy and maintain oversight.

Questions	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1. Leadership Leads ARC with a vision and philosophy which is well understood, widely supported consistently applied, and effectively implemented. Comments:	1	2	3	4	5
2. Strategic Planning The CEO assures the development of a long-term strategy for ARC which establishes objectives and plans that meet the needs of customers, employees, volunteers, and all stakeholders. Ensures consistent and timely progress toward strategic objectives. Obtains and allocates resources consistent with strategic objectives. Comments:	1	2	3	4	5

SFC-ARC-A001656

Questions	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
<p>3. Financial Results</p> <p>Establishes appropriate annual and longer term financial objectives and manages ARC to consistently achieve these goals. Ensures that appropriate systems are maintained to protect assets and maintain effective control of operations.</p> <p><u>Comments:</u></p>	1	2	3	4	5
<p>4. Succession Planning</p> <p>Develops, attracts, retains, motivates, and supervises an effective top management team capable of achieving ARC's objectives. Provides for management succession.</p> <p><u>Comments:</u></p>	1	2	3	4	5
<p>5. Human Resources/EEO</p> <p>Ensures the development and communication of effective recruitment, training, retention and personnel plans and programs to provide and motivate the necessary human resources to achieve objectives. Establishes and monitors programs to enhance team-building and provide equal opportunity for minority employees; encourages a diverse workforce.</p> <p><u>Comments:</u></p>	1	2	3	4	5

SFC-ARC-A001657

American Red Cross

Confidential

3/

Questions	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
<p>6. Communications/External Serves as ARC's chief spokesperson, communicating effectively with all of its stakeholders. Represents ARC in community and industry affairs. <u>Comments:</u></p>	1	2	3	4	5
<p>7. Board Works closely with the Board of Governors to keep them fully informed on all important aspects of the status and development of ARC. Facilitates the Board's governance, composition and committee structure. Implements Board policies and recommends policies for Board consideration. <u>Comments:</u></p>	1	2	3	4	5
<p>8. Style of Management Motivates personal and company performance with management style. Respected as a role model for principles, values and behavior. Is building and retaining a strong management team to face a challenging future. <u>Comments:</u></p>	1	2	3	4	5

SFC-ARC-A001658

Questions	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
9. <u>Overall Comments:</u>					
10. <u>Key challenges in year ahead:</u>					
11. <u>Thoughts and concerns:</u>					

SFC-ARC-A001659



**American
Red Cross**

Board of Governors
430 17th Street, N.W.
Washington, DC 20006

Mr. Roger Raber
National Association of Corporate Directors
1828 L Street, N. W.
Suite 801
Washington, DC 20036

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CEOA**

SFC-ARC-A001660

Memorandum

To: Terry Sicilia

From: David McLaughlin

Date: 12/03/02

Re: Trained Dogs for Disaster Relief Agencies

I bring this to you as I am not sure where else the inquiry should go. I was approached by some folks in New Hampshire about an initiative that they are anxious to pursue that could involve the Red Cross. It involves using dogs and handlers that are trained to assist disaster relief agencies in dealing with trauma and stress related situations.

This group of individuals is led by Jeanie Plant who has picked up on the idea from the use of dogs for search and rescue procedures only in this instance the dogs, or other animals, would be trained and registered for in trauma or emotional stress to connect with reality.

They would like to undertake a pilot program with the Concord Chapter and possibly other disaster relief agencies in the State to prove out the procedures and the concept. From the ARC standpoint, I assume that we would need to designate someone in the chapter to work with them and to give them credibility assuming that Mary Ann Leon and the Chapter were willing to do so.

Any thoughts that you have on this would be helpful.

Thanks.



cc: Marty Evans

bcc: Jeannie Plant

SFC-ARC-A001661



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 22, 2002

Mr. Harold Decker
Interim President and CEO
American Red Cross
430 17th Street, NW
Washington, DC 20006

Harold:

A point of clarification--

When I was in Geneva, we met with the G-24 Group - the largest national society funding group of the Federation. At that time they said that the Governing Board had passed the enclosed resolution.

Bill Usher, as the Chair of the Finance Committee - indicated at the meeting that if the ARC did not remit by February, they would need to curtail their budget and would necessarily start proceedings to remove the ARC from the Federation. He said quite clearly that once the process to remove a member is initiated, it is very difficult to abort that course of action. It was at that point that I indicated that we understood that we may be forced to leave the Federation, if they withdrew our recognition, but that our Board had reaffirmed its policy and that we hoped that a way to admit MDA could be found, as soon as possible.

While there was not a formal resolution to initiate the divorce proceedings, it was implied in the enclosed and stated quite clearly at the meeting. This does not change our policy and time is probably on our side, but it would be nice to get this issue off the Federation's and our agenda.

David T. Mc Laughlin

Enclosure

Together, we can save a life

SFC-ARC-A001662



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

December 17, 2001

Abe Pollin
Chairman of the Board and CEO
Washington Sports & Entertainment
MCI Center
601 F Street N.W.
Washington, DC 20004

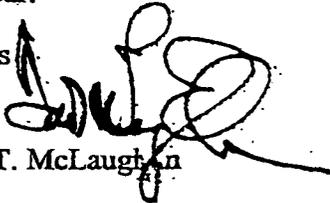
Dear Abe:

I enjoyed our visit last week and appreciate your coming over to Red Cross Square. Your nomination of Terry L. Lierman for the Presidency of the Red Cross looks inspired. He has a wonderful background and your endorsement of him is even more important. I have forwarded this to the Search Committee and will keep you advised of their progress after the first of the year.

Enclosed are the materials on the new E Street building of the Red Cross. In January, I would like to have you meet with one or two of our staff who are responsible for the building and its funding to take advantage of your experience with projects of this magnitude and to solicit your ideas on how we might attract some significant contributions through naming opportunities.

Until then, you have my best wishes for an enjoyable holiday, and a healthy and fulfilling New Year.

Regards


David T. McLaughlin

DTM:jk

Bcc: Harold Decker
Skip Seitz
Jack Campbell

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SFC-ARC-A001663



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 17, 2002

Frank Donaghue
Interim Executive, Communications and Marketing
American Red Cross
Washington, DC

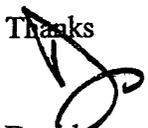
Frank,

I spoke with Dede Seymour, former Governor, in SF today— her concerns and counsel were:

- The Former Governors, led by their Chair, Sarah Schwartz, receive no information on issues, talking points, etc and yet they are still perceived as representing the RC and want to help. She wants me to call Sarah, but asks that the former governors be put on the regular mailing list and given talking points so that they can respond on key issues.
- Jim Topping is a very effective spokesperson for ARC but is not being kept informed and has never heard back from national regarding questions that he has raised. This needs to be corrected and connected.
- She wants me to get back to her on 1) Armenia – have we abandoned this program, are we pulling back, what is our status: 2) Turkey – where are we, do we still have money being held there, what is the status and 3) with hurricane Mitch disaster relief funds, have we spent the money, and if not, what are our plans and how do we justify holding money when people are suffering ?? She feels that we have a big vulnerability here.

Can you help us get on top of these issues as I need to get back to her with “actions taken” and to call Sarah. Please let me know.

Thanks


David

CC: Harold Decker
Gerry Jones

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SFC-ARC-A001664



American
Red Cross

18 Jan.

Dede -

THANKS FOR THE
SUGGESTIONS - I
WILL FOLLOWUP
DIRECTLY AND GET
BACK TO YOU ON THE
STATUS OF THE THREE
INTERNATIONAL SITUATIONS
THAT YOU MENTIONED -
LOOK FORWARD
TO MEETING YOU -

DAVID T. McLAUGHLIN
46 Newport Road, Suite 205, New London, NH 03257

SFC-ARC-A001665

Mailed



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 17, 2002

Mr. Juan Manuel Suarez del Toro R.
President
International Federation of Red Cross
And Red Crescent Societies
Post Office Box 372
CH-121 Geneva 19
SWITZERLAND

Dear Mr. Suarez del Toro;

I appreciated receiving your letter of January 8 regarding my potential visit to Geneva. Unfortunately I will now be unable to travel during the proposed dates and regret that I will have to postpone our visit. However, I am pleased to learn that Mr. Cherpitel will be meeting with Harold Decker in New York on January 30th. I am sure it will be a productive day of dialogue regarding matters of mutual interest.

I would like to extend a warm invitation to you to visit our National Headquarters in Washington to meet with me and our senior leadership team, to see our facilities and programs, and to visit with various government leaders. Your schedule permitting, I hope this trip might be possible in late February or early March. Gerry Jones, Vice President of International Services, will be in touch with your staff to discuss the possibility and scheduling for such a visit.

I look forward to building upon the cooperative spirit we discussed at the General Assembly in last November and would be honored to have you as our guest in Washington.

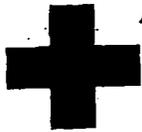
Regards,

David T. McLaughlin

Cc: Didier Cherpitel, Secretary General, International Federation
Harold Decker, Interim CEO and President, American Red Cross
Gerald Jones, Vice President, International Services

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SFC-ARC-A001666

**American Red Cross**National Headquarters
Washington, D.C.

To: Board of Governors
From: David McLaughlin
Harold Decker
Date: January 16, 2002
Subject: Update on Major Issues

We have tried to assure that the Board of Governors has been kept informed regarding major initiatives and priorities that have been announced in the past months, including most notably, the appointment of former Senate Majority Leader George Mitchell who will serve as independent overseer of the Liberty Fund. We also want to bring you up to date on other efforts underway throughout the organization. This is the first in a series of regular communications to you; you can expect to hear from us shortly after each meeting of the Executive Committee.

As mentioned above, Senator George Mitchell has agreed to become the independent overseer of the Liberty Fund and will help us ensure that the ongoing and long-term needs of those affected by September 11 are met, including economic assistance, health-care and vocational training. The American Red Cross has not ceded responsibility; rather, we have further opened the fund to public scrutiny and to someone who enjoys the firm trust of the American people. An experienced group of American Red Cross disaster service delivery experts, led by Bob Bender, CEO of the American Red Cross in Greater New York, has recommended the outline of a plan to spend the \$360 million in Liberty Fund contributions that has not yet been committed. We will present an overview of this strategy to the Executive Committee on January 18 and will hold a press conference in New York on January 31 when we will share our plans with the public.

Most recently, you received our update on the search for a new President and CEO. Ambassador Jones and our executive search firm, Russell Reynolds Associates, will be working on a more detailed timetable which will be shared with you at the Board retreat in February.

Separately, you will soon be receiving from Corporate Secretary Andrea Morisi the schedule and other details for the February meeting of the Board of Governors. We have made changes to our traditional timetable, including adding time for a retreat, that I hope you will find accommodating.

As Harold said in Dallas on January 4, we will mobilize disaster volunteers and services quicker by making structured changes in our disaster services operations and the Disaster Services Human Resources system. To do that, we will conduct an internal and external review of our processes with a greater focus on customers. Front-line workers will be empowered to administer programs, make decisions and make sure people's needs are met.

Our efforts to reiterate our long-standing and unchanged position on Magen David Adom continue to be met with lingering confusion. We remain steadfast and unwavering in our belief that MDA must be accorded full membership in our Movement as is its right. We will bring a statement of mutual agreement with the MDA to the Executive Committee for their review and will share this with you in February. Our relationship with MDA must be truly mutual. We can learn much from them in the areas of attracting volunteers and responding to terrorism. Harold and I had the recent pleasure of meeting with MDA Director General Avi Zohar, and we are continuing our strategy of targeting media in key markets like New York and Washington to reestablish our position.

You have urged Harold and me to address the need for us to communicate more effectively from national headquarters. In that regard, Harold has made several changes in that area, hiring Bob Chlopak, partner of Chlopak Leonard Schecter and Associates, and Rob Rehg, general manager, Edelman Public Relations Worldwide, to hone our messaging. We have also engaged Jackson, Jackson and Wagner to recommend ways to effectively restructure the current Communication and Marketing Department—you can be assured that field input and focus are part of our strategy. We will share management's broad recommendations with the Executive Committee on January 18.

As regards one media issue in particular, we are still expecting the 60 Minutes broadcast to focus on the Red Cross using the recent public relations problems in the San Diego/Imperial County Chapter as a news hook. Each of us has met with the chapter's leadership and expressed our concerns on how the situation has been handled. We are hopeful that a very targeted plan for action will show results. Management will continue to monitor the chapter's performance.

One key challenge in the wake of the recent negative press and other issues surrounding the overwhelming giving for September 11 is to help chapters raise money to pay for the disasters they face every day. To this end, we plan to conduct research on messaging and have organized a special committee of the Board, headed by Pat Kennedy, who will work with management to examine fund raising policies. Harold has also asked Grenzebach, Glier and Associates, Inc. to conduct a preliminary audit of our Development Department to redefine its focus on chapter capacity building. This means that other fund-raising efforts, including the new headquarters building in D.C., will be temporarily realigned.

To emphasize the importance of fund raising to our success, from February 11-13, we will both be in Albuquerque for Partners in Progress 2002, which will explore and discuss Red Cross fund-raisers' roles, responsibilities and opportunities in this changing world. At this important conference, with a theme of "Together for Tomorrow," we will be joined by Pat Kennedy, Gloria White, Pat Powers and, hopefully, other colleagues from the Board.

To highlight its lifesaving Measles Initiative Partnership in Africa, the Red Cross will launch its campaign on February 6 at a major event in Washington. The American Red Cross is joined in this effort by the United Nations Foundation, the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), PLAN International and the Federation. The Measles Initiative will vaccinate 220 million children in 36 Sub-Saharan African countries. By 2005, this action will have prevented an estimated 1.6 million deaths, bringing measles deaths on that continent to near zero. The strategy of supporting mass immunization campaigns will require sustained effort and strong partnerships among NHQ and chapters, along with the other partners in this initiative.

Our legal dispute with the Food and Drug Administration (FDA) continues. We will keep you informed about this issue as events warrant and want to reiterate our utter conviction in our stewardship of America's blood supply. We assure you the nation's blood supply has never been safer. Interestingly, polling research we have conducted on the issue with Edelman Public Relations Worldwide reveals that the public confidence in the American Red Cross has held up very well in spite of harsh public criticism by the FDA. Confidence in the Red Cross ability to collect and distribute blood safely is at 90 percent, up 2 percent from 1993. People also intuitively side with our organization over the FDA, and 70 percent agree with our position that proposed fines are inappropriate and that the money would be better used to invest in Red Cross blood programs. We remain committed to our central goal of blood safety and availability.

Also on February 5, Harold will be speaking in Salt Lake City to highlight American Red Cross efforts surrounding the Olympic Games. For the first time at such an event, Red Cross activities will be completely integrated between our Health and Safety and Disaster Lines of Service. The Red Cross team will be highly visible, offering high-tech first aid response capability by fielding teams of AED-trained responders. Behind the scenes in Salt Lake, Red Crossers will be working closely with the Olympic Committee and the authorities to prepare for any emergency, especially considering the heightened security. Our colleague Jon Huntsman has kindly offered his Salt Lake restaurant as the locale for a special recognition event.

Finally, David has just returned from India, where he met with the secretary general of the Indian Red Cross Society, Dr. Vimala Ramalingam. Discussions covered American Red Cross-Indian Red Cross projects, including a national HIV/AIDS prevention education program, community health and water/sanitation efforts and psychosocial earthquake recovery projects in Gujarat State. David also visited an Indian Red Cross State Chapter and saw some of their programs.

Again, we pledge to keep you informed on these and other major developments. As our volunteer governors, your knowledge is essential to providing effective oversight. In the meantime, if you receive any press inquiries, please call Frank Donaghue, interim executive, Communication and Marketing, at (215) 919-0077.

SFC-ARC-A001669



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 16, 2002

Mr. Sumner Redstone
Chairman and CEO
Viacom
1515 Broadway
New York NY 10036

Mr. Mel Karmazin
President and COO
Viacom
1515 Broadway
New York, NY 10036

Dear Sumner and Mel:

I am most grateful to you and to Viacom for Viacom's matching gift to our associate's donations to the Red Cross. It is a wonderful contribution and is very helpful in addressing the needs of those affected by the 11 September 2001 disaster.

I wish you well in the New Year and look forward to seeing you at the board meeting in several weeks.

Regards,

David T. McLaughlin
Chairman

DTM: ln

bcc: Harold Decker
Skip Seitz

SFC-ARC-A001670

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**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 3, 2002

Dr. Bernadine Healy
710 County Line Road
Gates Mills,
Ohio 44040

Dear Bernadine,

I wanted to respond to your letter of 20 December 2001 recommending that the Red Cross consider making a \$150,000 cash grant to each of the victims of the 11 September disasters, before the end of the year. While there is certain attractiveness to the simplicity and clarity of the idea, the team in New York has expanded and extended the grant levels through the case workers with the result that we will have expended \$320 million by the end of 2001. The end objective is the same, as that which you suggested, but is a bit more rationalized as to individual need.

I know of no one who will not be happy to see 2001 come to a close. The first year of the third millennium has brought great tragedy to so many families. It has also been a difficult period for the Red Cross. When we agreed to an extended severance for you it was in the spirit that you would retire from the Red Cross immediately, return to Cleveland, and as you said, "remove myself from involvement with the Red Cross and in commenting on the Red Cross unless asked to do so". Clearly, based on the interviews in the *New Yorker*, the *New York Times*, the talk shows, and in other publications, you have not found it possible to adhere to the spirit or the intent of the agreement that we had.

Your need to justify your record is unfortunate, as it has made it difficult for the management of the Red Cross to get its message across and has sown seeds of public distrust in the organization that is based on the spirit of volunteerism. While this issue has been brought to your attention earlier, the problem continues and will necessarily be the cause of a review of our prior agreements and understandings.

As we begin a new year, I wish you and your family a healthy and fulfilling 2002.

Regards,

David T. McLaughlin

CC Harold Decker

Together, we can save a life.

SFC-ARC-A001671



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

January 2, 2002

Mr. James H. West, C.P.A.
West and Associates
2550 5th Avenue, Suite 103
San Diego, CA 92103

Dear Jim:

I appreciated receiving your letter of 10 December 2001 and am grateful for your candid comments and the spirit in which they were made. The San Diego situation clearly got out of hand for some of the reasons that you have identified. There was enough blame to go around between the Chapter and National – neither one handled it as well as they might have.

We are both interested in looking forward and to getting this problem behind us so that the Chapter can continue to serve its constituency as well as it has in the past. I would be interested in what course of action you think should now be taken by National and the Chapter. Any thoughts that you have as to how we can be helpful in this situation, please let me know.

I wish you a very fulfilling and successful New Year.

Regards,

David T. McLaughlin

DTM: ln

CC: Harold Decker (w/attachments)

Together, we can save a life

SFC-ARC-A001672

**WEST
& ASSOCIATES**

Certified Public Accountants and Consultants

DEC 21 2001

December 10, 2001

David McLaughlin
Orion Safety Products
The Gallery, Suite 205
46 Newport
New London, NH 03257

Re: Red Cross - San Diego Chapter

Dear Mr. McLaughlin:

This is not a complaint, but rather an objective information summary which may be helpful.

When I was on the Board of Governors, Jim Krueger was my staff counterpart for part of the time I was Chairman of Public Support. Jim and I worked well together and we have always had a good relationship.

In August, after Dr. Healy had inappropriately involved herself in the controversy started by a local politician, I called Jim and asked him to come to San Diego. I felt he was the best person at NHQ to both clarify the issues and help with solutions. He did not come until November.

As you are probably aware, NHQ does not have any policy for chapters on what costs are chargeable to local disasters. The chapter sought advice in this instance I am informed, both from Jim Krueger and others at NHQ and other chapters because this was a unique situation. The chapter followed the advice given. When NHQ sent auditors to review the matter, they did not have any conclusion at the exit conference, since they didn't have any guidelines to measure against. They did identify minor problems in the accounting and service delivery, but generally were very positive. The Chapter's charges to the disaster included an appropriate allocation of direct and indirect costs.

When Jim Krueger finally came here on November 8, he did not apologize for the delay in meeting with the press or the fact the NHQ did not have any policy on local disaster costs. The report which was provided to the press was dated September

James H. West, C.P.A. Christopher M. Roberts, C.P.A. Cheryl M. Rhode, C.P.A. Laura J. Mahaney, M.A.

SFC-ARC-A001673

David McLaughlin
Orion Safety Products
December 10, 2001
Page 2

12, 2001 and on November 8 stated that "Guidance for accumulating and allocating costs for a locally funded disaster relief operation is not available to chapters". Likely none of the press read the report since the press conference focused on the negatives, both by Jim Krueger and the local politician. The chapter chairman made apologies for any shortcomings of the service delivery and any miscommunications.

Bear in mind that the local politician believed that all funds raised should be paid to the victims, and the press had continued to carry this message from the start. The press conference did not clarify the mission of the Red Cross or explain that we do not make such distributions.

As a result, the matter continues to fester. The too little - too late NHQ response did not support the chapter. NHQ should have the same prompt response for chapter issues as is expected for disasters. Now the editorial board of the newspaper is reporting that the NHQ audit revealed a "misuse of funds raised for the victims." This is false as Jack Campbell or other staff will verify.

In summary, the matter expanded into a big issue because of Dr. Healy's interference and the delay in providing a proper response from NHQ. Chapters as well as NHQ make decisions that don't please everyone, but the San Diego Chapter's decisions in this matter were guided by National. Jim Krueger's conduct did not support either NHQ or the Chapter.

Chapter staff and volunteers need support from NHQ. Chapters raise the money and deliver the services. NHQ should demonstrate leadership, not bureaucracy.

I trust you will accept this in the spirit it is provided.

Very truly yours,

James H. West

JHW/acm

SFC-ARC-A001674

mailed



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

July 8, 2002

Mr. William B. Walsh
5307 Duvall Road
Bethesda, MD 20816

Dear Mr. Walsh:

Harold Decker forwarded your letter of 24 June 2002 to me as we are in a transition period before our new President, Marty Evans, comes on board on 5 August 2002.

We are grateful for your interest and as soon as we are in a position to assess our ongoing management requirements, we will be back in touch with you.

Regards,

David T. McLaughlin

bcc: Harold Decker
Stan Davis



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

July 8, 2002

Mr. Bill Van Eman
Chairman, Brazos Valley Chapter
American National Red Cross
4244 FM 158
P.O. Box 4461
Bryan, Texas 77805-4461

Dear Bill,

I appreciated receiving your very thoughtful letter of 18 June 2002. Your observations regarding the issues relating to the Liberty Fund are correct – if there had been more thought and consultation in establishing the fund, we would not have been subject to the barrage of media criticism that forced us to reverse course and dedicate all of the monies to those affected by the disaster.

Withholding some funds to cover chapter expenses makes infinitely good sense. With our new President on board, I suspect that we will be undertaking a thoughtful analysis of the rationale for our current system of assessments and how we fund disaster response and other programs at the community level. In that regard, I will share your good letter with Marty Evans.

I hope that this finds you well and look forward to working with you.

Regards,

David T. McLaughlin

cc: Marty Evans w/incoming letter

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SFC-ARC-A001676

JUN 24 2002



**American
Red Cross**

www.redcrossbrazosvalley.org

Brazos Valley Chapter
4244 FM 158
PO Box 4461
Bryan, Texas 77805-4461
(979) 776-8279
(979) 776-9357 FAX

June 18, 2002



David T. McLaughlin
American National Red Cross
430 17th Street, N. W.
Washington, D. C. 20006

Dear Mr. McLaughlin:

As the Chairman of the Board of the Brazos Valley Chapter of the American National Red Cross, I have been doing some deep thinking regarding the status of our chapter and the relationship that our chapter has with the national organization. I believe that some of my thoughts deserve to be relayed to you for your consideration.

Today is one week past the nine-month anniversary of the terrible tragedies in New York City and Washington, D. C. Our nation has never faced a crisis of this magnitude on our own shores. The way we travel, the way we conduct business, and the way Americans perceive other people will forever more be blurred by the events of September 11. In many ways, we rediscovered the good qualities that most Americans possess (and many other nations around the world) as well as the resiliency of one of the world's greatest cities. Now our servicemen and women across the globe are in the process of rooting out the people responsible for the horrific acts of that day. In all of these situations the Red Cross was there to help.

The cleanup at Ground Zero is over and the citizens of New York are contemplating how to properly commemorate those who lost their lives that day. I'm sure whatever is decided will rank as one of the top tourist attractions in the world as individuals return to the site of what was once an engineering marvel to mourn for the people who died that day. The Red Cross should be included in that memorial for our efforts as well.

Over the first few weeks after the tragic day, I could not have been prouder of the Red Cross. We set up fundraising efforts quickly, sent volunteers to the site to aid the firefighters and cleanup crews, and began to prepare for the near certain military campaign that was to occur. However, as the days and weeks wore on, the press began to ask questions as to how the funds that were raised to help the victims were to be distributed. First, the United Way received some scrutiny. Then the Red Cross was

SFC-ARC-A001677

questioned. I do not want to rehash all of the details of that situation, as I am sure you are well aware of what happened. However, I would like to relay some of what our local chapter went through.

First, we garnered some positive publicity locally for handling the fundraising for the victims of September 11. There was a local blood drive that was very successful. As the Chairman, I was on local television twice to publicize local fundraising drives and to remind the local population that the Brazos Valley Chapter needed funds for local emergencies in our service area. One thing that I did not count on was the negative publicity that would follow the national articles. One local disc jockey spent most of his morning drive time show for approximately two weeks criticizing the Red Cross, stating that all of the money that we received was not going to go to the victims. While this was essentially true (the Red Cross was also using those funds for direct services), he twisted the words of the Red Cross to make us out to be less than true to our mission.

I can certainly understand how the press can take a seemingly innocent and accurate statement and print or broadcast a story that sounds much worse than it is. What I cannot understand is how the Red Cross reacted so poorly to the stories. What could have been a grand opportunity for the Red Cross to shine turned into a stellar example of how not to handle a crisis. By the time Dr. Healy was no longer with the organization, we were already reeling from several poor reports in the print and broadcast media. The departure of Dr. Healy solved only a temporary problem and called into question our long-term goals. Locally our chapter was able to deflect some of the criticism by referencing several small disasters that we were able to handle plus our yearly efforts to combat the hot weather in our part of Texas. Nevertheless, the handling of the post-September 11 events damaged the overall image of the Red Cross and thrust our local chapter into a poor light. It also negatively affected our fundraising locally.

Allowing the local chapters to keep 10% of the funds raised within their respective jurisdictions for the September 11 victims was a good idea. It allowed us to cover our overhead and compensate the local chapter for at least some of the cost of preparing the paperwork to remit the money to National. It also allowed the local chapter a small amount of compensation for the funds that we were not going to be able to raise in the coming months. Nearly every charity in the country experienced a decline in giving after September 11. Allowing us to have a small portion of the funds raised was a wise idea. It could have been phrased as a special administrative cost and not a soul would have said anything. This concept worked well for the Tropical Storm Allison fund in the summer of 2001 and was working well for the Liberty Fund until our Chapter had to send to National all of the funds over our regular administrative costs. The request from National was in response to the criticism that was received over the Liberty Fund. In our Chapter, we prevailed upon staff and volunteers to work harder for little or no compensation during that period in order to keep the Chapter's administrative costs well below the 10% cap. The intent of the 10% cap was to provide a benefit to the Chapter for the efforts in aiding the September 11 victims and workers on site. When National changed the policy and asked for all funds less than the 10% cap and above our actual costs, the benefit that we had worked so hard for was lost to our Chapter. Had we hired

temporary workers, we could have expensed the cost, but our goal was to do the job for as small a cost as possible in order to maximize our benefit. In addition, the Chapter staff also had to re-account for the actual expenses. Adding more work to an already busy day in order to satisfy the new requirements complicated our situation.

This brings me to a question that I have contemplated over the last few days. What does the chapter get for the assessment it pays to National? I understand that an overhead component must be built in to our operations for the overall management of the National office. I have read the assessment portion of my Red Cross Director's Handbook so I know exactly what we are supposed to get. However, in reality, if all we get as local chapters is bad publicity and additional paperwork, I do not feel this is a wise use of funds on the national level. First, National allows the Red Cross to be put in a poor light, then it adds to the work of the local chapters with additional paperwork. The new requirement added work to an already full workday. On top of that, the local board wanted to know what National was going to do to help the local chapters. There were not many useful messages from National to help the local chapters deal with the situation. The local board and volunteers were left to answer questions with little or no direction from National in regards to information. Again, this is not a wise use of funds in my opinion.

I'm sure other local chapters had similar. With the large number of deserving charitable organizations in the U.S., the Red Cross is in tough competition for every dollar it gets. To maximize our efforts, we should put forth the best possible image. It is tough to compete for a donation when the reputation of the charity suffers for something the local office did not do. The local chapters are the heart of the Red Cross nationwide. They should be informed of all events prior to the press release so that the local individuals are prepared to answer questions. With the ease that information can be disseminated in today's society, I think this is a fairly reasonable request. I was encouraged by the information put out via the website from the Q & A session at the National Convention. Perhaps that could be made a consistent feature, perhaps even including a quarterly conference call. The chapters could ask questions to clarify and National could get a feel for what is going on locally.

I believe the Red Cross has a special place in America. All chapters, including the National office, should be working toward maintaining that image.

Sincerely,



Bill Van Eman
Chairman, Brazos Valley Chapter
American National Red Cross

SFC-ARC-A001679

Independent Auditors' Report



The Board of Governors
The American Red Cross:

We have audited the accompanying consolidated statement of financial position of the American Red Cross as of June 30, 2002, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of management of the American Red Cross. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain chapters, which statements reflect total assets constituting 21 percent and total revenues and gains constituting 12 percent, respectively, of the consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for such chapters, is based solely on the reports of the other auditors. The prior year summarized comparative information has been derived from the American Red Cross' 2001 consolidated financial statements and, in our report dated October 5, 2001, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Red Cross as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

McLean, VA
October 4, 2002

Consolidated Statement of Financial Position

June 30, 2002
 (with summarized information as of June 30, 2001)
 (In thousands)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2002	2001
Current assets:					
Cash and cash equivalents	\$ 146,247	\$439,569	\$ 1,386	\$ 587,202	\$ 177,492
Investments (Notes 8, 9, and 14)	309,913	11,050	12,514	333,477	355,090
Receivables, net of allowance for doubtful accounts of \$19,604 in 2002 and \$19,301 in 2001:					
Trade	304,543	15,258	-	319,801	317,767
Contributions, current portion (Note 2)	16,411	110,103	56	126,570	133,183
Other (Note 9)	-	-	15,825	15,825	9,302
Inventories, net of allowance for obsolescence of \$7,750 in 2002 and \$6,784 in 2001	197,252	6,402	-	203,654	190,272
Other assets	12,547	3,162	183	15,892	23,289
Total current assets	986,913	585,544	29,964	1,602,421	1,206,395
Investments (Notes 8, 9, and 14)	548,633	155,674	325,238	1,029,545	1,120,773
Contributions receivable (Note 2)	4,209	28,374	2,243	34,826	39,339
Prepaid pension costs (Note 11)	-	-	-	-	11,858
Land, buildings, and other property, net (Note 3)	823,541	-	-	823,541	733,177
Other assets	11,089	1,500	22,704	35,293	26,171
Total assets	2,374,385	771,092	380,149	3,525,626	3,137,713
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	287,209	9,453	-	296,662	293,476
Current portion of debt and capital leases (Notes 4 and 5)	39,894	-	-	39,894	89,372
Postretirement benefits (Note 11)	18,924	-	-	18,924	16,807
Other current liabilities (Note 9)	20,653	2,840	63	23,556	18,068
Total current liabilities	366,680	12,293	63	379,036	417,723
Debt and capital leases (Notes 4 and 5)	357,453	-	-	357,453	360,870
Pension and postretirement benefits (Note 11)	120,042	-	-	120,042	108,339
Other liabilities (Note 9)	92,623	1,180	20	93,823	86,644
Total liabilities	936,798	13,473	83	950,354	973,576
Net assets (Notes 6, 7, 10 and 12)	1,437,587	757,619	380,066	2,575,272	2,164,137
Commitments and contingencies (Notes 4, 5, 13 and 14)					
Total liabilities and net assets	\$2,374,385	\$771,092	\$380,149	\$3,525,626	\$3,137,713

See accompanying notes to the consolidated financial statements.

SFC-ARC-A001720

Consolidated Statement of Activities

Year ended June 30, 2002

(with summarized information for the year ended June 30, 2001)

(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2002	2001
Operating revenues and gains					
Public Support:					
United Way and other federated	\$ 65,616	\$122,452	\$ -	\$ 188,068	\$ 205,549
Disaster relief (Note 10)	-	133,376	-	133,376	84,601
Liberty disaster relief - Sept 11 response (Note 12)	-	989,060	-	989,060	-
Legacies and bequests (Notes 7 and 9)	67,118	6,745	22,022	95,885	115,594
Services and materials (Note 12)	22,034	96,222	-	118,256	49,728
Grants (Note 12)	21,236	67,175	-	88,411	76,351
Other contributions	213,289	36,915	705	250,909	230,845
Products and services:					
Biomedical	1,924,077	-	-	1,924,077	1,686,090
Program materials	136,582	906	-	137,488	121,724
Contracts	58,171	-	-	58,171	50,175
Investment income (Notes 8 and 12)	81,394	1,069	-	82,463	81,405
Other revenues	49,089	2,008	-	51,097	40,844
Net assets released from restrictions	1,035,410	(1,035,410)	-	-	-
Total operating revenues and gains	3,674,016	420,518	22,727	4,117,261	2,742,906
Operating expenses:					
Program services:					
Armed Forces Emergency Services	61,513	-	-	61,513	65,756
Disaster services	308,156	-	-	308,156	284,822
Liberty disaster relief - Sept 11 response (Note 12)	617,960	-	-	617,960	-
Biomedical services (Note 13)	1,872,967	-	-	1,872,967	1,699,978
Health and safety services	213,614	-	-	213,614	203,058
Community services	152,902	-	-	152,902	150,108
International services	32,736	-	-	32,736	45,238
Total program services	3,259,848	-	-	3,259,848	2,448,960
Supporting services:					
Fund raising (Note 12)	136,901	-	-	136,901	108,616
Management and general	174,182	-	-	174,182	154,726
Total supporting services	311,083	-	-	311,083	263,342
Total operating expenses	3,570,931	-	-	3,570,931	2,712,302
Change in net assets from operations	103,085	420,518	22,727	546,330	30,604
Nonoperating gains/(losses) (Notes 4 and 8)	(131,900)	(548)	(2,747)	(135,195)	(63,876)
Cumulative effect of accounting change (Note 4)	-	-	-	-	2,201
Change in net assets	(28,815)	419,970	19,980	411,135	(31,071)
Net assets, beginning of year	1,466,402	337,649	360,086	2,164,137	2,195,208
Net assets, end of year	\$1,437,587	\$757,619	\$380,066	\$2,575,272	\$2,164,137

See accompanying notes to the consolidated financial statements.

SFC-ARC-A001721

Consolidated Statement of Functional Expenses

Year ended June 30, 2002
 (with summarized information for the year ended June 30, 2001)
 (In thousands)

	Program Services							Total Program Services
	Armed Forces Emergency Services	Disaster Services	Liberty Disaster Relief - Sept 11 Response	Biomedical Services	Health and Safety Services	Community Services	International Services	
Salaries and wages	\$35,329	\$ 76,450	\$ 4,966	\$ 749,046	\$100,866	\$ 66,654	\$ 8,340	\$1,041,651
Employee benefits	6,701	16,758	773	165,697	19,894	13,698	1,706	225,227
Subtotal	42,030	93,208	5,739	914,743	120,760	80,352	10,046	1,266,878
Travel and maintenance	1,673	20,479	32,601	35,515	5,068	4,111	1,826	101,273
Equipment maintenance and rental	1,173	11,105	11,387	62,322	5,005	5,950	515	97,457
Supplies and materials	3,394	25,095	10,416	417,349	44,001	21,937	849	523,041
Contractual services	8,252	42,887	61,479	379,081	27,643	20,859	1,788	541,989
Financial and material assistance	2,803	106,406	496,338	14,132	3,528	13,811	17,236	654,254
Depreciation and amortization	2,188	8,976	-	49,825	7,609	5,882	476	74,956
Total expenses	\$61,513	\$308,156	\$617,960	\$1,872,967	\$213,614	\$152,902	\$32,736	\$3,259,848

	Supporting Services			Total Operating Expenses	
	Fund Raising	Management and General	Total Supporting Services	2002	2001
Salaries and wages	\$ 42,260	\$ 81,174	\$123,434	\$1,165,085	\$1,046,171
Employee benefits	8,436	16,145	24,581	249,808	199,204
Subtotal	50,696	97,319	148,015	1,414,893	1,245,375
Travel and maintenance	3,708	6,466	10,174	111,447	78,208
Equipment maintenance and rental	1,902	5,260	7,162	104,619	84,227
Supplies and materials	35,167	6,494	41,661	564,702	477,547
Contractual services	41,147	44,991	86,138	628,127	563,436
Financial and material assistance	1,713	4,285	5,998	660,252	175,994
Depreciation and amortization	2,568	9,367	11,935	86,891	87,515
Total expenses	\$136,901	\$174,182	\$311,083	\$3,570,931	\$2,712,302

See accompanying notes to the consolidated financial statements.

SFC-ARC-A001722

Consolidated Statement of Cash Flows

Year ended June 30, 2002
 (with summarized information for the year ended June 30, 2001)
 (In thousands)

	2002	2001
Cash flows from operating activities:		
Change in net assets	\$411,135	\$(31,071)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	86,891	87,515
Provision for doubtful accounts receivable	8,249	10,222
Provision for obsolete inventory	18,959	3,813
Net gain on sales of property	(948)	(903)
Net investment losses	127,912	43,758
Cumulative effect of accounting change	-	(2,201)
Permanently restricted contributions and income	(22,727)	(51,393)
Changes in operating assets and liabilities:		
Increases in receivables	(5,677)	(65,330)
Increases in inventories	(32,342)	(29,439)
Increases in other assets	(1,725)	(2,491)
Decreases (increases) in prepaid pension costs	11,858	(1,324)
Increases in accounts payable and accrued expenses	3,186	35,895
Increases in other liabilities	28,011	589
Increases in pension and postretirement benefits	2,117	9,215
Net cash provided by operating activities	634,899	6,855
Cash flows from investing activities:		
Purchases of property	(175,421)	(101,136)
Proceeds from sales of property	4,653	6,343
Purchases of investments	(182,132)	(73,468)
Proceeds from sales of investments	170,226	167,687
Net cash used in investing activities	(182,674)	(574)
Cash flows from financing activities:		
Permanently restricted contributions and income	15,921	18,887
Proceeds from borrowings	15,369	31,110
Repayments of debt	(73,805)	(24,084)
Net cash (used in) provided by financing activities	(42,515)	25,913
Net increase in cash and cash equivalents	409,710	32,194
Cash and cash equivalents, beginning of year	177,492	145,298
Cash and cash equivalents, end of year	\$587,202	\$177,492
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 20,963	\$ 22,541
Noncash investing and financing transactions:		
Acquisition of equipment under capital lease agreements	5,540	851
Donated stock and beneficial interest in perpetual trust	6,806	36,178

See accompanying notes to the consolidated financial statements.

SFC-ARC-A001723

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation

The American Red Cross (the Organization) was established by an Act of the United States Congress on January 5, 1905, for the primary purposes of furnishing volunteer aid to the sick and wounded of the Armed Forces in time of war and to carry on a system of national and international relief in time of peace to mitigate the suffering caused by fire, famine, floods and other great natural calamities. The mission of the Organization has expanded since that time to help people prevent, prepare for, and respond to emergencies.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Organization. The Organization has national and international programs that are conducted by its headquarters (National Sector) operations, biomedical services operations, and chartered local chapters. Also included in the consolidated financial statements are Special Project Funds invested for the benefit of all Red Cross operating units, and the net assets and operations of Boardman Indemnity Ltd., a 100 percent-owned captive insurance subsidiary. All significant intra-organizational accounts and transactions have been eliminated.

Program activities include armed forces emergency services, health and safety services, disaster services, community services, international services, biomedical services and the Organization's response to September 11. Biomedical services includes activities associated with the collection, processing, testing, and distribution of whole blood and components, tissue, and plasma derivative products at 36 local blood services region operations, nine national testing laboratories, a biomedical research facility, and related national support functions.

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2001, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Cash Equivalents

The Organization considers all highly liquid investments purchased with an average maturity of three months or less to be cash equivalents. Cash equivalents consisted of money market mutual funds and overnight investments of approximately \$429 million and \$32 million as of June 30, 2002 and 2001, respectively.

Investments

Investments are reported at fair value. The separately managed Endowment Fund accumulates realized gains and losses on security transactions which are available to meet current expenses to the extent approved by the Board of Governors (Note 7). Amounts annually available for expenditure are based on the Board of Governors' approved spending rate used under the total-return method.

Investment income classified as operating revenue consists of interest and dividend income on investments and any gains approved for use in operations. All other realized and unrealized gains or losses are classified as nonoperating activity and are available to support operations in future years and to offset potential market declines.

The Organization also invests certain operating funds in the Select Investment Program (Program), a family of commingled funds managed exclusively for the American Red Cross. The Organization participates in the Program by purchasing units in various funds at the current market value.

Investments classified as current are available for operations in the next fiscal year.

Derivative Financial Instruments

The Organization makes limited use of derivative financial instruments for the purpose of managing interest rate risk. Derivative financial instruments are recorded at their fair market value.

Fair Values of Financial Instruments

Various methods and assumptions were used to estimate the fair value of each class of financial instruments. Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are valued at quoted market prices. Debt is valued at rates currently available to the Organization for issuances with similar terms and remaining maturities. Interest rate swap agreements are valued at the net present value of future cash flows attributable to the difference between the contractual variable and fixed rates in those agreements.

The estimated fair values of the Organization's financial instruments were as follows at June 30, 2002 and 2001:

(In thousands)	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$587,202	\$587,202	\$177,492	\$177,492
Investments:				
Current	333,477	333,477	355,090	355,090
Noncurrent	1,029,545	1,029,545	1,120,773	1,120,773
Liabilities:				
Current debt	39,894	39,894	89,372	89,372
Noncurrent debt	357,453	371,044	360,870	365,538
Interest rate swap agreements	6,018	6,018	2,376	2,376

Inventories

Inventories of supplies purchased for use in program and supporting services are carried at the lower of first-in, first-out cost or market. Plasma derivatives, whole blood and its components and tissue products are valued at the lower of average cost or market.

Land, Buildings and Other Property

Purchases of land, buildings and other property having a unit cost per established guidelines and a useful life of three or more years are capitalized at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Interest expense incurred during a period of construction, less related interest income earned on proceeds of tax-exempt borrowings, is capitalized. Property under capital leases is amortized over the lease term.

Application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Activities that are considered application development include design of software configuration and interfaces, coding, installation to hardware and testing. All other expenses incurred to develop internal-use software are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Class of property	Useful life in years
Buildings	45
Building improvements	10
Equipment and software	3-15

Insurance

The Organization is self-insured up to certain limits through its wholly owned insurance subsidiary, Boardman Indemnity Ltd. (Boardman). Boardman has reinsurance arrangements in effect to limit per occurrence exposure. The remaining uninsured liabilities for outstanding losses and incurred but not reported claims have been determined based on actuarial studies and are reflected as other liabilities in the accompanying consolidated statement of financial position.

Revenue Recognition

Products and services revenue, which arises principally from sales of whole blood and components and plasma derivative products and health and safety course fees, is generally recognized upon delivery of the products or services to the customer. Gains and

losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised, whichever is earlier. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Contributed Services and Materials

Contributed services are reported in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The Organization recorded contributed services revenue, for the years ended June 30, 2002 and 2001, of approximately \$24 million and \$5 million, respectively, mostly in support of the Liberty disaster relief effort - September 11 response and the disaster services program.

Donated materials are recorded at their fair value at the date of the gift. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

Research and Development Costs

Since 1956, the American Red Cross has engaged in blood research to further enhance the safety of the blood supply. Research efforts have been directed toward enhancing patient care by improving knowledge of blood and blood products; investigating the nature of the transmission and treatment of bloodborne diseases; developing safer blood collection, testing and processing instruments and procedures; and introducing new or improved programs and services. For the years ended June 30, 2002 and 2001, approximately \$35 million and \$34 million, respectively, was expended on research and development efforts by biomedical services.

Income Taxes

The American Red Cross is a not-for-profit organization incorporated by the U.S. Congress through the issuance of a federal charter. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. A tax payment of \$58,023 has been made for estimated taxes on unrelated business activities for the year ended June 30, 2002. The Organization also recorded a tax liability of \$13,622 for the year ended June 30, 2001, for unrelated business activity.

(2) Contributions Receivable

The Organization anticipates collection of outstanding contributions receivable as follows at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
Amount receivable within one year	\$135,666	\$141,944
Amount receivable in 1 to 5 years	34,826	39,338
Total contributions receivable before allowance for uncollectible amounts	170,492	181,282
Less allowance for uncollectible amounts	(9,096)	(8,760)
Contributions receivable, net	161,396	172,522
Less current portion	(126,570)	(133,183)
Contributions receivable, net, noncurrent	\$ 34,826	\$ 39,339

Amounts presented above have been discounted to present value using rates averaging approximately 3 percent. The American Red Cross had commitments from donors for conditional contributions approximating \$12 million and \$15 million at June 30, 2002 and 2001, respectively. These pledges will be accrued in future periods as the conditions are met.

(3) Land, Buildings and Other Property

The cost and accumulated depreciation of land, buildings and other property were as follows at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
Land	\$ 65,305	\$ 68,403
Buildings and improvements	686,193	670,909
Equipment and software	578,732	545,262
Buildings and equipment under capital lease	24,575	18,885
Total cost of assets placed in service	1,354,805	1,303,459
Less accumulated depreciation and amortization	(663,368)	(612,195)
Construction-in-progress	132,104	41,913
Land, buildings and other property, net	\$823,541	\$733,177

(4) Debt

Debt consists of the following at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
Lines of credit with various banks, due in 2003, bearing interest at various rates averaging 2.7% in 2002 and 6.1% in 2001	\$ 20,000	\$ 70,000
Various notes, mortgages and bonds payable, bearing interest at rates ranging from 1.4% to 7.7% due 2003 through 2030, repayment terms generally require monthly payments of interest and annual principal reductions, and are generally backed only by the full faith and credit of the American Red Cross	364,809	369,682
Total bonds and notes payable	384,809	439,682
Obligations under capital leases (Note 5)	12,538	10,560
Total debt	397,347	450,242
Less current portion	(39,894)	(89,372)
Debt, noncurrent portion	\$357,453	\$360,870

Certain bonds are subject to redemption prior to maturity at the option of the Organization. Additionally, registered owners of these bonds may demand repurchase of the bonds by the bond agent or the depository for an amount equal to the principal price plus accrued interest. Letters of credit or standby credit facilities have been established with multiple banks in the aggregate amount of \$219 million and \$203 million as of June 30, 2002 and 2001, respectively, to provide liquidity in the event other funding is not available to repurchase these bonds. The depository and bond agent have the authority to use standby credit facilities for the repurchase of certain bonds. The standby credit facilities had not been used as of June 30, 2002 and 2001.

Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30, 2002, are as follows

<i>(In thousands)</i>	
Years ending June 30:	
2003	\$39,894
2004	48,204
2005	16,563
2006	15,845
2007	15,560
Thereafter	261,281
Total	\$397,347

Interest expense was approximately \$22 million and \$23 million for the years ended June 30, 2002 and 2001, respectively.

Bank Lines of Credit

As of June 30, 2002 and 2001, respectively, \$20 million and \$70 million had been borrowed under lines of credit to support operations. The Organization maintained numerous uncommitted lines of credit with various banks for its working capital requirements.

Interest Rate Swap Agreements

Interest rate swap agreements are used by the Organization to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. At June 30, 2002, the aggregate notional principal amount under the interest rate swap agreements, which mature at various dates through 2008, totaled \$108 million. At June 30, 2002, the estimated fair value of the interest rate swap agreements was a liability of approximately \$6 million.

The Organization applies the provisions of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. This standard requires certain derivative financial instruments to be recorded at fair value. The interest rate swap agreements described above are derivative instruments that are required to be recorded at fair value. The change in fair value on these interest rate swap agreements for the year ended June 30, 2002, was approximately a \$4 million loss and is included as a nonoperating loss in the consolidated statement of activities.

Letters of Credit

The Organization had unused letters of credit outstanding of approximately \$154 million at June 30, 2002.

(5) Leases

The Organization leases certain buildings and equipment for use in its operations. The following summarizes minimum future rental payments under capital and noncancelable operating leases for the fiscal years ending June 30:

<i>(In thousands)</i>	<u>Operating</u>	<u>Capital</u>
2003	\$41,237	\$ 4,533
2004	29,446	3,433
2005	19,137	2,381
2006	8,335	1,454
2007	9,177	979
Thereafter	14,922	1,854
Total minimum lease payments	<u>\$ 122,254</u>	14,634
Less amounts representing interest		<u>(2,096)</u>
Present value of net minimum lease payments		<u>\$12,538</u>

Total rent expense was approximately \$69 million and \$56 million for the years ended June 30, 2002 and 2001, respectively.

(6) Net Assets

Unrestricted net assets consisted of the following at June 30, 2002 and 2001:

<i>(In thousands)</i>	<u>2002</u>	<u>2001</u>
Designated by the Board of Governors for:		
Disaster relief (Note 10)	\$ 29,058	\$ 28,192
Biomedical services	348,929	262,983
Endowment inflation adjustment reserve (Note 7)	77,300	74,100
Endowment distribution reserve (Note 7)	100,400	119,600
Funds functioning as endowment	167,449	229,941
Contingencies	59,776	67,426
Retiree health benefits	97,044	109,074
Special projects fund	79,007	91,296
Replacement and improvement of buildings and equipment	123,758	137,305
Other purposes	27,986	37,119
Undesignated	326,880	309,366
Total unrestricted net assets	<u>\$1,437,587</u>	<u>\$1,466,402</u>

In October 1988, the Board of Governors approved the establishment of two designated funds to provide future long-term benefits as described below:

Special Projects Fund – The Special Projects Fund is controlled by the Board of Governors, to be used for the humanitarian work of the Organization. As stipulated by the Board, approximately \$79 million and \$91 million at June 30, 2002 and 2001, respectively, functioned in a manner similar to an endowment whereby the principal amount generates income that is available for expenditures, subject to action by the Board of Governors. The Board approved approximately \$7 million and \$8 million of expenditures from this fund in fiscal years 2002 and 2001, respectively.

Retiree Health Benefits Fund – The Retiree Health Benefits Fund was established by the Board of Governors to fund a portion of premiums for retirees participating in the American Red Cross health benefits plan on a scale determined by years of service with the Organization. A total of approximately \$5 million and \$4 million was expended in fiscal years 2002 and 2001, respectively, in the form of health care premium subsidies. At June 30, 2002 and 2001, a total of \$97 million and \$109 million, respectively, remained designated by the Board of Governors to support future retiree medical costs.

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
Disaster services	\$ 77,300	\$ 32,437
Liberty disaster relief - Sept. 11 response	419,641	-
Biomedical services	8,374	7,387
Health and safety services	4,319	4,052
International services	62,064	94,855
Community services	13,039	18,368
Buildings and equipment	31,426	25,944
Other specific purposes	23,045	20,819
For periods after June 30, 2002 and 2001, respectively	118,411	133,787
Total temporarily restricted net assets	\$ 757,619	\$ 337,649

Permanently restricted net assets consist primarily of endowed contributions (Note 7 below), the income from which is available to fund the following at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
Disaster services	\$ 7,600	\$ 5,752
Other specific purposes	10,714	4,615
General operations	361,752	349,719
Total permanently restricted net assets	\$380,066	\$ 360,086

(7) Endowment Fund

The Organization has maintained a national Endowment Fund (Fund) since 1905 and has consistently promoted public gifts for the Fund with the understanding that the principal would be held inviolate and only the income used for current purposes.

Since 1910, the Fund has, by Act of Congress (36 U.S. Code Section 300109), been under the control of a separate Board of Trustees, appointed by the Board of Governors, who are required to keep and invest the Fund under their management. Since that date, as stated in the bylaws of the Organization, and because of public declarations as to their intended use, gifts to the American Red Cross National Sector under wills, trusts and similar instruments that do not direct some other use of such funds are recorded as permanently restricted to be kept and invested as such in perpetuity.

The Fund includes contributions, some of which were accepted with specific donor stipulation that the principal be maintained intact, until the occurrence of a specific event, or for a specific period. The Fund includes additional contributions not so stipulated, which resulted from appeals for endowment fund gifts to be managed as provided above. Based upon the manner in which the Organization has solicited and continues to solicit such gifts, it has been determined by independent legal counsel that such gifts must be placed in the Endowment Fund and, accordingly, reported as permanently restricted net assets.

At June 30, 2002 and 2001, respectively, \$178 million and \$194 million of cumulative net realized gains on endowed investments were reported as unrestricted net assets. Of these amounts, as of June 30, 2002 and 2001, respectively, approximately \$77 million and \$74 million have been designated by the Board of Governors as an inflation adjustment reserve to protect donor corpus. This reserve increases each year at a rate equal to 75 percent of the increase in the Consumer Price Index applied against the book value of the original donor corpus. The remaining \$100 million and \$120 million as of June 30, 2002 and 2001, respectively, were designated as a distribution reserve to provide funds for operations in those years when net interest and dividends are less than the approved distribution rate.

Total-Return Method

The American Red Cross makes distributions from the Fund for current operations using the total-return method. Under the total-return method, fund distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized gains. The Fund's Board of Trustees establishes a spending rate as a percentage of the three-year calendar moving average fair value of endowed funds at the beginning of each fiscal year. Distributions are made in an amount equal to the product of the fair value of endowed funds at the beginning of the year and the spending rate. To the extent that the distributions exceed net investment income, they are made from realized gains.

A spending rate of 5.5 percent for both fiscal years 2002 and 2001 resulted in total distributions related to endowment funds of approximately \$25 million each year. Of these amounts, approximately \$16 million represented utilization of realized gains for both of the years ended June 30, 2002 and 2001.

(8) Investments

The following schedule summarizes the composition of investment income for the years ended June 30, 2002 and 2001:

<i>(In thousands)</i>	2002			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Dividends and interest	\$ 70,396	\$ 1,234	\$ -	\$ 71,630
Net operating investment gains (losses)	10,998	(165)	-	10,833
Investment income available for operations	81,394	1,069	-	82,463
Less net nonoperating investment losses	(128,245)	(548)	(2,747)	(131,540)
Total return on investments	\$(46,851)	\$ 521	\$(2,747)	\$(49,077)

<i>(In thousands)</i>	2001			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Dividends and interest	\$ 67,800	\$ 1,593	\$ 72	\$69,465
Net operating investment gains	11,309	199	432	11,940
Investment income available for operations	79,109	1,792	504	81,405
Less net nonoperating investment losses	(55,915)	(1,247)	(1,824)	(58,986)
Total return on investments	\$ 23,194	\$ 545	\$(1,320)	\$22,419

The aggregate carrying amount of investments was as follows at June 30, 2002 and 2001:

<i>(In thousands)</i>	2002	2001
U.S. government securities	\$ 230,765	\$ 182,486
Corporate bonds and notes	319,688	237,215
Common and preferred stocks	562,191	677,885
Mortgage and asset backed securities	59,239	157,746
Marketable and nonmarketable alternative funds	878	10,050
Money market and other	190,261	210,481
Total investments at fair value	1,363,022	1,475,863
Less current portion	(333,477)	(355,090)
Investments, noncurrent portion	\$1,029,545	\$1,120,773

(9) Split Interest Agreements

The Organization maintains split interest agreements in the form of charitable gift annuities, perpetual trusts held by third parties, charitable remainder trusts, and pooled income funds. Assets of split interest agreements of \$117 million and \$88 million are included in investments and other receivables on the consolidated statement of financial position at June 30, 2002 and 2001, respectively. The value of split interest agreements is measured as the Organization's fair value share of the assets. Liabilities associated with these agreements are \$21 million, of which \$4 million is included with other current liabilities and \$17 million is included with other noncurrent liabilities on the consolidated statement of financial position.

(10) Disaster Relief Funds

Disaster Relief Fund

In accordance with procedures directed by the Board of Governors, any unspent unrestricted disaster relief funds at the end of a fiscal year are set aside for future disaster operations in the Disaster Relief Fund. Additionally, unspent contributions restricted by donors for disaster relief are also available for expenditure in future years.

The following is a summary of Disaster Relief Fund balances for the last 10 fiscal years:

<i>(In thousands)</i>	Balance at June 30		
	Unrestricted Board designated	Donor restricted	Total
Fiscal years:			
1993	\$21,473	\$42,731	\$64,204
1994	39,345	67,114	106,459
1995	52,671	41,601	94,272
1996	60,858	11,679	72,537
1997	58,510	8,316	66,826
1998	81,424	11,835	93,259
1999	65,203	9,210	74,413
2000	55,084	6,196	61,280
2001	28,192	13,576	41,768
2002	29,058	53,972	83,030

The summary above does not include donor restricted funds associated with the Liberty Disaster Relief Fund - September 11 Response. As of June 30, 2002, donor restricted funds of approximately \$420 million were held by the Organization for future expenditures for September 11 relief and response (Notes 6 and 12).

(11) Benefit Plans

Pension and Postretirement Plans

Employees of the American Red Cross, including participating local chapters, are covered by the Organization's pension plan (the Retirement System) after one year of employment.

For funding purposes under the plan, normal pension costs are determined by the projected unit credit method and are funded currently. The plan provides a pension funded entirely by the employer. Voluntary contributions may be made by active members to fund an additional, optional annuity benefit. Defined benefits are based on years of service and the employee's final average compensation, which is calculated using the highest consecutive 48 months of the last 120 months of service before retirement.

Red Cross funding policy is to set the employer contribution rate at a percentage of covered payroll that is intended to fund toward a target range of not less than 105 percent and no more than 115 percent of the projected unit credit accrued liability. To the extent that the current funding is more or less than the target's upper bound of 115 percent, the difference is amortized over ten years in calculating the contribution rate. During fiscal years 2002 and 2001, the Organization contributed 1 percent in each year of covered payroll to the Retirement System.

The Organization also provides medical and dental benefits to eligible retirees and their eligible dependents. Generally, retirees and the Organization each pay a portion of the premium costs. The medical and dental plans pay a stated percentage of expenses reduced by deductibles and other coverages. The Organization has the right to modify cost-sharing provisions at any time. In addition, life insurance benefits of \$5,000 are provided with no contributions required from the retirees.

The American Red Cross postretirement benefit plans are unfunded. However, as discussed in Note 6, the Board of Governors has designated \$97 million of unrestricted net assets to fund a portion of premiums for retirees' postretirement medical benefits.

The following table presents the changes in benefit obligations, changes in plan assets and the composition of prepaid (accrued) benefit costs in the consolidated statements of financial position for the years ended June 30, 2002 and 2001:

<i>(In thousands)</i>	Pension benefits		Postretirement benefits	
	2002	2001	2002	2001
Changes in benefit obligations				
Benefit obligations at beginning of year	\$ 937,545	\$ 777,749	\$147,393	\$ 126,432
Service cost	56,240	46,478	6,324	5,031
Interest cost	71,580	64,205	10,910	10,086
Plan participants' contributions	6,109	5,821	-	-
Actuarial loss (gain)	14,393	67,935	(51,273)	13,436
Benefits paid	(27,178)	(24,643)	(8,528)	(7,592)
Benefit obligations at end of year	\$1,058,689	\$ 937,545	\$104,826	\$ 147,393
Changes in plan assets				
Fair value of plan assets at beginning of year	\$1,116,871	\$1,179,775	\$ -	\$ -
Actual return on plan assets	(105,311)	(52,352)	-	-
Employer contributions	8,706	8,270	-	-
Plan participants' contributions	6,109	5,821	-	-
Benefits paid	(27,178)	(24,643)	-	-
Fair value of plan assets at end of year	\$ 999,197	\$1,116,871	\$ -	\$ -
Prepaid (accrued) benefit costs				
Funded status	\$(59,492)	\$ 179,327	\$(104,826)	\$(147,393)
Unrecognized net actuarial (gain) loss	36,521	(190,931)	(46,184)	5,089
Unrecognized prior service cost	19,547	23,462	15,468	17,158
Prepaid (accrued) benefit costs	\$ (3,424)	\$ 11,858	\$(135,542)	\$(125,146)

Significant assumptions used in accounting for the plans as of June 30, 2002 and 2001, were:

	Pension benefits		Postretirement benefits	
	2002	2001	2002	2001
Discount rate	7.30%	7.90%	7.30%	7.30%
Expected return on plan assets	8.50%	8.50%	-	-
Rate of compensation increase	6.00%	6.00%	-	-

For measurement purposes, an 8.0 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal year 2003. The rate was assumed to decrease to 5.5 percent for 2004 and remain at that level thereafter.

The components of net periodic benefit cost for the years ended June 30, 2002 and 2001, were:

<i>(In thousands)</i>	Pension benefits		Postretirement benefits	
	2002	2001	2002	2001
Service cost	\$56,240	\$46,478	\$ 6,324	\$ 5,031
Interest cost	71,580	64,205	10,910	10,086
Expected return on plan assets	(97,478)	(88,253)	-	-
Amortization of unrecognized transition asset	-	(3,733)	-	-
Amortization of prior service cost	3,915	3,915	1,690	1,690
Recognition of actuarial gain	(10,269)	(15,666)	-	-
Net periodic benefit cost	\$23,988	\$ 6,946	\$18,924	\$16,807

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

<i>(In thousands)</i>	Point increase	Point decrease
Effect on total of service and interest cost components	\$3,147	\$(2,447)
Effect on postretirement benefit obligation	14,213	(11,427)

American Red Cross Savings Plan – 401(k) Plan

The Organization participates in the American Red Cross Savings Plan, (the Savings Plan), a defined contribution plan. Employees of the American Red Cross, including participating chapters, are eligible to participate upon hire and are vested 100 percent in all contributions to the Savings Plan. The American Red Cross matches 50 cents for every dollar up to the first 4 percent of annual compensation contributed by the participant. For the 2002 calendar year, contribution limits were based on a maximum annual compensation of \$170,000. There are eleven investment options that an employee can choose from as well as a self-managed brokerage account. The Organization contributed approximately \$12 million and \$8 million to the Savings Plan for fiscal years 2002 and 2001, respectively.

(12) Liberty Disaster Relief Fund – September 11 Response

The Liberty Disaster Relief Fund (the Fund) was approved by the Executive Committee of the Board of Governors of the Red Cross on October 3, 2001, and was subsequently ratified by the Board of Governors on October 27, 2001. On November 10, 2001, the Executive Committee took actions to further define the scope and purpose of the Fund. The financial statement presentation reflects the impact of those decisions retroactive to September 11, 2001.

As a result of the decisions made by the Board of Governors, the Fund is used exclusively to meet the immediate and long-term recovery needs of people directly affected by the terrorist attacks on the United States on September 11, 2001. Donor-expressed designations that are more specific than the overall Fund purpose (for example, contributions designated to those affected in New York City), are strictly honored and such contributions are used only in accordance with those designations.

The revenues and expenses of the Liberty Disaster Relief Fund for the period ending June 30, 2002, are as follows:

<i>(In thousands)</i>	Unrestricted	Temporarily Restricted	Total
Revenues and gains:			
Contributions:			
Liberty disaster relief - Sept 11 response	\$ -	\$989,060	\$989,060
Services and materials	-	59,669	59,669
Grants	-	7,696	7,696
Investment income	6,546	-	6,546
Net assets released from restrictions	636,784	(636,784)	-
Total revenues and gains	643,330	419,641	1,062,971
Expenses:			
Liberty disaster relief - Sept 11 response	617,960	-	617,960
Fund raising	25,370	-	25,370
Total expenses	643,330	-	643,330
Change in net assets	-	419,641	419,641
Net assets, beginning of period	-	-	-
Net assets, end of year	\$ -	\$419,641	\$419,641

(13) Commitments and Contingencies

Litigation

The Organization is a defendant in a number of lawsuits incidental to its operations. In the opinion of management, the outcome of such lawsuits will not have a materially adverse effect on the Organization's financial position or its activities.

Consent Decree

In May 1993, the Organization signed a consent decree (the Decree) with the United States Food and Drug Administration affecting Biomedical Services and its Blood Services regional operations. The Organization committed to establish, implement, and/or maintain certain improvements in systems and controls in Blood Services within specified time frames to enhance and ensure compliance with applicable laws and regulations, internal standard operating procedures, and the provisions of the Decree. Based on discussions with the FDA, it is probable that the Decree will be amended to include additional compliance requirements, which would likely result in additional expenses. The level of potential additional costs is not known at this time.

On April 13, 2001, in order to help ensure ongoing regulatory compliance, the Board of Governors authorized access to \$100 million of discretionary funds for Biomedical Services initiatives. These funds are only available to the extent that internally generated sources of funds and fund-raising proceeds are inadequate to cover incremental compliance activities. At June 30, 2002, none of these funds had been accessed.

(14) Risks and Uncertainties

The Organization's invested assets consist of common stocks, fixed income securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position as of June 30, 2002. However, the diversification of the Organization's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

July 1, 2002

Princess Margriet
Chairman
Standing Commission
of the Red Cross and Red Crescent
9-11, La Vy-des-Champs
CH 1202 Genève (Suisse)

Dear Princess Margriet:

I wanted to acknowledge with appreciation your gracious letter of 12 June 2002, concerning our contribution to the Standing Commission. The work of your Commission is of vital importance to the effectiveness of the Federation and we are anxious to support your efforts and those of the Federation as it pursues its humanitarian mission throughout the world.

Gerry Jones and I tried to reach you this week to introduce you to our new President, Marsha Johnson Evans, but unfortunately we were unsuccessful. Enclosed is a brief biography on Ms. Evans. She is the right person to lead the American Red Cross at this time, and I am anxious to introduce you to her at an early convenient time.

With continued best wishes.

Sincerely,

David T. McLaughlin

Enclosure

bcc: Marsha Johnson Evans
Gerry Jones

SFC-ARC-A001680

Together, we can save a life

Biography
Marsha Johnson Evans
President and CEO
American Red Cross

Marsha Johnson Evans will become the 19th president and chief executive officer of the American Red Cross, effective August 5, 2002.

As executive director of the Girl Scouts since 1998, Evans brings an impressive array of experience to her new position at the Red Cross—not the least of which is a 29-year career with the U.S. Navy. Retiring in 1997 as a Rear Admiral, Evans was the second woman in history to have achieved that rank.

As a Navy officer, Evans held a variety of command positions overseeing multi-million dollar budgets and hundreds or thousands of employees. Between 1993 and 1995, for example, she led the Navy Recruiting Command. With more than 6,000 employees in 1,200 locations, she was responsible for recruiting some 70,000 officers and enlisted personnel annually. She served as chief executive of the Naval Postgraduate School in Monterey, California, where she led an effort to restructure and adapt educational programs to better meet demands on incoming officers, and was chief of staff at the U.S. Naval Academy in Annapolis, Maryland. She also served as commanding officer of the Treasure Island Naval Station, where she directed Navy personnel and civilians who support Navy families in the San Francisco Bay Area.

Assuming the top staff position at the Girl Scouts four years ago, Evans said the job was a natural continuation of her efforts to expand professional roles of women in the Navy, where she led the Naval Academy's first-ever program to ensure opportunities for male and female midshipmen, among other such efforts. Similarly with the Girl Scouts, Evans has labored to offer young women meaningful programs, both personally and professionally.

Under her leadership, the Girl Scouts' Manhattan-based headquarters and more than 300 local councils nationwide have created or expanded cutting-edge programs to enhance girls' experiences in science, technology, sports, money management and community service. And spearheading efforts to update Girl Scouts' image and change recruiting practices, Evans presided over a substantial increase in the number of adult volunteers. At a time when many charities report an all-time low in their volunteer ranks, Girl Scouts has increased theirs to nearly 1 million adults, the highest number in the organization's history, with corresponding increases in young members.

From her years at Girl Scouts, Evans is no stranger to issues facing the Red Cross and scores of other non-profit organizations. Among them: the need to recruit volunteers and employees from diverse backgrounds. Evans has led the push at Girl Scouts, as she has said, "to reach more girls from racial, ethnic and minority groups....that's our goal, to make Girl Scouting available to every girl." To that end, she has championed programs among minority populations.

Evans has also grappled with decreased fund-raising returns in the wake of a faltering economy, seeking to develop new sources of revenue, such as gifts from donors' retirement and pension funds, at Girl Scouts. Under her tenure, contributions grew by more than 20 per cent between 1998 and 2001.

"Marty" Evans, as she is known, grew up in Springfield, Illinois, the daughter of a Navy chief petty officer. She entered the Navy immediately after graduating from Occidental College in Los Angeles with a B.A. in Law and Diplomacy. Some years later, the Navy provided her with the opportunity to earn a master's, and she completed a degree in International Security at Tuft University's Fletcher School of Law and Diplomacy. This degree was supplemented by additional studies at Tufts, the National War College in Washington, D.C. and the Naval War College in Newport, R.I. Evans, who counts skiing and kayaking among her hobbies, has traveled the world, residing in cities such as Tokyo and London. She lives with her husband Jerry Evans, a retired Navy fighter pilot.

SFC-ARC-A001682



STANDING COMMISSION
of the Red Cross and Red Crescent
COMMISSION PERMANENTE
de la Croix-Rouge et du Croissant-Rouge
COMISIÓN PERMANENTE
de la Cruz Roja y de la Media Luna Roja

Mr. David T. McLaughlin
Chairman
American Red Cross
431 18th Street N.W., 2nd Floor
20006 Washington D.C.
USA

June 12th 2002

Dear Mr. McLaughlin

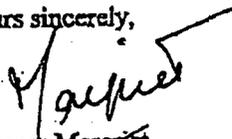
It is with heartfelt gratitude that I extend my sincere thank you to the American Red Cross for the generous contribution of 115.750.00 CHF (70.088.12 USD) to the Standing Commission's budget for our costs in 2000 and 2001.

As you know, the Standing Commission is closely associating the National Societies in its decision-making process through consultations in various Working Groups and through other means of communication. We are appreciative of your Society's participation in one of our groups. As a question of principle, we are seeking advice on issues that are of importance to all components of the Movement. Your contribution helps enormously in the running of these working groups, which presently involve representatives from more than 25 different National Societies and are very active in our work on the Emblem, the implementation of the Strategy and of course in the preparations for the next Council and the International Conference.

The Commission also seeks to be present at regional conferences and important sub-regional meetings to promote Movement matters and to hear the views of National Societies. Contributions from National Societies fund also these activities and ensure that the Commission has a consultation mechanism for the work it carries out in the interest of the Movement.

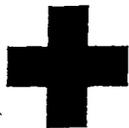
Once again, allow me to thank the American Red Cross for this valuable contribution and wish your Society every success in its work.

Yours sincerely,


Princess Margriet
Chairman

9-11, La Vy-des-Champs - CH 1202 Genève (Suisse)
Tél (+41 22) 730 20 32 Fax (+41 22) 730 20 27
E-mail: standcom@bluewin.ch

SFC-ARC-A001683



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

June 25, 2002

Dr. Moshe M. Melloul
President
Magen David Adom in Israel
60 Yigal Allon Street
Tel-Aviv 67062
Israel

Dear Dr. Melloul:

We enjoyed having you visit the Red Cross last week, and I hope that your trip to the U.S. was productive. Your description of the situation in the Middle East was disturbing. The tension and violence is well reported but the lack of cooperation between the Palestine Red Crescent and MDA, and the politicalization of the humanitarian effort is worse than we understood it to be.

I look forward to setting a date for the signing of the memorandum of understanding between our organizations, and in the interim, encourage you and your associates to take advantage of every opportunity to participate in regional and other meetings of the Federation.

Regards,

David T. McLaughlin

cc: Gerry Jones

bcc: Harold Decker
Carol Ann Haake

Together, we can save a life

SFC-ARC-A001685



Memo

To: David McLaughlin, Chairman
From: Gerry Jones
Date: 06/20/02
Re: Meeting with Dr. Moshe Melloul, President of Magen David Adom

Background

Dr. Moshe Melloul will be visiting Washington on June 21 and then Baltimore from June 22-25, including the Baltimore Chapter. You are scheduled to meet with Dr. Melloul at 11am on Friday in your office, followed by a lunch at Noon in the Central Committee Room. This is primarily a courtesy visit, though Dr. Melloul may wish to share ideas on our efforts to get MDA admitted to the Movement.

Dr. Melloul was appointed President of MDA in early 2000 by the Israeli Health Minister. In this position, Dr. Melloul performs a largely representational role – neither clearly defined as governance (Chairman Gur of the MDA Executive Committee) or management (Avi Zohar, Director General of MDA.) He is considered a moderate and quite diplomatic, though not always representative of hard line views of MDA's other top leaders (both retired Army Generals.) Dr. Melloul is the most consistent MDA representative to attend international meetings of the Movement over the past two years and has established good working relationships with the ICRC and Federation.

Trained in Nuclear Medicine, Dr. Melloul is still an active, practicing physician. He spent 1980-1982 training and working at Johns Hopkins University in Baltimore, MD. He is currently a member of the Israeli Ministry of Health, Director of the Institute for Nuclear Medicine at the Rabin Medical Center, and senior physician at the "Assuta Hospital" in Tel Aviv. He has been a guest lecturer in the United States, South Africa, Morocco, Greece, Cyprus, Japan and Singapore.

MDA Fundraising in the US

During his visit to the United States, Dr. Melloul will be visiting the independent (vs. Federated) MDA Friend's groups in the United States in LA, Chicago, Washington and Baltimore. These independent groups have emerged within the past decade in part due to concerns among MDA supporters in the US about financial management and funding policies of the Federated MDA friend's group known as ARMDI, headquartered in New York.

ARMDI, which stands for American Red Magen David for Israel, collects approximately \$8 million per year in the United States. Due to very stagnant

leadership and strict interpretation of IRS rules, ARMDI refuses to fund many of MDA's operating costs and will only use the funds they raise to purchase ambulances in the United States for shipment to Israel. The independent friend's groups are more flexible and lenient and frequently raise cash based on MDA appeals for specific funding, most recently through internet and e-mail solicitations.

Under pressure from ARMDI, Chairman Gur has recently signed an exclusive agreement with ARMDI stating they are the sole recognized friend's group in the US. Dr. Melloul's visit is apparently designed to reassure the emerging independent groups, possibly contrary to Chairman Gur's wishes.

MDA fundraising in the US is an issue we have yet to address as an organization. Some chapters have raised concerns that MDA is fundraising in their jurisdictions, though most concerns are alleviated once they understand the total amount raised. Previous ARC leaders have decided not to take issue with MDA's fundraising while they are still excluded from membership in the Movement. Technically once part of the Movement MDA would not be allowed to raise funds in other countries, without the express approval of the National Society of the country in question. This leaves us with a number of options to consider, each with potential downsides, including

- a) facilitate their fundraising efforts, merged with our chapters and subject to our procedures and corporate overhead fees (abnormal for ARC to fundraise for wealthy countries)
- b) ask them to stop fundraising in the US while helping them build fundraising capacity within Israel (risks a backlash among US based MDA supporters)
- c) allowing them to continue fundraising with no direct ARC involvement (could frustrate our chapters and set a precedent for other societies that wish to fundraise in the US.)

Memorandum of Understanding

We have completed a final round of internal consultations and revisions to the MOU between our two societies, which is *attached* for your review. We recommend sending this version of the MOU to MDA's Chairman, Yochanan Gur with your signature on it as a way to signal the end of negotiations and minor changes to the text. If you agree, we will immediately Fed-Ex the agreement with the *attached* cover letter from Brian Majewski to Chairman Gur noting the last few modifications. Once we do this, we can proceed to discussing options for a signing ceremony and promotion of the agreement.

Dr. Melloul is not involved in the more recent discussions about the MOU and Avi Zohar and Chairman Gur have asked that we only negotiate with them on its contents. While we do not recommend giving Dr. Melloul the signed version to carry back to Israel, it would be fine to discuss the agreement in vague terms. Dr. Melloul is aware of the general areas of collaboration outlined in the agreement and may raise them as a positive and welcomed advancement of our relationship.

MDA Membership

More than any other MDA leader, Dr. Melloul is patient and has consistently supported achieving MDA membership through diplomatic negotiations. He is well aware of our positions and is well versed in the arguments made by the ICRC and Federation for a slow and cautious approach. Though moderate, he is appreciative of our stance and leadership on this issue and frequently expresses his belief that very little would have moved forward in 2000 without our decision to withhold dues.

Tenure as President

Dr. Melloul's tenure as President of MDA is set to expire in February 2003. While in Geneva last week, Brian Majewski learned that Dr. Melloul hopes to extend his term for at least one year, based on the argument that continuity would be important for MDA's membership bid. He believes that his experience negotiating on the Emblem/Membership issue would be valuable through the end of the International Conference of the Red Cross and Red Crescent in December 2003. He suggested to Brian that he would like American Red Cross support for extending his term and could bring this up in your meetings. It could be difficult for us to take a position or get involved in this issue, especially if the Israeli Government is prone to appoint someone new and we have gone on record supporting an extension of Dr. Melloul's term.



American
Red Cross

6/20

Harold -

THE RESTAURANT WAS
LONG OVERDUE - THEY ARE
NOW QUITE PROFITABLE.

I SUSPECT THAT THEY
WILL MERGE WITH A
FIRM OUTSIDE DC AND WILL
BE STRONGER AS A RESULT.

THEY STILL HAVE MITCHELL,
DOLL AND SOME VERY GOOD
YOUNG TALENT.

D.

DAVID T. McLAUGHLIN
46 Newport Road, Suite 205, New London, NH 03257

SFC-ARC-A001689

Legal Times

LAW AND LOBBYING IN THE NATION'S CAPITAL

7, 2002



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

Office of the
Interim Chief Executive Officer

*Revised to
N.H. 4/19/02*

6/19/02

David McLaughlin

*Please see the
article about
Byrl's firm!*

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Together, we can save a life



SFC-ARC-A001690

Learning On the Job

Richard Roberts has been slow to rule since joining the federal bench. But now he's turning it around.

By JONATHAN GRONER

In May 2000, a jury awarded Russian immigrant Boris Reznikov \$150,000 after concluding that he had been unlawfully fired by the Kennedy Center Opera House Orchestra because he is Jewish.

But Reznikov hasn't seen a dime, and he hasn't been restored to his job as principal second violinist.

The reason: U.S. District Judge Richard Roberts, who presided over the eight-day trial, still hasn't ruled on a series of routine post-trial motions. Until the judge acts, Reznikov remains in limbo.

Courts statistics show that Roberts has consistently been the slowest of the 14 active federal trial judges in the District of Columbia in dealing with motions.

Roberts, a former Justice Department official appointed to the bench in 1998, acknowledges that delay has been a problem for him. But he says he is getting a better handle on his docket, and the latest statistics bear him out.

"It's important to me that we decide cases fairly and correctly, as well as efficiently and quickly," says Roberts. "I hope I will see all these goals achieved. I have been a public servant most of my career, and I take seriously the obligation to resolve disputes fairly and promptly."

Sept. 11 hijackers; another who squarely rejected the government's right to control an alleged terrorist's access to his lawyers; and a defendant who used an open courtroom as a soapbox to spout anti-American invective.

The administration, it seems, has had enough.

The government's decision last week to shunt suspected al Qaeda operative and U.S. citizen Jose Padilla into the custody of the Department of Defense and out of the criminal justice system is seen by many as a direct reaction to the challenges of fight-



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

June 6, 2002

Honorable George J. Mitchell
Verner, Liipfert, Bernhard,
McPherson and Hand
901 15th Street, N.W.
Suite 700
Washington, D.C. 20005

Dear Senator,

You honored the Red Cross by your making the extraordinary effort to join us in Phoenix to keynote our Annual Convention. All of us are grateful to you.

You inspired the delegates and helped to renew their sense of mission during a period of unprecedented challenges.

I am indebted to you for this and for so much more.

Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin". The signature is stylized and cursive.

David T. McLaughlin

cc: Harold Decker

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SFC-ARC-A001691



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

June 6, 2002

Mrs. Sarah P. Kops
2375 Woodward Street, #515
Philadelphia, PA 19115-5123

Dear Ms. Kops:

I appreciated receiving your recent letter concerning the American Red Cross position on admitting Megan David Adom to the Federation of Red Cross and Red Crescent Societies. Our intent has not been to compromise the capability of the Federation to deliver humanitarian services – in fact, our funding of these programs has increased in recent years.

We do feel strongly that the Federation is a universal movement and that no nation's society should be excluded for political reasons. It is on this principle that we have elected to withhold our administrative dues.

Again, my thanks for your expression of support.

Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin".

David T. McLaughlin

bcc: Carole Ann Haake
Ambassador Jones
Harold Decker

Together, we can save a life

SFC-ARC-A001692

MAY 15 2002



From the desk of...

MRS. SARAH P. KOPS

May 5, 2002

Dear Mr. McLaughlin,

I wish to convey my thanks and appreciation for your efforts in granting membership to Israel's Drager David Adam in the International Red Cross.

As a retired school teacher who was honored by the Chapel of Four Chaplains and other books that promote tolerance and recognition of worthy endeavors, I deem it a travesty that an international organization would not accept a deserving unit because of political



**American Red Cross**National Headquarters
Office of the Chairman

To: Board of Governors **Date:** June 6, 2002

From: David T. McLaughlin **Subject:** Removal of the Board of Directors-
San Diego/Imperial Counties
Chapter

cc: Harold J. Decker

Today, the Executive Committee considered a presentation by management reviewing certain matters involving the San Diego/Imperial Counties Chapter, including recent actions by its board of directors, and accepted all four recommendations proposed by management. The actions taken by the Executive Committee address the serious concerns and issues that have arisen regarding the current status and condition of the chapter, which have been the subject of prior reports to members of the Board of Governors.

Management's first recommendation was that the Executive Committee remove, effective immediately, the members of the chapter's board of directors. The chairman of the chapter has been advised of this action and other local board members are in the process of being notified. The second recommendation was to suspend, effective immediately, the bylaws of the chapter. The third recommendation was to approve and ratify management's proposed action to transfer to and place under the authority of the Mountain Pacific Regional Management Team all activities of the chapter, all funds and property in the custody and control of the chapter, and the books and records of the chapter. Finally, management recommended that the Executive Committee approve and ratify management's proposed action to form an advisory committee, which will be comprised of at least three but not more than five community leaders identified by the Mountain Pacific Regional Management Team to assist and advise them and other appropriate members of corporate management on matters concerning the chapter, including a review of all systems. It is expected that the Mountain Pacific Regional Management Team will report monthly to the President and CEO and executive vice president, Chapter Services Network, and that such reports will be provided to the Executive Committee.

The adoption and implementation of management's recommendations are designed to facilitate the extensive rebuilding – internally, in the community, in management and in governance – of the chapter. As you are aware, Ms. Dodie Rotherham's tenure as chief executive officer of the chapter ended last week.

When it is deemed appropriate, the Regional Management Team, advisory committee and other members of corporate management shall recommend to the Executive Committee the reinstatement of the chapter's bylaws. Management contemplates that a board development committee will then be formed for the purpose of identifying candidates for the chapter's board of directors and holding a membership meeting to elect the new board.

A tremendous amount of work lies ahead for this chapter. The Executive Committee has placed its trust in management to begin the task of returning this chapter to a status of respect in the community and Red Cross family.



4 Jan 82

Harold

a little background
on the sculptor of
the piece you
received at the
Gala -

Hope you enjoy
it and the sentiment
attached to it -

A stylized, handwritten signature in black ink, appearing to be "D. McLaughlin".

DAVID T. McLAUGHLIN
46 Newport Road, Suite 205, New London, NH 03257

Felix Weihs de Weldon, (1907-)

Felix de Weldon's contribution to official inaugural medals is his design for the 1965 Johnson medal. De Weldon already had an international reputation "as the artist to presidents and kings" by the time he executed the Johnson medal. Born in Austria, he first achieved public recognition as a sculptor there in 1924, when at the age of seventeen, when he won a national sculptor contest. He studied and honed his craft throughout Europe before settling in London where he became the official court artist. Felix de Weldon sculpted members of the Royal Family and many other prominent people in the British society, including Kings George V, George VI and Edward VIII. He was knighted in both England and Italy earning the titled Sir Felix. His first visit to the United States came after traveling to Canada to sculpt Prime Minister Mackenzie. He was so impressed he decided to emigrate. He joined the United States Marines during World War II during which time in 1945 he began work on his most recognizable work when he transformed the Pulitzer prize winning photograph of the flag raising on Iwo Jima into the bronze statue in Arlington National Cemetery. The statue took nine years and was completed in 1954. There are over 30 examples of his work in and around Washington, D.C. and although none are numismatic in nature he did sculpt busts from live sittings of Presidents Truman, Eisenhower, and Kennedy.



SFC-ARC-A001698



SFC-ARC-A001699



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin,
Chairman
Members, Board of Governors

Date: November 27, 2002

From: Marsha J. Evans

Subject: Advance Copies, 2002 Annual
Report

Previously, I committed that the Board of Governors would receive their copies of the fiscal 2002 American Red Cross annual report in November. I am very pleased to enclose your copy today.

This special mailing to the Board of Governors precedes a wider distribution that will occur in December. As in years past, we will post the full report on our public Web site, www.redcross.org, and mail it to field units, donors, Fortune 1000 corporations, government leaders and other constituents. We are also exploring the option of sending a scaled-down version of the report to additional key audiences.

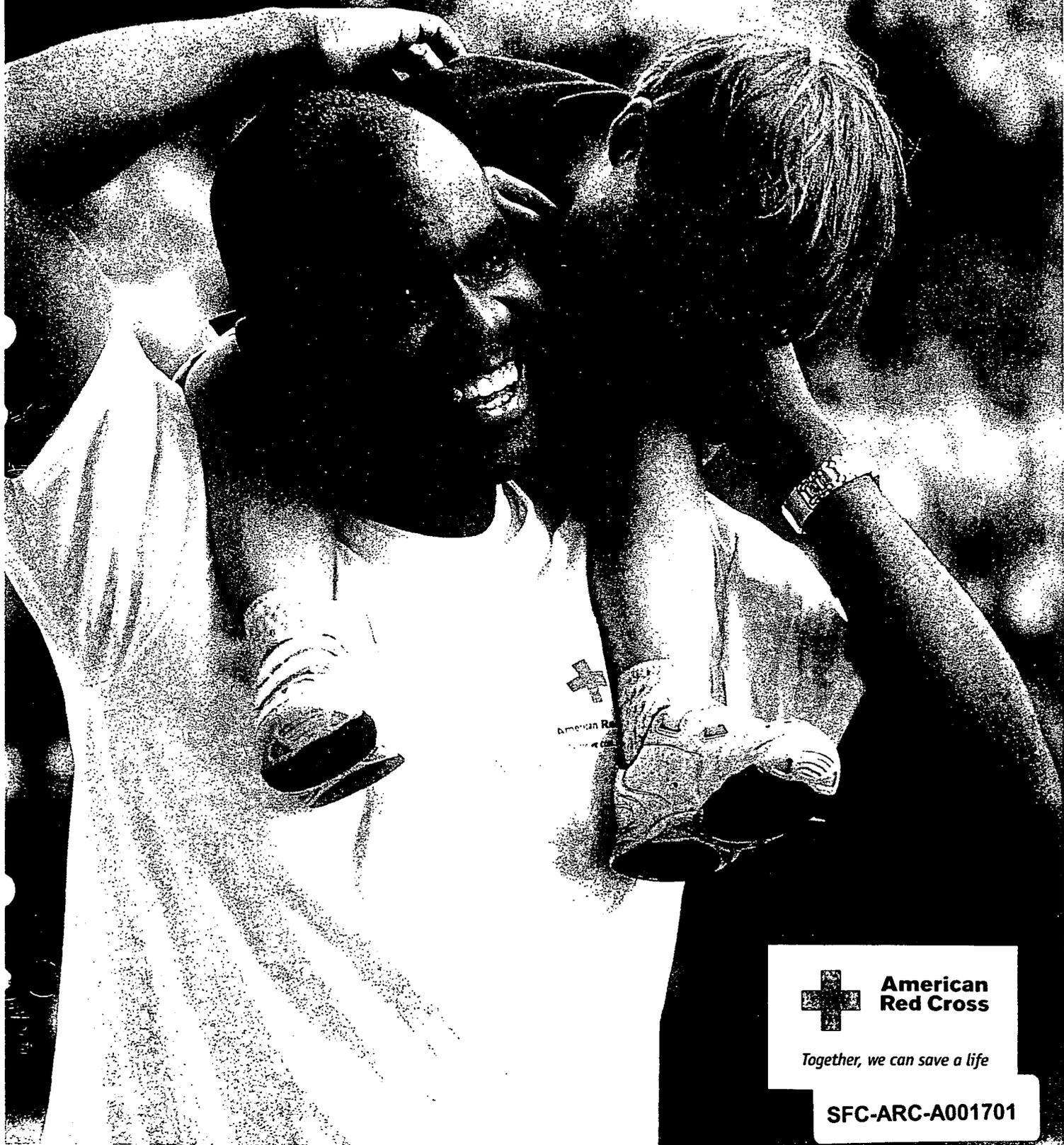
I hope you enjoy perusing this important document and sharing the information it contains with others in your community. As it shows, we have accomplished so much during a very challenging time for the Red Cross. This year's report covers the fiscal period of the September 11, 2001, terrorist attacks, and we've dedicated pages 10 and 11 to our subsequent, unparalleled relief operation. The theme, "People Like You," brings home the message that it is individuals like you, as well as thousands of other volunteers, who make the lifesaving work of this great organization possible. Along with the entire Red Cross family, I am deeply appreciative of your service.

Please do not hesitate to contact me if you have comments or questions.

SFC-ARC-A001700

People Like You

2002 annual report



**American
Red Cross**

Together, we can save a life

SFC-ARC-A001701

A Joint Message From the Chairman and the President and CEO

The work of the American Red Cross is to prevent, prepare for and respond to emergencies. People like you make it possible.

When you volunteer, make a financial contribution or donate blood through the Red Cross, you save lives. You help others cope with disaster, whether it's a medical emergency, home fire, earthquake or terrorist act. You teach millions of people first aid, CPR and other lifesaving skills every year. You provide meals and other services to the needy, support for families of military members stationed far from home and international aid for vulnerable populations.

In turn, when disaster strikes close to home, people like you can rely on the Red Cross. During emergencies and when lifesaving preventive and preparedness skills are needed, we have always responded and will continue to do so.

However, in a world where terrorism can strike, the very definition of the word 'emergency' changes, and being prepared takes on a new urgency. As you read this, the Red Cross is working to make America less vulnerable to such crises. A big part of that is ensuring that the Red Cross has the necessary infrastructure and other resources to respond to disasters that—in their enormity and the suffering they cause—seemed impossible before the September 11 terrorist attacks 15 months ago.

These events taught us valuable lessons about responding to such brutal tragedies. We learned to work closely with other emergency-response groups to eliminate confusion and redundancy. We learned to pair national and local Red Cross workers, ensuring that resources are adequate and local know-how is preserved. Catastrophic tragedies may also require us to assign Red Cross caseworkers to specific families for longer periods to guarantee that our services are consistent and needs are met.

Of course, we will continue to learn, but make no mistake: The Red Cross is proud of what we have achieved after September 11 and the number of families we have assisted—with your help.

Now, as we begin a new era with new leadership,* the Red Cross is working to apply the right resources in the most effective ways possible. For example, we've begun a nationwide assessment of Red Cross disaster response capabilities to pinpoint existing human resources, material resources and relationships with other organizations—chapter by chapter, community by community and nationwide. The goal of this assessment, to be completed in early 2003, is to identify strengths and weaknesses and apply these findings to further improve our disaster relief services.

In our line of work, we know that preparing to the very best of one's ability—as an individual or an organization—is an empowering exercise. That's why we've begun a planning process to chart the course of the Red Cross over the next three to five years. Along with terrorist acts, we have seen a sizeable increase in other major disasters, the migration of more Americans to disaster-prone regions of the country and substantial growth in the increasingly

older and diverse populations we serve. A strategy that takes these and other realities into account will guide us in maintaining our unbroken record of service to the American people.

This plan, to be released next spring, will involve individuals from every part of the Red Cross, including volunteers, our most valuable resource. Because the Red Cross must be representative of the increasingly varied communities we serve nationwide, our planning process involves reaching out to individuals and organizations that have been underrepresented in the past.

Finally, to address pressing regulatory and financial issues and ensure the long-term health of our blood-banking operations, we recently adopted a 10-year, multidimensional plan to improve the procedures and facilities of our Biomedical Services division. Gaining and maintaining the confidence of key constituents—blood donors, recipients of blood and blood products and the Food and Drug Administration—is our top priority.

For all that we have done—and all that we will do—we thank our generous donors and volunteers, people like you. Please continue supporting our efforts to create a stronger Red Cross, a safer America and a better world. By volunteering, making a financial contribution or giving blood, you participate in a worthwhile array of humanitarian programs: teaching CPR, helping a cancer patient survive, preventing fatal childhood diseases overseas—and so much more. Together, we can save lives.



David McLaughlin
Chairman

Marsha Johnson Evans
President and CEO

SFC-ARC-A001702

* Marty Evans, former national executive director of Girl Scouts of the USA and a retired U.S. Navy rear admiral, became President and CEO of the American Red Cross on August 5, 2002.

People Like You

Since its founding in 1881 by visionary leader Clara Barton, the American Red Cross has been the nation's premier emergency-response organization. As part of a worldwide movement that offers neutral humanitarian care to the victims of war, the American Red Cross distinguished itself by also aiding victims of devastating natural disasters. Over the years, the organization has expanded its services, always with the aim of preventing and relieving suffering.

Today, in addition to domestic disaster relief, the American Red Cross offers compassionate services in five other areas: community services that help the needy; support and comfort for military members and their families; the collection, processing and distribution of lifesaving blood and blood products; educational programs that promote health and safety; and international relief and development programs.



All of these programs are heavily dependent on volunteers—people like you—who make up more than 90 percent of the Red Cross workforce. The following pages introduce some of these extraordinary individuals and summarize our service to the American people and other populations in 2002.

Building Lives Torn Disaster

Disaster in history has challenged the Red Cross more than the September 11, 2001 terrorist attacks, which occurred during this past fiscal year. In addition to launching an unparalleled September 11 relief operation (see page 36), the Red Cross also responded to more than 70,000 other disasters last year. These included fires, neighborhood floods and other disasters that forced families from their homes—and responded to high-profile disasters like wildfires in Colorado and hurricanes that affected entire regions.

The costs of disaster, both physical and economic, are dramatically reduced when steps are taken to protect people and property ahead of time, before crises occur. Because that holds true for disasters of all kinds—from ice storms to tornadoes to terrorism—Red Cross chapters stepped up efforts last year to encourage families to prepare for emergencies.

Families were urged to help keep their communities safe by training at least one family member in CPR and first aid, establishing a family disaster plan, creating a disaster supply kit and donating blood. To help Americans prepare for a new breed of disaster after the terrorist attacks, the Red Cross created educational materials such as *Preparing Your Business for the Unthinkable*, which advises companies how to protect their employees and their enterprise through advance planning for evacuation, emergency communications, equipment failures and other issues. For this and other like resources, please visit www.redcross.org/services/disaster/beprepared/.

Red Cross leaders also met with members of Congress and other government policymakers to educate them about our role in responding to national emergencies and



To be prepared for emergencies, the Red Cross advises families to create a family disaster plan.

promoting homeland security. In March 2002, when the federal government created the Homeland Security Advisory System, a color-coded ranking system to alert the public about the likelihood of terrorist attacks, the Red Cross developed complementary recommendations for each threat level. The Office of Homeland Security Web site (www.redcross.org/services/disaster/beprepared/hsas.html) now links to the Red Cross recommendations for individuals and organizations.

Also last year, the Clara Barton Center for Domestic Preparedness—a Red Cross facility in Pine Bluff, Ark.—started a residency leadership program for Red Cross personnel from all over the country. In courses at the center, Red Cross chapter personnel learn how to respond to events involving weapons of mass destruction or terrorism in their communities.

In addition, the Red Cross enhanced services to victims of disasters, great and small, by improving our use of technology. For example, a Client Assistance Card, which operates like a debit card, is now being used in several locations. During a relief operation, a Red Cross chapter can load a specific dollar amount onto the

Holly Mullins

Flash floods and mudslides tore through southern West Virginia last spring, killing nine people and destroying hundreds of homes, schools and businesses. In the small town of Welch, the destruction was particularly severe. Walking through the streets after the rains finally ended, 14-year-old Holly Mullins saw many neighbors' homes in ruins. "My family was really lucky," she says. "Our house was okay."

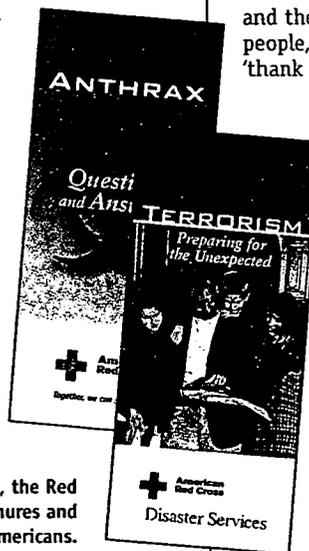


Holly Mullins became a Red Cross volunteer to help her neighbors.

Mullins and her two friends, Rebecca Damron and Jina McKinney, wanted to help their town recover. They had the time because their school, damaged by the storms, was closed indefinitely. So the three girls walked to the nearby American Red Cross shelter for flood victims and volunteered to work. They ended up spending nearly a month as volunteers, dividing their time between the shelter and a Red Cross service center where area families applied for assistance.

Her experience with the Red Cross inspired Mullins to put her feelings into a poem (see page 36). "After looking at all the terrible damage in our town, and then seeing how the Red Cross helps people," she explains, "I wanted to say 'thank you.'"

But if anyone deserves a thank-you, it's Mullins and her two friends. "They were quick studies and very hard workers," says Gloria Bobb, a longtime Red Cross volunteer who supervised the girls. "I tried to get them to take time off, but they refused."



After the September 11 terrorist attacks, the Red Cross began offering a series of brochures and other educational resources to help Americans.

SFC-ARC-A001704

Dr. Michael DeBaun

In 1999, Dr. Michael DeBaun of St. Louis approached his local Red Cross with an idea. Years of treating children with sickle cell disease had inspired him to do more for young patients who suffered debilitating strokes and were in dire need of blood transfusions. Because sickle cell disease commonly affects African Americans, DeBaun asked the Red Cross to help him recruit African American blood donors, who are more likely to have the type of blood required by his patients.

The Red Cross Missouri-Illinois Blood Services Region embraced the project, teaming up with DeBaun and St. Louis Children's Hospital to create a community-wide campaign. In full force today, the project recruits African Americans to participate in blood drives throughout the Greater St. Louis area. Because sickle cell stroke patients need transfusions every three to four weeks, the drives are held regularly, with many repeat donors. More than 20,000 units of blood have been collected so far, and the campaign is expanding throughout Missouri.

"We've been able to improve the quality of medical care for all children with sickle cell disease in the state," DeBaun says. "This forever changes the quality of medical care for these children."

DeBaun's packed schedule doesn't leave much room to spare, but for the past two years he's found time to serve as vice-chair of the board at the Red Cross Missouri-Illinois Blood Services Region. What keeps him going? "The knowledge that families are depending on me," he says, "to do what's best for their children."



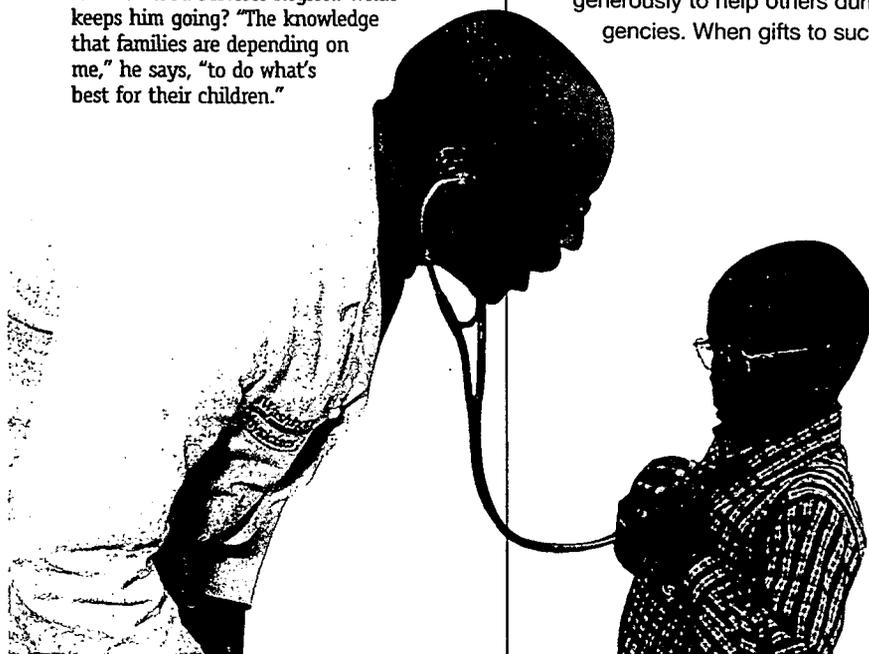
One of many Red Cross services is providing meals for families whose homes are destroyed or damaged by natural disasters.

card through the Internet; the family being assisted can then use it to purchase items at any store that accepts MasterCard. The card gives families immediate access to needed goods and services, helps restore their sense of self-determination and is much more flexible than other methods of assistance.

To provide this and other disaster services, the Red Cross relies on contributions from the American people, who respond very generously to help others during emergencies. When gifts to such relief

operations exceed the need for donations, the Red Cross retains the excess money in its Disaster Relief Fund. The fund is used to help victims of future disasters, particularly those that generate little publicity and few or no contributions.

Last year, the Red Cross took additional steps to clarify its disaster fund-raising policy, after learning that many donors did not completely understand the policy. Now solicitations are more explicit, stating that gifts help victims of a specific emergency and thousands of others nationwide. Thank-you messages acknowledging donors reiterate this fact, and the public is immediately informed when contributions to any relief operation exceed the need.



SFC-ARC-A001705

Working with the Red Cross, Dr. Michael DeBaun has improved medical care for young patients with sickle cell disease.

Making Communities Safer and Stronger

In communities across the country, the Red Cross offers a broad spectrum of services for people of all ages, including home-delivered meals, transportation for those who can't drive, shelters for the homeless, temporary housing, fuel assistance, visits to hospital patients, translators for people who can't speak English and many, many more. Last year, Red Cross chapters provided 22 million such services.

Many of these services were aimed at youth. The School Safety Initiative, a program that promotes safe environments where children can learn and grow, was launched in several locations last year and will continue to expand. It helps students prevent, prepare for and respond to violent incidents and all types of emergencies through age-appropriate lessons on disaster readiness, international humanitarian law, first aid, CPR, leadership skills and tolerance. Available for students in elementary grades through high school, the curricula and training fit into existing coursework and can be supplemented by complementary programs and services from other organizations.

To further support young people, the Red Cross continued expanding its Youth Affirmation Program, which provides meaningful opportunities for young people to become leaders by getting involved in disaster relief efforts, blood drives, senior assistance programs and services such as delivering meals to the homeless. The program also recruits older youth who mentor younger children by teaching them swimming and other skills. Nationwide and overseas, the program has served nearly 500,000 children and young adults.

Last year, the Red Cross expanded services for another important demographic group: people aged 65 and older, whose numbers are climbing dramatically. Thousands of additional seniors were reached last year after the Red Cross invited nearly 1,000 chapters nationwide—many of which already offer services to this age group—to develop new programs for the elderly. Chapters responded by creating shopping and errand services, safety courses for older persons who live alone, adult daycare, programs that link bilingual volunteers with seniors who do not speak English and more.

To further contribute to seniors' well-being, the Red Cross also actively participated in national coalitions that recruit nurses and promote nursing as a career. At a time when there is already an acute shortage of nurses, more and more seniors will need access to professional home-care providers and well-staffed medical and retirement facilities.



In communities nationwide, the Red Cross provides rides for people who cannot drive or take public transportation.

Nat & Jeannette Alvarez

For Jeannette Alvarez, the smiles are the reward she says. "When I see the look on a senior's face after I bring food, or when I give that extra hug, I can't help but go home with a full heart." For her husband Nat, a retired firefighter, it's a lifelong desire to help others that keeps him volunteering year after year. And, he says, "I believe in the work of the Red Cross."



Longtime Red Cross volunteers Jeannette and Nat Alvarez provide groceries and other services to the needy.

The husband and wife from southern California have volunteered for the Red Cross for 47 and 22 years, respectively. One of their most successful projects has been the Supplemental Food Program, still active in western San Bernardino County. Each month, volunteers deliver nutritious food to some two dozen low-income seniors or disabled residents—usually three or four bags of groceries per person. Nat and Jeannette helped launch the program 20 years ago, organizing regular fund-raising events to keep it alive.

They have also been leaders in the Inland Valley Chapter's annual holiday programs, gathering donated toys, clothing and other gifts and delivering them to needy people and hospitals in December.

A bilingual speaker, Nat has taught hundreds of Red Cross CPR, first aid and disaster preparedness courses in both Spanish and English, even traveling to Mexico and Spain to teach. Like his wife, he has no plans to retire from Red Cross work. "We all need help at one time or another," Jeannette says. "We'll continue to volunteer as long as we're able."

Johnnie Means

Johnnie Means loves swimming—he has since he was 12 years old. He also has a knack for helping young people succeed. These two character traits united 43 years ago, when Means became a Red Cross volunteer. Since then, he's improved the lives of thousands of inner-city youth.

After graduating from college in 1959, Means moved back to his hometown of Houston and became a Red Cross-certified water safety instructor. Over the next few

decades, he helped dramatically advance swimming opportunities for Houston's minority families. "At one time, there were very few resources for low-income kids who wanted to learn to swim," Means explains. "There was a high drowning rate among inner-city kids, and parents were afraid to let their children near pools." The only swimming programs available, he adds, were expensive.

Means helped develop Houston's first free learn-to-swim program. Working with his Red Cross chapter, he organized swim courses at downtown pools that became hugely popular, especially among African American and Hispanic families. Before long, Means had transformed the courses into a highly competitive swimming program. The Harris County Precinct One Aquatics Program, with Means as director and head coach, thrives today. Hundreds of children enroll each year.

Recently retired from his full-time job as aquatics director of Texas Southern University, Means plans to continue working with the Red Cross and the aquatics program. "If we didn't give these kids the opportunity to swim, it's unlikely they would," he says. "That's my motivation."



Johnnie Means has taught thousands of inner-city youth to share his love of swimming.

Aiding Military Members and Their Families

Dominating the headlines in 2002, U.S. military activities affected countless families when Operation Enduring Freedom began deploying thousands of U.S. troops to installations throughout the Middle East and other remote areas around the globe. The Red Cross immediately offered support to these service members through the Armed Forces Emergency Services (AFES) network.

The AFES network allows military members all over the world to communicate with their loved ones at home in the event of an emergency or other important event, such as the birth or death of a family member. AFES also provides access to emergency financial aid and last year administered a new assistance program that National Guard and Reserve troops could tap when no other resources were available. Additionally, Red Cross volunteers touched the lives of hundreds of patients in military hospitals and clinics.

As U.S. troops headed overseas last year, the Red Cross deployed teams of trained workers to support them. While continuing to support U.S. soldiers in Bosnia, Kosovo, Hungary and Macedonia, AFES staff traveled to new military sites in Uzbekistan and Afghanistan and installations in Saudi Arabia, Kuwait, Diego Garcia, Guam and Cuba. They set up field offices in military camps, providing emergency communication services as well as books, movies,

snacks, supplies and what many service members need most: a friendly ear.

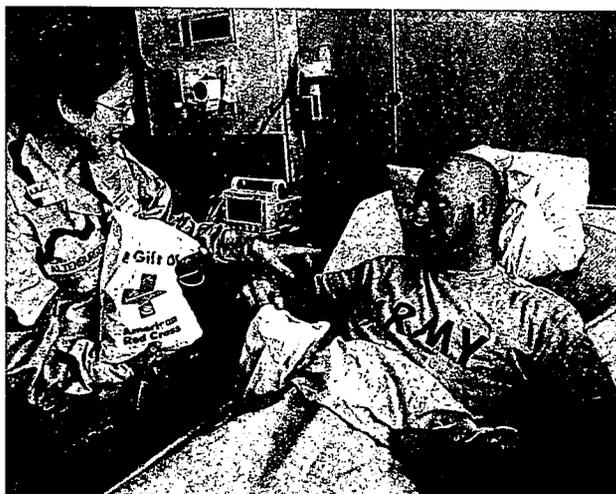
At home, hundreds of Red Cross chapters and AFES stations briefed departing service members and their families on how the Red Cross could help them during their separation. Comfort kits containing toiletries and brochures about Red Cross services were distributed to nearly 120,000 National Guard and Reserve members, who are often unaware of these services for military families.

All told, 523,660 military families received direct assistance from the Red Cross in 2002, up from 475,690 the previous year.

Providing Safe and Available Blood

More than 4 million volunteer donors made 7.2 million lifesaving blood donations through the Red Cross in 2002, contributing about half of the nation's blood supply. These blood donations were used in transfusions for accident victims, cancer treatments, routine surgeries and a growing number of complex operations like liver transplants and knee replacements.

Nationwide, the need for safe and available blood is rising. Baby boomers are approaching their 60s, a time when surgeries requiring the most blood, such as heart operations, are more common. At the same time, medical advances mean that once-rare procedures are now routine. Organ transplants and certain cancer regi-



Red Cross workers visit military hospitals and clinics and provide a range of services to military members and their families.



Like this man, many people are elated when they donate blood. Each donation has the potential to save three lives.

mens involving large amounts of blood are now more accessible. Meanwhile, emerging illnesses such as mad cow disease have presented challenges to maintaining adequate blood supplies, as new safety policies exclude some groups of donors from giving.

Last year, the Red Cross responded to the increasing need for donated blood, upping the amount collected by 6.5 percent. While much of the increase was due to Americans' overwhelming desire to give following the September 11 attacks, another strong factor involved Red Cross efforts to make giving blood easier and more convenient. Donors, for example, can now schedule blood-donation appointments by calling a toll-free number, 1-800-GIVE LIFE, or visiting a Red Cross Internet site, www.givelife.org. Through a national outreach campaign, 1.8 million

previous blood donors were contacted and asked to schedule another appointment to give blood during the summer months, when shortages are often severe.

Challenges remain: Ensuring compliance with federal rules governing blood banking, a highly regulated enterprise, is one example. Committed to meeting and exceeding these federal regulations, the Red Cross recently developed a comprehensive plan to improve, among other things, computer systems, the management of its biomedical facilities and training for employees who handle blood and blood products.

Looking even further ahead, the Red Cross last year began a decade-long effort to modernize its blood collection and processing facilities to streamline and standardize operations. The goal: ensuring that the Red Cross uses state-of-the-art practices in blood banking for years to come.

In fiscal year 2002, the Red Cross also enhanced its services to the 3,000 hospitals and medical centers that depend on it for safe blood and blood products such as red blood cells and plasma. To ensure that the right blood product is available for every patient at the right time, the Red Cross worked with medical facilities to help them forecast their needs, based on scheduled surgeries and other factors.

Actress Jane Seymour visited Kenya to help eliminate measles, which kills nearly 500,000 African children annually. She is part of a project being led by the American Red Cross.

Jane Seymour

When actress Jane Seymour recently traveled to Kenya with an American Red Cross team, she learned about the often fatal effects of measles on African children by talking with teachers, schoolchildren and mothers whose children had died. "One mother," Seymour recalls, "told me that sometimes they won't name their children until they have had measles." The reason: So many children die from it.

Measles kills nearly 500,000 children in Africa each year. Seymour, a member of the Red Cross National Celebrity Cabinet—a volunteer group of actors, musicians, authors and sports figures who support Red Cross causes—wants to change that. She has joined an effort to eliminate measles in Africa by vaccinating 200 million children at a cost of less than \$1 per child. The five-year project, called the Measles Initiative, is being led by the American Red Cross with partners including the United Nations Foundation, Centers for Disease Control and Prevention, UNICEF and the World Health Organization.

In just one week in June, Seymour and her companions—American Red Cross workers, health experts, Kenyan Red Cross volunteers and students from a Los Angeles middle school—helped vaccinate 13.3 million children. Eight other countries are due for similar campaigns this year. "As a mother of six, it

saddens me greatly that so many vulnerable children are dying," Seymour says. "Another 1,200 innocent children will die today in Africa from a disease that could have, and should have, been prevented."



SFC-ARC-A001708

Shannon Smith and Debbie Michelle

In the days after the September 11 terrorist attacks, next-door neighbors Shannon Smith and Debbie Michelle struggled to comfort their frightened children. "They were confused and afraid," Smith recalls. "We could only tell them that our military would do its best to keep us safe." But the two Arlington, Tex., women wanted to do more.

"I remembered stories both my grandfathers told about World War II and how excited soldiers were when mail was delivered," Michelle says. She and Smith thought it would help their children to write letters of support to U.S. troops overseas, thanking them for protecting the country. The idea spread into the children's classrooms and then to other schools—many of them. That's when the women contacted their local Red Cross chapter for help, and Operation Enduring Response was born.

Now, on the 11th of each month, students across the country write letters addressed to "Any Service Member." They are gathered by Red Cross chapters, sent to 40 military installations and then delivered to service members overseas. The Armed Forces Emergency Services network of the Red Cross, which has workers at each installation, actually delivers the letters.

Smith and Michelle have spent countless hours working on Operation Enduring Response. It's hard work, they say, but worth it. Children benefit from writing the letters, and when they receive something in return—a postcard, an Afghan coin or even dog tags—their excitement is contagious. "It's been beyond our expectations to have such a response from service members," Michelle says. "It makes us realize that we're really making a difference."



After the September 11 terrorist attacks, Shannon Smith (left) and Debbie Michelle created a nationwide program in which children write to service members.



Ichaya Danapong (right) teaches a younger child to swim in a Red Cross program that involves kids in helping others.

Improving Access to Lifesaving Skills

For almost a century, one of the most important activities of the Red Cross has been teaching Americans lifesaving skills such as first aid, CPR, disease prevention, babysitting and many other caregiving and emergency-response abilities. Last year, the Red Cross trained 12 million people in the skills they need to be safe at home, work, school and play.

Since 1914, the Red Cross has been a leader in providing the best available courses in swimming, water safety and life-guarding. That tradition continued last year with new courses designed to make learning easier and help people benefit from the latest medical science translated into practical, easy-to-understand information.

Some courses were shortened without sacrificing content to make them more accessible to busy professionals.

For example, Red Cross chapters began offering an accelerated emergency response course to nurses and nursing students who teach those skills to others and who already know certain fundamentals such as first aid.

The Red Cross trained 635,000 people last year in how to use the automated external defibrillator (AED) to save victims of sudden cardiac arrest. The AED is a portable device that delivers a potentially lifesaving electric shock to the heart, which can restore its normal rhythm. Because immediate use of an AED in conjunction with CPR could save up to 50,000 lives each year, the Red Cross has set a goal of providing CPR, first aid and AED training to at least one member of every household in America.

The Red Cross also strengthened its HIV/AIDS prevention and education program in 2002, with funding from the Centers for Disease Control and Prevention. Under this cooperative agreement, culturally specific courses for African Americans and Hispanics were revised to focus more training and activities on teaching people how to prevent HIV infection. Last year, more than 500 Red Cross chapters reached one million people with such courses.

Preventing and Relieving Suffering Around the Globe

Disease prevention is a serious concern among American Red Cross international workers who respond to disasters around

the world. One of the most ambitious and successful projects initiated last year is the Measles Initiative. This project, led by the Red Cross, has four partners: the Centers for Disease Control and Prevention, the United Nations Foundation, UNICEF and the World Health Organization.

Measles, a preventable disease barely remembered by most Americans, kills nearly one million children worldwide each year; half of these deaths occur in Africa. The goal of the initiative is to eliminate measles on that continent in five years by providing critically needed vaccinations, region by region. At the end of its first year, the Measles Initiative had vaccinated more than 21 million African children, saving an estimated 47,776 young lives.

In Latin America and the Caribbean, Red Cross workers continued another program to reduce deaths among children, aged five or younger, from measles, diarrheal disease, acute respiratory infections, malaria and malnutrition. Together, these diseases kill 11 million children worldwide each year. Partnering with the Pan American Health Organization and others, the Red Cross is providing immunizations and teaching simple health practices involving sanitation, breast feeding and prevention of water-borne diseases.



Afghan children benefit from shipments of relief supplies made possible by America's Fund for Afghan Children, a fund created by President Bush and administered by the Red Cross.

Last year alone, the program prevented 25,000 deaths.

The Red Cross worked in Guatemala, Honduras, El Salvador and Nicaragua, continuing long-term projects to improve water and sanitation after devastating natural disasters in those countries. With partners such as the U.S. Agency for International Development, nonprofit organizations and governments of the host countries, the Red Cross provided potable water, helped build sanitation systems and offered hygiene education to at-risk populations.

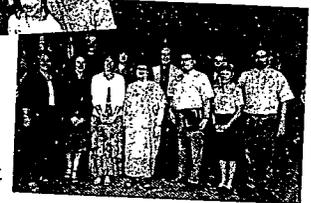
Of special note last year: One month after the September 11 terrorist attacks, President George W. Bush initiated America's Fund for Afghan Children and asked that the Red Cross administer it. American children were urged to give one dollar each, and the Red Cross used these donations to deliver warm clothing, clean water, medical equipment, school supplies and other necessities to youth in the beleaguered country. By the first anniversary of the fund, more than \$10 million had been raised and the Red Cross had undertaken four relief shipments and other projects benefiting more than 700,000 Afghan children and their families.

People

Weiss-Parker Family

The Weiss-Parker family of Portland, Ore., may have saved 3,000 lives so far—possibly more. Each year, on the first Saturday in January, the relatives gather at their local Red Cross donor center to give blood, continuing a family tradition that has lasted 26 years. Together, they have donated 1,036 units of blood; each donation has the potential to save three lives.

The late Morris and Shirley Weiss started the tradition in 1976, during the nation's bicentennial. Morris, who had worked with Red Cross bloodmobiles in World War II, and his wife were looking for a way to contribute to their community and the



country, according to their son, Sam. To that end, they launched their

Giving blood is a holiday tradition in the Weiss-Parker family.

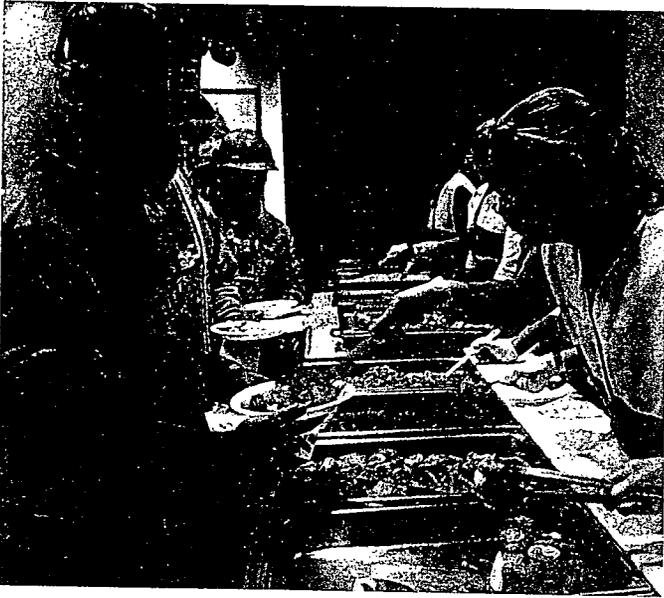
"Living New Year's Resolution" and requested that Sam and their daughter, Elaine, keep the tradition going.

When members of Sam Weiss's and Elaine Parker's families reach the age of 17, the minimum age for blood donation, they join the group at the donor center each January. By 2002, four generations had participated. "No one has been scared off by the needle," Sam says. "It's one of the most painless ways to give a gift."

Morris and Shirley Weiss chose early January because they knew the holiday period is often characterized by blood shortages. For their descendants, donating blood has become part of the family's annual celebrations and, as Sam says, "truly a bonding experience."

The Red Cross September 11 Relief Operation

The terrorist attacks of September 11, 2001—unlike any other emergency—called upon every service offered by the Red Cross, weaving them into the most comprehensive relief operation in history, which continues to this day. Those services, largely provided by dedicated volunteers, have included:



Red Cross respite centers provided meals and other services for rescue workers who labored around the clock after the terrorist attacks.

Disaster Relief

More than 3,300 families who lost loved ones and seriously injured persons have already received up to a year of living expenses, as well as supplemental estate gifts. Economic assistance was given to more than 50,000 others who lost their homes, jobs or livelihoods. In addition, the Red Cross served 14 million meals and snacks to rescue workers and victims, while trained workers provided 236,000 mental health counseling sessions and 133,000 health services visits. The relief operation is now providing longer-term aid, including educational assistance, health care, counseling and other support services, for a three- to five-year period.

International Aid

The American Red Cross reached across the globe to help 1,500 overseas family members and other dependents of people who perished or were severely injured in the attacks. They received financial aid as needed for up to one year; travel to and from the United States to settle their loved ones' affairs; and reimbursement for funeral expenses and costs such as shipping the deceased person's belongings home.

Collection of Donated Blood

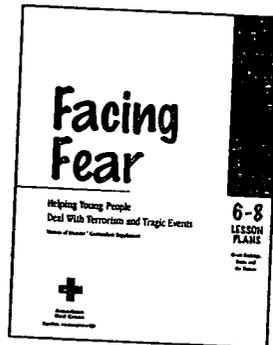
In the uncertain weeks following the attacks, the Red Cross collected 925,000 units of blood from individuals, many of whom stood in line for hours to donate. By October 1, nearly 275,000 first-time donors had given blood. Although there was more donated blood than was needed by survivors, the Red Cross used all but 5 percent of it. Because blood is a potentially lifesaving gift with a shelf life of 42 days, this small percentage of donations could not be used.

Services to the Military

As U.S. troops were called to active duty, Red Cross services to military families expanded, providing emergency communications and other services between military members and their loved ones at home. Teams of Red Cross workers were dispatched to new U.S. installations in Uzbekistan and then Afghanistan, lifting the spirits of troops with comforts such as books, movies, snacks and simple companionship.

New Health and Safety Resources

Within weeks after the attacks, the Red Cross produced a variety of educational tools to help individuals, schools, businesses and communities create viable emergency plans, including evacuation procedures, warning systems and other precautions. To help children cope, a new curriculum called *Facing Fear: Helping Young People Deal with Terrorism and Tragic Events* provided age-appropriate lessons for children in kindergarten through 12th grade.



The financial response from the public in the aftermath of the horrific attacks was immediate and profound, as donations poured in from both individuals and organizations.

All of these contributions were put in a special fund called the Liberty Disaster Relief Fund and reserved solely for the direct services described in the first two paragraphs on the opposite page. Senator George Mitchell, the former Senate Majority Leader, is the fund's independent overseer.

By June 30, 2002, the end of the fiscal year covered in this report, the Liberty Fund had received more than \$1 billion in monetary and in-kind donations, and had spent \$643.3 million. By November 1, 2002, as this report was going to press, another \$112 million had been disbursed, primarily in the form of direct assistance to families of the deceased. Having recently begun the operation's focus on long-term aid, the Red Cross expects to spend the remainder of the fund on meeting extended mental and physical health needs of the victims' families, providing services to displaced residents and rescue workers and responding to other special needs.

You can read more about the September 11 relief operation and the Liberty Disaster Relief Fund, including quarterly financial statements, by visiting www.redcross.org. A one-year report about the relief operation can be found at www.redcross.org/press/disaster/ids_pr/pdfs/arcwhitepaper.pdf.



The Red Cross helped businesses create emergency procedures to use in the event of further terrorist attacks.

This enormous, unparalleled effort could not have been accomplished without the 54,748 volunteers from all over the country who accounted for 95 percent of Red Cross workers. Many worked for weeks on end at disaster sites in and around New York, nearby communities in New Jersey and Connecticut, Washington, D.C., and Shanksville, Penn. Volunteers also served at the origin and destination points of the planes that never made it home and at other airports where passengers were stranded. Volunteers accompanied victims' family members to Ground Zero and spent hours speaking with grieving individuals at several Family Assistance Centers, the Red Cross Compassion Center and through a national hotline staffed by trained workers.

A letter dated October 14, 2001, from a New York couple—one of thousands received by the Red Cross—speaks for many:

On September 11, our beloved son was killed...Throughout this ordeal, the people who have helped us are the workers of the American Red Cross. They helped us at Pier 94, where we went to file the missing persons report, from the time we arrived. On September 27, we again went to the pier to file for a death certificate. The volunteers were all compassionate and helped us from the time we arrived until the time we left, which was approximately six and a half hours. When we went to have something to eat, they sat with us and consoled us. They were kind and understanding as they helped us fill out forms and to address our needs... We thank you from the bottom of our hearts.

Remembering those who perished and the anguish that followed, the Red Cross salutes our compassionate volunteers—people like you—and every individual who took action to help others after the September 11 attacks. The Red Cross joins the American people in deep appreciation for your unwavering service.

Financial Overview FY 2002*

Fiscal year 2002 was a year accented by many challenges. No one could have predicted the significance of the public response to the September 11, 2001, terrorist attacks and, in turn, the ability of the American Red Cross to react with flexibility and compassion to the needs of thousands of victims of that national tragedy. On that day, Red Cross chapters in and around New York City, Washington, D.C. and Pennsylvania responded immediately to help victims, their families and rescue workers. Concurrently, the public and corporate community responded with an outpouring of monetary and in-kind giving unprecedented in the history of Red Cross. When the fiscal year ended on June 30, 2002, the Red Cross had received over \$1 billion in monetary and in-kind donations and had incurred expenses of \$643 million of which 91 percent represented direct assistance and services to victims and disaster responders. A total of \$419.6 million remained unspent at June 30, 2002, but all of the funds were committed to programs of financial assistance to people directly impacted by the disaster, as well as long-term mental health, health and other programs that will provide assistance for years to come. Additional information regarding the Red Cross response to September 11 can be found in footnote 12 to the audited financial statements that follow this overview. Also, Red Cross fiscal accountability measures are highlighted on page 15.

Red Cross Structure

The Red Cross is a humanitarian organization, led by volunteers, whose mission is to provide relief to victims of disasters and help people prevent, prepare for and respond to emergencies. It accomplishes this mission through Chapter Services, Biomedical Services and national headquarters operations. Chapter Services consists of approximately 1,000 chapters located in communities throughout the United States. The chapters are primarily supported by charitable contributions, investment income and fees for health and safety and other courses. The chapters, with support from and in collaboration with national headquarters, provide services in response to disasters such as floods, single family and multi-dwelling fires, tornadoes, hurricanes and the like. The chapters also provide community education in CPR, water safety, automated external defibrillation and first aid. Much of the work of Chapter Services is accomplished by volunteers who work in partnership with paid professional staff.

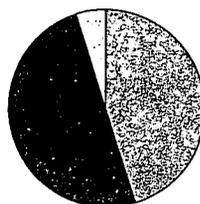
Biomedical Services is an activity that is fiscally and operationally separate from Chapter Services and consists primarily of 36 Blood Services regions located across the United States. The regions' primary purpose is to collect, process and distribute blood and blood products to hospitals and medical centers. Virtually all of the expenses of Biomedical Services are covered by revenues from the sale of products and services. National headquarters provides management oversight to the chapters and Biomedical Services, as well as providing corporate services in areas such as insurance, finance, audit, legal, human resources, communication and marketing, information technology and fund raising. National headquarters also coordinates the international activities of the organization.

The Red Cross Board of Governors formulates policy and delegates governance authority to local chapter boards of directors, consistent with corporate policy and external regulatory bodies. This decentralized responsibility for service delivery, combined with centralized policy and guidance, enables the Red Cross to give immediate, effective and efficient assistance.

Sources of Financial Support

Red Cross operating funds come from three main funding sources: contributions, revenues from products and services and other sources. Total Red Cross operating revenues and gains for fiscal year 2002 were \$4.117 billion.

Operating Revenues and Gains



● Contributions (\$1,864,000,000) 45%

(includes United Way, domestic and international disaster relief, September 11 relief, legacies, grants and all other monetary and in-kind contributions)

● Investment Income and Other (\$192,000,000) 5%

(includes investment income, exchange contracts and other revenues)

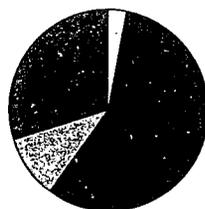
● Products and Services (\$2,061,000,000) 50%

(cost recovery, including course fees and materials, whole blood and components and tissue services)

Contributions

Contributions of \$1.864 billion comprise 45 percent of Red Cross support.

Contributions



● Donated Materials and Services (\$59,000,000) 3%

● Contributions for Domestic and International Relief, General Operations and Endowment Gifts (\$561,000,000) 30%

● United Way and Combined Federal Campaign (\$188,000,000) 10%

● Liberty Disaster Relief-September 11 Monetary and In-Kind Response (\$1,056,000,000) 57%

* July 1, 2001 - June 30, 2002.

The sources of contributions in any one year can fluctuate dramatically, depending upon the scope of disaster relief activities and the public's response to requests for support. This was never more evident than during the public and corporate response to the September 11 terrorist attacks, which produced over \$1 billion in financial and in-kind contributions. Monetary contributions for disaster relief, general operations and permanently restricted endowments totaled \$561 million, or 30 percent of total contributions. Federated fund-raising efforts by United Way and the Combined Federal Campaign, which also support general operations, amounted to \$188 million, or 10 percent of all contributions. The remaining 3 percent, or \$59 million, represents the value of contributed services and materials, a critical component of Red Cross service delivery efforts.

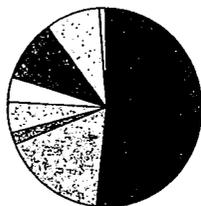
Products and Services

Traditional Red Cross emergency services are provided at no cost to the recipient. However, Red Cross programs have fee-based structures in which fees pay for the costs of materials, facilities and staff that are required to produce reliable and available products and services. Products and services revenues of \$2.061 billion are 50 percent of Red Cross support and include fees charged for products, materials and courses, primarily through Biomedical Services and Health and Safety Services programs. Biomedical Services collects, tests and distributes nearly half of the nation's blood and blood components. Whole blood and components such as red cells, platelets and plasma, as well as plasma derivatives such as serum albumin and anti-hemophilic factor, are some of the critical life-sustaining blood products provided by the Red Cross. When donated blood is collected, it undergoes a battery of complex tests to screen for the HIV antibody and a number of other infectious diseases, including different strains of hepatitis. The Red Cross also provides life-sustaining bone and tissue products through its network of tissue units. Last year, Biomedical Services received \$1.924 billion in fees, primarily from health care providers for collecting, testing and distributing blood and tissue products.

Investment Income and Other

Other revenue of \$192 million, or 5 percent of Red Cross support, consists of contracts for delivering various program services and investment income from endowment and Board-designated reserve funds.

Operating Expenses



- Biomedical 52%
- International 1%
- Disaster Services and Relief 9%
- Health, Safety and Community Services 10%
- Fund Raising 4%
- Management and General 5%
- Armed Forces Emergency Services 2%
- Liberty Disaster Relief September 11 Response 17%

Expenses

Total Red Cross operating expenses for the year were \$3.571 billion. Expenses incurred for Biomedical Services (\$1.873 billion), Liberty Disaster Relief-September 11 Response (\$618 million) and Disaster Services (\$308 million) made up 78 percent of total Red Cross expenses for fiscal year 2002.

Biomedical Services

Red Cross Biomedical Services provides a variety of life-sustaining blood, plasma and tissue products to those in need. Significant investments are made annually for ongoing working capital requirements, facility maintenance and renovations and improved technical equipment. When viewed as a separate operation, Biomedical Services generated an \$86.9 million surplus, or 4.4 percent of its total revenues. This surplus is used to fund critical capital expenditures for facilities and equipment as well as maintaining blood inventories that are adequate to respond to emergencies.

Liberty Disaster Relief – September 11 Response

As noted earlier, the response to those impacted by the September 11 terrorist attacks was immediate and will enable the Red Cross to continue to address people's needs for several years. Summarized below are the types of assistance rendered, with expenses through June 30, 2002:

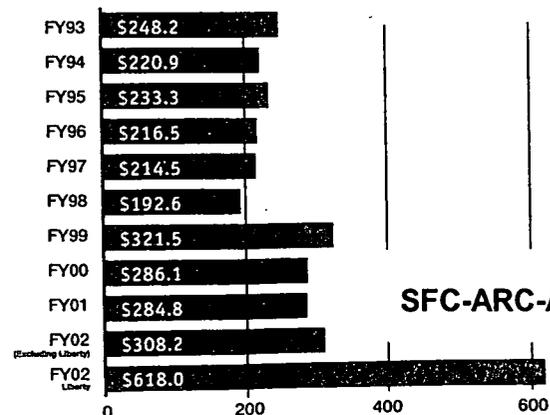
(In millions)

Direct financial assistance	
Families of the deceased and seriously injured	\$177.4
Displaced residents, economically affected individuals and disaster responders	279.4
Long-term services to those directly affected	.3
Immediate disaster relief	129.1
Direct support	31.7
Total program costs	617.9
Fund raising and donation processing (includes donated advertising worth \$19.7)	25.4
Total expenses	\$643.3

Disaster Services

Disaster services were provided in all 50 states as well as offshore U.S. territories and possessions. Disaster costs include assistance provided to victims of fires, tornadoes, floods, transportation incidents and other natural or man-made disasters, as well as the cost of assisting victims of international disasters.

Disaster Services Expenses: A 10-Year History



SFC-ARC-A001714

Financial Overview

Funding Disaster Services

Disaster fund raising is a requirement of all Red Cross chapters. Policy dictates that chapters raise funds to meet the cost of disaster relief operations within their jurisdiction. Corporate policy also states that each chapter affected by a major disaster is obligated to initiate immediate fund-raising efforts. Consequently, where disasters are of significant magnitude, or involve many chapters on a wider geographic basis, the responsibility for fund raising and administration becomes a partnership between chapters across the state and national headquarters. In large disaster situations, a toll-free telephone number is activated as well as a national post office box address, and appeals are made on a regional or national basis. In addition, secure donations are solicited online through our Internet site. Public donations received from major disaster appeals are, by policy, forwarded for deposit to national headquarters, which is accountable for their administration. Contributions restricted by donors for specific disaster operations or for the Disaster Relief Fund are spent in accordance with donor wishes. In rare instances where restricted contributions exceed the cost of disaster relief as specified by the donor, such contributions are held by the Red Cross for ongoing disaster assistance in accordance with donor wishes in the affected area or region. When disasters occur, the Red Cross responds to victims' needs immediately and is totally dependent upon the generosity of the public to help pay the cost of relief. The vast majority of disaster expenses consist of direct relief to victims in the form of food, shelter and clothing, as well as basic household furnishings such as bedding. Other costs include the expenses of staff who deliver and support these critical services.

Debt and Borrowing Capacity

The ability of the Red Cross to meet day-to-day obligations is reflected primarily in its working capital position and the financial flexibility to borrow funds for emergency needs and future capital requirements. As of June 30, 2002, the Red Cross reported \$397 million of debt, borrowed primarily to fund investments in equipment, systems and building improvements, which is a decrease of \$53 million from the previous year. The debt-to-net assets ratio as of June 30, 2002, was 15.4 percent, well within existing creditor debt covenants.

Fiscal Accountability

American Red Cross management is responsible for all financial statements in this report, which conform to generally accepted accounting principles. The financial statements in this report show the consolidated financial results of the Red Cross network of service units and the cost of delivering all Red Cross services for the fiscal year ended June 30, 2002. The financial report includes:

- A Consolidated Statement of Financial Position (page 19).
- A Consolidated Statement of Activities (page 20).
- A Consolidated Statement of Functional Expenses (page 21).
- A Consolidated Statement of Cash Flows (page 22).

The Red Cross is committed to making the most effective and efficient use of all the resources it receives and fully discloses in this annual report financial information pertaining to the broad scope of Red Cross programs and activities.

Federal statutes require that the Red Cross make a report of income and expense to the Department of Defense as soon as is practical after July 1 each year. The Red Cross provides not only a report of income and expense, but includes the full array of financial statements and disclosures required by generally accepted accounting principles. The Red Cross has engaged the internationally recognized firm of KPMG LLP, certified public accountants, as the principal auditor. They audit the financial statements and provide their auditors' report, which is presented on page 18.

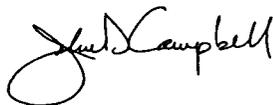
In addition to KPMG LLP, the Secretary of Defense has directed the U.S. Army Audit Agency to review the work of the principal auditor to ensure that the audit is performed in accordance with generally accepted auditing standards and that they can rely on the principal auditors' work. The U.S. Army Audit Agency report is presented on page 17.

Red Cross management ensures that an organization-wide internal control structure is in place to provide reasonable assurance that financial records are reliable and that assets are protected. Internal auditors monitor compliance with established policies and procedures, the internal control structure is continually evaluated and accounting standards are disseminated throughout the organization to assure the integrity of accounting and consistency in reporting.

The events of September 11, 2001, required a heightened level of awareness regarding financial controls throughout the Red Cross system. Red Cross management, along with Board of Governors oversight, instituted a comprehensive array of financial directives, audit reviews and reports to ensure to the greatest extent possible that donor contributions were properly accounted for and that expenditures were in accordance with donor restrictions. Listed below are some of the key financial reporting and control measures implemented specifically to address the response to September 11:

- Immediately provided on-site finance and audit staff in New York City and issued supplemental accounting and internal control guidance to all chapters.
- Required comprehensive contribution testing by independent auditors at more than 800 chapter locations prior to October 31, 2001.
- Provided weekly financial reports on the Red Cross public Web site to ensure accountability for funds spent.
- Received an unqualified opinion from KPMG LLP on the Statement of Revenue Collected and Expenses Paid for the period September 11, 2001, to October 31, 2001, and posted the audited statement on the Red Cross public Web site.
- Appointed Senator George Mitchell as independent overseer of the Liberty Disaster Relief Fund and issued quarterly reports on January 31, April 30, August 1 and November 1, 2002, regarding the status of funds spent and committed, which were posted on the Red Cross public Web site.
- Received an unqualified opinion from KPMG LLP on the Statement of Activities and Statement of Functional Expenses for the period September 11, 2001, to June 30, 2002.

Annually, the Board of Governors appoints an independent Audit Committee. This committee reviews matters affecting Red Cross finances, especially those pertaining to the internal control structure, audits and supplemental reviews of Red Cross September 11 financial activity. KPMG LLP and U.S. Army Audit Agency auditors have unrestricted access to the committee to discuss the results of their work and to give their assessments concerning the adequacy of internal controls and the quality of financial reporting. The Audit Committee Chairman's letter is presented as a part of this financial report.



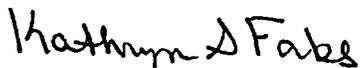
John D. Campbell
Chief Financial Officer and
Senior Vice President

Audit Committee Chairman's Letter

The Audit Committee (the "Committee") of the Board of Governors is currently composed of seven independent directors who are not officers or employees of the American Red Cross (the "Organization"). The Committee oversees the financial reporting process of the Organization on behalf of the Board of Governors.

During the fiscal year ended June 30, 2002, the Committee held four formal meetings. In addition, I interacted frequently with internal and external auditors regarding reviews and tests of control procedures related to the Organization's response to September 11 and kept the Committee and the Executive Committee of the Board of Governors informed of the results of those reviews.

The Committee has a formal written charter, which is annually reviewed. In fulfilling its responsibilities, the Committee recommends the selection of the Organization's independent certified public accountants to the Board of Governors and reviews the independence of the selected firm. The Committee discussed with the internal auditors, the independent certified public accountants and the U.S. Army Audit Agency (the "auditors") the overall scope and specific plans for their respective audits. The Committee also reviewed the Organization's consolidated financial statements with management and recommended to the Board of Governors that such audited financial statements be included in the annual report. The Committee met regularly with the Organization's chief financial officer and auditors to review internal controls, audit results, accounting principles and practices and the overall quality of the Organization's financial reporting. Meetings without management present were also held and designed to facilitate any private communications with the Committee desired by the auditors.



Kathryn A. Forbes
Chairman
Audit Committee

Independent Auditor's Report



DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Auditor General
3101 Park Center Drive
Alexandria, VA 22302-1596

A-2003-0032-FFG

October 30, 2002

The Act of Congress that incorporated the American Red Cross, as implemented by Department of Defense Directive 1330.5 and Army Regulation 930-5, requires that the U.S. Army Audit Agency perform an annual audit of the financial statements of the American Red Cross. The American Red Cross contracted with the certified public accounting firm of KPMG LLP as the principal auditor to perform a financial audit of its 2002 financial statements. To fulfill our audit responsibilities, avoid duplication and unnecessary expense, and make the most efficient use of our available resources, we reviewed the principal auditor's work and reports.

We reviewed KPMG LLP's audit of the consolidated financial statements of the American Red Cross for the fiscal year ended June 30, 2002. In the opinion of the principal auditor, based on its audit and the reports of other auditors, the American Red Cross' 2002 consolidated statement of financial position presents fairly, in all material respects, its financial position as of June 30, 2002 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, in conformity with generally accepted accounting principles.

We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we determine the reasonableness of the principal auditor's work and the extent to which we could rely on it. We reviewed the financial statements and auditor's report to evaluate compliance with generally accepted accounting principles and auditing standards. Our review included the auditors' qualifications, independence, quality control methods, planning, and evidence. We also tested the auditor's work to evaluate the auditor's understanding of the internal control structure, and the nature, timing, and extent of the audit work performed.

Nothing came to our attention to indicate that KPMG LLP's opinion on the American Red Cross's 2002 financial statements is inappropriate or cannot be relied on.

We believe that the financial statements, together with KPMG LLP's opinion and our review of that work, furnish Congress a dependable basis for evaluating the financial condition of the American Red Cross.


FRANCIS E. REARDON, CPA
The Auditor General

SFC-ARC-A001718

Annual Disaster Giving Program

The following corporations were members of the American Red Cross Annual Disaster Giving Program in the 2002 and/or 2003 fiscal years. The program provides a reliable funding base for relief services and enables the Red Cross to respond immediately to the needs of individuals and families impacted by disasters.

American Express Foundation

AT&T

BELFOR-INRECON

Bristol-Myers Squibb Company

Cisco Foundation

Citigroup Foundation

Computer Associates International

ConAgra Foods, Inc.

Delta Air Lines

Federal Express Corporation

Food Lion, Inc.

JCPenney Company, Inc.

Kmart Corporation

Lilly Endowment, Inc.

Lowe's Home Improvement Warehouse

Marriott International

Merck & Co., Inc.

Morgan Stanley

Nationwide

Raytheon Company

Sears, Roebuck and Co.

Sony Corporation of America

State Farm Insurance

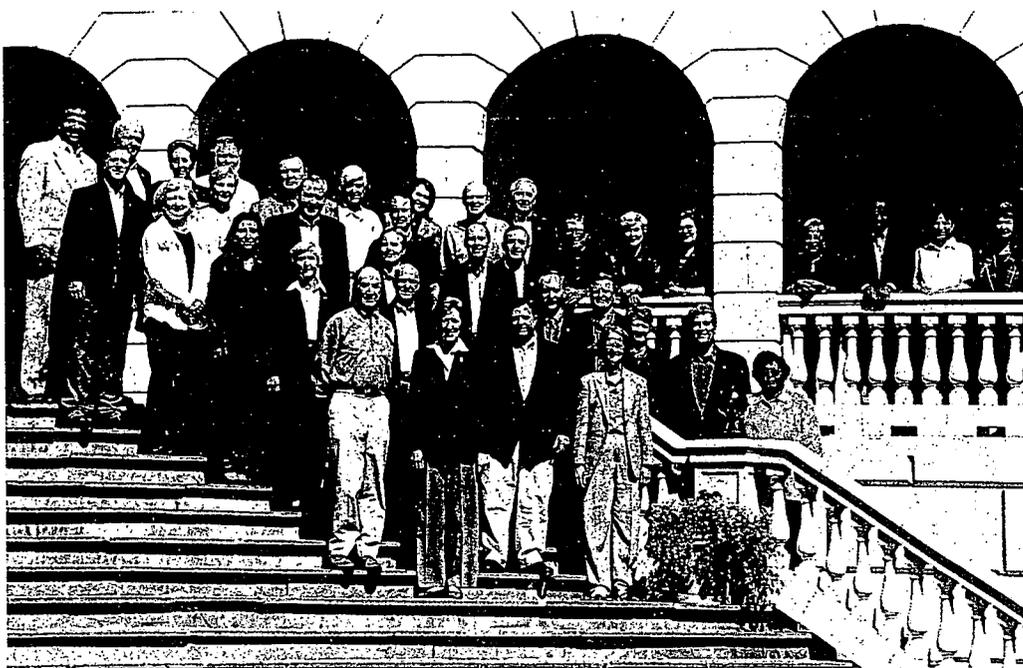
Steelcase Foundation

Target Corporation

United Airlines Foundation

Woodmen of the World/Omaha Woodmen Life Insurance Society

Leadership List



Members of the Board of Governors convene twice annually in Washington, D.C., and again at the national convention.

Board of Governors

(as of June 30, 2002)

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George W. Bush
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*Chairman
Orion Safety Products, and
President Emeritus
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New London, New Hampshire*

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Frederick H. Grein, Jr.
Kathryn A. Forbes

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Frederick H. Grein, Jr.
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*Chairman, American Red Cross
Chairman
Orion Safety Products, and
President Emeritus
Dartmouth College
New London, New Hampshire*

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Agency*

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Donald L. Evans
Secretary of Commerce

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*Senior Vice President and
Corporate Secretary
The Principal Financial Group
Des Moines, Iowa*

¹ The President of the United States serves as Honorary Chairman of the American Red Cross and appoints eight members of the Board of Governors, one of whom he designates as the Chairman of the American Red Cross.

Patricia A. Kennedy⁶
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Terrill Lynch
Wilkes-Barre, Pennsylvania

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Leyl, Royster, Voelker & Allen
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Lyerly Agency Inc.
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R. Mitchell Group
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Executive Director
World Food Programme
Rome, Italy

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Delta Air Lines, Inc.
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Chief Executive Officer
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Entertainment
Washington, District of Columbia

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USAF⁴
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DCS/Air and Space Operations
Springfield, Virginia

Corporate Officers
(as of Nov. 30, 2002)

David T. McLaughlin
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Marsha J. Evans
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Officer

Larry Moore
Interim General Counsel

Andrea Morisi
Interim Corporate Secretary

John D. Campbell
Chief Financial Officer and
Senior Vice President

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Chief Technology Officer

J. Logan (Skip) Seitz
Senior Vice President
Growth and Integrated
Development

Anthony J. Polk
Chief Diversity Officer

Tim Holmes
General Auditor

Resigned 12/6/01
Term ended 6/2/02
Elected 2/21/02
Elected 6/2/02
Retired 6/2/02
Resigned 6/17/02

SFC-ARC-A001734

Mission, Values, Principles

Mission of the American Red Cross

The American Red Cross, a humanitarian organization led by volunteers and guided by its Congressional Charter and the Fundamental Principles of the International Red Cross Movement, will provide relief to victims of disasters and help people prevent, prepare for and respond to emergencies.

The American Red Cross Values

Affirming our commitment to the Fundamental Principles of the International Red Cross and Red Crescent Movement, we pledge ourselves to these values:

HUMANITARIANISM

We exist to serve others in need, independently and without discrimination, providing relief for victims of disasters and helping people prevent, prepare for and respond to emergencies.

STEWARDSHIP

We act responsibly, effectively and efficiently with resources entrusted to us, always seeking to improve.

HELPING OTHERS

We are attentive and responsive to those we serve, always listening to their needs and looking for ways to serve through existing or new initiatives.

RESPECT

We acknowledge, respect and support the rights and diversity of each person in our organization and in the communities we serve.

VOLUNTARY SPIRIT

As a family of donors, volunteers and staff, we search for ways to provide hope to those we serve while demonstrating compassion, generosity and appreciation.

CONTINUOUS LEARNING

We seek, collectively and individually, to identify, obtain and maintain competencies and the awareness required for exceptional service.

INTEGRITY

We act with honesty, demonstrate courage and accountability under pressure and openly share ideas and information with each other.

Fundamental Principles of the International Red Cross and Red Crescent Movement

Humanity
Impartiality
Neutrality
Independence
Voluntary Service
Unity
Universality

Learn More About the American Red Cross

If you are interested in learning more about the work of the Red Cross, contact your local Red Cross or the Public Inquiry Office at national headquarters:

American Red Cross
ATTN: Public Inquiry Office
431 18th Street, N.W.
Washington, DC 20006

Information about the American Red Cross, including local unit locations, is also available on the World Wide Web: www.redcross.org.

Support Your Red Cross

The programs of the American Red Cross are made possible by the voluntary services and financial support of the American people.

To volunteer your time, contact your local Red Cross chapter. If you'd like to donate blood, call 1-800-GIVE LIFE. To make a financial contribution, send donations to your local chapter or to the following address:

American Red Cross
Dept: (Insert Local Chapter Name)
P.O. Box 37243
Washington, DC 20013

Financial donations also can be made by calling 1-800-HELP NOW or online at www.redcross.org. If you are interested in discussing gift planning, please contact your local Red Cross for further information.



The American Red Cross is a United Way member agency.

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Credits



This report was produced by the Communication and Marketing Department of The American National Red Cross.

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Holly Mullins photo on page 3, courtesy of her mother, Kathy Mullins.

Weiss-Parker family photo from 1980 on page 9, courtesy of the Weiss-Parker family.

Angels of the Red Cross

*In times of trouble and despair,
when things look hopeless everywhere,
there comes an angel to bear our loss,
who's called the American Red Cross.*

*Through all the mud and water flow,
where grime of unknown places go,
mold and mildew line our streets
making cleanup very slow.*

*All the towns are still in shock,
stores that stood proud remain unlocked;
shovels, hoes, and some good luck
is all we need to restrain this muck.*

*For many years, the cross was here,
in wartime and in peace,
to lend a strong and steady hand,
or a hug and smile at least.*

*I'm proud to be a part of you,
your service is wonderful through and through,
I'm glad you came in our time of loss,
but that's why you're the angels
of the American Red Cross.*

*by Holly Mullins, age 14
American Red Cross volunteer*

Volunteer.

Contact one of our nearly 1,000 chapters and get involved in a range of lifesaving, humanitarian programs. To find the chapter nearest you, visit www.redcross.org/where/chapts.html.

Give Blood.

Every two seconds, someone in America needs blood. To schedule a blood-donation appointment, call 1-800-GIVE LIFE or visit www.givelife.org.

Make a Financial Donation.

There are a variety of ways to contribute to the American Red Cross: Send a check to your local chapter or to the Red Cross at P.O. Box 37243, Washington, DC 20013. You may also call 1-800-HELP NOW or donate through our secure Internet site: www.redcross.org/donate/donate.html.



American Red Cross

Together, we can save a life



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin,
Chairman
Members, Board of Governors

Date: November 1, 2002

From: Marsha J. Evans

Subject: Strategic Planning Meetings

Our Board of Governors retreat this past September formally launched our effort to develop a new organization-wide strategic direction for the American Red Cross. A critical step in this process is involving all aspects of the organization as the plan is created. To that end, we have asked chapters, Blood Services regions and state service councils to conduct discussions with their boards and leadership teams to provide input into the American Red Cross strategic plan. We have also scheduled two "Strategy Forums" on the East and West Coasts. These special meetings are by invitation-only due to space constraints. We randomly selected participants and adjusted the list to ensure size and geographic representation.

If your schedule permits, I would like you to attend one of these sessions to continue your engagement in our strategic planning process. However, if you are unable to attend, we are planning to conduct several more sessions across the country in February and March. The details for the upcoming meetings are as follows:

East Coast Strategy Forum
November 19, 8:00 a.m. - 5:00 p.m.
American Red Cross National Headquarters
E Street Ballroom
Washington, DC 20006

West Coast Strategy Forum
November 22, 8:00 a.m. - 3:00 p.m.
San Francisco Airport Marriott
1800 Old Bayshore Highway
Burlingame, CA 94010

If you are interested in attending one of these meetings, please return the appropriate registration form as indicated on the sheet. I have enclosed the registration forms and meeting information sheets for both meetings. Please contact Jim Starr, Senior Director, Corporate Strategy, at (202) 639-3521 if you have any questions regarding these meetings or our strategic planning efforts.

East Coast Strategic Planning Meeting
Travel Information
(Tuesday, November 19, 2002)

Event Location/Time:

American Red Cross National Headquarters Meeting

E Street Ballroom

1730 E Street, N.W.

Washington, DC 20006

8:00 a.m. - 4:00 p.m.

Continental breakfast and lunch will be provided

Reception Immediately Following:

Board of Governors Hall, 17th Street Building

430 17th Street, N.W.

Washington, DC 20006

4:00 p.m. - 5:00 p.m.

Hotel Information:

Hotel Washington ~ Pennsylvania Avenue at 15th Street

515 15th Street, N.W.

Washington, DC 20004-1099

Telephone number: (202) 638-5900

Toll-free number: (800) 424-9540

www.hotelwashington.com

A block of rooms has been reserved at the Hotel Washington. Please contact the hotel to reserve your room and to receive your confirmation number. The hotel room rate is \$135 single/double plus 14.5 percent D.C. room sales tax. If you have any difficulties, please contact Joan Man (202) 434-4035 or Leola Mason at (202) 434-4054.

American Red Cross EAST COAST STRATEGIC PLANNING MEETING

Tuesday, November 19, 2002

Registration Form

First Name		Middle Initial		Last Name	
BOARD OF GOVERNORS					
Address					
Telephone Number		Fax Number		E-mail Address	
Do you have any disability requiring special assistance? Yes <input type="checkbox"/> No <input type="checkbox"/> (Check One)					
If yes, please describe:					
<input type="checkbox"/> Yes, I plan to attend the Strategic Planning Meeting on Tuesday, November 19, 2002.					
<input type="checkbox"/> Unfortunately, I will not be able to participate at this meeting.					

Please e-mail your registration form to Kate Ginman at ginmank@usa.redcross.org or fax it to (202) 639-3572.

The meeting will be held at:

American Red Cross National Headquarters
Board of Governors Hall
430 17th Street, NW
Washington, DC 20006

11/01/02 19:23

AMERICAN RED CROSS->Man,Joan

004

11/01/02 14:18 FAX 202 639 3267

ARC MARKETING

004

West Coast Strategic Planning Meeting

Event Date/Times:

Friday, November 22

8:00 a.m. – 5:00 p.m. Strategic Planning Meeting (*continental breakfast, lunch included*)

.....

Dress/Attire: The dress for the meeting will be business-casual.

Registration Form: Please return the enclosed registration form no later than October 25th. (*We will only contact those individuals who we do not receive a registration form from – so if we do not contact you, we've confirmed your participation*). **Please note that we are only confirming registration. You will need to make hotel accommodations directly with the hotel.**

Air/Ground Transportation and Weather: Although chapters are not required to utilize BTI World Travel, they may still be used to purchase airline tickets (877/292-9466). Complimentary shuttle service can be accessed from the baggage claim area of the airport. For those of you who may be driving to San Francisco, please check out the hotel website at: www.marriotthotels.com/sfobg. Weather conditions can also be found on the website.

Hotel and Meeting Room Accommodations: Meeting space and sleeping rooms are reserved at the San Francisco Airport Marriott, 1800 Old Bayshore Hwy, Burlingame, CA 94010 (phone: 650-692-9100; fax: 650-692-9861). To make your reservations, please call 800/228-9290. As always when calling, please be sure to request the rooms reserved for the **American Red Cross**. The hotel room rate is \$99 for single or double. We request that everyone make their hotel reservations with the Marriott (and not on the internet). Please check the hotel billboards for meeting room location upon your arrival.

11/01/02 10:23

AMERICAN RED CROSS -> Man, Joan

005

11/01/02 14:19 FAX 202 639 3267

ARC MARKETING

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Registration Form

WEST COAST Strategic Planning Meeting

November 22, 2002
San Francisco Airport Marriott

Participant: _____ Title: _____

Chapter: _____ State: _____ Phone: _____ Fax: _____

Yes, I plan to attend the Strategic Planning Session on Friday, November /22 (8:00 p.m. - 3:00 p.m.)

Unfortunately, I will not be able to participate at this meeting.

I plan to arrive in San Francisco on (date): _____ at _____ o'clock.

I would like to request a vegetarian meal.

Complete and return this form no later than November 5 to:

Sue Hartman, Regional Specialist

American Red Cross

3751 Howard Hughes Pkwy, #320, Las Vegas, NV 89109

tel: (702) 507-0876, fax: (702) 507-0831

SFC-ARC-A001744

**American
Red Cross****Office of the Chairman
National Headquarters
Washington, D.C.***Together, we can save a life***To:** Members, Board of Governors**Date:** November 1, 2002**From:** David T. McLaughlin**Subject:** Election of New At-Large
Members**cc:** Marsha J. Evans

I am pleased to announce the October 25 election of two at-large members to the Board of Governors. Both are outstanding professionals who have not only agreed to the commitments and governance obligations of this Board, but also to employ their energy and excitement in assisting the Red Cross.

Gina Adams is Corporate Vice President for FedEx Corporation's Office of Government Affairs. Following a nine year career as Attorney-Advisor in the General Counsel's Office at the U.S. Department of Transportation, Ms. Adams joined the FedEx Corporation in 1992. She has served on a number of boards supporting the arts and was appointed in 1993 to a bipartisan National Commission to Ensure a Strong Competitive Airline Industry.

William "Bill" Lucy is International Secretary-Treasurer of the American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO; a position he has been continually reelected to since 1972. AFSCME represents 1.3 million members. Since 1995, Mr. Lucy has also served on the AFL-CIO Executive Council and is vice president of the Maritime Trades Department and Department of Professional Employees. He is also the founder and president of the Coalition of Black Trade Unionists and president of Public Services International, the world's largest union federation.

Following the election of Bill Lucy, I accepted the resignation of Kevin Gallagher. I am confident Kevin will continue to be a tremendous supporter of the American Red Cross and we wish him Godspeed as he returns to active firefighting.



National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin,
Chairman
Members, Board of Governors

Date: November 15, 2002

From: Marsha J. Evans

Subject: First Monthly Update

With this message, I am launching a new monthly communication to give you a better idea of some of the things ARC leadership and I are working on. I'd like to convey a sense of where I have been traveling, with whom I've been meeting and what my concerns are as we go forward. I'm also going to be communicating in a similar fashion with our chapter CEOs on a monthly basis.

I believe that it is vital for you to be fully informed since you are a member of the policymaking body for our organization. Moreover, your influence can help us tell our story and I want to give you every tool I can to help you in that task. With that in mind, we are preparing a notebook for each Governor that will include key message PowerPoint presentations on timely and "evergreen" issues, along with a speech suitable for delivery to Rotary clubs and other organizations. These will be delivered to you later this month, and I hope you will find them valuable. Your feedback will be most welcome.

You have heard me say that this is a critical time for the American Red Cross, just as it is a critical time for our nation. I've been trying to meet with some of the key people who can help us in the challenges ahead, telling them what we do and how we can work together on some shared problems.

Last month, I had a good discussion with Senator Charles Grassley. He and I share the same goal of heightened accountability during this time of increased scrutiny, and I very much view him as a partner in our efforts to show that our management systems in fact are quite sound. Many of you know from the most recent Audit Committee meeting that our fiscal 2002 consolidated audit received a clean opinion from KPMG, and we will be sure that this information is shared with the Senator and made public.

Recently, I flew up to New York to meet with the president of CBS News. It was a good meeting; I expressed concern over their coverage of the American Red Cross. I explained that the Red Cross was determined to correct its own problems and that we have "turned the corner" on the way toward this goal. He listened intently and made no promises, but I know that he understood our desire to be treated fairly.

11/15/02 11:17

AMERICAN RED CROSS->Man, Joan

002

11/15/02 15:07 FAX 202 639 3267

ARC MARKETING

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Of course, the key to receiving fair media coverage is to provide good service. After Hurricane Lili came ashore near New Iberia, Louisiana, on October 3, the Red Cross became a focus of quite positive media coverage because our Disaster Services workers were well prepared and had mounted a very effective response. I spoke with Southeast Louisiana Chapter and asked to come down to meet the staff after the dust had settled and the TV cameras had moved on. When I met with our relief workers in Houma and in St. Rose, I was impressed with two things: their depth of hard-core disaster experience and their unswerving dedication to the Red Cross. I have been in disaster situations before and know the kind of dedication it takes to hang in there with the long hours and poor living conditions while maintaining their focus on those who need our help. I was touched by the examples I saw in our employees and volunteers. And I was honored to be the guest of several chapters in my travels over the past month or so: Westchester (White Plains, NY); American Red Cross of Central New Jersey (Princeton); National Capital Chapter (Washington, D.C.); South East Louisiana (New Orleans); American Red Cross Bay Area (San Francisco); Greater Salt Lake Area Chapter; Mile High Chapter (Denver); the Cincinnati Area Chapter, and the Nashville Area Chapter.

Visiting field units is a priority activity for me, and I have set an ambitious schedule of travel to chapters, not only in response to the many generous invitations I receive, but also because I need to understand how field operations work and the issues they face. While we are all concentrating on strengthening American Red Cross service delivery and moving forward in developing an inclusive Strategic Plan, I am approaching these trips as internal visits. However, where the local media express interest in my visit, I use this as an opportunity to boost awareness of what the chapter does for that community and region.

The Red Crossers I met with after Hurricane Lili will be at the vanguard of our effort to refocus Red Cross Disaster Services, as you approved in September. We're already moving forward with this plan to use what we learned before and after September 11 to make our disaster response program the best it can possibly be. On October 25, I announced a new Strategic Alliance Committee to oversee these activities and direct the continuing development of other strategies and the strategic planning process.

Related to the new Strategic Plan, we have asked chapters, Blood Services regions and state service councils to conduct discussions with their boards and leadership teams to obtain input. We have also scheduled two "Strategy Forums" on the East and West Coasts. We randomly selected participants and adjusted the list to ensure size and geographic representation. Your input is vital to this process, and I hope you can attend either the East Coast Strategy Forum on November 19 or the West Coast Forum on November 22. We are also reviewing external trends and talking to our clients and major donors about their opinions. We have a solid strategy to attract and incorporate quality input from every segment of the organization to complete the plan, and I will look to you for guidance as we gather data and begin putting the pieces together before the 2003 convention. I believe strongly that the inclusive nature of the strategic planning process can help all of us get beyond the past history of mistrust between national headquarters and the field.

SFC-ARC-A001747

Signaling our continued strong ties with our sister society, the Magen David Adom of Israel, I have just met with its Director General, Avi Zohar, a long time friend of the American Red Cross. I reaffirmed our steadfast support for MDA inclusion in the Movement, and expressed excitement over finalizing the Memorandum of Understanding (MOU) between our two societies. The MOU sets a framework for ongoing collaboration and mutual assistance between us, and we expect that David McLaughlin will sign it on his visit to Israel mid month.

One of David's and my most important meetings was with Health and Human Services Secretary Tommy Thompson and the FDA on November 5. We all share the goal of continuing to make America's blood supply as safe and as abundant as science and determination permit. To that end, I am determined to put the consent decree matter behind us-as early as possible-so that we may rededicate our energies to this essential safety goal. I remain optimistic this issue can be resolved and will keep you apprised of developments as they occur.

As I sat down to place the finishing touches on this letter, the news arrived that nine states had been ravaged by tornadoes and that our employees and volunteers were on the scene helping to provide immediate help to those in need. Disaster relief is at the heart of the Red Cross and I am proud to be a part of an organization with such compassionate, skilled and dedicated people. Our fine work was also showcased to the American public through national media coverage on CNN, FOX networks, *The New York Times* and *USA Today*.

I also had the opportunity to glimpse the preliminary results of the November 2002 tracking poll. This poll measures public opinion of the Red Cross through a representative sample of the U.S. population and is conducted three to four times a year. Although, I'll be providing the organization a more comprehensive report, I wanted to share two exciting, early results. First, the public continues to trust the Red Cross. We are at a 74 percent approval rating, up from 66 percent in June. This rating is back in a normal range for the Red Cross and is one of the highest ratings in the nonprofit sector. Second, the public feels overwhelmingly that employees and volunteers of the American Red Cross should be proud of what they do. That rating is 86 percent. At a time that I have heard anecdotally that morale is low due to the intense media scrutiny we have received and that there is a hesitation on the part of Red Crossers to be aggressive in their public support activities, this is great news. That is why it is so important that we continue to reinforce to our family that the Red Cross is still the most trusted symbol with a valued humanitarian mission. We must wave that flag high and publicly tell the story of our great works in communities across this nation.

The fast-approaching holidays are an important time for the Red Cross, and we should remind people that we need their continued support of time, money and blood. Our research shows that when asked, people say they still trust the Red Cross to be effective stewards of these precious gifts. We must continue to ask for their support.

Again, if events warrant, I will be in contact immediately. Please feel free to contact me at any time with your thoughts or suggestions.



**American
Red Cross**

Together, we can save a life

**National Headquarters
Office of the President and CEO**

To: David T. McLaughlin,
Chairman
Members, Board of Governors

Date: November 22, 2002

From: Marsha J. Evans

Subject: Update on Canadian Red Cross
Blood Situation

Some of you may be aware that the Canadian Red Cross, a former official of its blood service and Armour Pharmaceutical Company, an American firm, were criminally charged this week in a scandal over tainted blood. Although the American Red Cross and the Canadian Red Cross are two separate organizations, the media often muddles this distinction, leading to public confusion. I want to take this opportunity to arm all of you with the most accurate and up-to-date information about the situation in Canada in the event that you are approached by the media or a member of your community. Attached you will find a news story that provides historical context.

Before the close of the Canadian Red Cross blood program in 1998, the American Red Cross consulted with them about providing assistance and blood products. However, since the American Red Cross and Canadian Red Cross programs operated under different regulatory structures, it was never feasible to provide blood components across national borders. Since 1998, the Canadian Red Cross transferred its blood program, restructured the Society, settled all civil claims and provided compensation for identified victims of tainted blood products.

The criminal charges announced yesterday came after a five-year investigation by a Royal Canadian Mounted Police task force. The charges include criminal negligence causing bodily harm, which carries a maximum 10-year sentence, and common nuisance by endangering the public, which is punishable by up to two years in prison. Armour, based in Bridgewater, N.J., was charged on both counts after it failed to inform the Canadian government that there had been problems with its blood products. Armour's blood products were distributed in Canada after being withdrawn in the United States.

The following talking points on this situation have been developed for your use:

- The American Red Cross and the Canadian Red Cross are two distinct organizations that operate under different regulatory structures and have entirely separate service delivery systems including blood collection, testing and distribution. Actions by the Canadian Red Cross have no effect on the American Red Cross blood program.
- The American Red Cross does not import blood or blood products from the Canadian Red Cross, and vice-versa.

SFC-ARC-A001749

- The nation's blood supply has never been safer. Technological advancements in blood testing and the dedication of thousands of professionals have raised its quality to new heights in recent years.
- There are at least six layers of overlapping safety that help protect the blood supply, which include self-deferrals, pre-check, completion of the blood donation record, health history screening, confidential unit exclusion, testing and post donation information.
- The American Red Cross has provided humanitarian service to our nation since 1881, and has been the leading provider of America's blood supply for more than 50 years.

If you receive media inquiries or have any questions, please contact Phil Zepeda, senior director, Media Relations, at (202) 639-3308; e-mail zepedap@usa.redcross.org.

Attachment

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Friday » November 22 » 2002

canada.com News



Criminal charges laid against doctors, Red Cross in '80s blood disaster

NANCY CARR
Canadian Press

AUDIO

Wednesday, November 20, 2002

TORONTO (CP) - Criminal charges against four doctors, an American pharmaceutical company and the Canadian Red Cross have been laid in Canada's decades-old tainted-blood disaster, a development that persuaded some victims Wednesday their troubles weren't just bad luck.

"Victims have been validated," said Mike McCarthy, one of thousands of Canadians who contracted hepatitis C or HIV from tainted blood in the 1980s. "We can't blame God for what happened here. It was real people that made these decisions." In announcing the charges Wednesday, Supt. Rod Knecht, head of the Toronto-based RCMP Blood Task Force, said Canadians have the right to expect safe blood.



CREDIT: (CP/Fred Chartrand)

Please see below for:

A chronology of the legal battles

Charges laid in tainted-blood scandal

"The Canadian public needs to have confidence in their public institutions," Knecht told a news conference.

"The Canadian public has the right to expect the safest blood and the safest blood products possible. This is fundamental to health, safety and lives of everyone living in Canada."

Further charges may follow, Knecht said.

The initial charges, laid Tuesday after a five-year investigation, include criminal negligence causing bodily harm, which carries a maximum 10-year sentence.

A decade-long jail term would be appropriate, said McCarthy, who contracted hepatitis C in 1984.

"I think the crimes justify that length of time in prison," McCarthy said.

"I think of all the suffering that has taken place and all the lives that are lost and if (the doctors) have to go to jail for 10 years, so be it."

The blood task force has also laid the lesser charges of common nuisance by endangering the public, which carries a maximum two-year sentence, as well as a charge of failure to notify under the Food and Drug Act regulations.

The Canadian Red Cross was charged with six counts of common nuisance by endangering the public.

Canadian Red Cross
CEO Dr. Pierre
Duplessis delivers a
statement in Ottawa,
Wednesday. (CP/Fred
Chartrand)

SFC-ARC-A001751

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All four doctors and New Jersey-based Armour Pharmaceutical Company were charged with criminal negligence and endangering the public for allegedly allowing Armour's blood-clotting product, infected with HIV, to be given to hemophilia patients, thus putting the public at risk of contracting the deadly virus.

The Red Cross and Dr. Roger Perrault, 66, its former director of blood transfusion, were also charged with not screening out blood donors who might have HIV.

As well, Armour was charged with failing to notify the federal Health Ministry of problems or suspected problems with the blood product it distributed to the Canadian Red Cross Society.

Canadian Red Cross CEO Pierre Duplessis apologized to the victims of tainted blood Wednesday afternoon but wouldn't comment on the charges.

"We're terribly sorry. We know what it is to suffer," Duplessis said at a news conference in Ottawa.

Police identified the remaining three doctors charged as:

-Dr. John Furesz, 75, of Ottawa, former director of biologics at Ottawa's health protection branch.

-Dr. Wark Boucher, 62, of Nepean, Ont., an Ottawa suburb. He is a former chief of the blood products at the health protection branch.

-Dr. Michael Rodell, 70, a former vice-president of Armour who lives in Bala Cynwid, Pennsylvania.

While the charges have not reached the upper-echelon politicians, some victims and their family members believe they should be implicated.

"Ultimately if the health minister is not held accountable, the government of the day will simply ignore the warnings to its senior physicians and scientists and do so with impunity," said Gabe Kempf, whose wife, Lynne, contracted HIV after receiving blood during emergency surgery in 1981.

"There needs to be enough courage in the country that the senior police force can bring charges against a senior politician where there is criminal activity."

The tainted-blood affair is considered one of the worst public health disasters in Canadian history. About 1,100 Canadians became infected with blood-borne HIV and between 10,000 and 20,000 others contracted hepatitis C after receiving tainted blood products, the Canadian Hemophilia Society says.

A police investigation was launched in 1997 after RCMP received complaints there had been criminal wrongdoing. The complaints followed an exhaustive inquiry into the tragedy that directed criticism at every major player in the blood system.

The inquiry, headed by Justice Horace Krever, failed to lay direct blame for the disaster but recommended compensation for at least 12,000 Canadians.

The Canadian Hemophilia Society applauded the charges in a news release Wednesday.

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"Health Canada, the Red Cross and the pharmaceutical industry had been told for years that supervision of the blood system was inadequate and yet chose not to act in a timely manner," the Hemophilia Society said in a release.

Jeremy Beaty, 65, who got hepatitis C from a blood transfusion during heart surgery in the late 1970s, said Wednesday the criminal charges show "the major institutions in our country have all been negligent" in administering the blood supply.

A former president of the Hepatitis C Society of Canada, Beaty said the charges open the door for others - potentially about 5,000 Canadians - to receive compensation from a \$1.2-billion government fund to help

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those who received tainted blood.

The charges suggest that negligence may have occurred outside the 1985 to 1990 compensation period because all the parties involved were distributing blood outside that window. The police investigation, which began in 1980, also spanned a longer time frame than the compensation window.

The Hemophilia society also called on governments Wednesday to compensate people infected by tainted blood in the early 1980s.

The Canadian Red Cross began screening for HIV in 1985. It did not begin screening for hepatitis C until 1990, four years after the United States began testing for the disease that affects the liver.

As recently as last month, questions were still being raised about the country's blood system.

In a lengthy report issued in early October, the National Blood Safety Council said provinces need to assume a greater role in keeping blood safe.

The report cited a lack of political will among health ministries even in the years following the Krever inquiry.

The Canadian Hemophilia Society was to release its latest report card on Canada's blood supply system Thursday morning in Montreal.

Many, but not all, of Krever's 50 final recommendations suggesting ways to help prevent a similar debacle have been implemented.

The Canadian Blood Services was created to take over the system of blood donations and manage Canada's blood supply. It has taken pains to restore public confidence with slogans and ad campaigns.

And since the inquiry, a new level of scrutiny has been introduced to traditional blood screening methods.

Dr. Graham Sher, of the Canadian Blood Services, said the charges reflect possible inadequacies in Canada's previous blood supply system.

"The public believes the system is safer today than it was five years ago," Sher said from Ottawa.

Sher said recent polls suggest more than 80 per cent of Canadians now have faith in the blood distribution system and donations are up 17 per cent since his agency was created in 1998.

Health Protection Branch spokeswoman Jirina Dik refused to speak to the specific charges against the doctors, but insisted that Canada now has "one of the safest blood systems in the world."

Representatives from Armour did not return calls Wednesday afternoon.

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A chronology of the legal battles between the Red Cross and the inquiry into the Canadian blood system:

March 1985: Major blood suppliers in the United States begin testing blood products for the AIDS virus.

November 1985: Canadian Red Cross begins testing blood products for the AIDS virus.

Dec. 14, 1989: Federal government announces \$150 million in compensation for about 1,250 Canadians infected with HIV through blood transfusions or blood products.

May 25, 1993: Parliamentary subcommittee on health says there's urgent need to trace people who may

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become infected with the AIDS virus through medical treatment before they infect others.

July 19, 1993: A federal health official says the government knew before July 1984 that blood products for hemophiliacs were contaminated with HIV.

Sept. 15, 1993: Provinces and territories announce a compensation plan for people who contracted the AIDS virus from contaminated blood and their families

Sept. 16, 1993: Tory Health Minister Mary Collins announces inquiry to recommend how to reform the blood system to make it safer and more efficient. It begins Nov. 22.

Dec. 21, 1995: The commission sends notices to the Red Cross, the federal and provincial governments, pharmaceutical companies and individuals, warning that they could be named for misconduct in the tainted blood tragedy.

January 1996: Virtually all of the parties who received notices launch court challenge, saying the commission does not have authority to assign blame.

June 1996: The Federal Court orders the commission not to make findings of misconduct against 47 individuals, mainly ministers and senior bureaucrats, but leaves 14 Red Cross officials and three federal officials open to blame.

July 1996: The Red Cross announces it will appeal the decision.

Jan. 17, 1997: The Federal Court dismisses the Red Cross challenge.

Jan. 30, 1997: The Red Cross announces it will seek permission to appeal to the Supreme Court.

March 27, 1998: Health ministers announce \$1.2-billion federal-provincial compensation offer limited to victims infected by tainted blood from 1986 to 1990.

April 29, 1998: Quebec legislature moves motion to call on Ottawa to compensate all victims. Rock spokesman calls the move a "cynical, empty gesture."

April 30, 1998: Ontario and B.C. support Quebec motion.

May 4, 1998: Ontario Premier Mike Harris announces Ontario will compensate those excluded from original federal-provincial offer. Rock says he will reconsider his position.

May 6, 1998: Red Cross reaches agreement with provincial and territorial governments to transfer blood services to two new agencies, Canadian Blood Services and Hema-Quebec.

July 20, 1998: Red Cross announces it's broke and can't pay creditors or claimants.

Sept. 17, 1998: Rock reiterates there will be no federal compensation for those infected before 1986 or after 1990.

Nov. 23, 1998: Ontario begins compensating people excluded from the federal package. **SFC-ARC-A001754**

Dec. 11, 1998: Red Cross files statement of claim demanding government coverage of tainted blood liabilities running into billions of dollars. Red Cross officials say they still hope for out-of-court settlement.

Dec. 18, 1998: Class-action lawyers leak outlines of a deal that would compensate victims infected from 1986 to 1990 on a sliding scale, with most money going to the sickest. Reaction from victims is mixed.

Jan. 28, 1999: More than 1,000 hemophiliacs launch \$1-billion lawsuit against Ottawa for using tainted

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blood from U.S. jails.

March 26, 1999: The Red Cross offers a \$60-million compensation plan for those people infected before 1986 and after 1990.

August 18, 1999: Hearings on the hepatitis C compensation plan begin in Ontario, Quebec and B.C.

Aug. 26, 1999: Quebec announces plan to compensate hepatitis C victims who aren't covered by the federal-provincial settlement.

Sept. 10, 1999: Federal Finance Minister Paul Martin sets up tax changes so that compensated victims won't pay income tax on their settlement.

Sept. 21, 1999: Quebec courts approve the \$1.2-billion federal-provincial compensation plan.

Sept. 22, 1999: Ontario courts also approve plan.

April 19, 2001: Supreme Court of Canada rules the Red Cross was negligent in managing the blood system in the early years of the AIDS crisis.

June 26, 2001: Ontario judge Warren Winkler approves \$79-million Red Cross-led settlement for people infected by hepatitis C through tainted blood before 1986 and after July 1, 1990.

Oct. 2002: National Blood Safety Council releases report saying provinces need to assume greater role in monitoring blood supply and ensuring safety.

Nov. 20, 2002: RCMP lays charges - including criminal negligence causing bodily harm - against four doctors, the Red Cross and an American pharmaceutical company following a five-year investigation into the tainted-blood scandal.

SFC-ARC-A001755

Charges laid in tainted-blood scandal

TORONTO (CP) - The RCMP laid charges Wednesday in connection with the tainted-blood scandal of the 1980s. A quick look at the individuals and organizations in question and the charges they face:

-Canadian Red Cross Society: Charged with six counts of common nuisance by endangering the public.

- Dr. Roger Perrault, 66, of Ottawa: Former director of Canadian Red Cross's blood transfusion service. Charged with three counts of criminal negligence and seven counts of nuisance by endangering the public.

The Red Cross and Perrault were implicated for not screening out blood donors who might have had HIV.

- Dr. John Furesz, 75, of Ottawa: Former director of bureau of biologics at federal government's health protection branch. Charged with three counts of criminal negligence causing bodily harm and one count of common nuisance by endangering the public.

- Dr. Wark Boucher, 62, of Nepean, Ont.: Former chief of blood products division of bureau of biologics at health protection branch. Charged with three counts of criminal negligence causing bodily harm and one count of common nuisance by endangering the public.

- Armour, a Bridgewater, N.J., pharmaceutical company: Charged with three counts of criminal negligence causing bodily harm, one count of common nuisance and one count of failure to notify under the Food and Drug Act. Armour, which developed blood products distributed in Canada by the Red Cross, was implicated for failing to notify the federal government of problems or suspected problems with the blood products.

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- Dr. Michael Rodell, 70: Former vice-president of Armour who lives in Pennsylvania. Charged with three counts of criminal negligence causing bodily harm and one count of common nuisance by endangering the public.

All four doctors and Armour were also implicated for allowing Armour's HIV-infected blood-clotting product to be given to hemophiliacs, putting the public at risk of contracting the disease.

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American Red Cross

Marty

Some pretty good
backlog info on ICRC
Their people in the field
re Gestrate -
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From
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Marty copy
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Gave
original
to Marty

DAVID T. McLAUGHLIN
46 Newport Road, Suite 205, New London, NH 03257

Check
my file more
copy More
to Marty

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7

Fact Sheet

ICRC ACTIVITIES IN ISRAEL, THE OCCUPIED AND THE AUTONOMOUS TERRITORIES June - September 2002

The International Committee of the Red Cross (ICRC) has maintained a permanent presence in Israel and the Occupied and Autonomous Territories (IL/OT/AT) since 1967. Monitoring compliance with International Humanitarian Law (IHL) has been one of its long-standing priorities, especially with regard to the Fourth Geneva Convention relative to the protection of civilians in times of war and occupation. The upsurge of violence in 2002 has caused many casualties and much human suffering. Prolonged closures and curfews, destruction of public infrastructure and private property have led to the socio-economic collapse of Palestinian society, resulting in extreme hardship for the population. Hence the ICRC extended the scope of its activities to respond to the increased needs.

Protection of the Civilian Population

The scope and scale of IHL violations are reflected in the alarming increase of civilian casualties in IL/OT/AT. In line with the ICRC's protection mandate, delegates monitor the situation for civilians living under occupation. When necessary, confidential and well documented representations are sent to the concerned authorities to ensure their respect for the Fourth Geneva Convention and for IHL principles. From June to September, 55 interventions referring to specific or thematic events were sent to the relevant authorities.

Visits to People Deprived of their Freedom

Detainees falling under the ICRC's mandate are visited regularly in Israeli and Palestinian places of detention, and their treatment and living conditions monitored. By the end of September, the number of people visited in Israeli detention places had risen to around 7,200 (including some 250 minors and 40 women), from 4,250 in February. Visits to administrative detainees rose from 35 to some 880 during the same period. The number of detainees held by the Palestinian Authority and visited by the ICRC on the West Bank and Gaza went down from 800 to around 250 by September, and included two women and one minor.

Maintaining Family Links

The ICRC's Family Visit programme for persons living in Gaza, the West Bank, East-Jerusalem and the Golan, to their relatives detained inside Israel, was often suspended by the Israeli authorities. Visits from the West Bank are still on hold, but have been running in Gaza since August, after a brief suspension. In June, the authorities set more stringent conditions. Visits for East-Jerusalemites and from the Golan were not interrupted. From June to September, 7,813 persons visited loved ones in various places of detention in Israel, while 1,370 who registered to go and fulfilled the criteria were refused by the Israeli authorities. During the same period, the ICRC exchanged 2,767 messages between detainees and their relatives and issued 4,857 certificates of detention. It also facilitated the passage of 658 students between Syria and the Golan, as well as that of 144 Druze pilgrims from Israel. Three Syrian brides were united with their fiancés on the Golan Heights.

Assistance Programmes

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The humanitarian situation in OT/AT deteriorated further under the strict closures and curfews. The ICRC's expanded assistance programme aims to alleviate some of the vulnerable groups' immediate problems and is of limited duration. The ICRC does not want to substitute itself for the Occupying Power which is responsible for meeting the basic needs of people living under occupation, according to IHL.

Relief

In nearly 300 villages on the West Bank, 21,731 families received food parcels; 20,768 received hygiene parcels and 11,255 families received a first distribution of sugar, rice and wheat flour. Fifty kilograms of each of the aforementioned three commodities are given to 30,000 families every three months. School kits were given to 4,505 families for the new school year.

In Hebron, Bethlehem, Jericho, Tulkarem, Qalqilya, Salfit and Ramallah, a total of 14,695 families received vouchers for redeeming against various basic food and non-food items in a local shop. The programme aims to benefit 20,000 families in nine cities and towns, but has yet to begin in Nablus and Jenin. In the Old City of Hebron, 2,000 families continue to receive a monthly food parcel.

Recently, house destruction in the Gaza Strip and on the West Bank has increased significantly. Families made homeless, or whose houses have been seriously damaged, receive tents, blankets, hygiene items, household goods and other emergency supplies from the ICRC. From June till September more than 2,115 persons in the Gaza Strip, and 377 in the West Bank were helped. Eleven large tents were donated to schools in Mawasi (Gaza Strip) to ease overcrowding.

Medical and surgical assistance

ICRC specialists in vascular surgery, neuro-traumatology, orthopaedics and intensive care spent nearly 20 weeks in six hospitals on the West Bank and Gaza to coach and train Palestinian counterparts. Surgical instruments worth 84,000 US were donated to various hospitals under the programme. The ICRC also donated 68 oxygen concentrators and 21 pulse oxymeters to 14 hospitals, to ensure that emergency surgical and intensive care treatment can be given, even during times of closure or curfew. ICRC trucks also transported more than 100 MT of medical supplies for the MoH.

Water

The ICRC is helping vulnerable communities to get enough clean water for their basic needs during the dry season. Households without piped water in 14 villages in Hebron governorate receive around 5m3 of water per month, brought to them by tanker. The deliveries will continue until the winter rains.

Co-operation with the Palestine Red Crescent (PRCS) and Magen David Adom (MDA)

The ICRC currently covers the running costs of some 80 PRCS ambulances, and 240 emergency medical technicians. It supports the PRCS's dissemination and information departments, and its web site as well as the new disaster response programme which includes mobile clinics in isolated villages, and a network of doctors and nurses who respond to emergency calls. The ICRC plays a crucial intermediary role in facilitating PRCS ambulance mobility in an extremely difficult environment through direct negotiations with the Israeli authorities.

Sixty ICRC-trained PRCS volunteers raised awareness about the dangers of mines and unexploded ordnance (UXOs) among 3,500 participants in 22 youth camps on the West Bank and in Gaza this summer.

The ICRC co-operates with the MDA on tracing, IHL dissemination, and disaster preparedness. Recently, it provided MDA with 6,333 blood bags, and more will be given in the near future.

The ICRC is also co-ordinating the work of other Red Cross and Red Crescent Societies involved in support field projects on the West Bank and in Gaza.

Promotion of International Humanitarian Law (IHL)

In Gaza, six IHL seminars were conducted for 20 lawyers in partnership with the Palestinian Bar Association. Information on IHL and the ICRC's mandate was disseminated to 45 journalists and 20 lawyers on the West Bank and in Gaza. The ICRC trained some 20 Palestinian students to disseminate IHL, who later made presentations to over 330 adolescents on the West Bank. It also sent two lecturers in Law from Birzeit University and one from the College of Management in Rishon Lezzion to an IHL seminar in Geneva.

ICRC Staff and Budget

There are currently 224 staff working in IL/OT/AT, 79 of whom are expatriates. The ICRC's budget for 2002 has been extended from USD 21.8 mio to USD 48.7 mio.



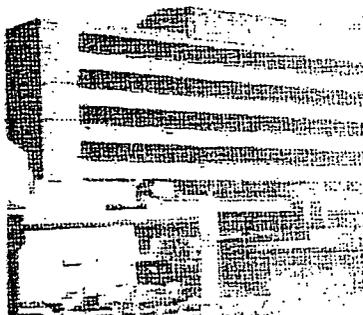
International Committee of the Red Cross

UP-DATE
2001

ICRC in Iraq

HEALTH CARE ACTIVITIES

Basrah Teaching Hospital
The Basrah Teaching Hospital is a major hospital with all subspecialties, including orthopaedics, neurosurgery, chest surgery and ophthalmology. It not only serves the population of Basrah (1.2 million) but is also the main surgical referral hospital for the entire southern part of the country (4 million). Before the ICRC started the hospital's rehabilitation in 1999, it was in appalling conditions.



Waste water was seeping through the piping and out in the open through walls and ceilings, leakage from toilets even dripped into the operation theatres. The entire basement in which service outlets, electricity cables, sewage systems and pumping equipment were located was completely inaccessible, inundated under a foot of flood water.

The rehabilitation of Basrah Teaching Hospital is the largest engineering project of the ICRC in Iraq. First, elevators and the complete roofing were repaired. The second phase, finished in December 2000, included essential works on the rehabilitation of the operation theatres and the cooling system, as well as new sanitary facilities and sewage networks. During the ongoing third phase in 2001, the ventilation and electrical system, the kitchen, and the laundry are being renovated.

The Iraqi health care system, once the most sophisticated of the region, has suffered considerably from the effects of the economic sanctions imposed on the country by the UN Security Council in 1991. While it has been possible to import medicines and medical equipment under the oil-for-food program since 1996, the state of public infrastructure, particularly hospital buildings and primary health care centres has steadily declined, due to a lack of investment and maintenance. As several hospitals faced a total breakdown of their water and sanitation systems in 1999, the ICRC decided to launch an emergency rehabilitation program for such hospitals with the aim to keep them functional. Since then, ICRC engineers have undertaken major rehabilitation works in a total of 9 hospitals all over the country.

In October 2000, the ICRC concluded an agreement with the Ministry of Health to support the primary health care sector as a priority. A pilot project was started in the governorate of Diyala aiming to improve the services of a total of 10 existing primary health care centres. The program includes the basic rehabilitation of the buildings, the provision of basic material and furniture, on-the-job training for the health centre staff, from the doctors to the cleaners, as well as expert advice on the management of the centres. Encouraging results in Diyala have led the ICRC and the Ministry of Health to extend the scope of the project to Basrah and Mosul in 2001.

The dramatic lack of qualified nurses has been identified as another priority area. In close collaboration with the Ministry of Health, the ICRC has started to develop a program of on-the-job training for nurses in post operative care. The Basrah Teaching Hospital, where the ICRC completed the rehabilitation works of the surgical unit, was identified for a pilot project in this field.

Hospitals rehabilitated by the ICRC:

- Basrah Teaching Hospital (500 beds): July 1999 to the beginning of 2002
- Karama Teaching Hospital, Baghdad (450 beds): January 2000 to May 2001
- Ibn Al-Khatib Infectious Diseases Hospital, Baghdad (200 beds): May 2000 to January 2001
- Al-Batool Gynaecology and Paediatrics Hospital, Mosul (178 beds): January 2000 to August 2000
- Al-Rashad Psychiatric Hospital, Baghdad (1200 beds): November 2000 to September 2001 (foreseen)
- Surgical Hospital, Hilla: rehabilitation started in May 2001
- Al Ta'amim General Hospital, Kikruk: rehabilitation started in May 2001
- General Hospital in Raniya (100 beds): July 2000 to May 2001
- General Hospital in Soran: July 2000 to May 2001

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PRIMARY HEALTH CARE

The health centre is the hub of primary health care in Iraq. Health centre staff provide preventive and curative services, which are free of charge for pregnant mothers and for children below the age of five. These services include ante natal care, vaccination, growth monitoring and the management of common diseases such as respiratory infections and diarrhoea. The centre informs and educates the population on how to attain and preserve good health, promoting personal hygiene, healthy feeding practices and care for the environment. School children are especially targeted through the school health program, aimed at prevention and early detection of disease.

The ICRC helps the Ministry of Health to strengthen the health system by offering material and technical support to the providers of the various different services. For example, a health education day was organised for the school children of Al Husseinia. The children were told about cleanliness, healthy living and the importance of the health centre for the well-being of the community. They received paper and colouring pencils and were asked to make drawings to express the themes that had been covered. A selection of the best drawings would be put on display at the health centre and the winning young artists were rewarded with a small prize consisting of a school bag, a toothbrush and toothpaste.

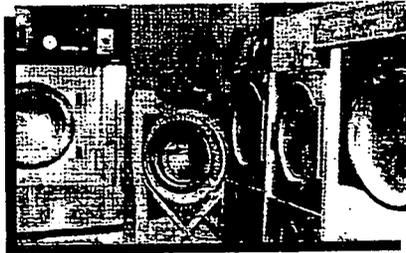
AL RASHAD PSYCHIATRIC HOSPITAL

Al Rashad Hospital is the largest psychiatric institution in Iraq with almost 1000 chronic patients. The ICRC rehabilitation program for this hospital involves extensive repairs on the water and sanitation system, which had largely broken down, the rehabilitation of the kitchen and the laundry facilities, as well as the renovation of the patient wards.

An ICRC expert has trained Iraqi staff for providing occupational therapy, which has been successfully introduced in November 2000. Proposed activities for the patients include painting, drawing, macramé, sewing, carpentry and gardening.

In close cooperation with the Ministry of Health, an ICRC consultant psychiatrist has made recommendations for upgrading the training of Iraqi doctors and for the introduction of modern psychotropic drugs, which will be ordered under the oil-for-food program.

Laundry of Al-Batool Hospital



before and after
ICRC rehabilitation



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THE MISSION OF THE ICRC: The ICRC is an impartial, neutral and independent organisation whose exclusively humanitarian mission is to protect the lives and the dignity of victims of war and internal violence and to provide them with assistance. Established in 1863, the ICRC is the founder of the International Red Cross and Red Crescent Movement. It is responsible for directing the international relief activities conducted by the Movement in situations of conflict. It also endeavours to prevent suffering by strengthening and promoting humanitarian law and universal humanitarian principles.

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International Committee of the Red Cross

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2001

ICRC in Iraq

KEY FACTS AND ACTIVITIES

The ICRC has been continuously present in Iraq since 1981. Its operation was initially mainly concerned with the protection of Prisoners of War from the Iran/Iraq conflict (1981 to 1988) and from the 1991 Gulf War. Almost 100,000 Prisoners of War from the Iran/Iraq conflict and about 20,000 from the 1991 Gulf War were repatriated to their families under the auspices of the ICRC. Today, the ICRC still continues to follow up on numerous cases of persons unaccounted for as a result of the two international armed conflicts.

In the aftermath of the 1991 Gulf War, the ICRC started emergency assistance programs for the civilian population in Iraq, mainly consisting of the distribution of drinking water in large urban areas and of major works on water treatment facilities.

As the humanitarian situation for the civilian population in Iraq continued to deteriorate due to the economic sanctions imposed by the UN Security Council, the ICRC has continuously stepped up its humanitarian assistance programs. After the introduction of the oil-for-food program in 1996, which allows the Iraqi

government to use its oil revenues to purchase humanitarian supplies abroad under UN supervision, the ICRC gradually withdrew from material assistance programs and concentrated its activities in areas which are not covered by the oil-for-food program.

One of the main areas of activity was the gradual take-down of public infrastructure, such as hospital buildings, water and sewage treatment plants, etc., due to a lack of investment and maintenance. Over the years the ICRC has carried out hundreds of emergency repair and rehabilitation projects in hospitals, health care centres, water treatment plants and sewage collection systems to keep these facilities functional.

Another problem was the lack of qualified staff in Iraq, particularly in the health sector. The ICRC has addressed this problem by providing extensive on-the-job training and expert advice in the sectors of primary health care, nursing (post operative care), production of prostheses for amputees, physiotherapy and psychiatric care.



ICRC ACTIVITIES

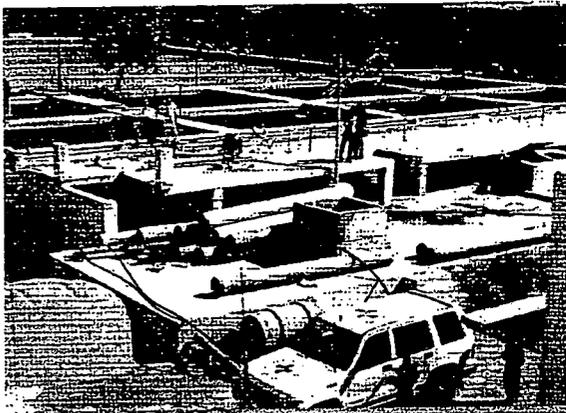
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- **PROTECTION AND TRACING:** The ICRC still continues to deal with a large number of cases of people unaccounted for as a result of the Iran/Iraq War and the 1991 Gulf War. Over 4100 Iraqi Prisoners of War were repatriated from Iran under the auspices of the ICRC in 2000. The ICRC also provides Tracing Services and Red Cross messages to families who are separated between Kuwait and Iraq.
- **PRIMARY HEALTH CARE:** In 1999 the ICRC started a pilot project to support the primary health care services in the governorate of Diyalah (80 km north of Baghdad). The program includes the rehabilitation of health care centres, the

provision of basic material and extensive on-the-job training for all persons involved in the Health Care Centres, from the doctors to the cleaners. Encourage results like the ICRC and the Ministry of Health to extend this program to Basra and Mosul in 2001.

- **PSYCHIATRIC CARE:** Al-Rashad Hospital, which treats patients is the biggest hospital for chronic psychiatric patients in Iraq. The ICRC has supported the hospital by rehabilitating the buildings, by training professional and paramedical staff and by introducing a new system for the patient.

ICRC ACTIVITIES IN IRAQ ARE FINANCED BY VOLUNTARY CONTRIBUTIONS



• **WATER AND SANITATION:** The provision of clean drinking water is essential for the civilian population and quite a challenge in a largely arid country such as Iraq. The oil-for-food program allows the import of technical material, but does not provide any funds for maintenance and repair works. During the year 2000, the ICRC carried out a total of 103 emergency repair and rehabilitation projects on water treatment stations and sewage evacuation systems.

• **HOSPITAL REHABILITATION:** The ICRC has carried out emergency repairs on 9 large hospitals, mainly on the water and sanitation systems, thus preventing a breakdown of the services provided in these structures. The hospitals are located in Baghdad (3), Basrah, Hilla, Kirkuk, Mosul and in Iraqi Kurdistan (Rania and Soran).

• **ORTHOPAEDIC PROGRAM:** Since 1994, the ICRC has supported the production of prostheses for amputees in Iraq by providing the necessary material and by training Iraqi specialists. The orthopaedic workshops are run in co-operation with the Ministry of Health (in Baghdad, Najaf and Basrah), the Ministry of Defence (in Baghdad) and the Iraqi Red Crescent Society (in Mosul). The orthopaedic centre in Erbil is run by the ICRC and financed by the Norwegian Red Cross.



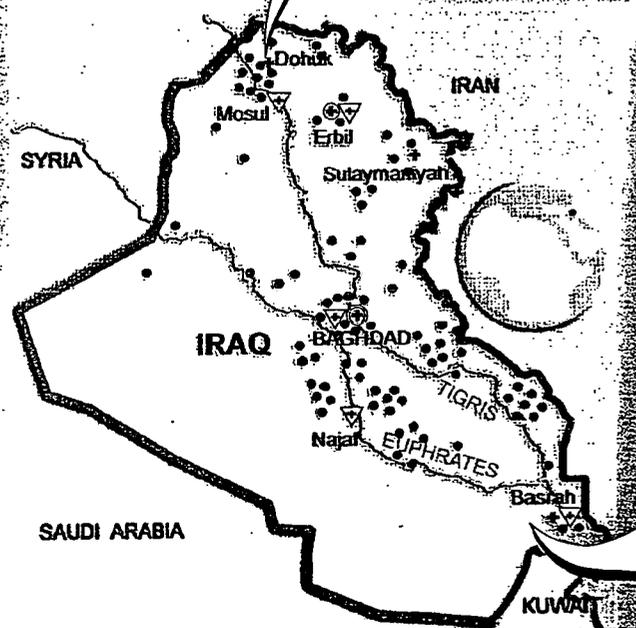
• **INTERNATIONAL HUMANITARIAN LAW:** An important part of the ICRC's mandate is the promotion of international humanitarian law. In Iraq the main target groups are various government bodies, specialists of international law in universities and the armed forces. The ICRC also supports a dissemination program of the Iraqi Red Crescent Society.

THE ICRC IN IRAQI KURDISTAN

In addition to its various humanitarian assistance programs, especially in the field of water and sanitation, ICRC delegates have access to all detention facilities in Iraqi Kurdistan and have endeavoured in co-operation with the local authorities to improve the condition of these facilities. Particular attention is given to prisoners detained in relation with the conflict between different Kurdish factions.

THE ICRC OFFICE IN BASRAH

The ICRC office in Basrah was opened in 2000 to better coordinate the numerous activities of the ICRC in the South of the country. In response to the specific needs in this part of Iraq, ICRC delegates, in close cooperation with the local authorities, have started to develop a Mine Awareness Program and a support program for internally displaced persons.



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May, 2001



International Committee of the Red Cross

UP-DATE
2001

ICRC in Iraq

WATER AND SANITATION

The ICRC has been continuously present in Iraq since 1981. Its involvement in the water and sanitation sector started in the aftermath of the 1991 Gulf War, when the ICRC provided assistance to repair water treatment stations damaged by the war. In a first emergency phase, the ICRC also distributed drinking water in large urban centers.

Before the 1991 Gulf War, Iraq imported equipment and materials from the best manufacturers in the world for its water and sewage projects along with the expertise and the manpower needed for installing and maintaining them. As a consequence of the economic sanctions imposed on Iraq, this was no longer possible. The ICRC therefore started to supply spare parts for critical water treatment stations and sewage evacuation networks and provided assistance for their installation.

Due to the lack of maintenance and the absence of new investments, the state of Iraq's drinking water supply systems and sewage evacuation networks has constantly deteriorated since 1991. In many parts of the country they have broken down completely. Since 1996 it has been possible for the Iraqi government to import spare parts for the water and sanitation sector under the oil-for-food program. The program however does not provide funds for maintenance and rehabilitation works on existing installations or for the construction of new structures.

Currently, the major part of the ICRC's operation in the water and sanitation sector consists in emergency rehabilitation and repair works on water treatment stations and sewage evacuation systems in order to keep them functional. In 1999 and 2000 the ICRC carried out a total of 88 large emergency projects all over the country in cooperation with the local authorities. ICRC engineers are involved in the design and the planning of the projects. The works on the sites are carried out by local Iraqi contractors under the



People in search of water

supervision of the ICRC and the local authorities. Imported spare parts are provided by the Iraqi government under the oil-for-food program.

In some cases, when existing structures were not repairable any more or when new needs were created by internally displaced persons or population growth, the ICRC has also built new water installations. Fourteen such projects were carried out in 1999 and 2000.

In order to prevent break downs of critical water and sewage systems, the

ICRC has six teams of well qualified Iraqi technicians, who regularly carry out maintenance and small repair works on water treatment plants and sewage pumping stations all over the country. More than 150 installations have been regularly supported in that way during the past two years.

Based on the morphological and hydrogeological nature of the country which is flat and with poor ground water resources, the water and sewage systems require an enormous amount of energy. Drinking water is produced by treating the raw water of the Tigris and Euphrates. The raw water has to be pumped from the river through all treatment stages and distribution networks to the end users. Sewage is also treated and evacuated back into rivers through a complex pumping system. Therefore, the process of water and sewage treatment is a chain of highly technical operations that need sophisticated equipment, continuous power supply and highly qualified staff for operation and maintenance.

Wahda water treatment plant near Baghdad

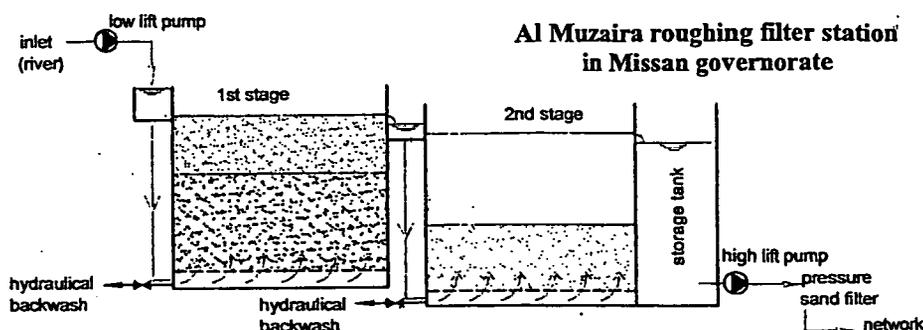


SAFE DRINKING WATER IS ESSENTIAL FOR PUBLIC HEALTH

ROUGHING FILTERS

Water treatment stations using the roughing filter technology are successfully used in rural communities in many parts of the world. The main advantages are that almost all the construction material needed is locally available, that no chemicals are needed to flocculate small particles that a pump for the backwash is not necessary and that the operation and maintenance of the station is very simple. Roughing filter stations can produce up to 200 m³/h of clean water, thus serving a population of up to 16,000 persons.

The ICRC has successfully introduced this technology in Iraq in 1999, as it is well adapted to the current situation in the country. At the end of 2000, 3 roughing filter stations were operating in the Southern governorates, supplying drinking water to rural communities, which did not have access to clean water before. The construction of 3 additional stations is planned for 2001.



EFFECTS OF THE DROUGHT

The whole region was affected by a severe drought from 1997 to 2000. The very low levels of the two main rivers in Iraq, the Tigris and the Euphrates, caused serious problems for the production of drinking water. On one hand, most water intake structures of water treatment plants were not adapted to such low levels of the rivers, and on the other hand, the increased concentration of pollutants in the raw water presented a major challenge for the purification process. In 1999 and 2000 the ICRC carried out an emergency program to adapt water treatment stations to the critical situation. Water intake structures were modified, mostly by extending them further into the river, and measures were studied to adapt the chemical processes to increased levels of pollutants. A total of 20 large projects were part of this program.

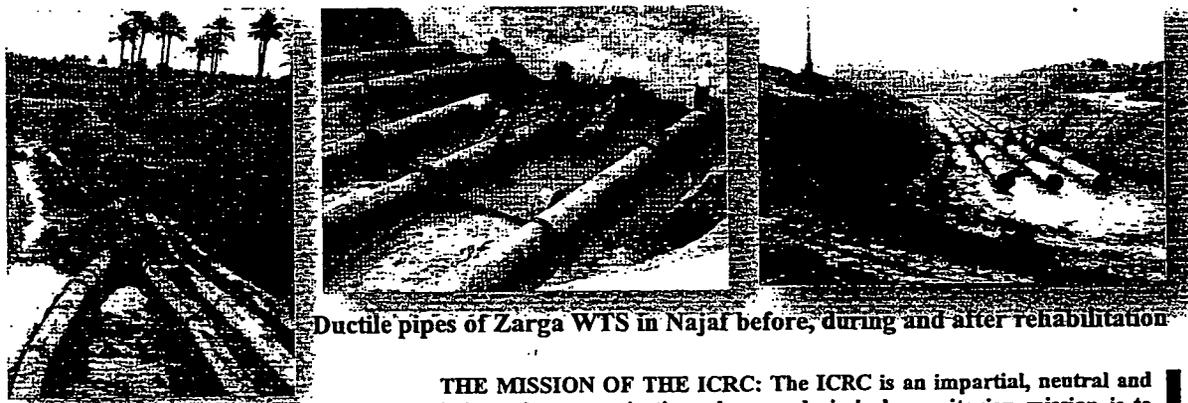
Although rains were normal during the rainy season 2000/2001, the situation remains precarious, because water levels in the dams and in the rivers are still extremely low. In addition, the permanently low levels in the rivers have led to an increase of the salinity of the water in the southern parts of the country.

ZARGA WATER TREATMENT PLANT IN NAJAF

A major problem occurred in the main water treatment plant of the city of Najaf at the end of 1999. The ductile pipes leading from the water intake in the Euphrates river to the low lift pumping station (covering a distance of about 150 meters) had moved in the ground, due to a construction error when the plant was built. This led to major leakages in the system and almost caused the breakdown of the station, which supplies drinking water to more than 400,000 persons. In addition, the water intake structure in the Euphrates had to be adapted to the extremely low

levels of the river.

The ICRC launched an emergency project, which involved several hundred workers working in shifts 24 hours a day for 3 months. The pipes were overhauled and fixed on a concrete bedding and changes in the water intake structure allowed the station to cope with the low levels of the river. During the rehabilitation works, the station had to continue to work with at least half of its capacity as there was no backup possibility available.



Ductile pipes of Zarga WTS in Najaf before, during and after rehabilitation

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International Committee of the Red Cross

**UP-DATE
2001**

ICRC in Iraq

ORTHOPAEDIC PROGRAMS

The ICRC became involved in the prosthetics service for amputees in Iraq in 1994 upon a request from the Iraqi Red Crescent Society and the Ministry of Health. As Iraq was unable to import orthopaedic components because of the economical embargo imposed on the country in 1991, the ICRC set up a local component production, mainly for feet and knee joints, and provided necessary raw material. Expatriate prosthetic specialists provided training and expert advice to the staff of the Iraqi orthopaedic centres. The ICRC activities led to a gradual increase in the production of prostheses, which had previously almost come to a standstill.

Since the beginning of the ICRC's physical rehabilitation program in Iraq, more than 10,000 amputees have been

prostheses in the six orthopaedic centres which are assisted by the program. The ICRC continues to provide technical and material support as well as training for the Iraqi staff working in the centres. Over the past years, where necessary, the buildings and equipment of the orthopaedic centres have been maintained. Also indoor and outdoor walking training areas have been constructed.

Currently, the ICRC is involved with its local partners in

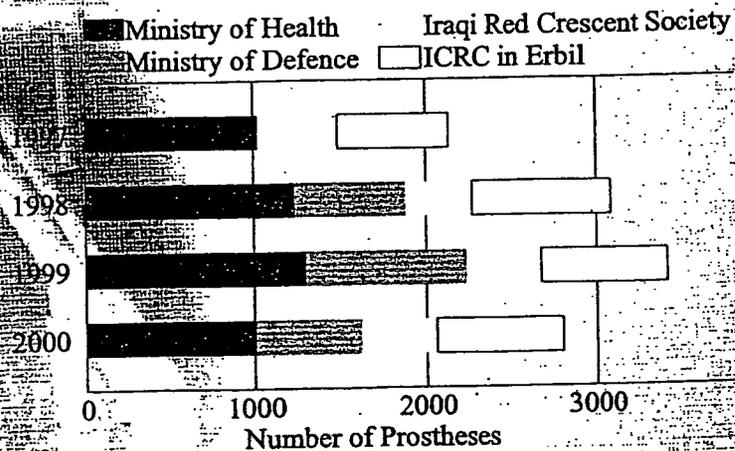
the development of national treatment guidelines for amputees and in the establishment of a quality control system for lower limb prostheses. Upgrading the level of training of staff in the fields of prosthetics/orthotics and physiotherapy remains a high priority for the ICRC and seminars/meetings on various subjects are organised on a regular basis by ICRC experts with the co-operation of the Ministries of Health and Higher Education.

Orthopaedic centres supported by the ICRC in Iraq:

- Under the Ministry of Health: - Orthopaedic and Medical Rehabilitation Centre in Baghdad
- Orthopaedic Centre in Basrah
- Orthopaedic Centre in Najaf
- Under the Ministry of Defence: - *Ibn Al Kuff* Orthopaedic and Rehabilitation Centre in Baghdad
- Under the Iraqi Red Crescent Society: - Orthopaedic Centre in Mosul
- Managed by the ICRC: - Orthopaedic Centre in Erbil



Prostheses Manufactured in Iraq with Support from the ICRC



Since 1979, the ICRC has assisted 51 prosthetic/orthotic and physiotherapy projects in 25 countries. During this period, more than 150 000 prostheses, 52 000 orthoses, nearly 10 000 wheelchairs and more than 200 000 pairs of crutches have been produced.

MOST AMPUTEES ARE VICTIMS OF ANTI-PERSONNEL LAND MINES

PHYSIOTHERAPY FOR AMPUTEES

Physiotherapy and walking training are essential parts of the rehabilitation of amputees, because they bring the amputees back to daily life activities and provide proper balance and a good style of walking. When amputees are fitted with prostheses (artificial limbs) they must learn to walk again. That is why exercises have to start immediately after the fitting and be built up gradually. It is important to improve the patients' capacity to react automatically on disturbances of balance to avoid falling.

In 2000, the ICRC became involved, together with its local counterparts, in developing the physiotherapy service of six orthopaedic centres in Iraq. The ICRC equipped the centres with indoor and outdoor walking training facilities. Continuous training programs were developed and implemented for Iraqi physiotherapists in order to improve their theoretical knowledge and practical skills. The training includes patient assessment, anatomy, normal walking patterns, pathological walking patterns, muscle strengthening and mobilisation as well as how to develop and implement treatment plans and home exercise programs.

Physiotherapy helps amputees to have optimum physical rehabilitation with their prostheses.

Fanar Zeki Baker is a nine year old boy from Dallo Gul village 15 kilometres from Erbil in Iraqi Kurdistan. On 20 April 1998, he went to cut grass for his father's sheep in an area where there had been a military camp in the past. A few minutes later Fanar stepped on an antipersonnel landmine which exploded leaving him seriously injured.

He was taken to Al-Jumhoria Hospital in Erbil and during the next 45 days he was operated on six times. In June 1998, he was referred to the ICRC Orthopaedic Centre in Erbil where he was fitted with prostheses and taught to walk again. As Fanar is still growing he returns to the centre each year to have new prostheses fitted.

Thanks to the assistance of the ICRC, Fanar is able to walk, go to school and play with other children. He can never be a shepherd again, but he

hopes that he works hard to be a good student: "I like to go to school and I want to be a doctor when I grow up".



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THE PRODUCTION PROCESS OF PROSTHESES

The process begins with an evaluation of the amputee by a clinical team.

After considering the patient's general condition, needs and functional goals, a suitable prosthesis is prescribed. Various measurements of the stump and the sound leg are taken, as well as a plaster-of-Paris cast of the stump.

From this cast a model or plaster replica of the stump is produced. The model is then skillfully modified so that load and pressure are distributed in a safe and comfortable manner.

The socket is the interface between the stump and the prosthesis. A custom made socket is manufactured using the plaster model as a mould. The socket is made from plastic and may also incorporate a soft liner. The socket is assembled with the components required to produce the prosthesis. Components include a prosthetic foot and ankle and if necessary a knee joint and possibly even a hip joint.

The prosthesis is now ready for fitting on the patient. During the fitting process, the length, alignment, function and comfort of the prosthesis are evaluated and adjusted until an optimal result is achieved. When the members of the clinical team - including the amputee - are satisfied, the prosthesis is sent to the workshop to have a cosmetic cover added and a final quality control check carried out.

When this process has been completed the amputee receives the new prosthesis.



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National Headquarters
Office of the President and CEO

Together, we can save a life

To: Chairman McLaughlin and
Members of the Board of
Governors

Date: October 3, 2002

From: Marty Evans *Marty*

Subject: Resignation of Fresno Chapter CEO

Late last December as a result of a phone call to Audit Services by a disgruntled former employee an investigation was initiated to determine if the Fresno Chapter had deliberately failed to remit Liberty Fund donations. After several months of review and reconstruction of the chapter's financial records, especially related to Liberty Fund donations and transactions, it was determined that, in fact, approximately \$ 199,000 had not been remitted. However, the chapter had remitted in excess of \$1.2 million to the Liberty Fund.

On Tuesday, September 17, a Mountain Pacific Regional team and representatives from the Office of the General Counsel and Audit Services met with paid and volunteer leadership of the Fresno-Madera Chapter in Fresno, California. The regional team advised the chapter board's Executive Committee that upon careful review, the chapter had an additional liability to the Liberty Fund of approximately \$199,000, which included allowable expenses estimated at approximately \$79,000. At no time has there been any indication that Liberty Funds were diverted for any personal gain or purposefully diverted to the chapter. Rather, the audit process revealed that the chapter had not followed guidance from financial management on designating donations that lacked clear donor intent and on maintaining documentation to support donor intent. Based upon this and other management issues, the region requested that the Board remove the executive director of the Chapter. The Fresno-Madera Executive Committee contacted Regional Operations, Chapter Services Network, and the Office of the President and CEO to ascertain national headquarters' support of the regional team's position. National headquarters' total support and endorsement of the region's position was communicated to the Executive Committee members.

Following the meeting with the Executive Committee, the regional team met with the full board of the chapter to inform them of their Liberty Fund liability and request management action. The chapter board advised the team that the executive director had, subsequent to dialogue with Executive Committee members, decided to submit her resignation, effective immediately. The chapter and the region accepted her resignation and an experienced interim chapter manager, Ed Webb, is now in place to provide necessary staff leadership and guidance to board and staff. The chapter board offered the executive director a modest separation package and she executed a separation agreement and release. Pursuant to the agreement, both parties agreed to keep the terms of the separation agreement confidential. Further, both parties agreed upon a press release regarding the executive director's resignation and agreed not to make any statements inconsistent with the contents of the press release to any member of the public or the press who made inquiries about her resignation.

The chapter remitted the outstanding amount due to the Liberty Fund on September 18, 2002. There was some initial local media coverage of the situation as it pertained to the resignation of the executive director and the Liberty Fund audit results.

SFC-ARC-A001768

OCT 11 2002

From the desk of

Jon M. Huntsman

October 7, 2002

David,

Thank you for your kind wishes. I am really doing quite well now. I am always grateful for your thoughtful support and the wonderful opportunity we have to work together.

With all good wishes,

A handwritten signature in black ink, appearing to be "JMH", with a large, stylized flourish at the end.

SFC-ARC-A001769

To n. + 1 10/11/02

bcc: David McLaughlin

SFC-ARC-A001770



American Red Cross

Member, Board of Governors

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

October 7, 2002

Mrs. Marty Evans
President and CEO
American Red Cross
430 17th Street, N.W.
Washington, DC 20006

Dear Marty:

I feel like I am a new man. Events of the past year and a half in our global businesses seem to take a heavy toll --- but I have spent the past two weeks recuperating in Hawaii, and my doctors tell me I have a clean bill of health. I just needed to pace myself at a little more realistic level. The constant travel and heavy pressures of a private, global businesses must be moderated.

I am anxious to do everything possible to be of help to you and the American Red Cross. Naturally, I am excited to continue our great work with the Biomedical Services Board. Thank you always for your great leadership. Do let me know when your schedule calls for a trip to the Western United States. It will be a pleasure to host you here in Salt Lake City.

With all good wishes,

Most sincerely,


Jon M. Huntsman

SFC-ARC-A001771

OCT 14 2002

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& SHOHL LLP**
Attorneys at Law

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Michael W. Hawkins
513-977-8270
hawkins@dinslaw.com

Admitted in Ohio and Kentucky

October 9, 2002

Mr. David T. McLaughlin
Chairman, Board of Governors
American Red Cross
430 17th Street, NW
Washington, DC 20006

Mrs. Marsha J. Evans
President and Chief Executive Officer
American Red Cross
430 17th Street, NW
Washington, DC 20006

Ms. Barbara Henderson
American Red Cross
430 17th Street, NW
Washington, DC 20006

*Mail to
Barbara
Monday, Oct 14,
2002*

Re: Visit to Tulsa, Oklahoma Chapter

Dear David, Marty and Barbara:

On October 5, 2002 I visited the Tulsa Chapter in conjunction with my attendance at the National Diversity Council's new member orientation and its Strategic Planning Retreat. I met with their Executive Director, Roger Dahl, Director of Diversity Outreach, Danette McInotsh and Melissa Rambez, their Communication Director. I also received a tour of their facility which also houses the blood unit.

I was very impressed with their enthusiasm and the overall condition of the Chapter. In response to questions about what input they would have for me as a Board of Governor, I was told three things to pass along: (1) Chapters want to work together with National in a win/win relationship; (2) Roger mentioned that he is very optimistic after hearing Marty recently speak to Chapter executives about her openness and willingness to listen; and (3) Roger hopes that the future with Marty's leadership style will spill over to other areas within National and that before National implements policies, procedures or programs it will get input from the field on how to make them be successfully implemented and embraced.

SFC-ARC-A001772

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#

All and all, it was a great trip!

Best Regards,

A handwritten signature in black ink, appearing to read "Michael".

Michael W. Hawkins

MWH/amm

Michael W. Hawkins
513-977-8270
hawkins@dinslaw.com

Admitted in Ohio and Kentucky

October 9, 2002

American Red Cross Board of Governors

Mrs. Marsha J. Evans
President and Chief Executive Officer
American Red Cross
430 17th Street, NW
Washington, DC 20006

Re: National Diversity Council Retreat October 3-4, 2002 - Tulsa, Oklahoma

Dear Board of Governors and Marty:

As the Board of Governors Liaison to the National Diversity Council, I recently attended its new Council Member Orientation and Retreat where they worked on the Strategic Diversity Plan for the American Red Cross. Tony Polk and Dee Hayward from National Staff, Jerry Goodwin, Chair of the National Diversity Council, Margaret Sanchez, Vice Chair of the National Diversity Council and the entire Council were well prepared, organized, educated and focused on the need for a renewed and targeted effort to implement a meaningful diversity program within the American Red Cross. We also had input and participation at the meeting from the Tulsa Executive Director, Roger Dahl and its Director of Diversity Outreach, Dannette McIntosh.

Consistent with the purpose of the National Diversity Council, a comprehensive diversity plan will be presented to the American Red Cross Senior Management and the Board of Governors in order to fulfill the corporate expectations for "achieving greater diversity and inclusiveness in Red Cross policies and procedures, programs and services, and its governance, volunteer and employee work force."

The implementation of the final plan developed by Senior Management including recommended action by the Board of Governors will be essential to the American Red Cross' future as the charity of choice, the provider of choice and the employer and volunteer organization of choice. I am attaching an article from the *Directors Monthly Magazine* entitled *Diversity Management: From Strategy to Implementation*. It provides our Board of Governors with a road map on effectively implementing the Diversity Plan that will be presented to us. We must embrace it and be the leaders in making it successful. It will also be our responsibility to

SFC-ARC-A001774

hold ourselves and management accountable for making it a success. If anyone has questions, I will be glad to address them.

Best Regards,



Michael W. Hawkins

MWH/amm

Enclosure

cc: Mr. Tony Polk
Ms. Dee Hayward
Mr. Jerry Goodwin
Ms. Margaret Sanchez
National Diversity Council Members

SFC-ARC-A001775

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Diversity Management: From Strategy to Implementation

Directors are increasingly being held accountable for the ineffective or inappropriate behavior of the companies they direct. From loose accounting practices to employee discrimination, directors are expected to know what management is doing and how management intends to ensure the continued success of the enterprise.

Effective diversity oversight is just as important as other business strategies that significantly impact the success of the company. Accordingly, creating a culture that supports input, consideration, and respect of others, as well as tolerance of differences in style, work habits, and communication is a mandate for businesses today.

Diversity Management Planning

Diversity management goes beyond race and gender. It addresses the core differences between people, including personalities, levels of management, and functional departments. For any diversity management plan to work, the leaders of the organization must first be educated about its importance, purpose, and payoff.

It is also essential to understand the basic culture of the organization. That means understanding the way it does things (naturally). Organizations, like people, have a core set of behaviors, values, and beliefs. These elements of culture have been with the company from its early days and are often deeply embedded in its operations. An in-depth culture scan helps tell the story of how a company came to be what it is today.

Consider the culture that allowed Georgia Power to face employee complaints time and again. The utility giant has a very strong bias to action, typical of a utility that has to react quickly in a crisis. Unfortunately, that strong bias to action created a blind spot in employee relations. In the last two decades, the company was charged with discrimination at least three times. In each of the cases, consistent with its previous culture, Georgia Power quickly fixed the

current problem, put it behind them and moved on. Company officials (and board members) never stopped to ask why this pattern of behavior continued to crop up. They missed a learning opportunity.

"The law suit taught us that we had to get more strategic," says Frank McCloskey, vice president of diversity and workplace ethics for Georgia Power based in Atlanta, Georgia. "The very first thing our president did was resist getting defensive. Secondly, we began work on a strategic diversity management plan. We got everyone on the same page with a common language, a shared vision, and a clear understanding of our culture."

Probing the Implementation Process

The beginning of an effective diversity management plan involves completing three key steps: *educating executives, confirming their commitment, and formulating a diversity vision.* Once these

Company officials (and board members) never stopped to ask why this pattern of behavior continued to crop up. They missed a learning opportunity.

steps are implemented and understood, four additional phases of implementation should occur. While these steps are not necessarily sequential, each component is very necessary to achieve the desired outcome—a working diversity management plan.

Phase 1: Research. This phase includes a culture audit, diversity research, readiness assessment, benchmarking, and an opportunity analysis. These steps help organizations identify where they are currently. This phase pinpoints differences in the people's experiences, determines what works well within the organizational culture, and provides a baseline to measure future progress.

Phase 2: Priority Setting. This step includes conducting strategic planning sessions (that tie diversity management

to the other strategies of the company), working on culture synthesis and action planning, establishing a diversity action council, and developing an implementation plan. The diversity council should be made up of employees at all levels who are credible strategic thinkers, and who fully represent all the skills, perspectives, and motivations of all employees at the company.

Phase 3: Implementation. The implementation phase defines the plan for achieving the diversity vision. It is not a one-time, quick-hit process. Instead, it involves a comprehensive, systematic series of activities that will move the company toward success. This phase includes learning activities, a communications plan, engagement activities (getting everyone involved), systems reviews/revisions, and best practice emulations. Companies should strive to create an inclusive workplace culture and to train effective diversity managers.

Phase 4: Assessment. This phase includes monitoring and measuring results against a diversity scorecard established in the first phase. A mini-survey is used to assess how employees are experiencing the impact of inclusion. Program evaluation is a way to determine if the implementation plan was well executed.

Realizing the Vision

A diversity-conscious workplace is an achievable vision. It is a place where people recognize the value of different perspectives, demonstrate mutual respect, communicate comfortably and candidly, and participate with dignity. If effective diversity management is going to be the next step toward creating equity in the workplace, board of directors must be part of the process. ▀

James O. Rodgers, CMC (certified management consultant) is president of J.O. Rodgers & Associates, Inc., a diversity management consulting organization based in Decatur, Georgia. Mr. Rodgers can be reached through the company website www.thediversitycoach.com.

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10/18



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

October 10, 2002

Ms. Judith Ostronic
8323 Turnberry Ct.
Potomac, MD 20854

Dear Judith:

It was such a pleasure to be seated with you on Monday evening at The Fort. I'm glad we had the opportunity to get to know each other a little better and learn of people we know in common. I do hope when you are enjoying the Army-Navy game this year, you'll give my warmest regards to Admiral Frost. He was an iconic figure to me. I was a very, very junior officer when he was in BUPERS – he was at least six echelons above me. And later as CNO, he was very supportive of some work I did at the Naval Academy.

Judith, I appreciated your comments about the need to make significant and substantive progress to come into compliance in the Biomed arena. Understanding and tracking progress is my top priority. There is no more significant goal for the Red Cross...if we fail (again) to achieve demonstrable progress, it will have organization-wide repercussions.

Thank you for your long-time and continuing work on the Biomed challenge. I look forward to our continuing work together.

Warm regards,

cc: David McLaughlin ✓
Jon Huntsman
Ramesh Thadani

Together, we can save a life

SFC-ARC-A001778



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

October 27, 2002

Mr. Cay Frank Rivera
Ministerio Amigos de las Personas Especiales
Urb. Los Angeles W-22 Calle Q
Carolina, Puerto Rico 00979-1155

Dear Mr. Rivera:

Mr. David McLaughlin, Chairman of the American Red Cross Board of Governors shared with me recent correspondence between you, Angel Jimenez, Carmen Canino, Jim Krueger, and others. The core issue in the correspondence appears to be a request for "adapted aquatics" training for 750,000 Puerto Rican-Americans and the requisite that the training should begin no later than January 2003. When Jim Krueger wrote to you this past August a meeting between you and the chapter leadership was planned and was hoped to result in productive communications on mutually understood issues. I am sorry to learn that this meeting did not sufficiently establish communications or understanding between your organization and the Red Cross. This letter pursues that goal.

Each of your letters conveys a deep passion and commitment to providing needed life-saving water safety training to disabled individuals. Indeed as a Red Cross volunteer in the past you have personally provided this training to countless students. We all know that the training of 750,000 persons in any skill is a substantial undertaking requiring extensive planning, expertise, human and financial resources, and time to complete successfully.

The Red Cross had an "Adapted Aquatics Program" until 1992. The Adapted Aquatics Program was then discontinued and replaced by the current Water Safety Instructor course, which includes instructions on customizing water safety programs for persons with disabilities, as does the Red Cross Swimming and Diving program. Per Red Cross Health and Safety Services policies, today no Red Cross chapter may teach the discontinued Adapted Aquatics course; however, each may provide the Water Safety Instructor course and support instructors in the Swimming and Diving programs. This may be a viable option for the persons you serve.

Your commitment to the training of the disabled surely warrants further discussion. Mr. Vernon Reed, Northeast/Mid-Atlantic Regional Executive Officer, will work with Ms. Canino to reengage open communication between your organization and the Red Cross. If needed, Mr. Reed will also ensure that the chapter is fully informed regarding national Red Cross water safety resources and expertise available to assist. These efforts, supported by your open

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SFC-ARC-A001779

participation, will hopefully strengthen the relationship and regard between the Ministerio Amigos de las Personas Especiales and the Puerto Rican Red Cross.

Thank you again for your commitment to persons in need in your community and for your continued interest in working with the American Red Cross.

Sincerely,


Cc: David T. McLaughlin
James W. Krueger
Vernon F. Reed
Carmen Canino

SFC-ARC-A001780



**American
Red Cross**

National Headquarters
Office of the President

Together, we can save a life

To: David T. McLaughlin, Chairman
Board of Governors

Date: October 31, 2002

From: Marsha J. Evans

Subject: Strategic Planning Meetings

Our Board of Governors Retreat this past September formally launched our effort to develop a new organization-wide strategic direction for the American Red Cross. A critical step in this process is involving all aspects of the organization as the plan is created. To that end, we have asked chapters, blood regions and state service councils to conduct discussions with their boards and leadership teams to provide input into the American Red Cross strategic plan. We have also scheduled two "Strategy Forums" on the East Coast and West Coast. These special meetings are by invitation-only due to space constraints. We randomly selected participants and adjusted the list to ensure size and geographic representation.

If your schedule permits, I would like you to attend one of these sessions to continue your engagement in our strategic planning process. However, if you are unable to attend, we are planning to conduct several more sessions across the country in February and March. The details for the upcoming meetings are:

East Coast Strategy Forum

November 19, 8:00 a.m. to 5:00 p.m.
American Red Cross National Headquarters
E Street Ballroom
Washington, DC 20006

West Coast Strategy Forum

November 22, 8:00 a.m. to 3:00 p.m.
San Francisco Airport Marriott
1800 Old Bayshore Highway
Burlingame, CA 94010

If you are interested in attending one of these meetings, please return the appropriate registration form as indicated on the sheet. I have enclosed the registration forms and meeting information sheets for both meetings. Please contact Jim Starr, Senior Director, Corporate Strategy at (202) 639-3521 if you have any questions regarding these meetings or our strategic planning efforts.

SFC-ARC-A001781

East Coast Strategic Planning Meeting

Travel Information

(Tuesday, November 19, 2002)

Event Location/Time:

American Red Cross National Headquarters

Meeting

E Street Ballroom

1730 E Street, NW

Washington, DC 20006

8:00 a.m. – 4:00 p.m.

Continental breakfast and lunch will be provided

Reception Immediately Following:

Board of Governors Hall-17th Street Building

430 17th Street, NW

Washington, DC 20006

4:00 p.m. – 5:00 p.m.

Hotel Information:

Hotel Washington ~ Pennsylvania Avenue at 15th Street

515 15th Street, NW

Washington, DC 20004-1099

Telephone number: (202) 638-5900

Toll Free number: (800) 424-9540

www.hotelwashington.com

Please contact the hotel prior to Monday, October 28, 2002 to reserve your room and to receive your confirmation number. The American Red Cross will cover one night's lodging at the Hotel Washington and parking. If you are planning to stay for more than one night, you are responsible for the second night. The hotel room rate is \$135 single/double plus 14.5% D.C. room sales tax. Individuals are responsible for any hotel incidentals incurred during their stay.

The Hotel Washington is located approximately 4 blocks from the American Red Cross and is within walking distance.

American Red Cross
EAST COAST STRATEGIC PLANNING MEETING

Tuesday, November 19, 2002

Registration Form

First Name		Middle Initial		Last Name	
BOARD OF GOVERNORS					
Address					
Telephone Number		Fax Number		E-mail Address	
Do you have any disability requiring special assistance? Yes <input type="checkbox"/> No <input type="checkbox"/> (Check One) If yes, please describe:					
<input type="checkbox"/> Yes, I plan to attend the Strategic Planning Meeting on Tuesday, November 19, 2002.					
<input type="checkbox"/> Unfortunately, I will not be able to participate at this meeting.					

Please e-mail your registration form to Kate Ginman at ginmank@usa.redcross.org or fax it to (202) 639-3572.

The meeting will be held at:

American Red Cross National Headquarters
Board of Governors Hall
430 17th Street, NW
Washington, DC 20006



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Red Cross**

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WEST COAST Strategic Planning Meeting

Date/Times:

Fri, Nov. 22th 8:00 a.m. – 5:00 p.m. Strategic Planning Meeting – *Cont. Breakfast, Lunch*

.....

Dress/Attire: The dress for the meeting will be business casual.

Registration Form: Please return the enclosed registration form no later than October 25th. (*We will only contact those individuals who we do not receive a registration form from – so if we do not contact you, we've confirmed your participation*). *Please note that we are only confirming registration. You will need to make hotel accommodations directly with the hotel.*

Air/Ground Transportation & Weather: Although chapters are not required to utilize BTI/World Travel, they may still be used to purchase airline tickets (877/292-9466). Complimentary shuttle service can be accessed from the baggage claim area of the airport. For those of you who may be driving to San Francisco, please check out the hotel website at www.marriott.com/sfobg. Weather conditions can also be found on the website.

Hotel and Meeting Room Accommodations: Meeting space and sleeping rooms are reserved at the San Francisco Airport Marriott, 1800 Old Bayshore Hwy, Burlingame, CA 94010 (phone: 650-692-9100 fax: 650-692-9861). To make your reservations, please call **800/228-9290**. The deadline date for hotel accommodation is October 25th. Please make your reservations before the deadline date – sleeping rooms will not be held after that date. As always, when calling, please be sure to request the rooms reserved for the **American Red Cross**. The hotel room rate is \$99 for single or double. We request that everyone make their hotel reservations with the Marriott (and not on the internet). Please check the hotel billboards for meeting room location upon your arrival.

Registration Form

WEST COAST Strategic Planning Meeting

November 22, 2002
San Francisco Airport Marriott

Participant: _____ Title: _____

Chapter: _____ State: _____ Phone: _____ Fax: _____

Yes, I plan to attend the Strategic Planning Session on Friday, 11/22 (8:00 p.m. – 3:00 p.m.)

Unfortunately, I will not be able to participate at this meeting.

I plan to arrive in San Francisco on (date): _____ at _____ o'clock.

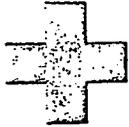
I would like to request a vegetarian meal.

Complete and return this form no later than November 5 to:

Sue Harman, Regional Specialist

ARC, 3753 Howard Hughes Pkwy, #320, Irvine, CA 92614, phone 702/507-0826, fax 702/507-0831

SFC-ARC-A001785



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 23, 2002

Mr. Mannie L. Jackson
Owner and Chairman
Harlem Globetrotters International, Inc.
400 East Van Buren Street, Suite 300
Phoenix, AZ 85004

Dear Mannie,

I wrote you in early April hoping we could meet and discuss your continued involvement with the Board of Governors. Unfortunately due to our respective schedules, I regret that we have not been able to do this.

I understand you will also be unable to attend the Board's meeting in Phoenix on the 31st but we greatly appreciate that you will have some of your team's world famous basketball stars join in our celebrations at the Convention. It should be terrific.

In May 2000, you were elected to fill a term that expires at this annual meeting. Since your demanding schedule has made it difficult for you to attend a number of Governors' meetings since joining the Board, it may be advisable for you to not stand for re-election unless you feel that you will be able to participate more actively in the Board's program in the future, which I hope would be the case.

I would appreciate your letting me know how you would like me to act on your re-nomination. In either case I hope that you will remain involved with the Red Cross.

Regards,

David T. McLaughlin

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SFC-ARC-A001786



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 23, 2002

Dr. Kenneth Olden, Ph.D.
Director
National Institutes of
Environmental Health Sciences
P.O. Box 12233
Research Triangle Park, NC 27709

Dear Kenneth,

Due to scheduling conflicts, I understand you have been unable to attend a Board meeting since you were elected to the Board last May. This is unfortunate for us, as we had looked forward to your valuable contributions, particularly during these challenging times.

In order to encourage regular participation, the Board has a policy that recommends removal from the Board after three absences. In recognition of that policy, I would appreciate having your guidance as to whether you would like to continue as a Governor.

I look forward to hearing from you on this.

Regards and best wishes,

David T. McLaughlin



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Nancylee A. Siebenmann
336 Trailridge Road, S.E.
Cedar Rapids, IA 52403

Dear Nancylee,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

I would like to announce at the Convention that we have one hundred percent participation on the part of the Board so there is, unfortunately, some urgency to this request. I discovered the problem when I found that I had not been solicited or had made a gift so, as they say, "my check is in the mail". I hope that yours will be as well within the next few days.

If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker ✓
Skip Seitz



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Ms. Gloria W. White
545 Del Price Court
St. Louis, MO 63124-1912

Dear Gloria,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin".

David T. McLaughlin

cc: Harold Decker
Skip Seitz



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Mr. Chris Allen
President
Family Road@Care Centers
19440 Bretton Drive
Detroit, MI 48223

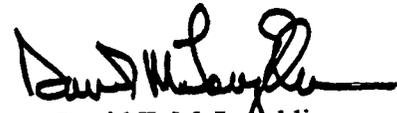
Dear Chris,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001790



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Mr. Fred A. Buck
Buck & Associates
625 Foggy Morn Lane
Bradenton, FL 34212

Dear Fred,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Mr. Richard M. Niemiec
Blue Cross Blue Shield of Minnesota
3535 Blue Cross Road – Zip Code-55122
P.O. Box 64560
St. Paul, MN 55164

Dear Dick,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin".

David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001792



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Mr. James T. Morris
Chairman and CEO
IWC Resources Corporation
1220 Waterway Boulevard
P.O. Box 1220
Indianapolis, IN 46206

Dear Jim,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin".

David T. McLaughlin

cc: Harold Decker
Skip Seitz



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Ms. Kathryn A. Forbes
Executive Vice President
& Chief Financial Officer
eTec
401 South 2nd Avenue
Suite 100
Phoenix, AZ 85003

Dear Kate,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001794



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Kenneth Olden, Ph.D.
Director
National Institutes of
Environmental Health Sciences
P.O. Box 12233
Research Triangle Park, NC 27709

Dear Kenneth,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Ms. Judith Richards Hope
Partner
Paul, Hastings Janofsky & Walker, LLP
1299 Pennsylvania Avenue, N.W.
10th Floor
Washington, D.C. 20004

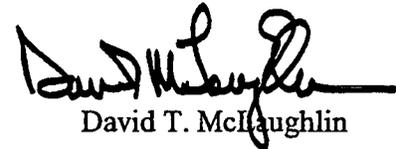
Dear Judy,

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001796



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Ms. Joyce Hoffman
Senior Vice President &
Corporate Secretary
The Principal Financial Group
711 High Street
Des Moines, IA 50392-0300

Dear Joyce,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001797



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Dr. Emma C. Chappell
P.O. Box 43581
Philadelphia, PA 19106

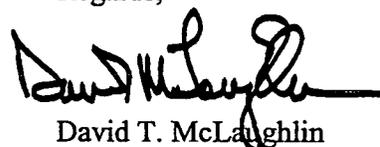
Dear Emma,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

Together, we can save a life

SFC-ARC-A001798



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Steven J. Bredehoeft, M.D.
105 Karin Court
Chapel Hill, NC 27514-1951

Dear Steven,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001799



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

May 16, 2002

Mr. Maurice W. Worth
115 Doral Court
Fayetteville, GA 30215

Dear Maurice,

The normal Board solicitation for the Annual Fund is conducted in the fall of the year. Due to the events of last September, this was a sporadic effort and a number of Governors were not contacted. You were one of those and I wanted to invite you to make a contribution to this year's fund at this time.

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If you should have any questions on this, please call Skip Seitz at 202-639-3009. Again, my thanks and apologies for the fact that this was not picked up in development earlier.

Regards,



David T. McLaughlin

cc: Harold Decker
Skip Seitz

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SFC-ARC-A001800



American Red Cross

Office of the Chairman
National Headquarters
Washington, D.C.

To: Chapter Chairmen/Managers
Blood Services Region
Chairmen/Executive Directors

Date: May 6, 2002

From: David T. McLaughlin

Subject: 2002 Committee on Nominations Report

The 2002 National Committee on Nominations has completed the process for nominating candidates to serve as members of the Board of Governors, the Committee on Nominations, the Committee on Resolutions and the 2002 National Convention Chairman and Vice-Chairman. Each slate of candidates will be presented to the delegates for their consideration on Sunday, June 2, 2002, at the closing business session of the American Red Cross National Convention in Phoenix, Arizona. A list of all nominees and a biographical summary for each Board of Governors nominee is attached.

Resolution IV adopted at the 2001 Convention requested the Board of Governors to review the resolutions process and take all steps necessary to raise awareness of and confidence in the process. A Task Force of the Board of Governors reviewed the resolution and recommended that the process would be improved by greater Committee continuity. Beginning in 2003, members on the Committee on Resolutions will serve staggered, two-year terms and the Vice Chair will rise to the Chair position, serving a third year if necessary.

The *Board of Governors Policy Manual, Part One, Section 5.7*, sets forth the nomination and election process for members of the Board of Governors. Included in this section are the provisions for presenting substitute nominations by chapter petition and from the floor at the closing business session. Delegates considering the substitute nominations process must contact Andrea Morisi, Corporate Secretary, for further procedural information.

In this year of incredible challenges, the boards and management of our chartered units invested significant time in soliciting and recommending their finest volunteer leaders. The Committee on Nominations worked many hours in reviewing candidate materials, conducting interviews and deliberating. Their work has resulted in this slate from the many excellent candidates recommended. I deeply appreciate the important work of our local leaders, the Committee, and the extraordinary leadership of Anna Maria Larsen, who served as chair, and Joseph Pereles, who served as vice chair.

cc: Board of Governors
Regional Chairmen/Executive Officers
Area Chairmen/Vice Presidents
AFES Station Chairmen/Managers
Senior Management, NHQ

SFC-ARC-A001801

Attachment: 2001 Nominees for the American Red Cross Board of Governors
Slate of Nominees to be Proposed to the Voting Delegates at the Convention

**2002 NOMINEES FOR THE AMERICAN RED CROSS
BOARD OF GOVERNORS**

FIRST-TERM NOMINEES:

STEVEN E. CARR

American Red Cross of Greater Idaho

Idaho Falls, Idaho

Mr. Carr is a practicing attorney and the sole proprietor of Idaho Title and Trust. He currently serves as Vice-Chair American Red Cross of Greater Idaho Board of Directors. He has served as National Chair of Health, Safety and Community Services and as Chair of the American Red Cross Mountain West Region. Mr. Carr is also active in International Human Rights Philanthropy and serves as Chair of the Idaho Falls Arts Council, Board member for the Downtown Development Corporation, Bonneville Historical Society and others. Mr. Carr received his Bachelor's degree from Utah State University and his Juris Doctorate from Arizona State University College of Law.

MICHAEL W. HAWKINS

American Red Cross Cincinnati Area Chapter

Cincinnati, Ohio

Mr. Hawkins is Chair of Dinsmore & Shohl's Labor and Employment Law Practice Group, a frequent speaker and writer on Labor & Employment Law issues, as well as a mediator and arbitrator of employment law disputes. He has served as Chair of the Greater Cincinnati Area Chapter, and as a member of the National Committee on Nominations and National Advisory Council for Youth Involvement. Mr. Hawkins has served as Chair of Cincinnati's Summit on Racism, as President of the Bar Association of Cincinnati, Board member for the United Way, and as Board member for the National Conference for Community Justice. Mr. Hawkins received both his Bachelor's degree and Juris Doctorate from the University of Kentucky.

ELAINE M. LYERLY

American Red Cross Greater Carolinas Chapter

Charlotte, North Carolina

Mrs. Lyerly is President, CEO, and co-founder of the Lyerly Agency, an advertising, marketing, and public relations firm. She is a founding member of the First Trust Bank and has served on its Board of Directors. She has been affiliated with the American Red Cross for over 25 years, chairing both the Greater Carolinas Blood Services Region and the Chapter boards. She served as the American Red Cross National Convention Chair for 2001. Other civic involvement includes service on the Board for the Belmont Abbey College, Museum of the New South, and Child Care Resources, Inc. Mrs. Lyerly is a member of the Charlotte Chamber of Commerce and the Public Relations Society of America. She has also served in various leadership capacities with the United Way, YMCA, Better Business Bureau, and the Charlotte Drug Education Center.

CHRISTINE K. WILKINSON

American Red Cross Grand Canyon Chapter

Tempe, Arizona

Ms. Wilkinson is the Vice President for Student Affairs and Associate Professor for Educational Leadership and Policy Studies at Arizona State University. She is active with the Central Arizona Chapter and Chair of the 2002 National Convention in Phoenix. She has numerous professional affiliations with the Phoenix Think Tank and the Council for Advancement and Support of Education. Her community involvement includes the Arizona Voter Outreach Project 2000, Children's Action Alliance, Arizona Women's Forum, Tempe Salvation Army Advisory Council and the Tempe Community Council. Ms. Wilkinson received her bachelor's and doctorate from Arizona State University and her Master's from the University of California at Berkeley. She was a recipient of the Clara Barton Volunteer Leadership Honor Award in 2000.

SECOND-TERM NOMINEES

The following individuals are recommended for a second term:

LEE A. GOLDSTEIN

American Red Cross Pomona Valley Chapter Claremont, California

Dr. Goldstein, O.D., M.P.A., manages a large optometric practice. He currently serves a vice chair of the Board of Governors Chapter Services Committee. Previous Red Cross experience includes chair of the California State Service Council and a member of the Pacific Regional Committee.

CAROL ANN HAAKE

American Red Cross Greater Ozark's Chapter Springfield, Missouri

Ms. Haake holds a M.B.A. with an emphasis in Finance. She works as a financial planner for the Legend Group, Inc., a subsidiary of Waddell and Reed Financial Services Corp. Previous Red Cross experience includes leadership on chapter and Blood Services Region boards, member of the Missouri State Service Council and service on national committees.

EDWARD A. ("BUZZ") HEIDT, JR.

American Red Cross Tidewater Chapter Virginia Beach, Virginia

Mr. Heidt has served as Chair of the Chapter Services Committee for two years and, this past year, as Chair of the Executive Committee's Consent Decree Oversight Subcommittee. He is President and CEO of the Penrod Company, a diversified distribution import-export company headquartered in Virginia Beach, Virginia, and satellite offices around the globe. Previous Red Cross experience includes membership on the Virginia/District of Columbia State Service Council and the Mid-Atlantic Regional Committee.

WILLIAM V. LEWIS, JR.

American Red Cross Wyoming Valley Chapter Wilkes-Barre, Pennsylvania

Dr. Lewis is a Vice President and Registered Investment Advisor for Merrill Lynch. He currently serves as vice chair of the Finance Committee and on the American Red Cross

Investment Committee. Previous Red Cross experience includes chapter and Blood Services Region board leadership and national committee assignments.

PAT M. POWERS

American Red Cross Central Ohio Blood Services Region Delaware, Ohio

Mrs. Powers has served her community as a life-long volunteer, including service in diplomatic and military areas. Red Cross experience includes chair of the Central Ohio Blood Services Region and member of the Midwest Regional Committee.

MAURICE W. WORTH

American Red Cross Metropolitan Atlanta Chapter Fayetteville, Georgia

Mr. Worth has served as the chair of the Public Support Committee for the past two years. In 1999 he retired from the position of Chief Operating Officer with Delta Airlines, Inc., the largest private employer in the State of Georgia. His previous Red Cross experience was with the Metropolitan Atlanta Chapter.

**SLATE OF NOMINEES TO BE PROPOSED TO THE VOTING DELEGATES
AT THE 2002 NATIONAL CONVENTION (Phoenix, Arizona)**

2003 and 2004 National Committee on Nominations

Members

Theodore J. Druhot	Palmetto Chapter	Bluffton, SC
Lee A. Duffus	Santa Cruz County Chapter	Santa Cruz, CA
Brian L. Hamil	Indiana-Ohio Region	Fort Wayne, IN
Timothy H. Hughes	Metropolitan Atlanta Chapter	Atlanta, GA
Randi Knappenberger	Grand Canyon Chapter	Phoenix, AZ
John W. Ledbetter	Central Mississippi Chapter	Jackson, MS
Virginia P. Merkel	American Red Cross of Greater Indianapolis	Indianapolis, IN
Michael E. Quine	Central Illinois Chapter	Peoria, IL
Arthur J. Spies*	Central Iowa Chapter	Des Moines, IA

*Nominated for a term of one year to fill a vacancy.

2003 and 2004 National Committee on Resolutions

Chair

Linda S. Broyhill National Capital Chapter Washington, DC

Vice Chair

Victor A. Koivumaki American Red Cross of Massachusetts Boston, MA

Members

Donald J. Contraman	American Red Cross of Montana	Great Falls, MT
Trudie M. Hall	Wyandotte County Chapter	Kansas City, KS
Kevin "Kip" Harmon	Tanana Valley Chapter	Fairbanks, AK
Charlotte A. Leedy	East Georgia Chapter	Athens, GA
Janice M. Nelson	San Gabriel Valley Chapter	Pasadena, CA
Steven E. Post	Mile High Chapter	Denver, CO
Worth H. Thomas	Central Mississippi Chapter	Jackson, MS
Craig J. Weyers	St. Joseph County Chapter	South Bend, IN
Michelle Anne Williams	Metropolitan Atlanta Chapter	Atlanta, GA

2003 National Convention Chair

Randall L. Tobias American Red Cross of Greater Indianapolis Indianapolis, IN

2003 National Convention Vice Chair

William H. Reisner St. Louis Area Chapter St. Louis, MO



National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

To: Board of Governors

Subject: Presidential Proclamation
American Red Cross Month, 2002

cc: Harold Decker

Date: March 19, 2002

In the event that you have not seen the enclosed Presidential Proclamation, I wanted to share it with you.

It is a worthy reminder of why the American Red Cross is the greatest humanitarian volunteer organization in the world.

With gratitude for your selfless service

Regards,

A handwritten signature in black ink, appearing to read "David T. McLaughlin", written in a cursive style.

Together, we can save a life

SFC-ARC-A001806



American Red Cross Month, 2002

By the President of the United States of America

A Proclamation

The American Red Cross is one of our Nation's oldest and most renowned charitable organizations. It provides help, hope, and healing when disasters or other crises strike countries, communities, or families around the world.

Founded in 1881 by Clara Barton, the American Red Cross was chartered by the Congress in 1905 to provide aid in times of need. Each year, the Red Cross responds to more than 67,000 disasters nationwide. These include natural disasters, thousands of home fires, and catastrophic emergencies—such as the brutal terrorist attacks of September 11, 2001. The Red Cross was among the first to respond to this unprecedented national crisis, providing direct assistance to more than 50,000 families, shelter for thousands of displaced persons, millions of meals for the hungry, and grief counseling for more than 200,000 individuals affected by the trauma. The Red Cross also provides assistance during international emergencies. Responding to my request, it helped create and now administers America's Fund for Afghan Children. American children were asked to donate one dollar to aid Afghani children, and this effort has already provided \$2.4 million in medicine and other supplies to Afghanistan. Last year, the Red Cross rushed immediate medical aid and other needed items to countries devastated by natural disasters, and it helped millions of people around the world to battle malnutrition and life-threatening diseases and gain access to safe drinking water.

Other Red Cross services include recruiting millions of people annually to donate blood and thereby provide hospitals with half of the Nation's supply of blood and blood products. Red Cross personnel are now with our troops who are fighting terrorism in Afghanistan. They live alongside our soldiers in harsh conditions and work around the clock to fulfill an historic role. They help to keep service members and their families in touch with each other, and offer other small comforts to ease the strain of those who are serving the cause of freedom.

At home, the Red Cross' courses in lifesaving skills, first aid, CPR, and water safety, provide Americans with information they need to help maintain safe and healthy lives. Our communities also benefit from Red Cross programs that provide hot meals and transportation for the homebound, as well as housing and job training for the homeless.

Over one million Red Cross volunteers help make our country stronger and more compassionate by relieving suffering and saving lives every year. The USA Freedom Corps initiative will provide the Red Cross with even more volunteers to help further its important mission. As we celebrate American Red Cross Month, I call on all our citizens to recommit to serving others in need. Collective acts of kindness and compassion point the way to a brighter future for our Nation and the world.

NOW, THEREFORE, I, GEORGE W. BUSH, President of the United States of America and Honorary Chairman of the American Red Cross, by virtue of the authority vested in me by the Constitution and laws of the United States, do hereby proclaim March 2002 as American Red Cross Month. Especially during this extraordinary time for our country, I encourage all Americans to support this organization's noble humanitarian mission.

IN WITNESS WHEREOF, I have hereunto set my hand this second day of March, in the year of our Lord two thousand two, and of the Independence of the United States of America the two hundred and twenty-sixth.

SFC-ARC-A001807

A handwritten signature in black ink, appearing to read "G. W. Bush".



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

March 15, 2002

Mr. Fred Grein
Hutchins, Wheeler & Dittmar
101 Federal Street
Boston, MA 02110

Dear Fred:

Please extend my thanks and appreciation to the members of the Resolutions IV (2001) Task Force for their work in handling this resolution. The recommendations set forth in the task force report are well thought out and capture the needs and interests in keeping the Resolutions Process a viable forum for chartered units to present their opinions and concerns about corporate policy and make proposals to improve the American Red Cross.

By copy of this letter, I ask that management communicate and implement these recommendations. Further, I ask that you serve as the Board of Governor's liaison to the Resolutions Committee as outlined in Recommendation 4 of the task force report. Thank you for accepting this appointment.

Best wishes

Sincerely,

David T. McLaughlin

cc: Harold J. Decker, President and CEO
Andrea Morisi, Corporate Secretary
William McConnell, Chair, 2002 Committee on Resolutions

Together, we can save a life

SFC-ARC-A001808



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

March 4, 2002

The Honorable Tommy G. Thompson
Secretary, Health and Human Services
Hubert Humphrey Building
200 Independence Avenue S.W.
Washington, DC 20201

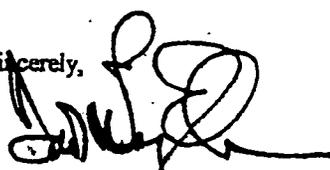
Dear Mr. Secretary,

I speak for the entire Board of Governors when I express my gratitude to you for taking the time to participate in the Board's retreat last weekend. Your presence and your unofficial guidance were most encouraging.

The Red Cross has a major challenge to develop a five to ten year plan that will enable us to invest in the blood business at a level that will assure an adequate supply of safe blood while at the same time not compromising the financial ability of the organization to fulfill its humanitarian mission. Your guidance on this matter was most helpful.

We look forward to keeping you advised as to our progress and I will look forward to seeing you again in the near term.

Sincerely,



David McLaughlin

Cc: Harold Decker

Together, we can save a life

SFC-ARC-A001809



**American
Red Cross**

JOAN MAN

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

February 27, 2002

Mrs. N. Jean Schendel, Chair
American Red Cross of Northeast Indiana
1212 E. California Road
P. O. Box 5508
Fort Wayne,
Indiana 46895

Dear Ms. Schendel,

I wanted to acknowledge your letter of 4 February 2002 concerning the funding of the extraordinary demands placed on the chapters and yours in particular as a result of the 11 September disaster.

We are sensitive to the issue you have raised and while the results of our analysis of the impact on the chapters is not complete, it is uneven. I have asked Jack Campell to look at your situation in particular to see how we might be of assistance.

Again, my thanks for writing.

Regards,

David T. McLaughlin

Cc: Jack Campbell
Jim Krueger
Harold Decker ✓

Together, we can save a life

SFC-ARC-A001810



**American Red Cross
of Northeast**

102

February 4, 2002

Mr. David McLaughlin, Chairman
American Red Cross
17th and D Streets, N.W.
Washington, D.C. 20006

Dear Chairman McLaughlin:

SFC-ARC-A001811

Greetings from northeast Indiana. We write to express our chapter board's deep concerns regarding the impact of the national policies surrounding reimbursement of expenses incurred by chapters in collecting Liberty Fund and Disaster Relief Fund donations.

As Executive Committee members of our chapter, it is our duty and the duty of our board to ensure that our local chapter is a strong entity that will help support a strong national response should events of the magnitude of the September 11 attacks occur. We are proud to report that our staff and volunteers have given exceptional service to the organization during some very trying circumstances. We have deployed fourteen volunteers to the relief efforts. Additionally, we have processed over \$800,000 in donations and ensured that each identified donor was thanked properly and in a timely manner. Since we had many donors who donated cash and some that donated anonymously, we also teamed with our Blood Region to place a thank you in our local newspaper. A member of our board, along with our Executive Director, attended the Weapons of Mass Destruction Conference at national headquarters to better understand and prepare us for the next occurrence of terrorism. We have defended the organization time and again from the extremely negative press regarding the use of the Liberty Fund dollars and the "dumping of blood". We have written numerous letters and continue to speak with many donors to restore their confidence in our organization. We continue to report monies collected to national headquarters and our internal audit was performed on time with no adverse findings. Our chapter's administrative, accounting and financial development departments have spent countless hours meeting, thanking, clarifying, defending, processing, faxing and reporting.

Our board understands that all these activities are necessary and we are very appreciative of how hard our staff has worked to comply with national's changing and sometimes confusing rules and requirements. We applauded national's recognition of our efforts through the retention of 10% of the funds collected. Imagine our dismay when, in November, we were informed of the changes in the Board of Governor's policy, and received further clarification in December that reversed the 10% retention policy and provided little financial reimbursement to chapters for their efforts.

In order to meet the demands placed upon us since September 11, our chapter has stretched our staff and infrastructure, sometimes to the breaking point. In November our fax machine failed and could not be repaired. The cost to the chapter to purchase a similar machine was \$1,150. In early December, our accounting software also failed. We attribute its failure to recording more donations in three months than we usually process in three years. We hurriedly investigated the national options and purchased a software package for \$13,875. I believe that our chapter's infrastructure is similar to most chapters--frail

1212 East California Road * Fort Wayne, IN 46825 * (219) 484-9336 * 1-800-513-2599 * (219) 471-1851 FAX * <http://www.arcnei.com>

704 East Maumee * Angola, IN 46703 * (219) 665-5262 * (219) 665-6437 FAX * <http://www.arcnei.com/Steuben.htm>

215 E. Ninth St., Suite 102 * Auburn, IN 46706 * (219) 925-4566 * (219) 925-4577 FAX



to the point that any extraordinary usage has a disastrous effect. While these are some of the direct costs borne by this chapter, hundreds of staff hours were spent handling the entire donation process. These are the hours used to write grants, plan for special events, produce and distribute our annual report, bill our customers and perform other activities that help fund local and national Red Cross services.

The change in Red Cross national policy also comes at a time when local giving is down. We'll never know if it is because of the economy, the donations that poured into Red Cross and other agencies because of the September 11 tragedy, or a combination of these factors. Moreover, we are facing a 2.3% decline in United Way funding for the remainder of this fiscal year and continuing into FY 03. This amounts to a reduction of \$11,000 each year. All of the above added together means our chapter is facing a serious financial challenge this fiscal year.

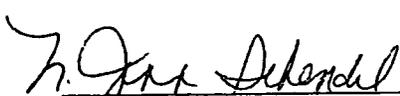
It is the responsibility of any Red Cross board to ensure that the expenses of the organization are paid so that the entire organization remains fiscally sound. We believe the Board of Governors is overlooking a very important component of the organization for which little reimbursement has been made—that of the efforts of the local collection and processing agents, the local media spokespersons, and the Red Cross representatives in local communities, namely chapters.

It goes without saying that our board supports the need to ensure that the wishes of the donor are maintained and to be honest and open with donors on how their financial gifts are spent. Our chapter does not believe that reimbursement for chapter expenses should come from the Liberty Fund. However, we do believe that it is the responsibility of the Board of Governors to explore various options to reimburse the chapters, at least partially, for their efforts.

This has been an unprecedented disaster requiring of our organization an unprecedented response. Our board also believes that this disaster requires unprecedented financial recognition and support for chapters to ensure that there will continue to be a strong local response when the next major disaster occurs. For without a strong local response there can be no strong national response.

Sincerely,

AMERICAN RED CROSS OF NORTHEAST INDIANA - EXECUTIVE BOARD


N. Jean Schendel, Chair


Gene Smith, Third Vice-Chair


Bob Martin, Secretary


Jeff Halley, First Vice-Chair


Janet Kuehnert, Fourth Vice-Chair


H. Wayne Dawson, Treasurer


Ron Menze, Second Vice-Chair

Cc: Harold Decker
Jim Krueger



American Red Cross

National Headquarters

To:

Jon Huntsman, Chair
Eddy Quijano, Vice Chair
Hon. Joe Allbaugh
Hon. Richard Armitage
Emma Chappell
Kevin Gallagher
Rick Grinnan, Jr.
Carol Ann Haake
Rex Linder
Allen Mathies, Jr.
Gen. Richard Myers
Ross Ogden
Hon. Roderick Paige
Pat Powers
Jay Rodriguez

Subject:

Correspondence from International
Federation of Red Cross and Red
Crescent Societies Regarding MDA

From:

David T. McLaughlin

Date:

February 20, 2002

cc:

Harold Decker

The enclosed outlines the Federation's new position on Magen David Adom. It looks promising but the outcome is still uncertain.

bcc: Gerry Jones

SFC-ARC-A001813



International Federation
of Red Cross and Red Crescent Societies

The Secretary General

Mr. David McLaughlin
Chairman
American Red Cross
431 18th Street N.W. 2nd Floor
Washington, DC 20006 - U.S.A.
Fax: +1 202 639 35 95

Geneva, 19 February 2002

Dear David,

I have delayed my letter of thanks to you for the discussion we had in New York on 30 January because I wanted to be able to update you on the work done on the Emblem and MDA issues by the Standing Commission and the Federation Governing Board the following week. But allow me to start by thanking you and Harold for your hospitality and for your readiness to engage us in a searching discussion about the best way forward on these issues.

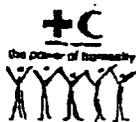
Writing now also presents a good opportunity to show you and your colleagues in the American Red Cross Board of Governors just how much we have done, and how committed we are to the common objective of universality for our Movement and our Federation.

It might also help if I let you know that Steve Davey and Chris Lamb have just had a strategic planning meeting with their colleagues from the ICRC. They shared the view that the creation by the Standing Commission of a Working Group will provide an excellent opportunity to build operational cooperation with and Movement confidence in MDA and the Eritrean Society. We in the Federation and the ICRC are all delighted that the American Red Cross will be a member of the Working Group.

At this stage, it looks likely that the first meeting of the Working Group will be in Geneva on 9 April – timing which takes account of the need for us to prepare full briefing for the Group and also pay a short visit to Israel to assess directly MDA's interests and expectations before the Group meets. I should note that we have been in close contact with MDA throughout this formative stage, and we are assured that they consider we are doing everything in our power to achieve universality through the accession to membership of all the National Societies of Geneva Convention states.

It is also important to keep you informed of our work to stay in close touch with Jewish communities around the world, including in the United States.

Our message to these groups is the same as that we hope we have delivered to the American Red Cross. We share your objective of universality for the Movement, which means we share your wish to see MDA admitted without delay. Our starting point is not just the need to admit MDA, it is that the Movement and the Federation cannot operate successfully as the world's humanitarian



network without universality. We will not relax our determination to see MDA as a member until the process is complete.

As part of the talks, we supplied them with copies of all relevant documents, including letters exchanged with MDA on operational contacts and the Terms of Reference of the Standing Commission Working Group. The discussions were practical and constructive, and we are confident that they have a real willingness to understand why we are doing what we are, and to work with us towards a common objective.

We have found, for example, that although the Jewish groups continue, naturally, to demand immediate recognition for MDA, they accept that this cannot be done in a vacuum. They now understand better that it is simply not possible for the Federation or the ICRC to change the Movement Statutes unilaterally. They appreciate the value of the work we and the ICRC are doing to build a consensus among governments and National Societies which will allow these rules to be changed.

We took time to describe to the Jewish Groups our contacts with MDA and the Israeli Government on these issues. We made the point that both MDA and the Government want to see the issue resolved in a way which enables the Society to function without challenge in the Movement, both globally and regionally.

They took our main argument well. It is that unless the Movement and all its components work together towards the common objective of universality, that objective will not be achieved. This brought them to ask us about our relationship with the American Red Cross.

We told our friends in the Jewish groups that the American Red Cross has made clear its wish to ensure that its policies do not harm the Federation or the Movement, and this led to a little discussion of our financial situation. We did not go into this in detail, but we did find it necessary to state that there was no truth in the statement which has unfortunately received some media coverage, that the Federation was making plans for the suspension or expulsion of the American Red Cross in February this year.

It is, in fact, our hope that the work we are now doing together will make it possible to measure progress to your satisfaction. MDA has told us it has very much appreciated the Federation's efforts in the past year, and the next stages of operational cooperation were discussed at a meeting in Geneva on 11 November 2001.

We have also discussed with MDA and other concerned Movement members the way we should move forward after the adoption of an important resolution by the Movement's Council of Delegates on 14 November 2001.

They agree that the resolution makes it possible, for the first time, to divide the path to the overall objective of a new additional protocol to the Geneva Conventions into twin tracks.

One track should concentrate on the negotiation and adoption of the protocol, for without it there can be no new protective emblem. This task should be primarily in the hands of governments, and this was, as you know, explained to the State Department on 31 January when a joint call was paid on it by the Federation, ICRC and the American Red Cross.

The other track is that which builds confidence in the operational capacity of the National Society, and enables it to be appreciated for what it is and must be: a humanitarian organisation formed

MAIN SUBJECTS COVERED IN TALKS ON MDA MEMBERSHIP IN ISRAEL, THE USA, BRITAIN AND AUSTRALIA - WITH GOVERNMENTS, NATIONAL SOCIETIES AND JEWISH COMMUNITY GROUPS

- Groups spoken to included representatives of the World Jewish Congress, the American Jewish Committee, International Friends of MDA, the British Friends, the Australian Friends, and the Executive Council of Australian Jewry. We have also established personal contact with Congressman Tom Lantos, an acknowledged leader of Jewish opinion on Capitol Hill, and with State Senator Seymour Lachman in New York, the President of the National Association of Jewish Legislators.
- The Geneva Conventions create emblems for use by armed forces medical units, for use in conflict situations. These treaties, as pacts done by Governments, create international legal obligations. This cannot be done any other way.
- National Societies carry the same emblem as their armed forces medical units, but their use of it in peacetime is known as indicative use. This is the core issue in the current debate about MDA's emblem.
- The drafting of a new protocol additional to the Geneva Conventions creates a sound legal basis for the Israeli Defence Forces to use a protective emblem acceptable to them. It provides a similar foundation for MDA with respect to its emblem.
- The protocol was ready for adoption in October 2000, but the outbreak of violence and confrontation in the Middle East in September made it impossible for the Conference to be convened. This is because all governments agree that a protective emblem should be established in an atmosphere of consensus, to ensure that it obtains the necessary respect in times of conflict.
- The work now under way uses the draft protocol's basic principles and puts onto separate tracks the work towards the adoption of the protocol by governments and the building of acceptance of MDA as a National Society within the International Red Cross and Red Crescent Movement.
- The place of Societies in the Movement is determined by the Movement's Statutes. The Statutes are set by the International Conference of the Red Cross and the Red Crescent, which means they are set by governments and National Societies meeting together as members on an equal basis.
- The Statutes require that for a Society to be recognised as a member of the Movement ten requirements must be met. The fifth requirement is the principal obstacle to MDA recognition, for it requires that a Society must agree to use one emblem, either the Red Cross or the Red Crescent.
- The October 2000 proposal to adopt an additional emblem was accompanied by a proposal to the International Conference that this fifth requirement in the Statutes be amended.
- The tracks now being followed by the Standing Commission, the ICRC and the Federation envisage that governments will carry the main responsibility for consultation towards the protocol. The building of operational contacts is a Movement responsibility. To emphasise and explain this approach, the ICRC, the Federation and the American Red Cross paid a joint call on the State Department in Washington on 31 January. This was the first time that such a united front had been displayed.
- Operational contacts with MDA so far have seen much achieved since the beginning of this phase of work in June 2001.
- MDA is now invited to all relevant technical and similar meetings. MDA was seated with full deliberation opportunities in the Federation's General Assembly and the Movement's Council of Delegates in November 2001.
- The continued withholding of the American Red Cross assessed contribution to the Federation's administrative budget has five important consequences:
 - The withholding is wrong on grounds of principle. It takes the American Red Cross away from its own commitment, as a member of the Federation, to work inside the Federation for



International Federation
Of Red Cross and Red Crescent Societies

17, chemin des Crâts, Petit-Saconnex / P.O. Box 372 / 1211 Geneva 19 / Switzerland
Telephone: (41 22) 730 4222 Fax: (41 22) 733 0395 Telex: 412 133 FRC CH

FACSIMILE COMMUNICATION

CONFIDENTIAL

To: American Red Cross
Attention: Jane Kinsman, assistant to Mr. McLaughlin Fax number: 1-202 639 3264
From: Isabelle Gallet, assistant to Mr. Cherpitel
cc: Our file ref.:
Date: February 19, 2002 N° of pages including this page: 6
Re:

If you do not receive all pages, please contact us immediately. Thank you.

MESSAGE:

Dear Jane,

First of all, I would like to again thank you very much for your kind cooperation.

As agreed, please find hereby a letter to Mr. McLaughlin, accompanied by one of the attachments mentioned in this letter. The other attachments will come electronically to your e-mail address (kinsman@usa.redcross.org), for easier handling.

Thanks again for your help, and with best regards.

Isabelle *Andrea of Jane*

*Please make copies for
the International Services
Committee.
John Herbman Chair SFC-ARC-A001817
List members
The enclosed outlines the
Federation's new position on N.O.A. It
looks promising but the outcome
is still uncertain.*

JG.



The Secretary General

Mr. David McLaughlin
Chairman
American Red Cross
431 18th Street N.W. 2nd Floor
Washington, DC 20006 - U.S.A.
Fax: +1 202 639 35 95

Geneva, 19 February 2002

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17, chemin des Crêts, Petit-Saconnex - P.O. Box 372 - CH-1211 Geneva 19
Telephone +41 (22) 730 42 22 - Telex 412 133 FRC CH - Telefax +41 (22) 733 03 95
E-mail: secretariat@ifrc.org - Web site: www.ifrc.org

SFC-ARC-A001818

network without universality. We will not relax our determination to see MDA as a member until the process is complete.

As part of the talks, we supplied them with copies of all relevant documents, including letters exchanged with MDA on operational contacts and the Terms of Reference of the Standing Commission Working Group. The discussions were practical and constructive, and we are confident that they have a real willingness to understand why we are doing what we are, and to work with us towards a common objective.

We have found, for example, that although the Jewish groups continue, naturally, to demand immediate recognition for MDA, they accept that this cannot be done in a vacuum. They now understand better that it is simply not possible for the Federation or the ICRC to change the Movement Statutes unilaterally. They appreciate the value of the work we and the ICRC are doing to build a consensus among governments and National Societies which will allow these rules to be changed.

We took time to describe to the Jewish Groups our contacts with MDA and the Israeli Government on these issues. We made the point that both MDA and the Government want to see the issue resolved in a way which enables the Society to function without challenge in the Movement, both globally and regionally.

They took our main argument well. It is that unless the Movement and all its components work together towards the common objective of universality, that objective will not be achieved. This brought them to ask us about our relationship with the American Red Cross.

We told our friends in the Jewish groups that the American Red Cross has made clear its wish to ensure that its policies do not harm the Federation or the Movement, and this led to a little discussion of our financial situation. We did not go into this in detail, but we did find it necessary to state that there was no truth in the statement which has unfortunately received some media coverage, that the Federation was making plans for the suspension or expulsion of the American Red Cross in February this year.

It is, in fact, our hope that the work we are now doing together will make it possible to measure progress to your satisfaction. MDA has told us it has very much appreciated the Federation's efforts in the past year, and the next stages of operational cooperation were discussed at a meeting in Geneva on 11 November 2001.

We have also discussed with MDA and other concerned Movement members the way we should move forward after the adoption of an important resolution by the Movement's Council of Delegates on 14 November 2001.

They agree that the resolution makes it possible, for the first time, to divide the path to the overall objective of a new additional protocol to the Geneva Conventions into twin tracks.

One track should concentrate on the negotiation and adoption of the protocol, for without it there can be no new protective emblem. This task should be primarily in the hands of governments, and this was, as you know, explained to the State Department on 31 January when a joint call was paid on it by the Federation, ICRC and the American Red Cross.

The other track is that which builds confidence in the operational capacity of the National Society, and enables it to be appreciated for what it is and must be: a humanitarian organisation formed

within the framework of the Geneva Conventions. This will be done by the Movement itself, through a special Working Group, with the American Red Cross taking an active and constructive part.

This is why we are so anxious that your Board Members will have a good opportunity to understand the value of fitting American Red Cross policy to this objective and to note the progress that has been made.

We hope they will also appreciate the five points we have already presented to you with respect to the withholding of the American Red Cross statutory contribution to the Federation's administrative budget. Essentially, as we have said, the achievements so far demonstrate that the withholding is wrong on principle and unconstitutional, unjust, negative for vulnerable people around the world, disabling in the current traumatic world environment and counterproductive to our objective of universality. But we have consistently argued that the most important issue is for the Federation to work for American participation in the only program with a realistic chance of achieving our common objective at this difficult time.

I am attaching, so you can have the complete history of our Board's consideration of the financial question, copies of its decisions on this subject. As you can see, at no stage did it seek to threaten or punish.

We also know that there are still a number of questions to be addressed in our discussions with MDA and the Government of Israel, and we will be in the closest of contact with them both as we move forward. We take the view, which I am sure you will understand, that this is an issue of primary concern to Israel, and it is the interests expressed by Israelis which will guide us as we unfold the membership issue. We trust your Board will see it the same way, and will both work with us and provide us with the resources we will need to ensure success.

Yours sincerely,



Didier J. Cherpitel

cc: Juan Manuel Suárez del Toro Rivero, President IFRC

Attachments

1. Paper with additional points.
2. Federation Board Decisions on Emblem and American Red Cross finances since May 2000.
3. Federation Operational Contacts letters of 5 June and 27 November 2001, and the MDA response of 28 January 2002.
4. Photograph of MDA President Dr Melloul at the Federation General Assembly, November 2001.
5. Council of Delegates Resolution 6 of 14 November 2001.
6. Standing Commission Working Group Terms of Reference, adopted 6 February 2002.

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MAIN SUBJECTS COVERED IN TALKS ON MDA MEMBERSHIP IN ISRAEL, THE USA, BRITAIN AND AUSTRALIA - WITH GOVERNMENTS, NATIONAL SOCIETIES AND JEWISH COMMUNITY GROUPS

- Groups spoken to included representatives of the World Jewish Congress, the American Jewish Committee, International Friends of MDA, the British Friends, the Australian Friends, and the Executive Council of Australian Jewry. We have also established personal contact with Congressman Tom Lantos, an acknowledged leader of Jewish opinion on Capitol Hill, and with State Senator Seymour Lachman in New York, the President of the National Association of Jewish Legislators.
- The Geneva Conventions create emblems for use by armed forces medical units, for use in conflict situations. These treaties, as pacts done by Governments, create international legal obligations. This cannot be done any other way.
- National Societies carry the same emblem as their armed forces medical units, but their use of it in peacetime is known as indicative use. This is the core issue in the current debate about MDA's emblem.
- The drafting of a new protocol additional to the Geneva Conventions creates a sound legal basis for the Israeli Defence Forces to use a protective emblem acceptable to them. It provides a similar foundation for MDA with respect to its emblem.
- The protocol was ready for adoption in October 2000, but the outbreak of violence and confrontation in the Middle East in September made it impossible for the Conference to be convened. This is because all governments agree that a protective emblem should be established in an atmosphere of consensus, to ensure that it obtains the necessary respect in times of conflict.
- The work now under way uses the draft protocol's basic principles and puts onto separate tracks the work towards the adoption of the protocol by governments and the building of acceptance of MDA as a National Society within the International Red Cross and Red Crescent Movement.
- The place of Societies in the Movement is determined by the Movement's Statutes. The Statutes are set by the International Conference of the Red Cross and the Red Crescent, which means they are set by governments and National Societies meeting together as members on an equal basis.
- The Statutes require that for a Society to be recognised as a member of the Movement ten requirements must be met. The fifth requirement is the principal obstacle to MDA recognition, for it requires that a Society must agree to use one emblem, either the Red Cross or the Red Crescent.
- The October 2000 proposal to adopt an additional emblem was accompanied by a proposal to the International Conference that this fifth requirement in the Statutes be amended.
- The tracks now being followed by the Standing Commission, the ICRC and the Federation envisage that governments will carry the main responsibility for consultation towards the protocol. The building of operational contacts is a Movement responsibility. To emphasise and explain this approach, the ICRC, the Federation and the American Red Cross paid a joint call on the State Department in Washington on 31 January. This was the first time that such a united front had been displayed.
- Operational contacts with MDA so far have seen much achieved since the beginning of this phase of work in June 2001.
- MDA is now invited to all relevant technical and similar meetings. MDA was seated with full deliberation opportunities in the Federation's General Assembly and the Movement's Council of Delegates in November 2001.
- The continued withholding of the American Red Cross assessed contribution to the Federation's administrative budget has five important consequences:
 - The withholding is wrong on grounds of principle. It takes the American Red Cross away from its own commitment, as a member of the Federation, to work inside the Federation for

- improvement and change. It also directly confronts the Federation's constitution, for it is simply not possible for a member Society to decide not to pay its assessed contribution.
- The withholding is unjust. While there is very wide sympathy for and understanding of the depth of American feeling about the inability of MDA to meet the conditions of membership, the withholding makes no allowance for the energy and dedication with the ICRC and the Federation have put into securing universality, in the most challenging of political circumstances. In addition, withholding from the Federation makes no allowance for the fact, not denied by anyone, that the Federation itself has no control over the situation for which it is held accountable by the withholding.
 - The withholding has seriously negative consequences for the Federation's work to implement its Strategy 2010 – a strategy adopted after consultation and negotiation in which the American Red Cross took an active part and which aims to deliver assistance to the most vulnerable of the vulnerable all around the world. It also means that the Secretariat is being forced to cut jobs and curtail services at a time when all agree that the Secretariat needs to be equipped with the ability better to respond to the needs of National Societies facing crises all around the world.
 - The withholding in early 2000 could not have anticipated the crisis that would confront the world late in 2001. The shocking events in the United States on September 11 brought forth an unequalled display of unity and humanitarian force among all members of the Federation. This was acknowledged with gratitude in your statement to the Federation General Assembly on 4 November 2001. The aftermath of that outrage has been a display of determination on the part of all members of the Movement to join hands to build a new humanitarian force in the world, and we have to say that it makes no sense for the American Red Cross not to wish to be a part of this work.
 - Finally, the withholding is counterproductive. It has brought forth charges of an abuse of power by the American Red Cross and an interference in constitutional processes which, if supported, could very well have completed this task without acrimony and division. The unease that the withholding has generated among Societies is not restricted to one region – as you would know from the way debate ran at the Council of Delegates, there is little or no support for the American position on this point among other Societies, and those that profoundly share the wish that MDA should be admitted immediately believe that the pressure applied so far as actually impeded progress.

DATE: February 15, 2002

FROM: David McLaughlin

TO: Harold Decker ✓
Bob Chlopak

RE: Attached Article

I am sure that you will enjoy this if you haven't seen it already.

David

Bcc: Frank Donaghue ✓

SFC-ARC-A001823

orlonsafety

From: Hassmiller, Susan [SHASSMILLER@rwjf.org]
Sent: Sunday, February 10, 2002 12:57 PM
To: 'Tim Duncan'; drlee@goldsteinoptometry.com; kennedypab@msn.com; alohh@aol.com; bkassoc@aol.com; Forbeska@aol.com; BuzzHeidt@thepenrodcompany.com; callen@familyroad.com; Hassmiller, Susan; richard_niemiec@bluecrossmn.com; deckerh@usa.redcross.org; kruegerj@usa.redcross.org; search_committee@usa.redcross.org; brooksh@usa.redcross.org; kindelann@usa.redcross.org; haigwoodj@arcla.org; rotherham@sdarc.org; renders@usa.redcross.org; gchitty@oc-redcross.org; tduncan@redcross-sonomacounty.org; 'orlonsafety@tds.net'
Subject: RE: Red Cross Whitepaper

Dear Mr. Duncan: Thanks to you and Mark Osmun, your PR Director, for taking the time to put this white paper together. You have raised legitimate concerns that all of us on the Board, and especially the search committee, are currently grappling with. I have been a volunteer with this organization for nearly 28 years and the occurrences of this year have been very disheartening to me...although, I do not waiver from my belief that this is the greatest voluntary organization in operation today. I, like you, want nothing more than to put this behind us and come out of the gate with a wonderful leader that can inspire, lead, and make the necessary changes that must be made. I am cognizant of the awesome responsibility of the charge before us to choose someone of this caliber and know we will take your recommendations into consideration. Finally, in terms of the importance of PR directors...they are indeed important. My chapter in Central Jersey has one and it makes all the difference. However, you and I both know that limited chapter resources prevent such widespread hirings, when so many other priorities are at hand. My sincerest thanks for taking the time to send this. It is important for us to hear from our field leaders. And, thanks for the job you are doing in Sonoma County. Sue Hassmiller

-----Original Message-----

From: Tim Duncan [mailto:duncanredx@yahoo.com]
Sent: Tuesday, February 05, 2002 3:36 PM
To: drlee@goldsteinoptometry.com; kennedypab@msn.com; alohh@aol.com; bkassoc@aol.com; Forbeska@aol.com; BuzzHeidt@thepenrodcompany.com; callen@familyroad.com; shassmi@rwjf.org; richard_niemiec@bluecrossmn.com; deckerh@usa.redcross.org; kruegerj@usa.redcross.org; search_committee@usa.redcross.org; brooksh@usa.redcross.org; kindelann@usa.redcross.org; haigwoodj@arcla.org; rotherham@sdarc.org; renders@usa.redcross.org; gchitty@oc-redcross.org
Subject: Red Cross Whitepaper

The attached white paper was written by my Public Affairs Director (for internal use only) based on discussions we've had in the aftermath of Sept. 11th, following information heard at the recent CA Red Cross State Conference and in response to members of the Board of Governors requests for input on "the search." We shared it with our Board Executive Committee and it reflects the thoughts of our Chapter Leadership. We wanted to share it with you for what it's worth and would welcome any return comments.

p.s. Due to email troubles today, I am using this address to distribute this message. However, please reply to my regular address:
tduncan@redcross-sonomacounty.org Thank you.

-Tim Duncan, CEO, Sonoma County Chapter

Do You Yahoo!?
Send FREE Valentine eCards with Yahoo! Greetings! <http://greetings.yahoo.com>

One form of insanity is doing the same thing repeatedly and expecting a different result.

By Mark Osmun, Public Affairs Director, Sonoma County Chapter

The avalanche of public relations disasters suffered by the American Red Cross since October could have been prevented – not by changing the way the Red Cross fulfills its mission, but by changing the way it communicates that mission and by changing the way it responds to negative press.

At this stage (we are now awaiting the 60 Minutes bomb) the damage has been done. What is alarming is that there is no evidence that the organization understands the nature of its public relations weaknesses: much less remedied them. We have no sane reason therefore to expect different results in the future.

For the sake of discussion and with a view to moving the organization toward a new public relations approach (with, we expect, different results), we wish to offer the following observations and proposals.

Shortly after the media attacks that began in October, the national organization hired a large PR firm with a reputation in crisis management to advise it. If an organization does not have a PR crisis management plan and team in place, it already has a crisis. I have worked with many large PR agencies and can say their skill lies primarily in making money. The fastest way to make that money is to spend as little time as possible and bill for as much as possible. One way to save time is to scan the time-worn PR manual rather than read it closely or be creative. The crisis management manual evidently was written around Watergate and doesn't seem to have been updated. The lesson from Watergate was that if Nixon had only admitted culpability and asked for forgiveness, he would have served out his term. Correct. And evidently, the Red Cross was advised to do the same – the “we heard you America” capitulation. The only problem was – the Red Cross *hadn't done anything wrong*. The formula did not apply to this case.

We abandoned a defensible position – the proposed uses of the Liberty Fund made perfect sense -- and in the process of surrender we confirmed all the charges that had been made, and confirmed the sanctimonious posturings of demagogue politicians and media strumpets. Further, the timid response by us only encouraged more bullying, self-aggrandizing politicians and media to join in the bloodletting.

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After the January 31st announcement stating that 90% of the Liberty Fund would be distributed (mainly to surviving families) by the first anniversary of the attacks, there was some positive publicity – the media and politicians temporarily rewarding the organization for letting itself be run by them. But our retreat painted us into a corner and set a dangerous precedent – high-profile disasters with large donations now would seem to pay more than others. We let the media create a policy akin to a disaster-survivor popularity contest, while converting us in the public mind from an emergency aid organization into an after-the-fact insurance company. Of course, the next time a big – but not mediagenic -- disaster hits, we will have to explain why we can't make those survivors millionaires also. Bad policy will come back to haunt us and the media won't remember that *it* authored the policy, much less take the blame.

Some may take the position that the Liberty Fund crises would have been avoided if only.... the donations had simply gone into the Disaster Relief Fund, or if only the Liberty Fund had not been distinguished from the general disaster fund, or if its proposed uses had not been detailed so early, or if National had announced it needed X-dollars and no more (before it had already collected X-plus), or if Healy had only been fired sooner, or later. But there is no guarantee that any new, better scenario would have had a better reception from opportunistic politicians and media.

The bedrock problem remains: what do we do when our image is unjustly attacked? What could, should we have done and what should we do next time? Mind you, there *will* be a next time.

[Note: though these suggestions appear to come in hindsight, they were, in fact, what we hoped for during the crisis].

We suggest that the American Red Cross should not abandon a defensible position when it is in the right. The results of doing so, as enumerated earlier, are evident for all to see.

So how could we have successfully defended ourselves? The same way one effectively deals with a playground bully – punch him hard; you might be bloodied too, but the bully won't come back.

Those who attacked the Red Cross had no solid ground on which to stand. Elliott Spitzer was merely seeking to promote his political career, Bill O'Reilly to promote his ratings and book sales, etc. They distorted the truth and wantonly attacked the Red Cross – without care that America's prime defense following a terrorist attack -- the Red Cross -- might be eviscerated on the altar of their personal agendas. They claimed that the American public was outraged by the Red Cross' plan for spending the Liberty Fund. This claim was made without a poll or any objective measurement. Yet it went completely unchallenged – even by us. The rest of the media and politicians just followed like circus elephants.

What should we do when under such an attack?

Counterattack. Fast. Aggressively. And don't play nice or fair.

It would have been possible to effectively vilify the politicians and the media members at the very start of their attacks. We could have -- while we still had the well-deserved respect of the public -- positioned Spitzer, O'Reilly and the like as the self-serving cutthroats they are, pointing out their personal agendas. Yes, it would have been a mudslinging battle, but that should be second-nature to Washingtonians.

This aggressive strategy could have been applied in each of our PR challenges (Liberty Fund, MDA, blood, Alpine). Of course, had it been applied at the start there might not have been other challenges. The feeding frenzy might have ended when it started.

But here lies the rub: to wage that kind of battle successfully, the Red Cross needed a leader who was charismatic, celebrated and well-known for both integrity and plain talk. We needed a person who could face down the media and politicians with withering, righteous indignation. Someone who could defend us. A champion. We didn't -- and don't -- have such a person. But we'd better get one soon. To do this, we need to think in a very different way. We must redefine the position of President and CEO.

Actually, we need two different types of people -- for two different leadership positions. One, a charismatic spokesperson who carries our message and defends us in public; someone who is already a celebrity. The other would be an administrator, less visible to the public, who administers and executes the will of the board.

The charismatic spokesperson -- who would hold a top authoritative title, whether that be President *or* CEO -- should come from the ranks of American celebrities (perhaps from the soon-to-be announced National Celebrity Cabinet) or highly visible leaders -- a group of people to whom the media, for whatever reasons, accords great credibility and frequently defers to (witness the retreat of Katy Couric following Sting's rebuke of her for implying that the Red Cross acted badly). There is a long list of people who might do. Just for the sake of examples think of people like George Clooney, Jodi Foster, Jane Pauley, Harrison Ford, Sidney Poitier, Colin Powell, Norman Schwartzkoff. Make your own list; never mind whether they are available or not; that would come later.

We need a person who can look the camera in the eye and -- with unwavering, righteous indignation -- shame those who would unjustly crucify America's primary disaster-aid giver to further their selfish interests. This person would praise fair-minded media by name and curry their favor. Having captured the public's attention, this leader would present the real facts.

We could at this point detail, step by step, exactly how such a different approach, executed by a different kind of leader might have played out, but that can be the focus of another discussion. Yet, even if all those elements were in place and the crises averted, peace would not have lasted long.

The American Red Cross has another major PR deficiency. Throughout the chapters and at national itself, the real importance of public relations is, even now, unrecognized.

The national PR Director -- if they are not already -- should be an integral part of *all* policy making discussions taking place at highest levels of the American Red Cross. Policy should not be adopted without careful consideration of the PR consequences, contingencies and possible remedies. Surely the lessons of the last few months illustrate the need for this.

But even this is not enough. We must also have a new vision for the Board of Governors. On one hand the American Red Cross never wants to repeat the experience of having a maverick, loose cannon CEO making policy unilaterally or off-the-cuff. On the other hand, media crises and policy decisions often occur rapidly, at any time, and need to be addressed immediately. The Board of Governors -- dedicated volunteers who live all over the country -- must be accessible and willing to convene immediately at any time to consider, approve or reject plans and other decisions which must be quickly implemented. Teleconferencing and other technology makes this possible and practical.

Still, we'd be vulnerable at the chapter level. Across the country, few chapters have, or are willing to devote, the resources needed to hire a qualified public relations professional at the *Director* level and to make public relations a dedicated position. The practice of saddling a single individual with dual titles (e.g. Public Affairs/Development Director) degrades the value and the effectiveness of one or both of those functions. The separate skills of PR and fundraising are not necessarily found in the same person -- and even if they were, that person would be overburdened and hard-pressed to do both jobs well.

Even larger, well-funded chapters have neglected this obvious need -- and we all have paid for it.

Only a bright, experienced, honest, creative, bold professional who enjoys the support of the chapter CEO and Board of Directors can provide the immediate, effective action that can head off communications problems before they reach the catastrophic level.

PR fiascoes -- unjust though they might be -- will happen repeatedly if top-notch PR people are not vigorously recruited and compensated. Surely chapters in the top 50 metropolitan markets should be able to afford this: they really can't afford not to.

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Next, we must have a real and ongoing dialogue between chapter public relations directors, each other, and the national public relations director. Often, lessons learned long ago at the chapter level have fallen on deaf ears at the national organization. The result has been that national has precipitated the same sort of crises -- but at a much more visible level. Worse, is the knowledge that we could have avoided the problems if only we took each other's input seriously.

One form of insanity is doing the same thing repeatedly and expecting a different result. Let's open the doors and consider -- what might seem to some -- radically different approaches.

To paraphrase Goethe: "Be bold and powerful forces will come to your aid."

-- January 31, 2002

Mark Osmun is Public Affairs Director for the Sonoma County Chapter of the American Red Cross. A veteran of over 30 years in journalism and public relations, he was vice president/creative director of San Francisco-based, Fineman Associates Public Relations where he helped guide Odwalla Juices through the crucial first 48 hours of its e-coli crisis. As a journalist, he has written for USA Today, The San Francisco Examiner, Orange County Register, Dallas Morning News and others.

From September 2001 through January 2002, the Sonoma County Chapter received over 30 positive newspaper articles, over a dozen positive television news pieces, dozens of positive radio interviews and only one negative talk-show attack. After the Chapter applied an aggressive PR approach, that talk-show host retracted her earlier position and taped a spot supporting the Chapter that ran every hour for 24 hours.



**American
Red Cross**

National Headquarters
430 17th Street, N.W.
Washington, DC 20006

David T. McLaughlin
Chairman

February 14, 2002

Mr. Juan M. Suarez del Toro R.
President
International Federation of Red Cross and Red Crescent Societies
17, chemin des Crets,
Petit-Sacsonex., P.O. 372
CH - 1211
Geneva, 19
SWITZERLAND

Dear Juan,

When Harold Decker and I met with Didier and Chris Lamb in New York in January, they suggested that it may be more convenient for you to come to the United States during the time of our Annual Convention in Phoenix, Arizona, on 30 May 2002 through 2 June 2002. We would be delighted to have you with us for whatever length of time would be convenient for you, and I would like you to participate in one of the programs dealing with the Federation, ICRC, and the American Red Cross if you are agreeable to doing so.

Additionally, we were impressed by the two track initiative that Didier and Chris outlined, designed to have MDA admitted to the Federation at the earliest possible date. If you and your organization believe that it would be helpful for the head of MDA, Harold Decker, and me to come to Geneva to meet with you to discuss this further, please let me know and the timing that would be best from your standpoint.

I hope this finds you well and enjoying your new responsibilities.

Sincerely,

David T. McLaughlin

DTM:jk

Cc: Harold Decker

Together, we can save a life

SFC-ARC-A001830



INTERNATIONAL FEDERATION OF RED CROSS
AND RED CRESCENT SOCIETIES



The President

Madrid, 30th January 2002

Mr. David McLaughlin
Chairman
American Red Cross
431 18th Street N.W., 2nd Floor
Washington, DC 20006
U.S.A.



Dear Mr. McLaughlin, *Dear David*

Many thanks for your letter of January 17th.

I was very pleased to learn that you will be able to meet with Didier Cherpitel during his forthcoming visit to the United States. I very much hope that your discussions, together with Mr. Harold Decker, will be constructive and that we will make real progress in developing our cooperation.

I appreciated your invitation to me to visit you in Washington and would hope to be able to do so at an appropriate time.

With best regards,

Yours sincerely,

Juan M. Suárez del Toro
Juan M. Suárez del Toro R.

SFC-ARC-A001831



**American
Red Cross**

National Headquarters

Together, we can save a life

To: Harold Decker

Date: February 7, 2002

From: David T. McLaughlin

Subject: Conference Board Meeting

Harold,

I met on 5 February with the Contributions Council of the Conference Board with Josh Gotbaum. Enclosed is a list of attendees and their companies.

The issues that they raised were:

- How will the data bank be developed and what will be its use beyond NYC and 9/11
- How will RC use the interest accrued on the undisbursed principal
- What is being done for non profits less fortunate than ARC, 9/11 Fund, etc and for small business.
- What are lessons learned from 9/11 and can the RC take the lead in assessing the vulnerability of each major urban area and lead an effort to provide a disaster response program for those cities
- Are undocumented aliens being given consideration
- Why was the RC so late in responding to the criticisms from the media - although most felt that the concept of using some of the funds from corporations for national disaster relief preparation was justified. We just did not implement or execute it properly. They wanted to know how we will now pay for a restructuring of our disaster relief system.
- A number of them said that if ARC comes up with a national plan coordinated with other agencies, they would fund it.

We should decide how we want to follow up.

Thanks

Dave

Attachment

Cc: Mike Farley
Skip Seitz
Pat Kennedy
Deb Daley

SFC-ARC-A001832

Contributions Council
Winter Meeting
February 3-5, 2002
Scottsdale, AZ
ATTENDANCE LIST

MEMBER

Ed Ahnert
Toni & George Bailey
Paula Baker
Paula Banks
Eddy Bayardelle
Stephanie Bell-Rose
Kathy Buechel
Robin Caldwell
Essie Calhoun & Glenn Brooks
Evern Cooper*
Mariano Diaz*
Anne Dowling
Theresa Fay-Bustillos*
Michael Feller
David Ford
Jo Ann Harmon
Fred Harris*
Joyce Hergenhan
Penny Hunt
Jackie Millan
Jeff Morgan*
Gabriella Morris
Maryann Morrison
Al & Angela Myres
Chris Park
Deborah Patterson
Mary Pickard
Maideh Radpour*
Carol Ramsey
Skip Rhodes
Ralph Rogers
Beth Salerno
Laura Sanford
Al & Joyce Senger
Esther Silver-Parker
Bess Stephens
Jacqueline Strayer
Kristin & Charles Swain
John & Linda Taylor
Dave Thomas
Robin Tryloff
Sandy Ulsh
Lorna Utley
Mike & Cindy Watson*
Woodie Wright

COMPANY

ExxonMobil
Boeing
IBM
BP
Merrill Lynch
Goldman Sachs
Alcoa
J.C. Penney
Eastman Kodak
United Parcel Service
Nike
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Emerson
3M
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Medtronic
PepsiCo
Bank of America
Prudential Financial
Caterpillar
Shell
Washington Mutual
Monsanto
St. Paul Companies
Cisco Systems
Raytheon
ChevronTexaco
Philip Morris
American Express
SBC
TRW
AT&T
Hewlett-Packard
United Technologies
Corning
Merck
Sprint
Sara Lee
Ford
General Motors
BellSouth
CIGNA

* Attending Contributions Council meeting for the first time.

SFC-ARC-A001833

SPEAKERS

Joshua Gotbaum
David McLaughlin
Karen Narasaki
Saskia Sassen
Eddie Williams
Raul Yzaguirre

ORGANIZATION

The September 11th Fund
The American Red Cross
National Asian Pacific American Legal Consortium
University of Chicago
Joint Center for Political & Economic Studies
National Council of La Raza

FROM THE CONFERENCE BOARD

Lisa Foster
David Vidal