

Aug

Date: June 22, 1988
 Number:
 Originating Department: Risk Management Division
 Intended Audience: National Sector and Field Management
 Subject: Approved Formation of a Captive Insurance Company

attached

As reported in the March 25, 1988 issue of Cue-In, the Board of Governors at its February meeting, approved the formation of a captive insurance company. Attached to this notice is a question and answer sheet that is designed to provide further detail on this subject.

Incorporated under the name Boardman Indemnity Ltd., the captive will commence operation on July 1, 1988. The planning and incorporation process has been subjected to oversight by a steering committee composed of the following individuals:

- Mr. Louis R. Somers, Member of the Finance Committee of the Board of Governors
- Mr. Neal J. Boyle, Vice President & Chief Financial Officer
- Mr. Stephen H. Richards, Secretary & General Counsel
- Mr. William M. Rose, Director, Treasury Operations
- Mr. John D. Campbell, Director, Accounting
- Mr. Gregory L. Daniels, Director, Risk Management Division

The captive insurance arrangement will have little effect on the risk management process for chapters and Blood Services Regions. Claim adjustment procedures, loss control efforts and premium allocation methodology will continue unaffected. However, it is anticipated the chapters and Blood Services Regions will receive long term benefits, such as increased premium stability, as they accrue to the organization.

Questions concerning the attached material may be directed to the Risk Management Division.

Distribution
 VPs & VP/GMs, Managing Directors SAF Station Manager
 DOH at NHQ and OHQs; FSMs Risk Management Officers at OHQs
 Chapter Chairman/Managers Risk Management Officers
 Blood Region Management

SFC-ARC-D000473

Information contained in this attachment is provided in a series of ten questions and answers and is intended to provide background relating to formation of a captive insurance company.

1. What is a captive insurance company?

A captive insurance company is a corporation formed primarily to insure or reinsure the risks of one corporate parent, or a number of similar corporations. These corporations may often be related financially (e.g., trade associations or franchise groups).

Therefore, a captive can be a wholly-owned subsidiary of a corporation; an insurance company owned by several companies joined together to pool their risks, or a risk retention group, which is a special interest, multi-owner insurer whose members have similar or related liability exposures. Basically, the captive is a loss-retention vehicle for funding the losses of its parent owner or owners.

In the case of the American Red Cross, a substantial risk pool already exists and captive insurance activity would be limited to only those risks created by parent (Red Cross) operations. The captive would therefore be a wholly-owned subsidiary of the American Red Cross.

2. How will the captive insurance company be structured and what insurance coverages will it provide?

The captive will be utilized to provide insurance coverage on both a direct and an indirect (reinsurance) basis. When providing coverage on a direct basis, premium dollars would flow directly to the captive insurance company and the captive would issue the insurance policy in its own name directly to the named insured (i.e., the American Red Cross). This arrangement is fairly simple and is appropriate for certain exposures.

However, for other exposures (e.g., workers' compensation), it is often more practical from an administrative standpoint to utilize the captive in a reinsurance capacity. Under this arrangement, exposures and related premium are ceded to the captive by an insurance company (e.g., American International Group--AIG) who has agreed to act as a

"fronting" carrier. Conceptually, such an arrangement would work as follows: The insurance company issues a primary policy with first dollar coverage up to policy limits of liability (e.g., \$5,000,000 per occurrence) and the captive reinsures the insurance company for all losses of its parent (i.e., the American Red Cross) up to a pre-determined retention level (e.g., \$1,000,000 per occurrence). Under this arrangement, AIG would actually provide \$4,000,000 of excess coverage above the \$1,000,000 being retained by the captive.

The utilization of an admitted insurance company in this fashion facilitates compliance with a myriad of state insurance requirements.

Whether the captive is utilized in a direct or reinsurance capacity, it functions largely as an alternative only for the primary or "working layer" of our insurance program. Excess and umbrella coverage can be arranged above the captive loss retention levels and related services (e.g., claims handling, engineering, actuarial, etc.) can be procured from independent sources.

The table below lists the proposed coverages, methodology and retention levels funded through the captive arrangement:

<u>Lines of Coverage</u>	<u>Type of Insurance Provided by Captive</u>	<u>Captive Retention Level</u>
Casualty:		
Workers' Compensation	Reinsurance	\$1,000,000/Occurrence
Automobile	Reinsurance	\$1,000,000/Occurrence
General Liability	Direct	\$1,000,000/Occurrence
Property	Reinsurance	\$ 250,000/Occurrence \$1,000,000 Annual Aggregate
Directors & Officers Liability	Direct	\$1,000,000/Occurrence

3. What advantages does a captive offer?

Greater stability and greater management control over the organization's resources are objectives that commonly lead to use of captives. While insurance markets can fluctuate drastically, captives charge more predictable premiums. Consultants typically list the following as long-term advantages:

- o Ability to handle exposures for which coverage is either unaffordable or unavailable in the traditional insurance market place
- o Lower administrative costs than insurers typically incur
- o Greater access to reinsurance markets and lower costs of excess coverage
- o Ability to structure tailor-made programs geared to the parent's needs
- o Ability to provide broader terms of coverage
- o Greater control of claim reserves
- o Maintenance of effective cash flow
- o Ability to recapture a portion of the premiums in excess of predictable losses

4. Is it realistic to expect that any of the above benefits will accrue to the American Red Cross?

Yes. In light of Red Cross experience, it might be useful to reduce the above list somewhat by thinking of the captive's goals in terms of the four "C's"--Control, Coverage, Capacity and Cash Flow. In recent years, the Red Cross organization has been subjected to insurer practices which, at best, could be characterized as arbitrary, and to vagaries of the underwriting cycle which have been well beyond our control. Examples of fallout from the recent hard market include:

- o Loss of coverage for certain of the more difficult liability exposures
- o Reluctance of primary markets to underwrite any exposures related to blood and/or transplantation services and/or constant threats of complete loss of future coverage
- o Forced conversion of liability coverage to a claims-made form from the traditional occurrence form

- o More restrictive terms of coverage for directors and officers liability and personal injury claims (e.g., wrongful termination claims).
- o Unreasonably high premium rates for excess liability, property, and directors and officers liability coverages

Through the captive arrangement, it is anticipated that the primary insurance program of the American Red Cross would achieve the following:

- o Ability to maintain a disciplined funding mechanism for certain otherwise uninsurable liability risks and an ability to generate policies and certificates evidencing coverage
- o Ability to maintain (write back in) better coverage terms for other exposures which, although insurable, have been subjected to greater restrictions in recent years.
- o Improved premium rates for excess liability, property insurance, and directors and officers liability coverage
- o Greater overall stability and independence from insurance market cycles
- o Better and easier access to reinsurance markets

5. What are the financial implications for the Red Cross corporation?

When the property, casualty, and directors and officers liability coverages are consolidated into the captive, annual net savings of more than \$200,000 are anticipated when compared to continuing the current program.

Given the structure of the captive, a capitalization level of \$10,000,000 has been established. The capitalization is not an expense item and the Red Cross would continue to receive the benefit of related investment earnings through the captive.

6. How does the captive mechanism affect current reserving practices at Red Cross?

Since 1984, the casualty loss reserves have been reviewed annually by independent actuaries and adjustments have been made according to their recommendations. This procedure was implemented to assure that reserves reflected on the Red Cross consolidated financial statements are adequate to pay all open and pending claims, as well as any claims which have been incurred but not reported. With the implementation of a captive, this procedure would continue with even greater regularity but would be contained within the captive operations themselves. Independent actuarial services would still be utilized to develop reserves and these reserves would be reflected on the captive's own audited financial statements. Ultimately these statements would be consolidated with those of other Red Cross operations for financial reporting purposes.

7. What administrative problems do you anticipate and what are the implications for chapters and blood centers?

The captive would create no greater administrative burden than the current program. With regard to the majority of exposures faced by the American Red Cross, the captive mechanism would streamline and formalize funding procedures that are already in place.

Decisions made during the last property and casualty renewal process are facilitating a smooth transition. A traditional insurance market (Travelers) was replaced with more flexible carriers (American International Group--AIG) who could provide both "fronting" as well as true risk transfer for either the current program or the captive. Recognizing the need to assume higher amounts of risk in the future, loss retentions were raised to levels which are consistent with the captive structure. In addition, a reputable independent claims adjusting facility (Crawford & Company) was hired to provide a full range of claims handling services.

As a result, converting the current program to a captive arrangement will entail no interruption of the risk management process. In fact, loss control efforts, premium allocation and loss reserving practices should not only continue, but should be characterized by an even higher degree of discipline within the captive structure (e.g., through quarterly financial statements, separate management structure, periodic Board of Directors meetings, etc.).

8. With recent signs that the insurance market is softening, is the timing for establishing a captive appropriate?

Even though we are witnessing softening rates and additional sources of underwriting capacity, we cannot allow these developments to entice us to adopt a status quo attitude. Newly developed capacity disappears quickly in a hardening market and consultants frequently warn that a hard market is probably not the best time to establish a captive. Leverage in dealing with reinsurers is often forfeited contributing to already higher rates and higher first year expenses for a captive.

Moreover, captives are not short term solutions. A successful captive is one that is nurtured over a long period of time, so that its financial strength grows and so that it can provide the needed stability when the insurance industry plunges into one of its periodic downturns. Therefore, we believe that the proposed timing is appropriate.

9. Will the utilization of a captive insurance company increase the level of risk being assumed by the Red Cross corporation?

Overall, the risk taking position of the Red Cross should not be significantly affected. Some of the risks which are to be handled by the proposed captive are currently self-insured and the organization is already at risk for 100% of these claim related costs. The loss retention levels for the majority of the exposures that are currently insured will not increase. In fact, there is a chance that the total risk being assumed will decrease or at least be limited through better access to reinsurance markets that can provide aggregate stop loss protection.

10. Where will the proposed captive insurance company be located and how was this location selected?

At least ten different locations were initially considered for purposes of establishing the captive's domicile. Each was analyzed across a wide range of factors. Of the U.S. locations explored, Vermont was found to have the most favorable legislation and has openly encouraged captive formation in recent years. However, aside from being a relatively new jurisdiction for captive development, Vermont, along with other states, imposes higher taxes on captive insurance premiums and has less sophisticated support services than certain offshore locations.

After considering potential offshore jurisdictions, Bermuda was chosen as the preferred domicile. Bermuda is by far the oldest and most stable environment, boasting a very strong infrastructure for support services and providing a home for well over 1,000 captive insurance companies.

From a regulatory standpoint, Bermuda provides total freedom in the areas of rates, forms, investment and exchange control. Bermuda also provides worldwide access to reinsurance markets and possesses modern communication links making instant transfer of information easily achievable.

Barbados serves as an example of alternative offshore domiciles that were considered. Although its captive industry is not as well established, the advantage that is usually enjoyed by Barbados when compared to Bermuda, is a more favorable tax treaty with the United States. The treaty serves to eliminate the federal excise tax that is usually levied on premiums recorded by offshore companies. However, due to its status as a federally chartered organization, the American Red Cross and its captive are exempt from the tax, regardless of the treaty. Therefore, the Red Cross captive would enjoy no real tax advantage in Barbados and, in fact, would be at a disadvantage in other areas of equal importance.

For these reasons and related cost considerations, Bermuda has been selected as the place of incorporation for the Red Cross's captive insurance company.



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 17, 2004

Mr. E.R. Mitchell, Jr.
President & CEO
E. R. Mitchell & Company
1045 Research Center, Atlanta Drive
Suite A
Atlanta, GA 30331

Dear E.R.,

Thank you for your leadership and dedication as an American Red Cross Governor. From your service in Atlanta as the chair of both the chapter and Red Cross Olympic Committee to your participation on the Nomination and Resolutions Committees, among other roles, your commitment and enthusiasm for your work on behalf of this great organization is a wonderful example of carrying on the vision of our founder. I will always be grateful for the way you shared with me your excellent insights. Without a doubt, they were invaluable in my being able to address key issues.

It has been a pleasure to work with you. I wish you the best in your future endeavors. I hope we can count you as a volunteer in the years ahead.

Warm regards,

Together, we can save a life

SFC-ARC-A001310



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Roderick R. Paige, Ph.D.
Secretary
U.S. Department of Education
Room 7W301, 400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Secretary Paige:

Congratulations on your reappointment by the President of the United States to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

Governed by volunteers and supported by community donations, the Red Cross is a nationwide network of nearly 900 field units dedicated to saving lives and helping people prevent, prepare for, and respond to disasters and other emergencies. As part of the world's largest humanitarian network, the Red Cross alleviates the suffering of victims of war, disaster, and other international crises, and works with other Red Cross and Red Crescent societies to improve chronic, life-threatening conditions in developing nations. We reconnect families separated by emergencies and educate the American public about international humanitarian law.

This is an exciting time for the Red Cross, and I truly look forward to our continued work together. Thank you for your renewed commitment to our humanitarian mission, and welcome back for another term with the Board of Governors.

Sincerely,

Together, we can save a life

SFC-ARC-A001317



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Colin L. Powell
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520

Dear Secretary Powell:

Congratulations on your appointment by the President of the United States to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

Governed by volunteers and supported by community donations, the Red Cross is a nationwide network of nearly 900 field units dedicated to saving lives and helping people prevent, prepare for, and respond to disasters and other emergencies. As part of the world's largest humanitarian network, the Red Cross alleviates the suffering of victims of war, disaster, and other international crises, and works with other Red Cross and Red Crescent societies to improve chronic, life-threatening conditions in developing nations. We reconnect families separated by emergencies and educate the American public about international humanitarian law.

This is an exciting time for the Red Cross, and I truly look forward to working with you as we continue to reach new heights. Again, thank you for your commitment to our humanitarian mission, and welcome to the Board of Governors.

Sincerely,

A handwritten signature in cursive script that reads "Marty Evans".

Together, we can save a life

SFC-ARC-A001318



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Anthony J. Principi
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, N.W., Suite 100
Washington, DC 20420

Dear Secretary Principi:

Congratulations on your reappointment by the President of the United States to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

Governed by volunteers and supported by community donations, the Red Cross is a nationwide network of nearly 900 field units dedicated to saving lives and helping people prevent, prepare for, and respond to disasters and other emergencies. As part of the world's largest humanitarian network, the Red Cross alleviates the suffering of victims of war, disaster, and other international crises, and works with other Red Cross and Red Crescent societies to improve chronic, life-threatening conditions in developing nations. We reconnect families separated by emergencies and educate the American public about international humanitarian law.

This is an exciting time for the Red Cross, and I truly look forward to our continued work together. Thank you for your renewed commitment to our humanitarian mission, and welcome back for another term with the Board of Governors.

Sincerely,

*Thanks so much
for your past support -
We look forward to continuing
our partnership with the
Department of Veterans Affairs -
MJE*

Together, we can save a life

SFC-ARC-A001319



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Tommy G. Thompson
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Secretary Thompson:

Congratulations on your reappointment by the President of the United States to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

Governed by volunteers and supported by community donations, the Red Cross is a nationwide network of nearly 900 field units dedicated to saving lives and helping people prevent, prepare for, and respond to disasters and other emergencies. As part of the world's largest humanitarian network, the Red Cross alleviates the suffering of victims of war, disaster, and other international crises, and works with other Red Cross and Red Crescent societies to improve chronic, life-threatening conditions in developing nations. We reconnect families separated by emergencies and educate the American public about international humanitarian law.

This is an exciting time for the Red Cross, and I truly look forward to our continued work together. Thank you for your renewed commitment to our humanitarian mission, and welcome back for another term with the Board of Governors.

Sincerely,

*Thanks so much for
your personal support
over the past three years -
We look forward to con-
tinuing our partnership
with the Department of Health
& Human Services -
Together, we can save a life*

SFC-ARC-A001320



Marsha J. Evans
President & CEO
(202) 505-5319

6/30

Carolyn, Marty,

Card for the new
Chair. Her birthday was
yesterday.

Bernad

Bonnie McElveen-Hunter
)
e Communications, Inc.
11 Carolina Street
ensboro, NC 27401

Together, we can save a life

Bonnie,

You touch so many lives because of
your dedication and passion for our cause.

On your very special day,
the American Red Cross family (belatedly)
wishes you the happiest of birthdays!

Marty — on behalf
of the Red Cross team

SFC-ARC-A001321



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 8, 2004

Mr. E.R. Mitchell, Jr.
1311 Desoto Falls Court
Atlanta, GA 30311

Dear E.R.:

Thank you for attending the American Red Cross Biomedical Services Briefing Reception. We greatly appreciate your commitment to the Strategic Capital Improvement Project to build a state-of-the-art blood processing and distribution facility in the Atlanta metro area, serving communities throughout Georgia and the Southern Region.

Blood donations are a truly vital gift – saving lives of cancer patients, patients receiving organ transplants, children with sickle cell anemia, accident and burn victims, premature babies, and many others experiencing health emergencies. The Red Cross is dedicated to ensuring that these efforts continue.

The new facility, located within the mixed-use community of New Manchester in Douglas County, will sit on an expansive 19 acres and will house cutting-edge laboratories, blood processing operations, and the new headquarters for the Southern Region. The expected completion for the facility is summer 2006, and we will continue to keep you updated on its progress. In the meantime, a member of the Development staff will contact you shortly to answer any additional questions you may have, and discuss further opportunities to get involved in this exciting endeavor in your hometown.

Again, thank you for your service as a Red Cross Governor, and for your unwavering support of the Red Cross. *Together, we can save a life.*

Sincerely,

ER -
It was great to
see you... Thank you
for your comments!

Together, we can save a life

SFC-ARC-A001322



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 21, 2004

Ms. Kathryn A. Forbes
Executive Vice President and
Chief Financial Officer
eTec
401 South Second Avenue
Suite 100
Phoenix, AZ 85003-2463

Dear Kate:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I sincerely appreciate your dedicated leadership. You continue to be an amazing asset for this organization.

Because of your commitment, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. I look forward to seeing what further collaboration brings. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001323



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 21, 2004

Mr. R. Bruce LaBoon
Partner
Locke Liddell & Sapp LLP
600 Travis Street
Suite 3500
Houston, TX 77002-3095

Dear Bruce:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I sincerely appreciate the remarkable work you are doing to build our corporate and foundation relationships in Houston.

Because of your commitment, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. Your leadership is an asset to this organization, and I look forward to seeing what continued collaboration brings. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001325



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 21, 2004

Mr. William V. Lewis, Jr.
Vice President
Merrill Lynch
600 Baltimore Drive
Wilkes-Barre, PA 18702

Dear Bill:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I sincerely appreciate the work you did to identify and engage potential donors and communicate to the public the need to replenish the Disaster Relief Fund.

Because of your dedication, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. Your leadership is an asset to this organization, and I look forward to seeing what continued collaboration brings. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

A handwritten signature in cursive script, appearing to read "Marsha".

Together, we can save a life

SFC-ARC-A001326



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 21, 2004

Mr. Ross Ogden
President
Tamarix, Inc.
22 Cedarwood Drive
Greenwich, CT 06830-3905

Dear Ross:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I sincerely appreciate your willingness to identify and reach out to new donors in your area, an important component to any campaign.

Because of your dedication, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. I look forward to seeing what future collaboration brings as we fulfill our commitment to disaster victims. I am truly grateful for your valuable time and leadership. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001327



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 26, 2004

Ms. Gina F. Adams
Corporate Vice President, Government Affairs
FedEx Corporation
101 Constitution Avenue, N.W.
Washington, D.C. 20001-2133

Dear Gina:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. Your assistance in placing the banner ad for the Disaster Relief Fund in the February *USA Today* is truly appreciated. The ad provided invaluable exposure for our work.

Because of your commitment, and the support of other generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters during the year. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development will contact each of our campaign partners shortly to discuss upcoming opportunities for service. You are an amazing advocate for the red Cross. I look forward to seeing what future collaboration will bring. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001328



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 27, 2004

Mr. Steven C. Carr
Partner
Fuller & Carr Law Offices
410 Memorial Drive, Suite 201
Idaho Falls, ID 83402

Dear Steve:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I also want to personally commend you for the editorial in the *Idaho City Post Register* and your radio interviews during Hurricane Isabel – they had a tremendous impact in Idaho and here at national.

Because of your commitment, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters during the year. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development will contact each of our campaign partners shortly to discuss upcoming opportunities for service. Your advocacy has been an amazing asset, and I look forward to seeing what future collaboration yields. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001329



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 27, 2004

Mr. Douglas H. Dittrick
President and CEO
Douglas Communications Corp. II
317 Godwin Avenue
Midland Park, NJ 07432

Dear Doug:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. Your remarkable leadership of the Public Support Committee did wonders to bolster support for the Disaster Relief Fund.

Because of your commitment, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters during the year. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. Your advocacy is an amazing asset this organization, and I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001330



**American
Red Cross**

Office of the President and
Chief Executive Officer

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

August 9, 2004

Bonnie McElveen-Hunter
Pace Communications, Inc.
1301 Carolina Street
Greensboro, NC 27401

Dear Bonnie,

As we discussed last week, I am forwarding the position description for your assistant. If Heather or anyone else might be interested, the point of contact in my office is Cheryl Douglas at 202-303-5319. Cheryl will be a resource to answer any questions.

The target hiring salary is in the \$105,000 to 140,000 range plus benefits that compare favorably to Washington, DC area businesses.

Please be in touch if you have questions.

Best regards,

A handwritten signature in cursive script that reads "Marty".

Attachment

Together, we can save a life

SFC-ARC-A001331

Executive Director, Office of the Chairman

Organization Summary: This position provides internal and external development, departmental organization and staff support to the Chairman of the ARC Board of Governors, the top volunteer position in the organization.

Responsibilities: Directs, plans, and organizes internal and external business related functions, symposiums, conferences, program events, and VIP briefings on behalf of the Chairman of the Board of Governors. Assists the Chairman of the Board of Governors in actively identifying, cultivating, soliciting and maintaining relationships with potential contributors to the American Red Cross. Develops issue briefings for the Chairman in conjunction with the office of Government Affairs and the Communication and Marketing Department. Keeps abreast of trends affecting the ARC operating environment, the fundraising environment, and briefs the Chairman. Serves as primary point of contact between Chairman and internal ARC support departments to plan and organize special events in furtherance of ARC fundraising. The incumbent will liaise with internal offices including Events Planning, Communication and Marketing, Growth and Integrated Development, the Office of the President and Government Affairs. There will be extensive external interaction with prospective major donors, government officials, corporate executives and international dignitaries all in support of the Chairman of the Board of Governors. This is expected to be an individual contributor role with administrative support provided by the existing staff in the Board of Governors office.

Qualifications: A Bachelor's degree is the minimum requirement plus 10 or more years experience functioning at very high levels in government, corporate and/or not for profit sector organizations in capacities of providing staff support to executive level personnel in those organizations. The nature of the role requires the highest level of interpersonal skills, tact and diplomacy. The ability to accomplish project objectives using influence, persuasion and collaboration. The incumbent must be able to discern between routine and critical operations and ensure that all actions and organizational positions reflect the broader strategic objectives of the Red Cross. Some travel will be required in support of the Chairman and in the conduct of these activities.

Compensation: The Red Cross will offer a competitive salary and benefits package to attract the right individual.

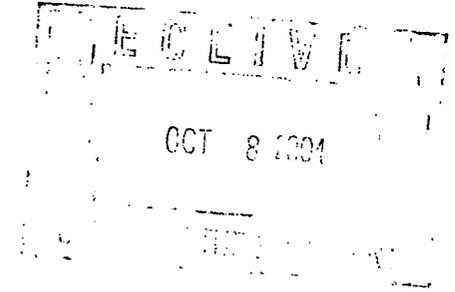
Secretary

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

October 4, 2004



Marsha J. Evans
President and CEO
American Red Cross
2025 E Street, NW
Washington, DC 20006

Dear Ms. Evans:

I want to thank you and your team at the American Red Cross for your hard work and support of National Preparedness Month. And I want to especially thank you for speaking at the September 9 launch event.

Your efforts surrounding the planning of this month, support of the launch event and outreach activities during this month have been extraordinary. Encouraging your chapters across the country to host events, placing a Preparedness Month Tip of the Day on your website and speaking to the media about preparedness all help spread this important message. Of course, our collective efforts can't and won't stop. The Department looks forward to continuing to work with you.

Thank you again for your leadership and support.

Sincerely,



Tom Ridge

SFC-ARC-A001333



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

October 19, 2004

Mr. Bill Lewis
141 S. Highland Drive
Pittston, PA 18640

Dear Bill:

Thank you for sharing the great newspaper clips with me! My trip was very productive – not only did I witness the hard work and compassion of American Red Cross relief workers, but I also found the indomitable spirit of Pennsylvania residents inspiring.

I appreciate your leadership and dedication as a Red Cross Governor, and thank you again for your support of our disaster relief efforts.

Sincerely,

Together, we can save a life

SFC-ARC-A001334



National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Member
Board of Governors

November 2, 2004

Ms. Marsha Evans
President and CEO
The American Red Cross
2025 E Street, NW
Washington, DC 20006

Dear Marty,

On behalf of the Board of Governors of the American Red Cross, I would like to acknowledge with gratitude the role you played in honoring David McLaughlin at the tribute on October 14. The tribute was a memorable occasion for the McLaughlin family and all who attended. It was an appropriate way to honor his many contributions to the Red Cross.

Sincerely,

A handwritten signature in cursive script that reads "Chris Allen".

Chris Allen

Together, we can save a life

SFC-ARC-A001335



National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

November 19, 2004

Mr. William F. Grinnan Jr.
President
The Republic of Texas Restaurants, Inc.
429 East Commerce Street
San Antonio, TX 78205

Dear Rick,

I want to sincerely thank you for your personal efforts to assist our disaster fundraising campaigns. Your dedication is a vital contribution to the mission of the American Red Cross.

As a Red Cross Governor, you have emerged as a leader in the area of public support, working with SYSCO Foods for over a year to develop and deliver a new mobile kitchen, as well as successfully solicit a gift of \$100,000 to the Disaster Relief Fund.

You were an active ambassador during donor visits to hurricane-ravaged Florida. You also worked with Red Cross chapters in Texas, which I understand resulted in a \$100,000 commitment from Valero through the San Antonio Chapter.

Rick, you have become a motivational force among the Governors, inspiring many to become more involved in fundraising activities. Again, thank you for your incredible commitment to our lifesaving relief work.

Warm regards,

Together, we can save a life

SFC-ARC-A001336



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

December 17, 2004

Mr. and Mrs. Ross Ogden
22 Cedarwood Drive
Greenwich, CT 06830

Dear Ross and Kathy:

Thank you for joining us at Pam's home last month. I was pleased to see you both, and I appreciate the active role you played in bringing this event together. Brook is indeed lucky to have you involved in the chapter.

As you know, I am proud of the work being done by the Greenwich Chapter. Not only is the chapter making a significant impact on the quality of life in Greenwich, but it also serves as a "best practice" example of what can be achieved when committed, caring volunteer leaders like you are actively engaged. The Red Cross is indeed fortunate to have your service at home as well as on the Board of Governors.

Jerry joins me in wishing you both a wonderful holiday season.

Sincerely,

*see "Blumenfeld", 12/17 for
chap chair, email*

Together, we can save a life

SFC-ARC-A001337



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

December 28, 2004

The Honorable Tommy G. Thompson
Secretary of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Thompson:

I want to thank you for the tremendous support provided by the United States Public Health Services (USPHS) during the recent string of hurricanes. As you know, these hurricanes prompted one of the largest relief efforts in our nation's history. United States Public Health Service officers were an instrumental part of the team that provided safe shelter to over 400,000 people and assisted more than 46,000 people with medically-related needs.

Our partnership with Public Health Services provides much needed assistance in meeting our federal obligations. Throughout this year's hurricane season, your 145 USPHS officers demonstrated professionalism, flexibility, and a true humanitarian spirit in assisting those affected. The scale of the need created by these storms challenged our organization, as well as all others, and the assistance of your staff in helping us to meet our humanitarian obligations is greatly appreciated.

It is comforting to know that, whatever disasters face us, we have Public Health Services and the rest of the federal family to work with us as we serve our country. It has never been more evident that only in partnership can we all face the challenges of enormous natural disasters and the even more challenging threat of terrorism. Once again, thank you for your support and our continued partnership.

Sincerely,

A handwritten signature in cursive script that reads "Marsha Johnson Evans".

cc: Richard Carmona, MD, MPH, FACS, United States Surgeon General

Together, we can save a life

SFC-ARC-A001338



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

July 21, 2004

Mr. Michael W. Hawkins
Partner
Dinsmore & Shohl, LLP
1900 Chemed Center
255 East Fifth Street
Cincinnati, OH 45202

Dear Michael:

As we bring our fiscal year to a close, I want to thank you on behalf of the American Red Cross for your service as a member of the Disaster Relief Fund Campaign Cabinet. I sincerely appreciate the hundreds of email messages that you personally sent to your friends, family, and colleagues urging them to contribute to the Red Cross in the aftermath of Hurricane Isabel.

Because of your dedication, and the support of our generous donors, the Disaster Relief Fund Campaign successfully raised over \$70,500,000 in fiscal year 2004, strengthening our ability to meet the needs of the victims affected by 120 major disasters. Additionally, we have begun to rebuild the resources that will enable us to respond to future large-scale disasters and other emergencies. We simply could not have raised this money, nor helped so many people, without you.

Skip Seitz, Senior Vice President of Growth and Integrated Development, will contact each of our campaign partners shortly to discuss upcoming opportunities for service. You are an amazing advocate for our mission, and I look forward to seeing what continued collaboration brings. I am truly grateful for your valuable time and friendship. *Together, we can save a life.*

Sincerely,

Together, we can save a life

SFC-ARC-A001324

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Friday, March 21, 2003 5:01 PM
To: DIST-ALL; BHQ - Biomedical Communicators; BHQ - Blood Services CEOs; BHQ - VPs-CBU; NHQ - Regional Executive Officers
Subject: Plan Now to Attend Convention 2003

I am very pleased to share some exciting news about the approach we're planning for 2003 American Red Cross National Convention to be held in Indianapolis, Indiana, from May 30 through June 1. We are planning a convention that is different than any we have ever had in the past.

In addition to launching our new Strategic Plan, this year's convention will offer greater involvement from people in the field and a stronger emphasis on training with solid learning objectives and take-aways for each training session. We are molding this convention to reflect the input and suggestions we have received from you, our fellow Red Crossers. We have also had tremendous help and great recommendations from the American Red Cross of Greater Indianapolis as well as the Convention Task Force, comprised of Red Cross representatives from the field.

The convention will feature a dynamic inspirational keynote speaker, Olympic skier Bonnie St. John. Growing up in a family of modest means, Bonnie became an amputee at age five. Against tremendous odds, she used her imagination and determination to push past the limitations of disability, pursuing a passion for competitive skiing that took her all the way to an Olympic Silver Medal in downhill skiing, at the 1984 Paralympics in Innsbruck, Austria.

I am very excited about how the convention is taking shape and hope you will be able to attend. Please take a minute to visit the convention Web section on CrossNet. Just click on <https://corpweb.redcross.org/convention/03/index.asp> to learn more about what has been planned for convention delegates.

I would be remiss not to acknowledge that the organization has been tasked with reducing travel expenses; however, I am a strong advocate of the importance of the national convention. We have worked diligently to provide some cost-effective travel options and other tips on the Money Saving Tips section on the convention Web page.

I look forward to seeing you at my inaugural convention in Indianapolis.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Thursday, March 20, 2003 2:52 PM
To: DIST-ALL; BHQ - VPs-CBU; BHQ - Biomedical Communicators; BHQ - Blood Services CEOs; BHQ - Blood Services CEOs; NHQ - Regional Executive Officers; Finance - Corporate - SSC
Subject: Iraq Conflict Fund-Raising Campaign

With military conflict in Iraq now a reality, the American Red Cross must rise to the challenge and raise the funds needed to support the many humanitarian efforts this conflict will necessitate. In the best interest of this wide-ranging challenge and the urgent needs to which the Red Cross must respond, we are immediately launching a national fund-raising campaign in support of AFES and the International Response Fund.

A national campaign allows the Red Cross to raise funds for the delivery of AFES services and the humanitarian aid through International Services. It also enables us to be transparently accountable for all funds raised and services delivered. A national campaign allows for consistency of messaging, enforcing Board of Governors policy and activating Donor DIRECT guidance. Also, chapters can be reimbursed for additional costs incurred for the increase of AFES services demanded in their community as a result of conflict.

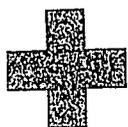
The goals of this campaign encompass two areas of designation:

- International Response – Target of \$6 million
- AFES - Targeted range of \$8 – 10 million

Due to the uncertain nature of the duration and severity of this event, these goals are fluid.

In the days ahead, we will diligently monitor this situation and keep you informed of developments regarding this plan and its goals. For more information about Red Cross activities regarding conflict in Iraq, visit https://corpweb.redcross.org/intl/iraq/index_ci.asp.

I thank each of you for your commitment to the life-saving work of the Red Cross. Working together, we will meet the challenges ahead.



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 17, 2004

Theodore R. Parrish, D. P. H.
Associate Professor
Department of Health Education
North Carolina Central University
1801 Fayetteville Street
P.O. Box 19738
Durham, NC 27707

Dear Professor Parrish:

Congratulations on your election to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

It was wonderful to see you at our 2004 convention, and again here at national headquarters for Board Orientation. I hope you found both events interesting and informative. This is an exciting time for the Red Cross, and I look forward to working with you as we continue to reach new heights.

Again, thank you for your commitment to our humanitarian mission, and welcome.

Warm regards,

Marty

Together, we can save a life

SFC-ARC-A001311



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 17, 2004

Nancylee Siebenmann, R.N.
336 Trailridge Road, S.E.
Cedar Rapids, IA 52403

Dear Nancylee,

Thank you for your leadership as an American Red Cross Governor. Your dedication and service on behalf of this great organization as a Governor has been much appreciated. Happily your agreement to continue service as a Biomedical Committee member is most welcome.

It has been a pleasure to work with you in Board service. I look forward to our continued work together in support of Biomedical Services.

Warm regards,

Together, we can save a life

SFC-ARC-A001312



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 17, 2004

Mr. Brian G. Skotko
12 Greenway Court, Suite 5
Brookline, MA 02446

Dear Brian:

Congratulations on your election to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

It was wonderful to see you at our 2004 convention, and again here at national headquarters for Board Orientation. I hope you found both events interesting and informative. This is an exciting time for the Red Cross, and I look forward to working with you as we continue to reach new heights.

Again, thank you for your commitment to our humanitarian mission, and welcome.

Warm regards,

Together, we can save a life

SFC-ARC-A001313



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 18, 2004

Mr. David McLaughlin
Orion Safety Products
The Gallery
276 Newport Road, Suite 205
New London, NH 03257

Dear David,

Thank you for your leadership as Chairman of the American Red Cross Board of Governors. Your commitment and enthusiasm for your work on behalf of this great organization will be missed by all.

You are truly an advocate of our humanitarian mission, and your dedication has been the hallmark of your service. I wish you the best in your future endeavors.

Warm regards,

Marty

*David,
It's been an
amazing three years -
Thank you for stepping
up to the plate ... especially
in the wake of 9/11.*

Together, we can save a life

SFC-ARC-A001314



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Richard Lee Armitage
Deputy Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520

Dear Deputy Secretary Armitage: *Rich*

Thank you for your leadership as an American Red Cross Governor. Your dedication and service on behalf of this great organization have been much appreciated. We also truly appreciated the assistance of your representative, Arthur "Gene" Dewey, Assistant Secretary of State, during your tenure.

Your guidance and perseverance on the organization's tough issues have made an enormous difference in defining our future. Your compassionate commitment will be missed by all.

It has been a pleasure to work with you, and I wish you the best in your future endeavors.

Warm regards,

Marty

Together, we can save a life

SFC-ARC-A001315

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**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 28, 2004

The Honorable Donald L. Evans
Secretary
U.S. Department of Commerce
Room 5852
14th and Constitution Avenue, N.W.
Washington, DC 20230

Dear Secretary Evans:

Congratulations on your reappointment by the President of the United States to the American Red Cross Board of Governors. We greatly appreciate your willingness to serve.

Governed by volunteers and supported by community donations, the Red Cross is a nationwide network of nearly 900 field units dedicated to saving lives and helping people prevent, prepare for, and respond to disasters and other emergencies. As part of the world's largest humanitarian network, the Red Cross alleviates the suffering of victims of war, disaster, and other international crises, and works with other Red Cross and Red Crescent societies to improve chronic, life-threatening conditions in developing nations. We reconnect families separated by emergencies and educate the American public about international humanitarian law.

This is an exciting time for the Red Cross, and I truly look forward to our continued work together. Thank you for your renewed commitment to our humanitarian mission, and welcome back for another term with the Board of Governors.

Sincerely,

Together, we can save a life

SFC-ARC-A001316

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Thursday, March 20, 2003 1:10 PM
To: DIST-ALL
Subject: As War Begins

We are now entering a period in history in which the American Red Cross has never been more vital or relevant. We are extremely fortunate at the Red Cross because we have the opportunity to positively impact the lives of individuals in need of help and comfort. In the days, weeks and possibly months ahead, we will be called on to honor our commitment to the American people – be it serving U.S. military men and women and their families; providing compassionate humanitarian relief in and around Iraq; empowering communities across the nation through our *Together We Prepare* initiative; or ensuring a safe and adequate national blood supply.

As keeper of this sacred trust, we must be especially mindful of our Fundamental Principles – especially those of Neutrality and Impartiality – that guide the entire International Red Cross and Red Crescent Movement we serve as we fulfill the obligations of our Congressional Charter. We are also working closely with our partners at the Federation and ICRC, as well as with sister societies in the region, to assist in the humanitarian response.

This war will heighten the demand for our many Red Cross services at home and abroad, and with this attention will come greater scrutiny and, as such, we must focus on mission-related priorities. Locally and nationally, we must be mindful that any new endeavor adheres to our Fundamental Principles. For example, I would avoid “ribbon campaigns” in favor of simply wearing a Red Cross pin with pride, as I do.

It is vitally important that we act as the country sees us – as one, united American Red Cross. As one Red Cross, we must be consistent and coordinated in our broad messaging. I encourage chapter and Blood Services regional executives to work together in each community on external communication strategies and media relations efforts. National headquarters will continue to provide you with broad messaging as appropriate, but you possess the most knowledge about your local communities.

For your reference, we have developed resources to assist you and to keep you informed. As events unfold, we will be working to keep you fully prepared.

- **Communication & Messaging Tools** can be found on RedCross.org and CrossNet (https://corpweb.redcross.org/intl/iraq/index_ci.asp). Included are fact sheets, information on telling the story, talking points, updates, copies of our fund-raising ads and other materials.
- **National Fund Raising:** We have initiated a national fund-raising campaign and I will address this campaign in a separate communication today. We have also developed a national fund-raising strategy, which is on CrossNet at <https://corpweb.redcross.org/comm/comm-market/fy03/memo/17mar03.html>.
- **Blood Donation:** Our Blood Donor Surge Plan is in place to address any influx of blood donors. Review this plan at https://corpweb.redcross.org/biomed/blood/donorservices/donorstrategy/dscp/030210_donorsurge.html.
- **National Media:** We have prepared for the national media spotlight. Any inquiries from national media should be forwarded to national headquarters Media Communication at (202) 639-3308 or, via e-mail, at media@usa.redcross.org.
- **National Public Call Center:** 1-866-GET-INFO operators are now receiving revised scripts and training to receive phone calls from the public. Please feel free to promote this national call center as a resource to your public.

- **Internal Red Cross Contact:** We have established a centralized office to handle questions from chapters, Blood Services regions and other Red Cross units about the response to the conflict: (202) 639-3579; e-mail iraqconflict@usa.redcross.org. *This is an internal Red Cross resource only.* Please use the resources listed above to address external concerns.

During these uncertain times, America is turning to the Red Cross as a source of calm and practical assistance, based on 122 years of trusted service. Today, as we work together to respond to this crisis, we should take special pride in our vital mission, unique history and, perhaps more importantly, the difference we will make in the lives of an untold number of people, when they needed us most.

I will be in touch as the situation evolves and events warrant.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Thursday, February 27, 2003 4:33 PM
To: DIST-ALL; Finance - Corporate - SSC; BHQ - VPs-CBU
Subject: Robert P. McDonald Named CFO for American Red Cross

The American Red Cross today faces enormous financial pressures driven by the weaknesses in the national economy and fueled by heightened scrutiny and escalating public expectations. Our Biomedical line of business alone is an enterprise of staggering financial complexity that carries substantial regulatory requirements, and our 961 chapters continue to help their communities prepare for today's disasters, even as many of them search for fiscal resources in an environment of economic downturns and anemic fund raising.

Last November 15, I announced that we were launching a search for a new Chief Financial Officer (CFO). To tackle these challenges, I have appointed Robert P. McDonald to serve as CFO, effective Monday, March 24. Robert's 33 years of leadership experience in international finance will give our diversified financial operations the strategic outlook and perspective required by today's environment. He will report directly to me.

During his seven years as CEO, North America for Standard Chartered Bank, Robert has transformed the bank's business model into a sophisticated, functionality-driven platform that provides multiple products to corporate and institutional investors. In 1997, Robert implemented a disaster recovery plan for the bank that, on September 11, 2001, enabled it to process a normal day's \$60 billion dollar clearing volume. His experience in merchant banking and corporate finance at Standard Chartered and again at Chase Manhattan Corporation has keenly focused on two key activities: integration of diverse functions and systems, and building strong relationships with customers and staff.

Robert received his B.A. from Providence College in Rhode Island and earned his M.B.A. in International Finance from The George Washington University in Washington, D.C. Please join me in welcoming Robert to the Red Cross.

I would also like to take this opportunity to recognize Jack Campbell's longstanding record of leadership and dedication to this organization. As CFO, Jack's tireless effort and professional work ethic have served as a role model for many of us across this organization. As the Senior Vice President of Chapter and Disaster Services Finance, Jack will continue to focus on critical chapter financial issues. Please join me in thanking Jack for all he has done—and continues to do—in service of the Red Cross.

Robert P. McDonald
Chief Financial Officer
American Red Cross

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Thursday, February 13, 2003 10:31 AM
To: DIST-ALL
Subject: American Red Cross Celebrates Black History Month

To my fellow Red Crossers:

The history of the American Red Cross is a rich and colorful tapestry of dedication and service by those from all walks of life. African Americans have a longstanding tradition of excellence at the Red Cross and have contributed significantly to this organization's foundation as well as its continued success. It is only fitting that we take time, as an organization and as individuals, to reflect upon the achievements of this diverse group.

I hope you will join me during **Black History Month** in celebrating the many contributions of past and present African Americans who've served their country and humankind through their service as a Red Cross volunteers and employees. We can not possibly acknowledge the achievements of the Red Cross without recognizing the contributions of Frederick Douglas, who was instrumental in helping Clara Barton build this organization; Dr. Charles Drew, who executed much of his research and work with blood plasma as the first medical supervisor of blood donor services; Jerome Holland, who served as Chairman of the Red Cross; and Steve Bullock, who in recent history served as acting President as well as numerous others.

As we honor the contributions and accomplishments of these important Americans, I hope that each of us, individually or collectively, will take a moment to celebrate the rich heritage of African Americans in the communities we serve.

Marty Evans

Memorandum

To: David McLaughlin
From: KSG Faculty for "Partners in Organizational Leadership"
Re: ARC Strategy for the Future

1.0: The Immediate Past: A "Hit Below the Waterline."

At the most recent session of Partners in Organizational Leadership, Professor David Gergen gave a talk on "Leadership in Adversity." At the end of his remarks, the first question from an ARC participant was this:

"Mr. Gergen, you have seen many crises come and go. How big was the hit that the ARC took this Fall?"

He replied:

"It was a hit below the waterline -- a serious blow."

A heavy silence fell on the group. They had hoped for a more sanguine assessment. Sensing their concern, Professor Gergen went on to say:

"I don't think the blow was mortal. Lots can be done to retrieve the situation. But you have to focus on the problem and do the work. There is a lot of ground that has to be made up."

We agree with our colleague. We think the ARC has taken a "hit below the waterline." Where we differ with our colleague, however, is that we think ARC can do much more than simply recoup the recent loss. We think the ARC is poised to make a giant step forward to reclaim a central and valuable role in American civic life.

The purpose of this memo is to explain our thinking. We begin with a brief, interpretive history of the organization. We then describe its present. Then, most importantly, we look ahead and propose some ideas that could guide the strategy of a resurgent ARC.

2.0. A Brief, Interpretive History of the ARC Strategy

Since its founding, the American Red Cross has enjoyed a unique position in American civic culture. Its origins lie in the humanitarian impulse -- shared by individuals throughout the world -- to aid those who are victims of war; civilians, soldiers, even enemy soldiers. While concern for victims of war was the Red Cross' original focus, Clara Barton changed that focus when she brought the concept to America. She focused

ARC work not only on victims of war, but also on victims of natural disasters such as hurricanes, fires, and earthquakes. What joins these concerns is that, in both wars and natural disasters, catastrophe strikes a large number of people all at once. The victims suffer both physical and mental trauma. The ARC is there to bind up the wounds and make the victims whole again.

It is important to understand, we think, that the particular charitable impulse that lay behind the ARC at its origin and remains there today is not necessarily the broadest humanitarian purpose. The objects of concern are not *all* those who are sick, or poor, or oppressed. They are that set of unfortunate people who are in some important sense "innocent victims." They are civilians who are caught up in war's horrors. They are soldiers who volunteered or were drafted for a cause, and ended up wounded. They are citizens who, through no fault of their own, found themselves the victims of natural disasters.

It is also important to understand that the help that the ARC offers to such victims is often quite limited. Essentially, it takes the form of first aid: medical primarily, but psycho-social as well. The ARC's aim is to reach the victims at the time of their most acute distress, and to relieve the most intense pressures. They will stay with the victims until they are up and operating (or until they have been handed over to agencies prepared to make a more sustained commitment). But in the typical case, it does not take too long to restore a victim to effective functioning. Since many of the victims are, in fact, in pretty good shape psychologically, sociologically, and economically, the aid provided by the ARC can be short and precise. Moreover, the aid will typically be rewarded with a dramatic response. The person's functioning is quickly restored; the gratitude for the timely aid palpable.

In an important sense, the ARC has carved out a particular niche in the world of humanitarian impulse and social need. It has not taken on social problems such as alcoholism, or drug addiction, or domestic violence in which the "victims" have often contributed to their own problems. Nor does it take on individual problems such as deep mental illness or serious physical disability that are chronically debilitating and require sustained efforts to support even marginal functioning of the individual. Nor does the ARC take on problems that are caused by economic and social forces such as plant closings or race riots. It has chosen and occupied a particular place in the philanthropic world.

One could see these distinctive characteristics of the ARC as weaknesses – that somehow the ARC lacks the ambition and the guts to take on some of the most difficult problems that the US faces. We do not. We see them as unique and valuable assets. The reason is that we think ARC has positioned itself in the mainstream of America's charitable ambitions. It is close to the taproot of what all Americans think is an appropriate kind of charity to offer. The American civic culture says that we should all be prepared to come to the aid of those who have taken losses on behalf of their country, or to take care of those (otherwise) strong and able-bodied fellow citizens who have been the victims of tragedy. It is "neighbors helping neighbors." But it is helping the neighbors

who could also be expected to help us some day, and who are in trouble now only due to bad luck, not bad judgment or bad moral character. This is the kind of social interdependence that a highly individualized, self-reliant, frontier nation can understand.

Two other aspects of ARC's history, traditions, and structures are important to note, we think. First, although ARC's emphasis is on *responding* to those who are victims of disasters and emergencies, it was quite natural for the ARC to enlarge its conception of its work to seeking to "prepare for" and "prevent" disasters and emergencies as well as to respond to them. Fortunately, disasters occur rarely and intermittently. To respond to them effectively, one must not only be positioned close to a wellspring of public spirit to tap into when the need arises, but also an organization that can whirl into effective action to deal with the problem. In order to have that organization ready to act, it must have some kind of continuous activity that keeps it ready to act on the larger more urgent problems. Moreover, once an organization has committed itself to making an effective response to disasters, it makes common sense for that organization to become interested in preventing these events as well as responding to them. For these reasons, we believe it makes perfectly good sense for the ARC to have focused on developing "health and safety programs" designed to prepare for and prevent emergencies as well as "disaster relief" to cope with disasters when they occurred and broke through the preparations that individuals had made for them.

Second, it also seemed natural for the ARC to organize to do its work through a wide, dense network of local chapters. This was entirely consistent with the prevailing forms of organizations formed in the Progressive Era. They fitted both the ideology of federalism as well as the practical needs of interacting with the different levels of government that had been established in our federal society. This form was also consistent with the view that a network of local chapters constituted an efficient way of mobilizing resources to deal with both with *local* problems and with threats to the *nation*. The federated structure was simultaneously a way of building a local capacity to deal with local problems and a means of spreading national risks by increasing the number of people who could respond. In an important sense, the ARC was organized much like the networks that sustained both the successful war for Independence from Britain, and the early efforts to establish a national government that could hold a diverse society together.

The idea that Americans should be united together in a network of local chapters that could be mobilized to deal with both local and national emergencies turned out to have great appeal. Huge numbers of people established local chapters, joined the organization, and participated in its programs. The organization was seen as so large and capable that President Herbert Hoover thought that it might be able to deal with the social problems of the Great Depression without needing any governmental assistance at all! This, of course, was a challenge that went well beyond dealing with individuals temporarily traumatized by war, natural disasters, or other accidents. But it is significant, we think, that the ARC was viewed as this large, this powerful, this central to American social problems. By the end of World War II, the organization embraced an astonishing 25 % of the American population.

In the period following WWII, the ARC's presence diminished somewhat, as did most of the great civic organizations founded in the late nineteenth and early twentieth centuries. But, the ARC had one other important opportunity and decision to make in response to changing social circumstances. As part of its efforts to deal with local, national, and international emergencies, the ARC had developed a significant capacity to collect, store, and distribute blood to help victims of trauma recover from their wounds. The value of this capacity depended first on the existence of medical procedures that required a supply of blood, and second on a capacity to collect blood from willing donors. Medical science provided the first; the ARC's connection to Americans supplied the second. But shortly after the war, things changed dramatically.

First, medical science progressed in a way that turned many kinds of illness into the functional equivalent of traumas that required blood transfusions as part of the medical response. Surgery became a response to more than physical trauma. We cut people open to deal with bad hearts, bad lungs, cancer, etc. This meant that more blood was needed in dealing with health problems as well as disasters and accidents. Of course, elective surgery could be planned for (unlike emergencies). But the sheer increase in the importance of blood to the practice of medicine required the development of a national capacity to deliver a reliable, safe and (ideally) low cost supply of blood across the nation. This became an essential requirement in the modern practice of medicine, and the ARC stepped forward to meet this demand.

Second, the technical challenges of collecting and distributing blood *safely* became much more pressing – particularly with the emergence of the AIDS epidemic. On one hand, technology made it possible for the ARC to do more with the blood it collected – to turn it into various products that were more valuable than the blood itself. On the other hand, nature created a dangerous disease carried through blood transfusions that made it necessary to spend money and effort both to develop and implement the procedures that would keep contaminated blood from killing those it was supposed to save. Both the opportunity and the challenge required the ARC to spend more time and effort and develop increased technical skill in the handling of the blood it had once simply collected, labeled, and forwarded. This work was value creating, of course, but it also cost money, was technically demanding, and highly pressured as a consequence of the fact that individuals could die if errors were made.

It is hard, we think, to underestimate the importance of the ARC decision to embrace (and compete for) responsibility in meeting the national need to ensure a “safe and reliable supply of blood.” While there was a very close fit between the ARC's traditional role in staying close to a taproot of American public spirit to help victims of disaster and emergencies, and its capacities to turn out an army of donors willing to roll up their sleeves and volunteers to hand out juice and sandwiches, the fit between the ARC's traditions and culture with the technical, operational, and financial requirements of building a kind of national utility in blood (roughly comparable in social importance to such national utilities as the communication or transportation infrastructure) was much less close. The work that the ARC embraced by assuming as much responsibility as it did for meeting the national demand for blood had some very demanding qualities.

First, the work was very costly on both the investment and the operational side. Research had to be conducted to learn about the properties of blood, and the methods that could be used to separate the blood into its different components. Equipment had to be bought to help individuals do the work. There were continuous demands for innovation that left old methods obsolete, and required the purchase of new equipment. There were also continuous demands for training and retraining the staff. It was not clear who should pay for this work: whether it should be supported by private medical insurance, or by government, or by charity.

The work also became extremely risky. Individuals could die as a consequence of ARC recklessness or negligence. Indeed, people could die even if ARC was neither reckless nor negligent in the way that it did this work. In any event, the ARC was necessarily exposed to law suits, to public scandal, and to regulatory oversight as a consequence of these risks, and concern about risks spread throughout the organization.

Blood work also required a significant amount of technical expertise. That technical expertise could not necessarily be gotten solely from voluntary workers. A highly paid staff of professionals would be required to do the work. These workers would have alternative careers in private industry, putting pressures on pay scales. They would also bring in a quite different culture of working relations into the organization.

Assuring a safe and reliable national supply of blood also went on relentlessly as a day-to-day activity. The total volume of work threatened to swamp the other activities of the organization. And its pace differed from the urgent but limited demands of "disasters" on one hand, and the vast, unfocused task of "preparing for" and "preventing" disasters on the other.

Given all this, it is not surprising that the organization had difficulty with the challenge of blood work, and that it responded to this difficulty in the first instance by saying that it could handle it without much change, and then that in order to handle it well, it had to create a separate, highly centralized operation to get the desired results. The difficulty, however, was that that change went directly against the grain of many ARC traditions and commitments. It didn't help that the form that financial help ultimately took was not direct assistance to the organization, but funds to support the demand for blood that created a competitive market for blood. That brought a commercial spirit into the enterprise along with an unfamiliar centralized structure, and real financial, legal, and moral risks to the enterprise.

3.0. The Shape of the ARC Today

In any case, these major developments are what has produced the ARC in the form we encounter it today.

3.1. The Character and Mission of the ARC

The 1999 Annual Report describes the ARC's character and mission in the following terms:

"The American 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 nearly 1,500 operating units, which include local chapters, Blood Services regions, Tissue Service areas, stations on military bases and in military hospitals worldwide, a national headquarters, regional and area offices, and our national biomedical testing and research laboratories.

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

3.2. Major Operating Programs

The American Red Cross has six major operating programs. Importantly, it is not clear how one should array the programs. If one arrayed them in terms of their size and scale, one would list them in the following order:

Bio-Medical Services:	60%
Disaster Services:	14%
Health and Safety Services	7%
International Services	6%
Community Services	
Armed Forces Emergency Services	3%

If, on the other hand, one arrayed them in order of their historical and cultural significance to the ARC, one would be tempted to put Disaster Services, Armed Forces Emergency Services, and International Services close to the top, Health and Safety Services in the middle, and Bio-Medical Services closer to the bottom.

It is also worth noting how different the main operating programs are from one another in terms of the character of the things that drive the programs and structure their operations. The powerful drivers of the blood program are: 1) the relentless demand for a safe, reliable blood supply that requires constant effort, vigilance, and innovation at the technical level; 2) intense competition between the ARC and other potential suppliers of

blood; 3) intense public oversight from government regulators and the general public. These drivers are strong and exacting. It is not surprising that Blood ends up getting most of top management's attention most of the time.

The powerful drivers of the disaster relief program are the disasters themselves. The task gives the effort great urgency. What gets loaded on top of the need to meet the needs of victims is the pressure to be *seen* as meeting the needs of the victims which translates into an increased ability to mobilize resources not only for the disaster at hand, but also for future disasters. An important additional feature of disaster relief is that the disasters come intermittently in different sizes and shapes. As a result, the organization has to have the capability of scaling up or down its response to disasters, and passing the baton from local to regional, to national levels. This is a much different kind of operation than responding to the relentless demands of blood. It is more like being a police or fire department than a large scale routine manufacturing organization.

The difficulty with health and safety on one hand, and international and community programs on the other is that they do not necessarily have behaviorally powerful external drivers. There are needs to be met, of course. It is important to prepare people for and to prevent emergencies of various kinds. It is important to have some capacity to respond to international as well as domestic concerns. And it is important to help the ARC become relevant to the real problems of the communities in which they are a part. But the point is that these needs do not drive a hot current through the organization in the way that the pressures of blood and disaster do. They are abstract needs. If they are to become important in the ARC, they must become so because the Boards and Managers of the ARC make them high priority. The urgency must be manufactured from the governing and managerial structures of the organization; not from powerful, self-evident external forces.

3.3. Financial Position

Financially, it is important to understand that *none* of these lines of service is wholly sustainable simply from the revenues earned by the sale of these products and services. Each of these activities is dependent either on charitable contributions or government funding, or both in addition to sales of products and services. Bio-Medical services is crucially dependent on the willingness of blood and tissue donors to supply a key factor of production at no cost to the organization. It is also dependent on government support for medical services through Medicare and Medicaid. And it benefits from charitable contributions to its research efforts. Disaster relief is fundamentally dependent both on voluntary labor, and on financial contributions from donors. Even health and safety services does not break even on its costs in selling materials to individuals who come to the courses. Overall, 34% of the organization's financial revenues come from charitable contributions. If we were to impute some kind of economic or financial value to the blood and tissue donations, and to voluntary labor, the share of voluntary contributions in the overall supply of resources to the organization would be larger. It is in this important sense that the organization remains a charitable enterprise: it remains dependent on the kindness of strangers to do its work.

This may seem to make the organization vulnerable. Yet it is worth noting that the values the ARC has stood for have been capable of mobilizing a sustained, high level of support from Americans for more than a century. There is something in what the ARC is offering Americans that is far more reliable than is provided by most companies whose products and services seem to go in and out of fashion. The appeal of the ARC goes on and on.

4.0 Questions about the ARC Strategy as Articulated:

Before we leave the gross overview of the ARC, it is worth focusing attention on several anomalies between the espoused strategy and the way the organization actually works.

4.1. Volunteer Leadership and Local Control?

First, while the rhetoric of both volunteer leadership and local control within a national framework remains strong, the reality of those commitments inside the organization is sharply contested. For the most part, while the organization continues to pay lip service to the idea of volunteer leadership, the experience of most volunteers is that they have become a kind of interest group to be managed by professionals within the ARC rather than those who own and lead the organization. It is important to understand that today's volunteers might, in their heart of hearts, like it this way. To do more – to take more responsibility for the organization – would require them to make bigger commitments of time and emotional energy. And there are fewer people who can afford such commitments in today's busy world. But the point is that the "spirit of volunteer leadership" seems a bit hollow in today's ARC as professionals on both the Chapter and Blood side assume more responsibility. They tend to view their "volunteer boards" as resources they need to shape to achieve the strategic purposes the professionals have rather than to use the "volunteer boards" to discover what their local communities think are important goals to pursue. The boards become means to strategic ends set elsewhere rather than the source of the strategic ends the organization should be trying to pursue.

A similar problem exists with the related idea of local control. That principle has been fundamentally eroded by two key developments. The first is the simple fact that blood operations have been taken from the control of traditional chapters and placed in an organization that is working hard to become highly centralized. This was done to meet the demanding challenges of blood work, including the necessity of being able to respond to federal regulatory pressures. A regional and local structure remains within blood operations. But the regional and local managers are more like mid-level managers in a large, centralized organization. This is different than being franchise owners in a more decentralized system. And it is much different than being local CEO's that have special responsibility for adapting their operations to local conditions.

It is also true that the ARC is working hard to be able to exploit its dense network of points of service on the blood side to achieve goals of efficiency and fairness that

cannot be achieved if blood stays too local. It is important for the safety and reliability of the national blood supply that blood be able to move from one community to another across the country.

Finally, there are important centralized elements on the blood side such as the national testing centers, and the research labs. The net result of all this is that the blood side has become much more centralized than the chapter side. While that involves some important gains for the operations on the blood side, it also has made it a bit more difficult for the Chapters and the Blood units to work together as representatives of local community interests.

The second factor undermining the tradition of local control is that National Headquarters on the Chapter side has worked very hard at exercising some quality control over the local chapters. It has set standards for services. It has gone through an elaborate re-chartering process that has eliminated many chapters that had become moribund. It is working to develop measures of performance that can be used to evaluate chapter operations. No doubt, there is much that is valuable in these efforts to standardize, to protect quality, to give specific content to the brand of the American Red Cross. But it has come at the price of undermining the principle of local control, and creating hard feelings among those who lead chapters.

4.2. Where Does Blood and Tissue Fit In?

A second big question is how blood fits into the enterprise. If the mission of the American Red Cross is to provide relief from disasters and emergencies, one can see that the collection, testing, manufacturing, and distribution of blood can fit. But in order to make it fit, one has to view the routine use of blood and blood products in surgery as a kind of response to a disaster or emergency. That is a bit of a stretch, but not a huge one. Indeed, it might be important for us all to think of surgery as a kind of response to a disaster or emergency. And, we could think of this as a leading edge to get into the wider business of protecting American safety and health more generally.

In some ways, what makes blood even harder to fit into the enterprise are the commercial and technical characteristics of the blood business. It matters, we think, that the blood unit sells blood to hospitals in a competitive market, and that it thinks of itself as a financially self-sustaining enterprise. From the point of view of many working in the blood side, this makes the organization feel and act like a commercial rather than charitable enterprise. That is good insofar as it gives an edge to the enterprise and forces high levels of performance. It is bad insofar as it begins to set the blood operation outside the cultural frame of the ARC as a charitable enterprise, and confuses the blood side about how they should think about the value they are creating for the ARC and for the society.

Part of the difficulty is the impact that production and commercial thinking has on how the organization thinks about its blood donors. If one is thinking that blood is a commercial enterprise that is trying to maximize the difference between the money

earned by selling the blood in a competitive market and the cost of providing that resource, the blood donors become important to the organization as a "low cost factor of production." It becomes important to keep them showing up since they are supplying a key resource. But, if one asks who the important "customer" of blood services is, the most obvious answer in this commercially oriented enterprise is that it is the hospitals that have the money to pay for the blood, and can choose to spend it on others than the ARC. The donors who are showing up to have an important experience of giving to others are viewed as less important than the hospitals with money to spend, let alone the patients whose lives are saved by the blood the ARC provided for a price.

If, on the other hand, we thought that one of the important things that the ARC provided to Americans was not simply the output of a low cost, reliable, and safe supply of blood, but also *the opportunity for a blood donor to have a significant experience of giving to the welfare of others*, the ARC would be inclined to look at donors in a different light – as individuals whose experience in giving blood should not be taken for granted, but should be managed as an important value creating event for the donor that would bind them to the organization in the future. This is more the way that blood donors think about this process. Indeed, I think most Americans, including those who give blood, would be surprised to learn that the ARC takes blood from them voluntarily and then sells it to hospitals for money. Most donors think that the blood reaches patients in need free of charge; not that it becomes a commodity that is distributed and used according to market mechanisms that ask first about ability to pay and secondarily about need.

A related problem is how the organization thinks about the pricing of blood and blood products. In business, prices are set to maximize revenues (and profits) given a certain cost structure and levels of price competition in markets. The goal in setting the price is to extract as much revenues for the providing organization as the competitive market will allow.

✓ In a nonprofit organization, however, it is not at all clear that these are the principles that should guide pricing. Nonprofit organizations are supposed to eschew profits. Consequently, their prices should be set only to recover costs, not take what the market is willing to pay. They should view the fact that they were able to give the customer a break on the price is part of the charitable contribution they made to the society. Moreover, insofar as the organization benefits from charitable contributions, they ought to be willing to set prices that cover only those costs that remain uncovered after the charitable contribution. And, insofar as charitable contributions were made to the organization, the organization may have some special responsibilities to see to it that the blood goes to those who are in need rather than simply those who are able to pay. In this sense, one can imagine that the pricing of blood and blood products should be designed to minimize the cost of blood to blood recipients (rather than maximize the financial return to the ARC), and that the pricing should be designed to ensure that everyone who needs the blood gets it regardless of ability to pay.

All these social objectives in blood pricing are obscured by the existence of a market for blood. Hospitals show up as purchasers of blood for their patients. In doing so,

the hospitals rather than the needy patients become the important customers at the end of the ARC's efforts. It is hard for ARC or its donors to see how the voluntarily donated blood reaches patients, and to feel closely connected to that process. The hospitals pay for the blood with a combination of direct purchases by individuals, private insurance payments, and government insurance payments. That means that the market for blood is subsidized to some degree by government, and influenced by government concerns for fairness in delivering care as well as by ability to pay. But whether that mixed financing system actually produces the delivery of blood to all those in need remains a bit uncertain, and is, in any case, beyond the control of the ARC, even though what it is offering to its blood donors is a chance to contribute blood to those in need regardless of ability to pay. To the extent the distribution of blood to patients has charitable elements in it, the ARC has to depend on the philanthropic spirit of hospitals and doctors.

✓ We have already noted how the technical requirements of the blood and tissue operation fit awkwardly in an organization "led by volunteers" who may or may not know much about these technical requirements. And, we have noted how large the blood operation has become within the ARC. All this has changed the character of the ARC as a whole, and that change has not yet been fully understood, integrated, or embraced by the organization.

4.3: Reckoning the Value of Chapters and Their Activities

A third big issue (closely related to the issue of volunteers and local control) is exactly how the ARC should assess the value of existing chapters, whether there are economies of scale that ought to be exploited in the organization of chapters, and what kinds of pressures ought to be brought to bear on the chapters to improve their performance. For the last decade or so, there has been a strong sense in the organization that the large network of local chapters that had once been the scaffold on which the ARC was built had ceased being efficient or effective. There were too many small chapters. Too many of the small chapters had become ineffective, and could no longer be counted on to provide the kind of emergency response, or health and safety programs, or support for the blood side of the operation that would justify their existence as an ARC chapter. Thus, the organization has been through a painful process of "de-chartering" and "consolidation" to shape the organization into an enterprise that could be managed more easily, and produce more consistent results in the places in which it continued to operate.

No doubt, there is wisdom in wanting to review the chapters across the board, and to root out the chapters that have lost their capacity to perform ably. There may also be some wisdom in trying to create some kind of both organizational structures and information systems that can keep somewhat better tabs on local chapters than occurred in the past. But, what the movement to consolidate and centralize the chapters has not yet really faced up to is what, in the end, does the organization want and need the chapters to do?

There is a potentially important role that the chapters could play that could be described simply as "presence" or "engagement with American communities." We all

understand, of course, that presence alone is not enough. It is not enough simply to have some capacity to act; one also has to act when action is required. Yet, we think it is important to think of the value of chapters in terms of their presence across the nation as a symbol of American commitment to helping those in need, and as a place where Americans who could like to contribute to those in need can go to do so. We will set out below an idea that the Chapters might have value in terms of their ability to mobilize resources when needed for local, national, and international emergencies; also as organizations that provide opportunities for individual Americans to express their charitable aspirations; also as organizations that are capable of "building social capital" in their communities. These functions are all somewhat distinct from the actions that the chapters take to provide disaster relief in their communities when it occurs, and to provide the health and safety courses that can prepare people for and help to prevent disasters and emergencies. But we think it is important to think that much of the value of chapters comes from their connection to local communities as well as from their ability to parley that connection into particular activities and services at the local level. They are fundraisers for the nation as well as the locality. They are mobilizers of volunteer time and effort for the nation as well as the locality. They help to sustain a supply of individuals ready to contribute blood and tissue to those in need. And in doing all this, they provide the occasion for individual citizens to renew their charitable and patriotic spirit, and to share those with others in a way that strengthens them individually and as a community.

If we are right that the value of chapters lies in their ubiquitous presence, in their ability to mobilize resources for charitable/public purposes, in their ability to satisfy the desires of individuals to give, and in their ability to create a sense of community locally, nationally, and even internationally, then it seems to us that many of the ways we have thought about organizing the chapters for improved performance might have to be reconsidered. For example, from this particular perspective, a large number of small chapters might be considered an advantage rather than a disadvantage to the organization.

Of course, there might be important reasons to look for economies of scale in the organization of the chapters. Not every chapter would have to have every function represented in it. Some administrative functions could be consolidated to save overhead costs at local chapters. But it might be valuable for there to be an ARC presence and capacity to mobilize resources, and to act on behalf of local communities in many communities across the United States would be considered good rather than bad.

Similarly, when we thought about evaluating the chapters, it would be important to look at how well they were positioned as resource mobilizers, providers of quality experiences to donors and volunteers, and social capital builders as well as how efficiently and effectively they delivered a standard set of services. Note that the argument here is not just that the chapters are valuable as resource providers *to the ARC*, but that in becoming this, they help create a strong sense of community across the United States. In this respect, they will be helping to fill the gap in "social capital" that Bob Putnam has observed in the country, and helping to create the conditions for better individual and social lives.

5.0. Two Different Strategic Planning Paradigms

It should be apparent from our discussion so far that the ARC is a very complex organization. It has a multitude of purposes; a heterogeneous set of activities linked to those purposes; different cultures, organizational structures, and working relationships co-existing in the same organization; complex and diverse sources of financing; and an unpredictable, changing, and heterogeneous "task environment" to which it is trying to respond. The challenge of forming a coherent strategy for the organization that can be easily understood both outside and inside the organization, and that can actually be executed is exceedingly daunting. Yet, that is the task that must be essayed by the leadership of the organization as it tries to regain its footing.

While the technical tasks of strategic planning are formidable, we think the more important and harder task is to think hard about any particular strategy for the organization ought to be evaluated. More specifically, we think it is important to consider which of two strategic planning paradigms might turn out to be most important and useful to the organization as it contemplates its future.

5.1. The Business Planning Paradigm

One strategic planning paradigm comes from the world of business. The basic idea of this paradigm is that the leaders of the enterprise should be trying to find a proper "fit" between the capabilities of the organization they lead on one hand, and the demands and opportunities of the external market on the other. In this conception, the organization is understood to have a certain set of products and services that it is now producing and selling in competitive markets. Each product line has a certain value as a contributor to the corporation's bottom line in the present. Each product line also has a certain value in the future as we the overall demand for that produce swells or fades, and as the competitive position of the organization's product in that market strengthens or erodes. In the offing, are a set of new products and services that an organization might be capable of providing if it seemed that a market existed that could be exploited, and if it seemed possible for the firm to build that new product or service with available investment resources. There might also be opportunities to reduce costs or increase quality in the production of current products and services. The set of options associated either with new products and services on one hand, or with improved processes that could reduce costs or increase quality in existing products represent the set of investments the firm could make to increase its value in the future. For the most part, the investments that are considered valuable and relatively risk-free are those close to the organization's current knowledge and experience with respect to customers on the one hand, and production processes on the other. If a major departure from current products and services is considered, the low risk strategy is usually to enter the new domain through acquisition rather than investment in new capacities.

There are many things that are incredibly valuable about this perspective for those who lead nonprofit organizations as well as those who lead for-profit enterprises. It is

important for those leading organizations to think about the fit between the organization's current and future capabilities and the current and future demands of the external environment. It is important for leaders to think about this issue dynamically into an uncertain future rather than statically in the present. It is important to think in terms of investments that must be made and risks that must be shouldered now to improve one's capacities and position in the future. It is important to consider the possibility that much of what one is currently producing, or much of what has traditionally constituted the core of an enterprise might be less valuable in the future than it is now, and that it might be important to begin thinking about how resources committed to those other purposes could be "re-programmed" to higher value uses for the future. All this applies as much to the ARC as to for profit organizations or other non-profit organizations.

On the other hand, there are some important problems in using the "business planning paradigm" when we are doing strategic planning for nonprofit organizations. The most obvious problem has to do with the fact that the financial viability of a nonprofit organization does not depend only on its ability to sell products and services to customers with money to pay for them. Most nonprofits depend (to varying degrees, but nearly always at least in part) on an additional source of revenue: namely, charitable contributions. Many nonprofits also depend on different kinds of government subsidies and contracts. Consequently, when they are thinking about positioning themselves in the external environment in a way that ensures their continued financial viability, they have to think not only in terms of customers who buy the products and services they provide, but also in terms of donors (and governments) that provide some of the resources they need to operated, and to whom they are accountable.

Now, there is a competitive market in charitable contributions as well as a competitive market in the delivery of services. And what that means is that it is important for the ARC and other nonprofits to think about what it is that charitable donors are "buying" when they contribute money, time, or tissue to the enterprise, and what the ARC can do to make that experience of giving a satisfying one. In short, the ARC has "upstream customers" who contribute funds as well as "downstream customers" who get the benefits of what the ARC has to provide without necessarily paying the full cost of producing those goods and services.

A second, closely related problem, has to do with the fact that the ARC and other nonprofits do not reckon their ultimate value in terms of their *financial performance*, but instead in terms of the *social value* they produce as they accomplish their mission. In business, the success of organizations is judged primarily in financial terms; an organization is successful when it maximizes long run returns to shareholders. In the nonprofit world, an organization has to have sources of income in order to stay alive. But its ultimate value is not judged by its ability to enlarge its income, or to maximize the difference between income and expenses to produce the maximum return for shareholders. It is judged instead by its ability to achieve the maximum performance it can with respect to its mission from a given stock of resources. If there is a scrap of financial value created by the organization, the challenge facing the organization and its leaders is not how to increase that and return it to the organization's shareholders, but

instead to find the best possible use of that money to achieve the organization's mission. Financial performance is a means to achieving the social mission not the end in itself. Success is calculated in terms of mission accomplishment rather than financial performance.

To the extent that the business planning paradigm focuses attention primarily on downstream customers with money to spend, and on financial performance, it risks distracting the attention of nonprofit managers from their principal concerns. These principal concerns have to do with finding the best possible ways of achieving their current mission, with mobilizing the resources they need to accomplish those goals from third party payers as well as the immediate beneficiaries, with delivering something of value to the third party payers as well as to the clients, and with adjusting their mission, goals, and objectives when the world changes in ways that either reduce the value of the organization in some activities and increase it in others, or make some purposes more financially sustainable than others. In short, the leaders of nonprofits have to be looking at the environment of *social need* and *charitable funding* as well as the environment of customers with money to spend on products and services.

5.2. The Public Value Paradigm

There is a different paradigm for strategic planning that was first developed for government organizations, but then adapted for use by nonprofit organizations. This different paradigm is constructed to emphasize the special problems faced by public sector managers: namely, that their goal is to produce something that is socially valuable, but will not necessarily be financially supported by those who directly benefit from the enterprise, and that therefore they will have to rely on sources of support from a variety of third party payers who are not necessarily the direct beneficiaries of the product or service. This alternative paradigm is presented as a "strategic triangle" presented in Figure 1. The purpose of this triangle is to focus the attention of leaders and managers on three different calculations they must make either in imagining or testing the viability of any strategic idea for an organization.

The first calculation focuses on the "public value" that is to be produced by the enterprise. There has to be a story of what the organization seeks to accomplish, the ways in which some aspect of social life, or the lives of some particular individuals whose welfare is considered socially important, might be improved through the activities of the organization. That story is often encoded in a mission statement. Subordinate to the mission statement are the particular activities and outputs that the organization intends to produce to advance the purposes described in the mission statement. The mission statement could be conceptualized as a kind of social maximand that the particular organization seeks to pursue. The elements of that maximand become the dimensions in which the performance of the organization is evaluated. The mission statement is to the nonprofit organization what the goal of maximizing shareholder wealth is to the business firm. The activities and outputs to be produced by the organization are to the nonprofit organization what the business plan is to business firm.

The second calculation focuses on the "sources of legitimacy and support" for the organization and its mission. At the crudest level, the issue is where the cash will come from to sustain the activities of the organization that are considered necessary and sufficient to produce the desired result. In the case of nonprofits, some of that money will come from customers plunking their money down to buy products and services (at subsidized prices) that the nonprofit organization provides. But another part of the cash will come from government making grants or writing contracts or subsidizing the markets in which the nonprofit is operating. And a third part will come from voluntary donors.

It is important to note, however, that the ARC gets resources beyond cash from donors. It gets time and energy from its volunteers. It gets blood and tissue from those willing to contribute these. It is important to understand that contributions of time and material impose expenses on the organization as well as offer benefits. Often, the volunteers have to be trained. They also have to be managed and fitted into the work of the organization in ways that require high maintenance. The blood has to be tested to ensure its safety. It has to be stored and distributed to get to high value uses. It has to be processed to increase its value beyond its limited shelf life as a raw material. So, the contributed resources do not come into the organization as an entirely free and valuable resource. But the point is that without these resources, the overall performance of the enterprise would be smaller and more expensive than it would be with these contributed resources. So, while a dollar's worth of volunteer time, and a dollar's worth of blood does not hit the ARC bottom line directly as a dollar worth of output, spending and additional quarter of effort to use these resources often results in a \$1.50 worth of value at the tail end of the production process.

Finally, it is important to note that the ARC, like other organizations, needs a generalized kind of public legitimacy and support in order for it to do its work happily and with confidence. If the ARC is widely perceived as a high performing, value creating enterprise, not only will it have more success when it makes specific efforts to mobilize resources from third party payers, but it will also enjoy more autonomy and pride as it does its work. It is much better to work in an organization that is thought to be a good organization than a bad one, and that perception helps sustain the reality of the organization's outstanding performance. For all of these reasons, it is important for the ARC to monitor its general standing in the community, to evaluate the impact of proposed actions on their public profile, and to invest in activities that will help them keep their public profile a good one.

The third calculation focuses attention on whether and how the purposes of the organization might be achieved given a certain flow of resources. The emphasis is on the organizational procedures and technologies that transform fungible resources such as money, time, and effort into a flow of activities and organizational outputs that are judged to be effective in helping the organization achieve its desired results.

At some level, the idea of the strategic value paradigm is a trivial one. It says that in order for a strategy to be successful in the public sector, it must be publicly valuable,

publicly supported, financially sustainable, and doable. What could be more obvious than that?

Yet, on reflection, what is challenging about this idea is that the leaders of a nonprofit enterprise have to be rigorous in showing how their planned strategy can touch all three of these bases. It is not enough simply to have an attractive set of purposes; it is to be shown how that set of purposes can be expected to mobilize a flow of resources sufficient to achieve the purposes, and how the resources can, in fact, be used to produce the desired result. Without being able to demonstrate the links among these pieces, one cannot be sure that one has worked out a viable strategy for the organization. And working out those links is an exacting and demanding analytic process.

It is also worth noting that one can begin the process of strategic planning at any point on the strategic triangle. For most leaders and managers (who tend to be goal oriented purposeful individuals), it is most common to start with the value question. They want to start with a valuable purpose and then see whether and how they can achieve that valuable purpose. They want the sense of purpose from the outset. Indeed, they often think that their integrity rests on having a purpose and sticking to it come hell or high water.

Yet, it is often interesting and illuminating for leaders and managers to start not with the purpose, but with either of the other points of the triangle. They could start, for example, with the question of "what does the public seem to want or need in general, or more specifically from an organization like the ARC?" Or, they could start with the question: "What is the ARC good at doing, and what is the highest value use of that distinctive capability of the ARC in our current context." In both cases, we let the purpose be suggested by either the public demand, or by the organization's capability.

While the idea that one might let circumstances dictate purposes rather than use purposes to try to shape circumstances might seem inappropriately opportunistic to some, it is not clear that being opportunistic in this way would be wrong. After all, it might well turn out that the purpose the current managers or leaders of the enterprise had for it were no longer the purposes that the public felt most urgently about. It could also be true that the established purposes no longer represented the highest and best use of the organization's assets and capabilities in the current environment. If either of these things were true, there would be a public interest in having the purposes of the organization changed to accommodate the new demands or the new possible uses of the organization. This might be preferred to a stance where the organization single-mindedly pursued its old purposes despite the fact that those purposes were no longer valued, and that there were better uses of the organization.

In short, one could learn to ask the question: "What wants to happen here that I can help facilitate?" rather than "How am I going to manhandle the world to accomplish a goal that the world no longer supports, and is not the best use of the organization I lead?"

One last, crucially point about the "public value paradigm." When this idea was initially constructed, we conceived of the "legitimacy and support" circle as primarily a means to a valued end. We were thinking that the organization had a purpose it was trying to achieve. In order to achieve that purpose (as well as to be sure that it had a right purpose) the organization would have to represent that idea to the broader public and be rewarded with both a kind of authorization (yes, this is a good idea, let's go ahead), as well as the practical means for achieving the result (here is some money, time and material to help you accomplish the goal). In short, ensuring the legitimacy and support of the enterprise was a means to the accomplishment of the end rather than an end in itself.

As we have thought about the use of this public value paradigm in the context of nonprofit organizations, however, we have begun to think that we might think of efforts to create legitimacy and support for the organization as an end in itself as well as a means. The logic has to do with our understanding about the value that is produced by nonprofit organizations when they provide to individuals a chance to contribute to the welfare of others, and when they construct social networks of those contributors who stand ready to support the organization in a variety of tasks. Note that there are two distinct ideas of value here.

The first idea of value is that the charitable donor gets some important satisfaction from his charitable act. We know this must be true because the donor spends his time and effort to make the contribution. If the donor did not derive some satisfaction from this effort, he would not do it. Note that this is the same kind of claim that we make about the value of hula hoops and lemon scented furniture polish sold in private markets. Many people might question the value of spending time and energy creating these products. Yet, we defend their production by noting that we have behavioral evidence that individuals value these things. That evidence is contained in their willingness to plunk their money down and buy the product. If such displays of satisfaction are enough to justify efforts made to produce hula hoops and lemon-scented furniture polish, surely the willingness of people to take time out of their day, and face the (small) pain and (larger) risks associated with giving blood must be seen as a vindication for the ARC providing this service.

Indeed, insofar as we think that the expression of these kinds of values helps *sustain* the values in the individuals and throughout the society, and we think that these values are generally attractive ones to have in the society, then society as a whole might be particularly supportive of those organizations that provided individuals with the chance to express these values. In short, there might well be a social value in providing opportunities for donors to give that goes beyond the value that their contribution creates further down the production process when their contribution hits a needy client or helps to transform some unwanted social condition.

The second idea of value creation is closely associated with the idea of building "social capital." Our colleague, Robert Putnam has made a strong argument that societies are both happier and work better if they have a high density of social capital as well as

lots of material resources. By social capital, Putnam means networks of reciprocity and trust: relationships where if I ask you to do something for me, you are likely to say yes, and not expect to be repaid immediately. When this kind of social relationship is common in a society, a great many more value creating transactions and deals can be undertaken inexpensively and happily than in a world where mistrust is the norm, and we depend either on immediate repayment or legal force to insure the success of particular transactions. He has strong empirical evidence linking the density of social capital to a great many desired individual and social outcomes. He also has evidence indicating a significant decline of social capital in America.

If Putnam is right that social capital is valuable, if he is right that America is losing its social capital, and if we are right that the ARC has some capacity for renewing the stock of social capital by linking individuals in charitable and social acts, then it follows, we think, that it might be important to evaluate the ARC in terms of its ability to serve *this role* as well as to provide relief to victims of disaster. Surely we all felt that America was more capable of united action in the aftermath of 9/11. Surely the ARC was part of the apparatus that gave us that confidence and allowed us to act effectively and efficiently in response to 9/11. Probably that experience, kept alive through continuous association with the organization and many smaller and less significant acts, could have an important effect on our sense of connectedness and our ability to act as a society on many other problems in the future. It is in this sense that efforts to build "legitimacy and support" for the ARC can be seen not only as valuable for generating resources to be used in ARC operations, but also *as a valuable result of ARC's operations*. The ARC may be as important in building a sense of community as it is in deploying the resource made available from that sense of community to urgent social needs.

6.0. Conclusions: Re-Focusing and Re-Invigorating the American Red Cross

In the end, whether one embraces the business planning paradigm, or the public value paradigm, or some combination of the two, what matters is what ideas these paradigms suggest about the future course of the ARC. Below, we present some of the ideas we have had as we have thought about the past and future of the organization from these two different perspectives. In the end, we think we have gotten more insight from the public value paradigm than from the business paradigm, but we understand that the business planning paradigm has a longer and more distinguished pedigree, as well as more widespread familiarity. In the end, then, the ideas we offer may have to stand on their own as well as rely on the fact that they came from a particular way of thinking about organizational strategy in the nonprofit world. Here are our principal ideas:

6.1. The Key Asset of the ARC: A Close Link to the Civic Heart of America

In the end, we think the ARC's key asset (both reputationally and operationally; in the past as well as in the future) is not any particular operational capability or program. It is not that the ARC is the best or only provider of "disaster relief." It is not that it is the best "health and safety educator" in the country. It is not that it is the best "tester,

manufacturer, and distributor of blood products.” It is, instead, that the ARC occupies a particular place in the heart of American civic culture. It’s key asset lies in the fact that it lies close to the American desire to contribute to victims of certain kinds of emergencies. There are at least three important implications of this claim for the future strategy of the ARC.

The first is to recognize that the ARC provides value to individuals and society *when it is creating convenient, safe, meaningful opportunities for individuals to contribute to social causes as well as when it is using those contributions to improve the lives of clients, or to transform social conditions.* An important implication is that it is important to work hard on making sure that contacts with charitable givers, volunteers, and blood donors are important events for these important “customers” of the organization. That is important not only for the practical reason that such action will increase the likelihood that they return, and give faithfully to the organization in the future, but also for the reason that *this should be considered a valuable result of the organization’s work in itself.* If we like organizations that do nothing more than satisfy individual desires to suppress their body odor, we ought to be thrilled with organizations that can help satisfy the important human desire to contribute to the welfare of others.

The second is to recognize that ARC’s greatest contribution to the society may lie in the ARC’s *ability to mobilize and marshal resources* rather than in its particular skills in deploying those resources to achieve particular results. If it is true that the ARC is culturally and materially positioned to plug itself into the vein of American public spirit – both charitable and patriotic – then we might evaluate it not as final producer of social goods and services, but rather as the resource-mobilizing piece of that activity. Of course, for a variety of reasons, the ARC might decide to “forward-integrate” from its ability to raise money, recruit volunteers, and attract blood and tissue donors down the production line to produce such products and services as disaster relief, health and safety education, and a safe and reliable blood supply. But the point is to recognize that just because it has a capacity to raise resources for a variety of purposes does not necessarily imply that it also has to get good at using those resources to achieve the desired results. It should be a question of how effectively the organization can do the jobs further down the production line. If it does that job well, by all means forward integrate. If it doesn’t, maybe it would be better to put the boundary of the organization closer to the resource mobilization phase, and to turn the resources collected over to someone else who is better at deploying them.

Third, if those who contribute to the organization are important as ends as well as means, and if the organization is socially valuable because it is a good resource mobilizer, then it would become strategically important for the organization to keep track of what is happening with respect to its diverse contributors. The lists of those who give money, those who volunteer their time, and those who donate blood and tissue would be among the most important assets of the organization. The lists would not be owned by particular parts of the organization, but would be pooled. The lists would not be the neglected possessions of different parts of the organization each using it for its own purposes. The ways in which those lists were maintained, and the activities undertaken

to maintain strong relationships with people on the lists, would be among the most important processes in the organization. The goal would be to take those who contributed money and turn them into blood donors and vice versa. The goal would be to take first time givers brought into the organization by a surge of concern, and turn them into long-term regular contributors. The goal would be to stop thinking of such people merely as resource providers, and to think of them as people for whom we wanted to provide a meaningful charitable experience – one that would strengthen their sense of solidarity with others in the community.

It might even be important to recover the old idea that everyone who contributed to the ARC in some way became a *member* of the ARC. That membership, in turn, could be understood to give them some special opportunities and privileges with respect to ARC programs. It might also confer on them the right to participate in electing those who lead the organization, or otherwise participating in its governance. Would it be too ambitious a goal to see if we could once again get such membership in the organization up to 25% of the American population?

6.2. Renewed Emphasis on “Helping People Prepare for Emergencies”

To the extent that the ARC continued to be focused on production and service delivery as well as resource mobilization, we think that the growth path for the ARC lies in elevating the importance of all the activities it engages in that are designed to “help prepare people for emergencies.” While the reasons for this are pretty obvious, it is worth restating them here.

We think that there was a version of “preparing people for emergencies” that made a great deal of sense prior to 9/11. That conception was based on the following idea. Since the late 1800’s, there has been a continuous but intermittent concern with accidents and injuries. At the end of the nineteenth century, there was a burst of concern about industrial accidents. In the 1920’s, urgent concerns were expressed about children’s safety in the home and in school. In the 1950’s and 60’s, there was great concern about automobile safety. The continued interest in safety of various kinds gradually created a rather odd intellectual community; a group that was interested in the subject of “injury prevention and control.” That group included public health people who kept track of the surprising importance of injury in the nation’s overall health statistics, trauma surgeons who treated the victims and wanted to have better facilities and better methods, and some “bio-engineers” who were interested in understanding interactions between human beings and machines so that they could reduce the likelihood that machines would be misused, and reduce the damage inflicted on people by machines when they were misused. That intellectual community occasionally assembled in meeting of the National Academy of Sciences and produced reports discussing what would have to be done to reduce the toll that accidents and injuries were taking on the health and welfare of the American society.

When faced with this question, the NAS always found itself stymied by the same problem. It was this: 1) the characteristics of injuries is that they are low probability events that can occur anywhere; 2) that makes prevention difficult, because it is hard to

know where to concentrate one's efforts; 3) what would be valuable in preventing such injuries is to have a large, widely dispersed standing army of individuals who, like boy scouts, were both alert to the causes of these problems, and prepared to deal with them when they occurred; 4) unfortunately, it was hard to imagine what policies the federal government could enact, or ways that the federal government could spend money that could create such a standing army of injury preventers; 5) therefore, it was hard to offer any realistic policy recommendations to the federal government.

What this community did not understand was that there was an organization that already had something like a standing army of injury preventers, and that had gone part of the way towards enlarging and fielding that army. That organization was the ARC. Closely linked to the organization's privileged position near the taproot of the American desire to serve, and to the activities of disaster relief and health and safety education, the ARC could form the nucleus of a group of civically active citizens who could take responsibility for seeking to reduce injury throughout the country. One concrete way of visualizing this challenge would be for the ARC take the responsibility of guaranteeing that there would be more than a 90% probability that on any given night in any given restaurant in the country there would be at least one person who knew the Heimlich maneuver; or that at any given high school athletic field, there would be someone who could recognize heatstroke, etc. The goal would be to use ARC chapters and volunteers and members to create the standing army that is essential to preventing highly dispersed, low probability events, and to have this army take responsibility for driving down the cost of injury to the society. While this is not much different than what chapters now do, casting it in this way helps create a sense of challenge, and purpose and momentum for the effort. It could conceivably animate a strong sense of mission and purpose within chapters.

After 9/11, the arguments for using ARC chapters as the platform for preparing American families for emergencies seems even more obvious. Terrorism is new kind of disaster and emergency in our world. It lies somewhere between war on the one hand and natural disasters on the other. Like natural disasters and accidents, victimization at the hands of terrorists is a low probability event. But like natural disasters and accidents, no community is immune from such events. Thus, everyone has to be prepared for something that is unlikely to occur. One of the ways to sustain that kind of effort is through the civic commitment to be prepared that the ARC has long stood for. It seems obvious to us that the ARC ought to immediately find ways to make itself an important partner both to Homeland Defense, and to FEMA as these organizations struggle to construct, sustain, and keep in good repair a broad, national capacity to act without spending much more money. In many ways, the ARC could compete with the military build-ups as an alternative response to terrorism. After all, one way we can make terrorism less frightening to the society is to make ourselves ready to deal with it when it comes. The ARC can be an important part of that effort.

6.3. Stepping Back from and Re-Considering the Blood Supply

When thinking about the ARC as a producing organization as well as a resource providing organization, we also think it is important for the ARC to step back a bit from its current commitment to providing a safe and reliable supply of blood, and to reconsider its position in this national effort, and the role that the government has and has not played in helping it accomplish the goals it wants to achieve.

It is obvious, we think, that the ARC has paid a huge price for taking on as much responsibility as it has with respect to ensuring a safe and reliable supply of blood. That price has shown up in the strains that developed within the organization as it tried to handle a task that was growing rapidly, becoming technically more complex, and increasingly dangerous to those giving and those receiving blood. It has shown up in the hits that the ARC has had to endure as the FDA's confidence and patience with the ARC has waned. It has shown up in the financial pressure that blood operations have put on the rest of the organization. And it has shown up most of all in the rapid revolving door of those who have tried to fix the problem, and in the disillusionment felt among many within the ARC who have worked hard for over a decade to fix the problem that continued to get worse. It may also be true that the troubles with blood have distracted management from attending to other ARC functions, and that that has caused them to lose some ground as well.

In retrospect, it is clear why the ARC took up this challenge. It comes in the first instance from the fact that it has this important position vis-à-vis American desires to contribute. That made it an excellent blood *collector*. It seemed natural as a good collector to forward integrate into testing, storage, manufacturing, distribution etc – particularly as the financial and regulatory pressures on this industry were not so great at the outset.

In retrospect, it also seems clear why the ARC stayed with the challenge even when the going got tough. They had a dominant position. It was a point of pride within the organization. It gave a focus to the organization that went beyond the more intermittent job of dealing with disasters, and the more abstract task of trying to prepare people for emergencies that might or might not come. The ARC liked its important role in blood as a new and important contribution it could make to society.

In retrospect, it also seems clear whence the trouble came. The dramatic increase in the use of blood put pressure on scale. Concerns about the safety of the blood supply increased the technical and regulatory pressures. A situation was created where the organization had to grow and innovate at a very high rate be able to keep up with the demands of the business. The way that a private business would handle this, of course, is to go into capital markets to seek a huge infusion of capital to allow it to make investments of the scale and at the pace needed to keep up with the increasing demands for blood. But that is not the way most nonprofits operate. They try to grow and innovate through internal rather than external financing. Unfortunately, there was too little money being generated from this business internally, and so the ARC responded to the demands for growth and innovation partly by driving the organization even harder to the goal, and partly by taking losses associated with failures. That did not build the organization's

capacity to deal with the problem. It tended to reduce it. The problems got worse. People were brought into fix it, and pushed aside when they couldn't do it fast enough. Those who stayed gradually became numb and without hope because it seemed that there was no way that they could succeed at the task.

We think that this cycle has to stop. We think the ARC has set itself up to be a punching bag for the government, and a scapegoat for the society as a whole as it tries to meet the demanding challenge of creating a safe and reliable supply of blood. While ARC seems to be thinking about this as a competitive market in which they were trying to hold onto a dominant position, it might be equally sensible to think of the development of a safe, reliable, low cost national blood supply as something like a public utility – akin to clean drinking water, or a good sanitary system, or even a strong electric grid. We all have an interest in benefiting from the important advances in medical science that depend on a safe and reliable blood supply. We all have an interest in being safe from the dangers that contaminated blood holds for us. The ARC, bless its heart, took on the challenge of producing this public utility for the benefit of the country, using its considerable assets and commitments to accomplish that goal. It has succeeded very well given the resources at its disposal. But one of the reasons it has not done better is that it has taken all the problems onto itself, and allowed the government to act as though the inevitable challenges of building something as complex as a reliable supply of blood would all be handled by the ARC *with its own resources*. The FDA could continue to point its finger at ARC failures as the government's willingness to pay the price of blood declined under cost cutting efforts in Medicare and Medicaid. The ARC was relied upon to make up the difference.

We think that the nation as a whole needs to step back and think about how it will both finance and produce a national utility in blood. At the moment, we are relying on some combination of market forces and ARC commitment and ingenuity to produce the desired result. That may work out ok. We may be through the worst period of having to make adjustments. But it might also be a time for the nation to step back and think about how it has organized itself to meet the demand for a safe, reliable, and inexpensive blood supply. We propose the creation of a National Commission to look at this problem, and to take up the question of the proper role of the ARC and the kind of help it needs to play its proper role in this important national utility. That would provide some breathing room for the ARC to think about how it wants to be positioned in this market, and what it can do that would be the most helpful to the country. It would also open the doors a bit to find others who can make a contribution. And it would put pressure on the government to see the ways in which it has been operating both to support and undermine the development of this national utility.

These are our big ideas about the ARC. They do not give lots of detail about how to do any of these things. But they seem to us to be important primarily because they find an important path forward for the ARC to reclaim a position at the center of American civic life. We need an organization that can help us organize ourselves to deal with disasters and emergencies of many different kinds now more than ever. We can use the experience of organizing ourselves to deal with emergencies to restore the sense of public

spirit among individuals, and a deep sense of connectedness among the individuals who contribute. Both together can be the ARC's important contribution to America in the next century. We look forward to having an opportunity to discuss these ideas in any venue that seems useful to you.

Cutting Room Floor

Guaranteeing the blood supply continues to be a very important public problem. The ARC has made a valiant effort to meet this demand without demanding much outside help. As noted above, the part that fits is the collection business. That continues to be important. What is less obvious is that the manufacturing and distribution fits in the enterprise. To make it fit, several things have to happen. First, the ARC needs to drop the pretense that it can go it alone on this important work. It needs help. There should be less competition and more cooperation. We would recommend the formation of a national commission on a blood system. Second, to the extent that ARC stays in this business, it is important that that work be more successfully integrated into the operation. At a minimum that means co-ordinating efforts to mobilized and sustain voluntary contributors of money, time, and blood between Chapters and Blood. It also means working out some of the administrative systems to make the system more compatible: salaries, structure. Finally, it means understanding that the ARC's work in blood is charitable as well. Its goal is not to make a profit. It is not to survive. It is to find a way to contribute to the well being of America through

We think that that hit was less in terms of the real performance of the organization, and less in terms of the continued vitality of the values and commitments that fuel the future of the organization, but more in the domain of public perceptions. The difficulty, of course, is that the ARC lives on its reputation. The values the organization stands for, and its reputation in living up to and achieving those values, is the thing that sustains the flow of resources to the organization; the thing that motivates charitable donors to contribute money, volunteers to contribute time, blood donors to contribute blood and tissue. It is also the thing that binds ARC staff to the organization and causes them to make a commitment well beyond what their paycheck guarantees. So, a hit to the organization's reputation and standing is a serious blow even if has performed well in the immediate past and retains its capacity to perform in the future. We think that that hit to the organization's reputation came at three different levels – some more important than the others.

At the simplest level, the trust between those who contributed money to a charitable cause and those who promised to ensure that those contributions had the desired impact was seriously eroded. The value of the ARC in giving those who felt a deep connection with the victims of the 9/11 terrorist attacks a way of expressing their concerns, and have those concerns add up to serious efforts to help the victims recover their lives from the great tragedy was undermined by concerns that the ARC had taken the money on false pretenses and was using the money to feather their own nest rather than deliver aid to those who needed it – the worst kind of publicity for a charitable enterprise.

At a different level, the fact that the ARC was attacked once again for failures to ensure the safety and adequacy of the blood supply in one of its blood regions kept alive concerns that the organization had lost its professional and technical edge. It seemed that the organization was careless and sloppy and amateurish in a place where the country needed it to be precise and professional to ensure that lives were saved rather than lost.

At a still different level, it seemed that the organization had stopped being an organization of well-meaning, generous and courteous people who would do their best for the organization and the country without worrying too much about their own reputations. It seemed, instead, that the organization had become much like other organizations in the society – calculating, manipulative, self-protective, populated by individuals who were more concerned about their own reputations than the performance of the organization, and willing to sacrifice others reputations to protect their own.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: Chairman David McLaughlin
and Members of the Board of
Governors

Date: September 10, 2002

From: Marty Evans

Subject: Red Cross Information Related to
Orange Alert

Just moments ago, President George W. Bush raised the nationwide state of alert from yellow to orange. The risk level was raised on the eve of the one-year anniversary of the terrorist attacks of September 11, 2001, and due to possible threats received overseas. As part of this announcement Americans are being encouraged to check with their local Red Cross offices and visit Redcross.org to seek information on individual, family and community preparedness.

For your information and personal family preparedness, I am attaching a news release with additional information about what you can do. Do not hesitate to contact me with questions.

Attachment

[BOG Version]

Subject: Entire Organization Mobilizes for Hurricane Katrina

Even before Hurricane Katrina ripped ashore this morning near Grand Isle, Louisiana, as a strong and deadly Category 4 storm, the American Red Cross had launched the largest mobilization for a single natural disaster in its history.

Emergency response vehicles from 48 states, along with our three mobile kitchens, are converging on staging areas across the Gulf Coast. We have hundreds of thousands of meals ready to be moved to where they are most needed, and through our partnership with the Southern Baptists, we will be able to prepare and deliver 500,000 meals a day. Volunteers are staffing shelters in Louisiana, Mississippi, Alabama, Florida, and Texas.

We have been aggressively engaging in fundraising. Early gifts include Office Depot's commitment of \$1 million toward hurricane relief efforts. Additionally, Coinstar is accepting donations at more than 10,000 machines located in grocery stores nationwide and is activating special Disaster Relief Fund screens to encourage donations. Our In-Kind Gifts team has contacted more than 20 recurrent donors for offsetting the costs of goods and services, such as bleach, water, snacks, first-aid kits, and more. Front-line fundraisers are connecting with hundreds of previous disaster donors and continuing discussions with Red Cross partners who have expressed interest in donating to the "next big disaster" relief operation. Online activity has grown since Thursday, and call activity to 1-800-HELP-NOW is expected to increase.

As we continue to gather our forces of volunteers and materiel today, the trajectory and intensity of the storm continues to unfold. While some uncertainties remain, we must look forward and begin planning for the long-term sustainability of what promises to be a lengthy and massive operation. Already, I am encouraging our field units to plan for the long-term sustainability of this massive relief operation. Unquestionably, we will urgently need them to respond to our requests to deploy Disaster Services Human Resources (DSHR) volunteers.

As these operations will require a great deal of financial assistance, I urge you to consider your sphere of influence and reach out to your contacts to request their support. For your ready reference, Key Messages are posted on CrossNet:
https://crossnet.redcross.org/chapters/services/disasters/ops/archive/05_katrina_key_messages.pdf.
You can check this same link each day for updates to these messages, and we have also attached a Word file for those of you without CrossNet access.

We will continue to keep you informed as needed. Please feel free to contact Joe Becker, Senior Vice President for Preparedness and Response, at (202) 303-8501 with questions, or call me at (202) 303-5319.

SFC-ARC-A001593



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: Bonnie McElveen-Hunter,
Chairman
Red Cross Governors

Date: April 25, 2005

From: Marty Evans

Subject: Premiere of "War of the Worlds,"
June 23. **Response needed by
noon (EST) on April 29.**

Paramount Studios, through the wonderful and committed advocacy of Red Cross Governor Sherry Lansing, has once again generously offered for the American Red Cross to be the beneficiary of a movie premiere. "**War of the Worlds**," (www.waroftheworlds.com) which is directed by Steven Spielberg and stars Tom Cruise, Miranda Otto, Tim Robbins, and our National Celebrity Cabinet Member, Dakota Fanning is premiering on **Thursday, June 23**, at the Ziegfeld Theatre, located at 141 West 54th Street in New York. An after-party with dinner buffet will be held at Hayden Planetarium, located at Central Park West and 79th Street (<http://www.amnh.org/rose/haydenplanetarium.html>.) More details will be included in the invitation.

A retelling of the H.G. Wells classic, the movie is about an invasion of Earth by aliens from another world, whose powerful tripod attack vehicles are equipped with disintegration rays unstoppable by the best technology humanity has to offer. The story focuses on a dock worker (Cruise) who struggles to get his family (including Dakota Fanning as his daughter) to safety. Several months ago, the Red Cross was approached by Paramount to provide costumes, props, set decoration, and a vehicle for the filming of a disaster relief sequence. The general sketch for Red Cross involvement occurs after the aliens have attacked New York City, residents flee the area, and become refugees. While we cannot guarantee the prominence of our brand placement, we have been told the Red Cross will be shown providing food, shelter, and first aid in a multiple-organization make-shift tented relief area. A Red Cross person is also to make a call for blood donations on an electronic megaphone, but we were guaranteed no one would be shown donating.

The Red Cross is responsible for selling 250 tickets to the "War of the Worlds" movie premiere. All funds raised through ticket sales will benefit the American Red Cross. **I am writing to seek your interest in selling ticket packages.** Package prices are:

Platinum Package (Benefactor) - \$25,000

- 10 tickets to Premiere (Platinum Seating)
- 1 reserved table of 10 at Post-Premiere Party

- Name listed as Benefactor in all printed materials, when possible
- Appropriate signage at Post-Premiere Party
- Meet and greet with Red Cross President and CEO, Marty Evans
- Special gift and token of appreciation from the Red Cross

Gold Package (Patron) - \$10,000

- 10 tickets to Premiere (Premium Seating)
- 10 tickets to Post-Premiere Party
- Name listed as Patron in all printed materials, when possible
- Token of appreciation from the Red Cross

Silver Package (Sponsor) - \$5,000

- 8 tickets to Premiere (Preferred Seating)
- 8 tickets to Post-Premiere Party
- Name listed as Sponsor in all printed materials, when possible

While we strongly encourage you to sell packages, individual tickets to the Premiere and Post-Premiere Party are also available for \$250.

In addition to ticket holders purchased from the Red Cross, attendees will include producers, directors, talent, studio executives, and Paramount guests. Business attire is requested for the event.

We plan to open this opportunity to Red Cross field units within in the Northeast Service Area as well as corporate partners headquartered in the Northeast; however, we wanted to give the Board the first chance to support this exciting initiative. If you would like to purchase or sell packages and/or tickets, please contact Julie Whitmer, Director, Celebrity and Relationship Outreach at (202) 303-4221, or WhitmerJ@usa.redcross.org on Friday, April 29 by noon (EST). I appreciate your help in making this unique experience a great success.

Email to BoG

To: Chairman McElveen-Hunter; Board of Governors
From: Marty's Emailbox
Subject: Save the Date for our 2006 Anniversary Gala

Looking ahead to next year's 125th anniversary celebration, I hope you'll save the date of Thursday, May 11, 2006. We hope you can join us for a black-tie gala to honor this special occasion, the evening before our 2006 National Convention begins in Washington, DC.

This historic event will be held at the National Building Museum in downtown Washington. This majestic building originally housed the Pension Bureau and is a sought-after site for events, including Presidential Inaugural balls from 1885 to this past January. Its Great Hall, with a multi-story atrium and colossal Corinthian columns, can accommodate the 800 to 1,000 guests we expect to attend our gala.

The evening's festivities will include a general reception and VIP/sponsor reception, followed by a seated dinner and program celebrating our rich history and recognizing a select group of honorees with compelling Red Cross stories. In addition to Red Cross volunteers and employees from across the country, those attending the event will include corporate sponsors, government dignitaries, Members of Congress and the Administration, and other invited guests.

The gala will be funded through ticket sales and sponsorship. There will be opportunities for you to purchase tickets, buy a table, or find a sponsor to purchase a table. More details about the event, tickets, and sponsorship opportunities will be sent to you in the next few months. In the meantime, I hope you'll mark your calendars for May 11, 2006.

If you have any questions, please feel free to contact Sheila Graham, Executive Producer, Anniversary Gala, at 202-303-4491 or grahams@usa.redcross.org.

To: Chairman Bonnie McElveen-Hunter; Red Cross Governors
From: Use Marty's email

Subject: NY Times MDA Editorial

The *New York Times* published an editorial this morning on Magen David Adom's (MDA) exclusion from the International Red Cross and Red Crescent Movement (see text below). The editorial states that the American Red Cross has been withholding its dues from the Federation in protest of MDA's non-admission to the Movement and observes that, under heavy pressure from the American Red Cross, the policy may change in the future.

Sensitive diplomatic conversations among governments are currently taking place on this issue. Therefore, our media strategy is to remain reactive with this story for the time being. This editorial, however, may stimulate media inquiries from other publications nationwide.

The MDA issue is very complex, and due to ongoing diplomatic efforts, we are asking that all media inquiries on this topic be sent to Devorah Goldberg, Officer, Strategic Response, (202) 303-4461 or goldburgd@usa.redcross.org. If you have policy questions, please contact Brian Majewski, Director, International Policy, (202) 303-5202 or majeskb@usa.redcross.org. Below please find the copy of today's editorial, and I will continue to update you periodically as the diplomatic process moves forward.

EDITORIAL

Crosses, Crescents and Stars

Published: April 22, 2005

The International Federation of Red Cross and Red Crescent Societies has member organizations from more than 180 countries, but not Israel. Excluding Israel is wrong, and it diminishes the Red Cross movement's moral standing. But there is a real chance that under heavy pressure from the American Red Cross, the policy will change in the near future. For the sake of the Red Cross as much as Israel, it should.

The International Federation of Red Cross and Red Crescent Societies includes Red Cross organizations from North Korea, Iran and Cuba, but not from Israel. The reason it gives is that the corresponding Israeli society, Magen David Adom, uses the Jewish star as its emblem and will not adopt the red cross or red crescent, emblems that are recognized by the Geneva Conventions and the international Red Cross movement. Understandably, the Israelis do not want to adopt either of these emblems because they are heavy with religious meaning.

There is growing pressure on the Red Cross federation to change its policy. Since 2000, the American Red Cross has protested the discrimination against Israel by withholding \$30 million in dues from the federation. Unless something changes before the 181 Red Cross and Red

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Crescent societies meet in November, the American Red Cross will have withheld its dues for five years. That means it could have its voting rights suspended, which would be a setback for both the American Red Cross and the international Red Cross movement.

The best solution would be for the umbrella organization, the International Red Cross and Red Crescent Movement, to drop both the cross and the crescent and to adopt a protective emblem with no religious connotation. It would be less divisive and safer for rescue workers, who are now in danger of being targeted because of the religious symbolism of the emblem they operate under. It seems unlikely that the Red Cross movement will switch to a single emblem anytime soon, but it is working on a plan that could allow Israel to join.

It is considering adding a protective emblem devoid of religious connotations, known as the red crystal, which could be adopted by Israel and by other nations that do not want to use the cross or the crescent. But there are a series of procedural hurdles that must be jumped over, starting with amending the Geneva Conventions. Switzerland, the official depository of the Conventions, is now sounding out the 191 signatory nations to see whether there is enough support for the change.

If the Geneva Conventions are amended, the International Red Cross and Red Crescent Movement, which includes the federation, would then have to change its statutes to recognize the new emblem.

Despite all the talk of emblems, it is politics that have impeded Israel's entry. That situation puts the Red Cross movement in an unfortunate position. The International Committee of the Red Cross, the arm of the movement that works in conflict zones and visits prisoners, often finds itself urging nations to put politics aside and do the right thing, such as in its current work on behalf of the detainees at the American prison in Guantánamo Bay. It will be in a better position to make these moral appeals when it can show that it is part of a movement that does what is right, rather than what is politically expedient, when it comes to running its own shop.

Subject: Red Cross Mobilized, Watchful for Hurricane Emily as Dennis Transitions

Hurricane Emily slammed into the "Riviera Maya" section of Mexico's Yucatan Peninsula early Monday morning as a powerful Category 4 storm. In anticipation of a possible impact on the southern Gulf Coast of Texas, the potentially affected chapters have worked intensely to initiate maximum response. Their efforts are being supplemented and coordinated by the Southwest Service Area, as the American Red Cross mobilized more than 600 additional volunteers and employees, and moved supplies over the weekend to prepare for the storm's landfall. Disaster relief operation management teams are in place, and International Services has deployed staff to coordinate with our colleagues at the Mexican Red Cross as needed. Additionally, we are coordinating with the International Federation of Red Cross and Red Crescent Societies. We are monitoring the situation closely.

Many of the relief workers who had been deployed for Hurricane Dennis have been reassigned to support Hurricane Emily relief efforts. While the damage from Hurricane Dennis was lesser than pre-landfall projections, thousands of people were still in need of our help after the storm passed. By pre-deploying both human and material resources, the Red Cross was able to immediately move into the affected area as soon as it was safe. We provided a safe haven for nearly 20,000 residents in 199 shelters and evacuation centers. To date, the Red Cross has also provided more than 410,000 meals.

The disaster relief operation for Dennis will transition back to the local chapters this week. Disaster victims continue to receive financial assistance through local chapters, and relief workers will remain in place to assist chapters with ongoing needs.

Growth and Integrated Development (GID) continues to work with financial partners and prospects, as well as coordinate and support activities in service areas and chapters. The cost estimates for Hurricane Dennis relief operations are currently in the \$5.4 million range. To date, approximately \$339,000 has been raised for Hurricane Dennis activities, along with \$106,000 in in-kind donations, through national fundraising vehicles, including 1-800-HELP-NOW and our online donation site. We began contacting more than 180 companies before the storm made landfall. GID continues to look at diversified fundraising opportunities, such as employee-giving campaigns and customer donation programs, as well as soliciting support from nearly 20 in-kind supporters to acquire cost-offsetting goods and services.

A selection of recent media clips featuring Red Cross spokespersons has been made available for you to view. Click on the following link (requires QuickTime or Windows Media Player):
<http://showroom.multivisioninc.com/newsreel/list.do?username=field&password=memo&newsreelid=31>.
We will continue to keep you informed as events warrant. In the meantime, please feel free to contact me with questions at (202) 303-5319.



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: Bonnie McElveen-Hunter,
Chairman
Red Cross Governors

Date: July 28, 2005

From: Marty Evans

Subject: David Wilkin's, Chief Diversity
Officer, Departs Red Cross

David Wilkins, Chief Diversity Officer, has announced his resignation effective August 12. David has been offered an exciting opportunity to be the General Counsel of Union Carbide, a major operating division of Dow Chemical, where he served before joining us in January 2004. Please join me in wishing David all the best, and in thanking him for his many contributions to the American Red Cross.

The following message was distributed to all NHQ/BHQ staff; chapter executives, communicators; Blood Services region CEOs, communicators, division vice presidents; all service area staff; and diversity consultants yesterday evening.

* * * * *

Please join me in extending a heartfelt farewell and thanks to Chief Diversity Officer David Wilkins, as he departs the American Red Cross after leading the Corporate Diversity Department through tremendous growth. David has been offered an exciting opportunity to be the General Counsel of Union Carbide, a major operating division of Dow Chemical, where he served before joining us in January 2004. His last day will be August 12.

David leaves our organization having made a lasting impact in many areas, and I will miss his valuable counsel. I am most grateful to David for laying the foundation to achieve inclusive and measurable diversity and for his efforts to implement the Red Cross Strategic Plan's directive to inspire a new generation of diverse volunteers and others to enrich our traditional base of support. The Extend Our Reach Strategic Project's most recent accomplishments include an important relationship with Essence magazine and the launch of an Asian-focused initiative.

David and his team are also credited with the elevation and success of the Supplier Diversity Program which requires all departments at national headquarters to seek contracts through diverse vendors and are held accountable for doing so. This program has celebrated critical milestones and overwhelming success since its inception, and the Red Cross is much closer to realizing our strategic goal of true and measurable diversity thanks to David's leadership.

Diversity remains one of my top priorities as both a business imperative and essential component of fulfilling our mission of saving lives. I am committed to finding a top-notch candidate to lead our diversity efforts as quickly as possible. In the meantime, Rick Pogue, Senior Vice President for Human Resources, will guide the Diversity Department on a day-to-day basis.

Please join me in bidding David a fond farewell and wishing him and his family the very best.

Distribution: Chapter Execs, Blood Services Region CEOs, AFES Stations; All Service Areas; All NHQ/BHQ

cc: BoG

Subject: Board of Governors Concludes Active Fall Meeting

From: Use Marty Evans' E-mailbox

At its meeting on October 14-16, the American Red Cross Governors acted to secure the financial future of the Red Cross and focus on the organization's strengths under the service area structure — now celebrating nearly one year of successful operations. Governors and management staff also had the pleasure of working with Bonnie McElveen-Hunter in her first meeting as our new Chairman. We are fortunate to have Bonnie's leadership skills and business acumen as she takes the top volunteer leader role at the helm of our organization.

Before the start of the business meeting, Governors, management, and staff gathered to pay final tribute to David McLaughlin. In a simple ceremony, the recollections of those who knew and served with David were followed by a moving video commemorating his Red Cross service. We will all miss David's counsel and commitment to the Red Cross mission.

In my October 19 message about the success of our record-shattering hurricane relief and fundraising efforts, I stressed the importance of our partnership with the federal government in securing support for our escalating relief costs. We can celebrate something else as well — the value of the service area system in empowering chapters to mobilize a more effective initial response locally.

At its retreat a year ago, the Board inaugurated a new structure for Red Cross service delivery centered around eight geographical service areas designed to push national resources closer to the chapters and provide better-informed oversight. This weekend, the Governors were of one voice in sharing with me their delight in how the service area concept has taken root and flourished beyond most expectations. In responding to disasters over the past year, we have saved resources by staffing nearly all relief operations from within the affected state or service area and have successfully raised community funds to cover the costs of most local disasters. The recent hurricane relief operations have required more than 33,000 Red Cross workers — 23,000 of them were *local* volunteers, a significant change for us. The hurricanes were accompanied by 38 other disaster relief operations that have affected families in the jurisdictions of many of our 879 chapters, yet most of our chapters were still able to deploy trained DSHR staff to Florida, Alabama, and other hurricane-ravaged areas. It is also important to recognize how chapters have improved integration and collaboration with Blood Services regions under the umbrella of the service area structure within a year.

High Confidence

At the community level, improved fundraising results point to greater success by the field in raising awareness about Red Cross programs and services. Over the last several months, we have seen this translate into very high trust and awareness values in the market research data reported to the Board. The very positive news from a late-September Wirthlin nationwide survey is that the Red Cross attracted the most confidence as an American institution after

firefighters and the military — ahead of the police, churches, and other charities. This directly reflects stronger service delivery and improved efforts to attain local visibility. At the same time, our research shows we have more to do: the Red Cross again ranked nearly last in an August survey probing whether respondents had been asked to contribute to a handful of national charitable organizations. Still, the Board shared my impression that on many fronts, the Red Cross has regained vital lost ground in the area of public opinion in large part by its performance.

On October 15, the Board approved consolidated fiscal year 2005 spending for the entire organization in the amount of \$3.416 billion. This action primarily reflected the addition of the combined chapter budgets of \$728 million to the two national sector operating budgets — Biomedical Services and national headquarters/Chapter Services Network — that the Board approved at its May 2004 meeting. This consolidated budget includes a \$163 million deficit. The deficit largely reflects the spending in FY05 of contributions made in previous years that were restricted to the Liberty Fund and domestic and international relief. However, the Board also noted that management is planning to eliminate the FY05 deficit of \$49 million projected for national headquarters general operations within three fiscal years. To achieve this goal, we remain strongly committed to restraining costs and seeking new revenue opportunities.

Chapter Assessment

As we prune unnecessary expenditures by focusing on the goals of the strategic plan, the Board and management are also working to respond to chapter concerns about the consistency and clarity applied to the Chapter Assessment levied each year to provide direct services and program support at national headquarters, totaling about \$80 million. For many months, this work has been substantially supported by input from chapters through a variety of mechanisms, including the President's Advisory Council. Chapters have agreed that the national requirement (or aggregate assessment total) should be evaluated annually to address changes in the overall cost of doing Red Cross business. The Board has now concurred in our recommendation that, in the future, the general Consumer Price Index should provide a basis for increasing the national requirement. Extenuating circumstances related to the national economy or the financial condition of the Red Cross will also be factors in determining the amount of the national requirement. The Board will approve the calculated national requirement amount for FY06 in its February 2006 meeting; the formula for determining each chapter's portion of the national requirement will remain unchanged for FY06. You will soon be seeing updated tools to increase understanding and explain more fully the assessment to your boards, donors, and staff. We will continue to seek your input on this necessary but sensitive topic.

Retirement Program

As we announced in late July, we have been looking carefully at our retirement program to ensure its ability to weather the effects of cost volatility while providing a fair and attractive retirement pension for current and future employees. Early last week, we reported on what Red Cross employees believed was important about the plan and provided additional context on how the current pension compares with other company retirement plans. The Board has now agreed with our recommendation to maintain a strong, defined benefit pension plan (with adjustments to reduce cost uncertainties) and bolster the 401(k) plan offered by the Red Cross. Many details remain to be determined, and the revised plan will not be implemented before July 1, 2005. There are two important things you should know: first, *all benefits earned to date are fully*

protected and will not be changed or reduced in the slightest; second, we do not know how future changes will affect each employee currently in the plan. These issues will be carefully evaluated over the next few months. What we do know is that along every step of the way, we will keep you candidly informed of our activities. You will each be provided with all the tools and training necessary to understand the revised plan and how it affects you. Soon we will begin a steady stream of detailed communications to keep you well informed on this continuing effort.

On the retirement study and the many other issues we face as an organization, the Board and I share the strong desire to afford every unit the opportunity to provide straightforward input. This extends to the national convention, where the voting delegates from chapters and Blood Services regions meet annually to recommend policy changes and elect members of the Red Cross Governors and the Committees on Resolutions and Nominations. For the first time in Red Cross history, the 2005 convention will feature a pilot effort to allow voting delegates to participate in the business session at the convention even if they are unable to travel to San Francisco to attend. This project is being undertaken in response to a resolution from the 2004 convention in St. Louis that was strongly supported by the Board and management. You will be hearing details on this as 2005 convention deadlines approach.

In closing, I wish to thank you for the work you have done over the past year to adjust to the new service area structure. The Board shares my satisfaction with the highly positive results that we have seen in the areas of disaster response, local fundraising, and community visibility. On numerous fronts — service delivery, fundraising, organizational visibility, and operational structure — we have made marked improvements. Looking ahead, the Board has taken action to provide clear direction on the internal policies we must pursue to firm up our financial foundation to ensure secure footing for future service delivery success. We are committed to communicating the progress on these important corporate activities. Please feel free to contact me with any questions or concerns you might have.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Monday, January 13, 2003 12:54 PM
To: DIST-ALL; NHQ - Regional Executive Officers; BHQ - Blood Services CEOs
Subject: Travel Restricted to Only the Most Essential Purposes

On November 6, I wrote to all Red Crossers about limiting travel and related meeting expenses. More recently, some of you have seen e-mails outlining the methods by which this organization will accomplish important cost savings. Today, I am writing again to reinforce the importance of being good stewards of our donors' generosity, allowing vital financial resources to be reinvested where they are needed most – accomplishing our humanitarian mission.

This fiscal year, national headquarters and Biomedical Services (excluding Blood Services regions) will spend \$30.4 million on travel. We must work together to reduce these figures. Going forward, all Red Cross volunteers and employees at national headquarters and with Biomedical Services (both at BHQ and in regions) should not plan to attend meetings, conferences or the national convention unless they are integral to presentations or in direct support.

Nearly 350 national headquarters staff attended last year's convention. A large number also attended Partners in Progress (PIP). This year, participation in PIP and the national convention should be limited to those actually presenting or directly contributing to the agenda. All other national staff are still very welcome to attend either event at the negotiated conference prices, but those individuals must finance their own trips. Similarly, national sector staff should limit travel to meetings or conferences that involves flying in and out of the host city on the same day—a prohibitively expensive form of travel that is on the rise. At the same time, staff need to be aware of the cumulative high cost of changing existing travel arrangements, and the unnecessary expense of last-minute travel.

Before traveling national headquarters supervisors and staff need to consider the return on investment versus the expense of traveling. For example, if you are asked to attend a meeting, see who else is going; perhaps one individual could deliver another's presentation. Consider less costly communication alternatives, such as teleconference calls, e-mail, or the internet, in lieu of meeting face-to-face. If planning smaller gatherings, consider linking them to a larger event, such as a day before or after PIP and convention. This will allow you and your fellow attendees the opportunity to take advantage of the negotiated, lower conference rates. Combined, these actions will considerably limit current-year travel and maintenance (T & M) expenses, potentially saving significant dollars in fiscal year 2004 and beyond.

It is more important than ever for the American Red Cross to set the standard for good stewardship of donor dollars. Only in working together across the whole organization can we achieve essential financial savings. To get the best travel information, please contact: *Corporate Travel and Travel Policy*: Dawn O'Hearn at (703) 206-6287, or e-mail ohearnd@usa.redcross.org. *Meetings and Events*: Amy Odell at (202) 639-3648, or e-mail odella@usa.redcross.org.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Wednesday, January 08, 2003 1:57 PM
To: DIST-ALL
Cc: BHQ - Blood Services CEOs; BHQ - Biomedical Communicators; NHQ - Regional Executive Officers; BHQ - VPs-CBU; Finance - Corporate - SSC
Subject: Strategy Forum Invitation

I want to provide you an update on our efforts to create the new strategic direction for the American Red Cross. We are currently developing the first draft of our strategic plan and will present it to our Board of Governors at the end of January. It will be posted on CrossNet immediately afterward. To date, more than 4,000 Red Crossers have provided their insights and thoughts on how we can best serve America. This input has been summarized and was used to craft our first draft. (Go to <https://corpweb.redcross.org/corporatestrategy/input.asp> to view the input summaries.)

We are now planning for the second phase of our effort to refine our strategic direction and identify specific strategies we must undertake to achieve our goals. I want to continue the participation of entire organization to ensure that input is gathered every step of the way. To that end, we will be conducting eight strategy forums across the country during February and March of 2003. These will be held in:

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|--|--------------------------------------|
| • Charlotte, NC, on February 7, 2003 | • Falls Church, VA, on March 6, 2003 |
| • Dallas, TX, on February 12, 2003 | • Rosslyn, VA, on March 7, 2003 |
| • Philadelphia, PA, on February 26, 2003 | • Los Angeles, CA, on March 10, 2003 |
| • Cincinnati, OH, on March 3, 2003 | • Portland, OR, on March 11, 2003 |

I am inviting all of you to attend one of these sessions to provide additional insights and direction to our strategic plan. The final plan will be presented at the National Convention in Indianapolis, Indiana. Please complete the *Registration Form* located on CrossNet at <https://corpweb.redcross.org/corporatestrategy/refcent/strategyforumsreg.doc> and return it to the address indicated on it. (This applies to all locations except Cincinnati, as invitations have already been distributed in that geography.) Space is limited, so please register soon (we will notify you if space is not available for your session). Attendees for all strategy forums will be responsible for their own travel expenses.

Please extend this invitation to your employees, board members and volunteers. It is imperative that all members of the Red Cross family be given an opportunity to have their voice heard in this important process to set our course for the future.

Thank you for your continued participation and commitment to our strategic planning process. I am looking forward to our strategic plan that will be owned by all Red Crossers.

Please e-mail Strategy@usa.redcross.org if you have any questions regarding the strategy forums or our strategic planning effort.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Friday, November 21, 2003 8:35 AM
To: DIST-ALL
Subject: Thanksgiving Message

During this season of Thanksgiving, I want to take a moment to thank each and every one of you for your hard work and dedication over the past year. There have been many challenges, but one thing is always certain – your steadfast commitment to the Red Cross.

During my travels this year, I've had the opportunity to speak with many of you and see first-hand your passion about our life-saving mission and dedication to the communities you serve. I'm proud to see you unite as one Red Cross and put the people we serve first. You will never know how many lives you have touched – through delivering disaster relief, training in life-saving skills, or supplying the precious gift of blood. One thing I know is this: no matter what your job, your contribution helps us help those in need.

Perhaps you've helped people prevent, prepare for, or respond to large-scale disasters or everyday emergencies, or you've helped military families get emergency messages to loved ones stationed around the globe. Maybe you've helped collect half the nation's blood supply, or taught life-saving courses in first aid and CPR. Maybe you've helped raise desperately needed funds or strengthened public trust in the Red Cross by ensuring that every donated dollar is accounted for and spent wisely.

Together, we are greater than the sum of all our parts. Thank you for all that you do, day in and day out. Have a safe and happy Thanksgiving, and know that you have truly made a positive difference this year. I am grateful for your support.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Monday, November 03, 2003 2:29 PM
To: DIST-ALL
Subject: New National Disaster Relief Fund Policy Document

I am pleased to announce that the newly created Section 6.9.7 - *National Disaster Relief Fund Policy on Revenues, Expenditures and Authorities* - of the Financial Manual of Policy and Procedures (FMPP) is effective immediately. This policy affects all national sector and chapter employees and volunteers, including Biomedical Services and Long-Term Recovery staff.

FMPP Section 6.9.7 standardizes basic disaster relief concepts and definitions and improves the accountability for and stewardship of the American Red Cross Disaster Relief Fund. It also establishes budget approval, review and expenditure controls, and it can be found in full at https://crossnet.redcross.org/manuals/fmpp/6_9_7.pdf. This document augments current guidance in both the *Disaster Services Regulations and Procedures* (ARC 3000 Series), the administrative regulations and operating procedures under which the Red Cross carries out the Disaster Services Program; and the entire FMPP, the financial policy and procedures applicable to the Red Cross.

The ARC 3000 series can be found at https://crossnet.redcross.org/chapters/services/disasters/3000_doc_list.asp, and the FMPP in its entirety is at https://crossnet.redcross.org/manuals/fmpp/finance_man.asp.

Please contact Debbie Jean Delaune, Officer, Financial Policy, at (202) 303-7828; e-mail delauled@usa.redcross.org if you have any questions or comments.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Monday, October 27, 2003 11:56 AM
To: DIST-ALL
Subject: Government Relations Coordination of Contacts with Congress and the Executive Branch

Close working relationships with members of Congress and policymakers within the executive branch are vital to forwarding the mission of the American Red Cross. These leaders play important roles in shaping public policies that directly affect our ability to fulfill our mission. If we are to maximize opportunities to advance our mission and meet our strategic objectives, the organization must speak with one voice when articulating Red Cross policy positions to these individuals, the departments and agencies they represent, and the American public.

It is essential that Red Cross contacts with Congress and the Executive Branch be coordinated among various levels of the organization. The Government Relations Department is the lead unit to coordinate and facilitate all contacts and meetings with key government officials and public policy positioning for all Red Cross units. To ensure a coordinated approach, all units are required to notify Government Relations well in advance of any meetings and contacts, including those requested by Red Cross and in response to congressional and government agency requests. Also, any correspondence sent to or received from Congress or the Executive Branch must be coordinated with Government Relations.

Through the development of the annual Legislative and Executive Branch Agenda, Government Relations works with senior management, the field and the Board of Governors to articulate the public policy priorities of the organization, consistent with the Strategic Plan. The Agenda applies to federal, state and local government interaction, and enables us to focus the energies of the organization on accomplishing those objectives most closely aligned with our Strategic Plan.

The scope of Government Relations responsibility includes:

- Representation before Congress and the coordination and development of policy statements and testimony;
- Coordination of any requests and responses to the executive and legislative branches;
- Coordination and development of position statements before federal advisory committees and other forums;
- Articulation of Red Cross policy positions before representatives of executive branch agencies;
- Coordination and development of policy positions articulated by Red Cross staff serving on external task forces and committees;
- Advance notice of policy statements made by Red Cross employees in articles submitted for publication to scientific journals.

The development and articulation of public policy positions must be a team effort involving senior management and subject matter experts from across the organization. Through this coordination, we will ensure an organization-wide approach and promote a consistent organizational voice with federal and state policymakers. Any questions should be directed to Jan Lane, Vice President, Government Relations, at (202) 303-4348.

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Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Friday, December 12, 2003 10:34 AM
To: DIST-ALL; BHQ - Biomedical Communicators; BHQ - Blood Services CEOs; BHQ - VPs-CBU; NHQ - Regional Executive Officers
Subject: Elevation of Government Relations Department

The reality of today's post-September 11, 2001 world is that government is a vital partner of any emergency response organization. For the American Red Cross, given our Congressional Charter and mandate to meet the needs of victims of disasters both natural and man-made, our relationship with the government will only grow in importance in the years ahead. Government Relations needs to coordinate across all lines of service and levels of the Red Cross organization, while keeping the President and CEO fully informed of governmental interactions. For that reason, I have elevated our Government Relations Department, headed by Vice President Jan Lane. Jan and the Government Relations team will report directly to me, effective immediately.

Government Relations oversees the coordination of all Red Cross contacts with government officials and drives public policy positioning for all Red Cross units. Through the development of the annual Legislative and Executive Branch Agenda, Government Relations works with senior management, field units, the State Relations Representatives and our Board of Governors to articulate the public policy priorities of the organization, consistent with the Strategic Plan. The Agenda applies to federal, state and local government interaction, and enables us to focus our energies on accomplishing our most strategic objectives. Going forward, I envision strengthened relationships with executive and legislative officials at all levels of government, in particular those with homeland security responsibilities, in addition to more aggressive positioning with key members of Congress.

Please join me in congratulating Jan and her team on their heightened role. I ask that you support their efforts and continue to notify Government Relations well in advance of any meetings or interactions with federal, state or congressional representatives, including those requested by Red Cross and in response to congressional and government agency requests. Any questions should be directed to Jan at (202) 303-4348.

12/12/03 10:34 AM
SFC-ARC-A001350

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Wednesday, December 17, 2003 11:45 AM
To: DIST-ALL; BHQ - VPs-CBU; BHQ - Blood Services CEOs
Subject: Leadership Letter - A Time for Hope

The holidays are a time of hope, and as 2003 draws to an end, I am very hopeful about the year to come. I believe that 2004 has the potential to be the best year the American Red Cross has seen in some time. Let me share some of the reasons for this optimism.

We are taking the word "together" seriously. I am pleased to see an organization-wide trend toward more effective internal and external partnerships in key activities. A number of task forces and advisory committees are collaborating with national headquarters on organizational priorities ranging from diversity and volunteerism to service area implementation and performance standards. We are doing a better job in aligning our corporate, government, nonprofit, and other stakeholder relationships with Red Cross organizational priorities, thereby boosting our efficiency and effectiveness. Most dramatically, the success of the *Together We Prepare* program vividly illustrates what can happen when we knock down the barriers between departments and units, national headquarters and the field, to present the public with an integrated, relevant compendium of Red Cross information and services.

We are better organized. Our Strategic Plan, to which so many of you contributed, is providing us with clear direction while serving as an invaluable guidepost for making decisions about the best allocation of precious Red Cross resources. We realigned national headquarters and launched a new service area structure to provide valuable resources and other tools closer to field units to support service delivery. We are also helping local units take advantage of technology to improve critical functions. All of these measures help the Red Cross make the best possible use of the limited funding environment under which we are operating while at the same time focusing on our most important services.

We are finding better ways to respond. By keeping the client first, we have bid farewell to the limiting "we've always done it that way" mentality while exploring more effective ways to deliver services, from the new call center and client assistance cards to new course design, such as that for the new Family Caregiver curriculum. Using this philosophy, we were able to tailor our response efforts to the Northeast blackouts, Hurricane Isabel, and the California wildfires, more deftly meeting the needs of affected families.

We are holding ourselves to a higher level of accountability. From our fund-raising practices to our contracting to our relationship with the Food and Drug Administration, we are demonstrating our good stewardship of donated time, money, and blood. We are also making strides in establishing meaningful measurements of our success.

We are getting the word out. We have achieved a great deal of positive visibility for the organization this year, both locally and nationally. We are using more consistent messaging across the organization, being more creative in our efforts to create both free and paid visibility opportunities, and reaping the benefits of our improved accountability and business practices, which steer us clear of the kinds of negative stories that take the wind out of all of our sails. We are telling the story not just of a single service or unit but of all of the ways we help America's communities, from the thousands who learned about the importance of blood donation during the 2003 Save A Life Tour to the millions reached by targeted paid advertising.

As a result of these efforts and many more, the public's favorability and trust in the Red Cross are back to their normal levels at a highly auspicious time. The economy nationally is showing signs of improvement. Our own research indicates that concerns about the economy represented the greatest obstacle to raising funds for the Red Cross, so an

SFC-ARC-A001351

1/20/2006

economic upturn is good news indeed. In fact, early indications are that end-of-the-year fund-raising efforts will be more successful for many chapters than they have been since 2000, and that while the average gift remains about the same, the number of gifts is on an upward trend.

We are, in effect, enlarging the universe of Red Cross supporters. If we continue to work together as one Red Cross, and become the best stewards of the charitable dollar, continue to provide exemplary services, and hold ourselves accountable to a higher standard, we will be rewarded with rising contributions of donated time, money, and blood that fuel our great organization will position us for a landmark year in 2004 and the years to follow.

I wish each of you and your fellow Red Crossers tremendous success in the year ahead. Our communities and our nation need the Red Cross, and by working together, we ensuring that the Red Cross will be there for them, today, tomorrow and many years to come.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Friday, May 14, 2004 4:36 PM
To: DIST-ALL
Subject: Help Ensure Continued Success of Concern Connection Line

Approximately fifteen months ago, the American Red Cross implemented the Concern Connection Line – a confidential and toll-free hotline telephone service, available twenty-four hours a day, seven days a week. By calling the Concern Connection Line, employees and volunteers can safely report concerns or questions about potentially unethical, unsafe, or unlawful conduct they have observed within the Red Cross.

I am pleased to report that the Concern Connection Line is working as designed. It has proven to be a valuable tool in our collective effort to eliminate unethical and illegal behavior and preserve the reputation and vital services of the Red Cross.

In 2003, the Concern Connection Line received 553 calls, with approximately 50% of calls from employees and 50% from volunteers. Examples of concerns raised include: employee theft, fraud, discrimination, harassment, waste and abuse of Red Cross assets, conflicts of interest, unsafe situations in the workplace, mismanagement, and violations of the Code of Conduct. Beginning in 2004, we enhanced the Concern Connection Line to be able to analyze trends or emerging workplace problems to assist in identifying the potential for improprieties as quickly as possible.

I would like to encourage you to keep using the Concern Connection Line. As employees and volunteers, we share the responsibility to protect the fundamental principles and values that make the Red Cross the ethical and trusted organization it is today.

If you see a potentially illegal, unsafe, or unethical situation in your workplace, speak up! Notify your local supervisor, human resources representative, or any manager with whom you feel comfortable. In the event that attempts to resolve a problem are unsuccessful, or if you are not comfortable with reporting the problem locally, call the Concern Connection Line at (888) 309-9679. The process is simple – an independent, third-party communications specialist will ask you a series of questions to better understand the issue. A report is then prepared by the communication specialist and forwarded to the appropriate Red Cross entity for review and appropriate action. If you choose to remain anonymous, you may do so. At the end of your call, you may receive a unique identification number and a date on which to call the communication specialist back and receive a status report. If additional information is required, the communication specialist will request it when you call back.

By reporting your issues to the Concern Connection Line, you join me and the Red Cross leadership in a commitment to preserve the tradition of ethical behavior and compliance with law and Red Cross policies, and I thank you for your efforts. For detailed information on reporting other instances of waste, fraud, or abuse, please visit CrossNet: http://crossnet.redcross.org/every/legal_ethic/misappropriation.asp.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Tuesday, April 20, 2004 8:19 AM
To: DIST-ALL
Subject: Tomorrow is Administrative Professionals Day

Tomorrow, I ask you to join me in celebrating Administrative Professionals Day by taking a moment to thank the many "behind-the scenes" superstars who keep our organization moving forward!

Our outstanding administrative team provides an immeasurable amount of support – they help us meet deadlines, stay organized, write correspondence, efficiently connect with those who visit and call the Red Cross, research and gather information as needed, and balance hundreds of other tasks while keeping a positive attitude!

Each of us at the Red Cross works hard every single day to carry out our humanitarian mission. As you go about your busy schedules, stop and think about each person whose dedication and talents contribute to the operation of your department – and let them know they are appreciated.

On behalf of the entire Red Cross, I want to thank all of our very special administrative professionals – you are integral to our success and we are grateful that you choose to serve with the Red Cross. Keep up the fantastic work!

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Tuesday, May 04, 2004 2:26 PM
To: DIST-ALL; Service Area Executive Team; BHQ - Blood Services CEOs
Subject: Serious Proposals Receive Careful Review through New Process

Many of our best organization-wide programs and initiatives have originated from one person, field unit or national headquarters office that had a great idea to share. During these challenging financial times, it is even more essential that we encourage and recognize viable new opportunities, and that we scrutinize each in order to assure the appropriate allocation and administration of our precious resource base – whether in pursuit of cost savings, enhanced customer support or revenue generation.

To ensure all proposals are given consistent and equitable levels of consideration against the organization's strategic plan and that those ideas meriting pursuit are adequately resourced, we have developed a comprehensive and streamlined system of review and assessment. The Strategic Opportunity Assessment Process (SOAP) is a new way for any American Red Cross innovator to submit an idea that describes a new cross-functional opportunity and to receive appropriate high-level feedback and direction. This approach will ultimately streamline the process of evaluating the feasibility of opportunities suggested by any Red Cross employee or volunteer. These opportunities include, but are not limited to, organization-wide projects, programs, strategic initiatives and revenue-generating partnerships.

To see a simple diagram of the new process, click here:
https://crossnet.redcross.org/office/every/initiatives/soap/soap_process.ppt

Here's how it works. Say you and your colleagues have a well thought-out idea that may cut across several organizational boundaries (e.g., nationwide products, chapter-national efforts, multiple NHQ departmental initiatives, etc.). You put it down in writing and submit a simple Statement of Opportunity form, which is currently available on CrossNet: https://crossnet.redcross.org/office/forms/epmo_soo_template.doc. Once the idea is submitted, it is analyzed at the Enterprise Project Management Office (EPMO), led by Lisa Kremer Brown, which determines, through the engagement of cross-functional support and expertise, its business viability and whether or not the opportunity should be pursued. Following initial evaluation, the EPMO will contact you to explain the status of your idea and recommend next steps. *Note that this process does not apply to local chapter initiatives undertaken with chapter resources within their own jurisdictions, which will not be affected.*

If, following this initial assessment, the opportunity is determined to represent a viable endeavor, you will be asked to create an in-depth project proposal, demonstrating the business value of the opportunity, making the case that it is something that should be pursued for the benefit of the entire organization. A leadership team, the Enterprise Executive Oversight Committee (EEOC), is formally charged with reviewing these proposals once they have been thoroughly developed. The EEOC, which will be composed of specific senior leaders from a cross-section of Red Cross business units and chaired by Jim Starr, Executive Director for Corporate Strategy, will meet regularly for the express purpose of evaluating new strategic business opportunities and providing direction and oversight to ongoing initiatives. In this way, every new opportunity will be evaluated, one against the other, by the same individuals in a consistent and fair manner.

We are confident that this standardized new structure will enhance the oversight and management of new opportunities for the organization and result in quantifiable, cross-functional benefits to be realized Red Cross-wide. If you have questions about the process, or wish to send an idea, contact opportunities@usa.redcross.org. We look forward to sharing the success of this process.

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Monday, June 07, 2004 2:40 PM
To: DIST-ALL
Subject: International Travel Policy Revised

National headquarters has issued a revised international travel policy, effective June 3, regarding travel outside the United States and its territories for the American Red Cross. The policy (https://crossnet.redcross.org/every/ceo/ps2_international_travel.pdf) applies to anyone traveling overseas on Red Cross business and is intended to ensure coordination of all necessary considerations prior to any international travel. The new procedure requires travelers to submit proposed international travel plans in writing at least one month in advance to the Office of the Chief Operating Officer (COO) at national headquarters. If you have any questions, please contact Edna Kirk, Executive Staff Assistant to the COO, at (202) 303-5453 or KirkE@usa.redcross.org. For more information on general travel policies, please contact Dawn O'Hearn, Manager, Corporate Travel, at (202) 303-6287 or OhearnD@usa.redcross.org.



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: David T. McLaughlin, Chair
Red Cross Governors

Date: May 7, 2004

From: Marty Evans

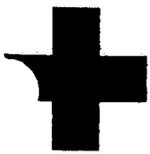
Subject: Secretary Ridge at 2004
Convention

I am delighted to share that President George W. Bush has asked Secretary of Homeland Security and Red Cross Governor Tom Ridge to speak on his behalf at the opening session of our national convention in St. Louis on Friday, May 21.

Secretary Ridge's attendance will underscore our vital role in ensuring Americans become better prepared for all manner of disasters and emergencies. At the same time, his participation highlights the strengthening ties between the Red Cross and local, state, and federal agencies charged with ensuring homeland security.

Next week, you will be receiving more specifics on the schedule of Board activities in St. Louis. Should you need additional information, please call the Board of Governors office or me. I look forward to seeing each of you in St. Louis.

SFC-ARC-A001367



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: David T. McLaughlin, Chair
Red Cross Governors

Date: May 7, 2004

From: Marty Evans

Subject: Piedmont Hospital

I would like to take this opportunity to provide you with information pertaining to the death of a patient in Atlanta, Georgia. The American Red Cross is cooperating fully with the Food and Drug Administration (FDA) during their investigation into the recent death of a seriously ill patient at Atlanta's Piedmont Hospital following a blood transfusion. There has been media interest in this case and the Atlanta Journal Constitution has run two stories. We will continue to work closely with all parties involved until the FDA's investigation is completed and more information is made available.

If you have any questions regarding this matter, please contact Jack McGuire, Executive Vice President, Biomedical Services at (202) 303-5646. Media inquiries that you may receive should be forwarded to Ryland Dodge at (202) 303-5492.

SFC-ARC-A001368

Company Name Here

Memo

To: David McLaughlin, Chairman
Board of Governors Members

From: Marty Evans

Date: May 7, 2004

Re: Patient Death at Piedmont Hospital, Atlanta

I would like to take this opportunity to provide you with information pertaining to the death of a patient in Atlanta, GA. The American Red Cross is cooperating fully with the Food and Drug Administration (FDA) during their investigation into the recent death of a seriously ill patient at Atlanta's Piedmont Hospital following a blood transfusion. There has been media interest in this case and the Atlanta Journal Constitution has run two stories. We will continue to work closely with all parties involved until the FDA's investigation is completed and more information is made available.

If you have any questions regarding this matter, please call Jack McGuire at (202) 303-5646. Media inquiries that you may receive should be forwarded to Ryland Dodge at (202) 303-5492.

To: **Chairman David McLaughlin; Red Cross Governors**
From: *Use Marty's E-mailbox*

Subject: **The International Red Cross Movement in Iraq**

With increased media reports regarding the Iraqi prisoners, and the confusion apparent in the press and on Capitol Hill over the role of the various components of the International Red Cross Movement in Iraq, I wanted to make sure you were fully updated on the issue.

Thus far, we have only received a few dozen comments from the public, but interest may increase in the days and weeks ahead. As I have received queries, you, too, may be asked about the role of the American Red Cross. As a prudent measure, we are also conducting public opinion polling on Americans' view of the Red Cross on this issue.

The distinctions that follow are known to those of us in the Movement and are provided for convenient reference. When responding to queries, it is important to clarify the proper role of the American Red Cross with regard to the prisoner/detainee issue and related matters. We should avoid the appearance of distancing ourselves from our colleagues in the ICRC as they carry out their mandate.

The International Committee of the Red Cross (ICRC) is an impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of war and internal violence and to provide them with assistance. No other member of the International Red Cross and Red Crescent Movement, including the American Red Cross, has that unique and challenging role.

The ICRC acts as the guardian of the Geneva Conventions, reminding all parties involved in conflict to adhere to the protections outlined in the conventions for prisoners of war, wounded and sick combatants, and civilians. ICRC carries out activities related to its mission in conflicts around the globe, including Iraq.

In Iraq, the ICRC has been visiting those detained in connection with the ongoing conflict. Under humanitarian law, the ICRC talks with prisoners in private to discuss their treatment, to register them so their families and their government know where they are, and to give them the opportunity to write personal Red Cross Messages to their relatives. If there are any concerns that arise in the course of a visit, the ICRC will discuss them directly and confidentially with the detaining authorities only. *Again, neither the American Red Cross nor any other entity within the Movement has that role or performs that function.*

The ICRC does not discuss specific findings, nor share confidential matters with the public, except in exceptional circumstances. This could preclude them from gaining access to detainees in future conflicts. While it is the ICRC's responsibility under the Geneva Conventions to bring observed abuses to the attention of the detaining authorities, those authorities themselves are responsible for assuring compliance with the law.

SFC-ARC-A001370

The American Red Cross does provide educational programs to the public on the Geneva Conventions and other aspects of international humanitarian law. We have been working with the Federation, ICRC and other national societies in the region since March 2003 in response to this conflict. In addition to offering technical expertise and logistical support, the American Red Cross does have a program whereby family members in the United States can communicate critical news to their deployed military family members, including to the soldiers in Iraq.

I hope this information is useful. If you should receive media calls, please contact Jacki Flowers in Communication and Marketing at (202) 303-4463; e-mail flowersj@usa.redcross.org. You may also see more detailed messaging on CrossNet at https://crossnet.redcross.org/chapters/services/intl/violations_geneva_conventions_talking_points.pdf, or contact me with any questions you may have.

I look forward to seeing you in St. Louis next week.

*Ok to
launch per
Marty & Alan
CP
3/24*

Memo

To: David McLaughlin, Chairman
Biomedical Services Committee Members
From: Alan McCurry, Executive Vice President, Biomedical Services
Cc: Marty Evans
Date: March 23, 2004
Re: Suspension of manufacturing at Costa Mesa Facility

As briefed to the Committee on February 26th, From October 20, 2003 – November 25, 2003, the Food and Drug Administration (FDA) inspected our Costa Mesa, CA tissue facility. This facility processes heart valves, saphenous veins, and skin for our Tissue Services. The FDA inspected, specifically, the processing of heart valves under the Medical Device regulations (21 CFR §820) and other products under the Tissue regulations (21 CFR §1270). Again, as you were briefed, the inspection resulted in a Form 483 with 13 observations. On March 17, 2004 we received a Warning Letter from the FDA resulting from this inspection that outlined several concerns regarding the manufacturing and distribution of these products. It is important to note that this regulatory activity does not fall under the Amended Consent Decree.

As a result of our concerns regarding this facility we have decided to stop all processing and distribution at the Costa Mesa site in order to focus staff on the corrective actions needed to ensure compliance with all federal regulations. We are engaging an external consultant to perform an independent assessment of the state of compliance and of our quality systems at this facility. We are also in the process of establishing a relationship with another tissue organization who can act as a temporary manufacturer and distributor of these tissue products collected by the American Red Cross (ARC). Title to these products will transfer to the alternative processor and the end products will not be ARC products. We have informed the FDA's Los Angeles District Office of our decision and they were supportive and stated that it appeared to be a constructive approach. We will provide the FDA with a written response to the Warning Letter no later than April 7, 2004.

If you have any questions regarding this matter, please feel free to call me at (202) 303-6776.

To: Board of Governors
From: Marty's E-mailbox

Subject: **Guidance Issued for Handling Inquiries on Tax Return**

As discussed at January's Executive Committee meeting, on February 17, the American Red Cross filed its fiscal year 2003 corporate tax information return, Form 990, with the Internal Revenue Service. In addition to reporting revenues and expenses, Form 990 provides the salary and compensation for Red Cross corporate officers and senior executive management (Part 5, Statement 10) and for its five highest paid employees nationwide (Schedule A-Part 1). This information must be shared upon request with any member of the public and posted on the Red Cross public website, <http://www.redcross.org>. The FY03 Form 990 was posted on Sunday, February 22.

It is important to note that no portion of the compensation paid to current and former American Red Cross senior executives came from the Disaster Relief Fund or the Liberty Fund.

Should any Governor receive calls from local Red Cross units, the media or donors, please call national headquarters. If you receive **media inquiries**, please contact Phil Zepeda at (202) 303-4458; e-mail zepedap@usa.redcross.org. If you have **questions about the 990 itself**, please contact Brian McArthur at (202) 303-4257; e-mail mcarthurb@usa.redcross.org. You may also contact my office.

SFC-ARC-A001373



National Headquarters
Office of the President & CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: January 9, 2004

From: Marty Evans

Subject: Threat Level Lowered to
"Yellow/Elevated"

At approximately 11:30 a.m. EST today, the Department of Homeland Security lowered the national security threat level from "Orange/High" to "Yellow/Elevated." Some sectors and locations of the country remain on higher alert. In concert with this change, we issued a customizable local news release for use by field units and a national press release earlier today, outlining the importance of taking the simple preparedness steps outlined in the Together We Prepare campaign and using the Red Cross-developed specific disaster readiness guidelines for individuals, families, neighborhoods, schools, and businesses.

The Response Department has protocols in place that address changes in the national threat level, and the appropriate steps were implemented on December 21, 2003, when the nation was elevated to High alert. In accordance with these standard procedures, we checked the deployment status of our Critical Response Team (CRT) members and staff liaisons for the national emergency operations centers, reviewed personnel rosters for deployment, and verified our back-up locations and systems for organizational continuity of operations. Biomedical Services also provided the latest blood inventory status to the American Association of Blood Banks. To help educate the public, we posted safety steps on www.redcross.org, we issued a national press release, and provided materials to the 866-GET-INFO call center operators and chapters.

SFC-ARC-A001374



National Headquarters
Office of the President and CEO

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: January 2, 2004

From: Marty Evans

Subject: *Washington Post*
article

Further to my memo of this morning, we have been officially informed by the State Department as well as Senator Dolc's office that the proposed mission to Iran discussed in the *Washington Post* article this morning will not go forward. The government of Iran has rejected the overture of a Presidentially sponsored humanitarian mission. Should there be any further development in this area, I will keep you informed.

Please find attached our latest press release that details the assistance the American Red Cross is providing.

Attachment



National Headquarters
2025 E Street, N.W.
Washington, DC 20006
www.redcross.org

NEWS RELEASE

Contact: Jacki Flowers
Phone: (202) 303-4463
Mobile: (703) 888-6577
FlowersJ@usa.redcross.org

AMERICAN RED CROSS SENDS RELIEF PERSONNEL, SUPPLIES TO IRAN

WASHINGTON, January 2, 2004 — Today, the American Red Cross announced the deployment of a four-person Relief Emergency Response Unit to Bam, Iran, where team members will be working with International Red Cross and Red Crescent Movement partners to distribute relief supplies to those in need. This action follows the devastating December 26 earthquake in Bam that may be responsible for more than 30,000 lost lives and the destruction of the historic Iranian city.

“The International Federation of Red Cross and Red Crescent Societies and the Iranian Red Crescent Society requested this specialized American Red Cross team to support the distribution of relief,” said Evans. “We are pleased to be able to assist our Red Cross and Red Crescent partners and carry out our humanitarian mission of assisting the world’s vulnerable in times of crisis.”

Relief personnel from the American Red Cross will arrive this evening in Iran and expect to integrate into relief operations in the next 48 hours. American Red Cross relief supplies stored in Bulgaria, with the cooperation of the Bulgarian Red Cross, including 500 tents, 30,000 blankets, 14,900 water containers, and 2,225 plastic tarpaulins, will begin to be shipped via air this weekend. American Red Cross activities in support of the Iranian earthquake response operation have been made possible by the generosity of the American public. Through its chapter network, the American Red Cross is also helping members of the public locate or get information about family members believed to be missing as a result of the earthquake.

Since 1999, when a special unit was established at the American Red Cross to address suffering caused by international disasters, the organization has responded to multiple disasters annually and has served more than 2,300,000 beneficiaries around the world while spending more than \$26 million dollars in the acute emergency phase.

You can help those affected by the earthquake in Iran and countless other crises around the world each year by making a financial gift to the American Red Cross International Response Fund, which will provide immediate relief and long-term support through supplies, technical assistance, and other support to those in need. Donate online or call toll free 1-800-HELP NOW (1-800-257-7575 for Spanish speakers) or you can mail in your gift to the American Red Cross International Response Fund, P. O. Box 37243, Washington, DC 20013.

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National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: January 2, 2004

From: Marty Evans

Subject: *Washington Post*
article

I wanted to draw your attention to a *Washington Post* article appearing today about a possible humanitarian mission to Iran that might involve the American Red Cross. The text of that article is available at <http://www.washingtonpost.com/wp-dyn/articles/A48221-2004Jan1.html>. This is a very fluid situation and I will keep you abreast of developments as conditions warrant.

Meanwhile, I encourage you to frequently check CrossNet at https://crossnet.redcross.org/chapters/services/intl/ops/archive/iran_response_recovery.asp to find the latest news on our efforts to provide humanitarian assistance to victims for the devastating quake in Iran.

Attachment

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U.S. Makes Overture To Iran Sen. Dole Could Head Aid Mission

By Robin Wright
Washington Post Staff Writer
Friday, January 2, 2004; Page A01

The United States has approached Iran about dispatching a high-level humanitarian mission to Tehran, headed by Sen. Elizabeth Dole (R-N.C.) and including a member of the Bush family, U.S. and Iranian officials said yesterday.

ADVERTISING The delegation would carry additional assistance for survivors of the devastating earthquake last week that killed more than 28,000 Iranians. The overture, made by Washington on Tuesday, awaits a response from the government of President Mohammad Khatami, U.S. officials said.

The mission would be the first public U.S. official visit since the 1979-81 hostage ordeal, when Iranian students held 52 Americans hostage for 444 days. The only diplomacy since then was during the arms-for-hostages swap in the mid-1980s, when President Ronald Reagan's former national security adviser, Robert C. McFarlane, and Lt. Col. Oliver L. North of the National Security Council staff secretly visited Tehran.

The idea for the trip grew out of two simultaneous moves earlier this week, according to U.S. officials. In conversations with senior advisers on Sunday, President Bush asked if there was anything more the United States could do to help Iran cope with a natural disaster that destroyed the 2,000-year-old city of Bam and killed or left homeless its population of 80,000 people. Washington had already dispatched one round of materials and personnel to Bam, a city that Iranians consider a national historic treasure.

At the same time, Dole, former head of the American Red Cross, independently contacted the State Department about traveling to Iran with a Red Cross delegation to provide additional aid, U.S. officials said. The administration embraced the proposal and began exploring the idea of expanding the mission to include an as yet unspecified member of the Bush family, and others, U.S. officials said yesterday. The administration continues to discuss the makeup of a possible U.S. delegation as it awaits Tehran's answer.

The new tone toward Iran since the earthquake was reflected Wednesday in statements from the White House and the State Department in announcing further steps to ease the transfer of money and materiel for relief efforts in Iran,



Enlarge photo
Sen. Elizabeth Dole (R-N.C.) is the American Red Cross. (Ray Washington Post)

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U.S. Makes Overture To Iran (washingtonpost.com)

Page 2 of 3

which would otherwise be banned by U.S. embargoes.

"The Iranian people deserve and need the assistance of the international community to help them recover from the catastrophic results of last week's earthquake. The American people want to help, and share great concern and sympathy for those families and individuals who lost loved ones, their homes and possessions," the White House said in a statement released Wednesday.

Secretary of State Colin L. Powell said, "At this time of great emergency, we must do everything we can to help people in desperate need."

U.S. officials insisted that the mission would be humanitarian, not diplomatic, despite the unavoidable symbolism of any official American delegation visiting the Islamic republic. After hunting quail yesterday, Bush was asked by reporters whether easing the aid restrictions represented an easing of the U.S. relationship with Iran.

"What we're doing in Iran is we're showing the Iranian people the American people care and that we've got great compassion for human suffering. I eased restrictions in order to be able to get humanitarian aid into the country," Bush said.

The president said the United States still has serious differences with Iran. "The Iranian government must listen to the voices of those who long for freedom, must turn over al Qaeda that are in their custody and must abandon their nuclear weapons program. In the meantime, we appreciate the fact the Iranian government is willing to allow our humanitarian aid flights into their country," he said.

The administration's overture follows steps by Iran to address key U.S. and international concerns about a suspected nuclear weapons program. Last month, Iran signed an agreement allowing snap inspections of facilities that might be used for secret weapons production. In an interview earlier this week, Powell said he found Iran's decision and other recent actions "encouraging."

Powell also signaled that Washington is deliberating the possibility of resuming the behind-the-scenes dialogue suspended last May after three suicide bombings in Riyadh were linked to al Qaeda operatives held in Tehran. Before resuming the talks, the United States wants Iran to deport more than 70 al Qaeda members as a sign that Tehran is willing to cooperate on terrorism.

Officials expressed some skepticism yesterday about whether Iran is willing to welcome a U.S. delegation, because of opposition from hard-line religious clerics and because of sensitive parliamentary elections scheduled next month. "If they really wanted our help, they would have answered already," said a U.S. official who spoke on the condition of anonymity.

Some influential Iranian officials, including the brother of Iran's president, signaled yesterday that arrival of the initial U.S. aid has begun to change the atmosphere in Tehran on the sensitive issue of the United States.

"In parliament right now we are evaluating the American government's positive behavior, and I'm sure that goodwill will be answered with goodwill," Mohammad Reza Khatami, deputy speaker of parliament, told Reuters yesterday.

He also said the government considered Powell's remarks "positive and especially what the Americans did yesterday to lift the embargo." The president's brother told Reuters that relations with the United States since the 1979 Iranian revolution have been rocked by ups and downs but that Tehran now seeks "to remove the wall of mistrust."

During a visit to Bam, former president Ali Akbar Hashemi Rafsanjani also told reporters that the United States has "shown positive signals in recent months." Pressed on whether recent developments could affect the relationship, he said, "I'm not sure, but the signs indicated that," Iran's news agency reported.

Staff writer Mike Allen in Crawford, Tex., contributed to this report.

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Your trusted source for diabetes research, resources and information.
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**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

October 13, 2005

Mr. William Lucy
International Secretary-Treasurer
American Federation of State, County
and Municipal Employees, AFL-CIO
1625 L Street, NW
Washington, DC 20036-5867

Dear Bill:

Thank you so much for the kind words regarding shelter manager Greg Smith and his team at the Reliant Center. I will be certain to pass them along to him; I know he will appreciate your support. I am so proud of all of our Red Crossers who continue to work day and night to assist survivors of Katrina, over a month of that disaster.

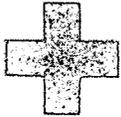
As you know, the sheer power unleashed by this storm, coupled with its broad trajectory, has caused extensive destruction and loss across the Gulf Coast region. Hurricane Katrina has passed, and many of the survivors and evacuees have now had to endure the effects of Hurricane Rita as well. The effects will be felt for years to come. Those who have lost everything will need shelter, food, water, clothing, medical care, mental health counseling, and the kindness of others to help them rebuild their lives.

I appreciate your taking the time to visit our shelter operations and then send such a thoughtful letter. I look forward to seeing you at the upcoming Board of Governors meeting.

Sincerely,

Together, we can save a life

SFC-ARC-A001381



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

October 19th

Dear Rex and Laura,

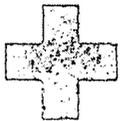
I want to offer my deepest sympathy to you and your family on the loss of Mark. The entire Red Cross leadership team were saddened to hear the news. While we cannot pretend to know how difficult this time is for you, we hope you know your friends and colleagues here at Red Cross share in your sorrow.

Please know you and your family are in our thoughts and prayers. We especially hope the good memories of Mark help sustain you now. Please let us know if there is anything we might do to help.

Warmest regards,
Marty

Together, we can save a life

SFC-ARC-A001382



American
Red Cross

National Headquarters
430 17th Street, NW
Washington, DC 20006
(202) 303-5319

Marsha Johnson Evans
President and Chief Executive Officer

dear Anna Maria,

Thanks so much for showing me the wonderful Cowboys & Indians magazine. Not only did it have the nice Triple Creek feature (which brought back memories especially of our first trip which was in the snow), it also highlighted two other special things:

Jimmy, the Hatmaker in Darby, who made me a western hat... I was glad to know more of the process behind the scenes; and

Kurt Russell - I was once in a community theater production of The Music Man. His father had the lead and Kurt was a kid "hanging around" - Shows you how long ago: I was a senior in high school! Dakota is on our RC Celebrity Cabinet.

So thanks - I enjoyed it very much!

Happy Thanksgiving.

Warm regards,
Marty

Together, we can save a life

SFC-ARC-A001383



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

September 22, 2005

Ms. Ann F. Kaplan
Chair
Circle Financial Group
650 Madison Avenue, 17th Floor
New York, NY 10022

Dear Ann:

I sincerely appreciate your ongoing involvement in our fundraising efforts at the American Red Cross. You have been instrumental in securing various gifts for our programs and relief efforts, both at the national and chapter levels. Most recently, you facilitated a gift from The Jacqueline and Gregory Zehner Foundation for the Greater New York Chapter's Centennial Celebration – thank you.

Your initiative and diligence is vital to the Red Cross. We are fortunate to have the strong support of those like you as we work to strengthen our presence in communities across the country.

Again, we value you and the incredible work you do.

Warm regards,

Together, we can save a life

SFC-ARC-A001384



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

March 29, 2005

Ms. Elaine M. Lyerly
President & CEO
Lyerly Agency, Inc.
4819 Park Road
Charlotte, NC 28209-3274

Dear Elaine:

Thanks so much for sending along the delightful article in the Gaston Gazette about the Cramer Mountain Tsunami Aid Raffle. I was proud to accept Elias' and Laura's check for \$62.50, and am grateful to them for their hard work. It was also a pleasure to write to Laura and Elias to thank them for their donation. I'm always happy to reinforce good behavior, especially for two such wonderful kids!

Having just returned from Sri Lanka, I can tell you that the devastation wrought by the tsunamis is massive and our challenges are great. During the time I spent on the ground, I toured affected areas, visited relief operations, and spent time with our partners. I would have thought my time in Florida during the relentless 2004 hurricane season would have prepared me – however, I was stunned by the scale of the damage. I saw continuous devastation along the coast in the most populated part of Sri Lanka. What was once there is no more – families, businesses, and homes all destroyed. There is so much to be done, and the Red Cross is just one of the many providers serving the immediate and long-term needs of the survivors.

My visit also gave me the opportunity to see genuine gratitude reflected on the faces of the survivors. Our work is making a difference in their lives. We would not be able to assist the thousands who need our help without the phenomenal generosity of our donors. Together, we really can save a life.

Warm regards,

A handwritten signature in cursive script that reads "Marty".

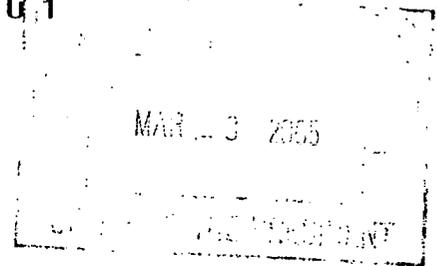
Together, we can save a life

SFC-ARC-A001385

LYERLY  AGENCY

March 24, 2005

Ms. Marty Evans
CEO
American Red Cross
2025 E Street NW
Washington, DC 20006



Hello Marty,

Elias and his cousin, Laura, brainstormed and implemented a fundraiser for Red Cross in our neighborhood in January. They went door-to-door selling 50 cent raffle tickets for a camera and raised \$62.50 in an afternoon. They were proud of themselves!

Would you mind sending them a note? I know it would mean a lot to them. (Mothers always want to reinforce good behavior!)

The addresses are:

Elias Rauch
106 Boyter Court
Cramerton, NC 28032

Laura Fox
723 Hanna Woods
Cramerton, NC 28032

Thanks so much.

Warm regards,



Elaine M. Lyerly
President & CEO

P.S. How was Sri Lanka?

SFC-ARC-A001386

Our Hometown



In the Spotlight/8B

SECTION

B

MONDAY
MARCH 21, 2005

The Gaston Gazette

8B

MONDAY

MARCH 21, 2005

Page edited by Kierra Young

Community Spotlight



Chuck Bridger, executive director for the Gaston County Chapter of the American Red Cross, is shown with Elias Rauch, Laura Fox and Daughtry Hopper, director of community support for the Gaston County Chapter of the American Red Cross.

Ten-year-olds set out to help tsunami victims

Elias Rauch and Laura Fox, two 10-year-olds, wanted to do something to help the victims of the South Asia tsunami, so they organized a camera raffle.

They called the fund-raiser the Cramer Mountain Tsunami Aid Raffle. They raised \$62.50 for the American Red Cross Tsunami Relief Fund. They are

Coming Tuesday

The Red Cross highlights other local groups doing their part to help tsunami victims.

fifth-graders at New Hope Elementary School. The winner of the raffle was Danielle Comeau.

Elias and Laura are cousins.

tasker 1360



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

April 7, 2005

Mr. Michael W. Hawkins
Partner
Dinsmore & Shohl, LLP
255 East Fifth Street
Suite 1900
Cincinnati, OH 45202

Dear Mike:

Thank you for your note and insight regarding the growing trend for US-based companies that want to give internationally. We have seen this trend with our donors, and the extraordinary support for the tsunami relief response confirms this movement.

Our International Services Division is undergoing a process to refine its programmatic scope and the countries in which it works. This will help us increase our efficiency and impact in the communities we serve.

Growth and Integrated Development is working hand in hand with International Services as we enhance our international programmatic approach. We want to ensure that our work will align with donor interests and giving objectives. After these changes are approved, we plan to initiate a fundraising feasibility study to discuss our new focus with several of our high-level international donors. We need to make certain donors are willing to support the international work of the American Red Cross.

As we move forward with this process, we will certainly rely on leaders on the International Services Committee, like you, to be engaged in our fundraising approach and strategy. I appreciate your work with Procter & Gamble and your commitment to the Red Cross – locally, nationally, and globally.

Sincerely,

Together, we can save a life

SFC-ARC-A001388



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

May 11, 2005

Mr. Norman R. Augustine
Chairman of the Executive Committee
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Dear Norm,

Thank you for your kind letter and for passing along Michael Myers' information to me. You know only too well that we are always interested in recruiting talented, altruistic individuals who are motivated to volunteer with the American Red Cross.

I am sorry to hear that Mr. Myers' did not receive a speedy response to his previous inquiries. I am pleased to tell you that I forwarded your letter and Mr. Myers' business card to our Office of National Chair of Volunteers, and as you will note from the attached letter, his interests are now being addressed by senior members of the organization.

Again, I appreciated your comments and wish you a wonderful summer.

Warm regards,

Marty

Norm:

update:

*and Joe Becker at ARC
and Mr. Myers have spoken
to two chapters in his
area — Thanks for helping
us make the connections —*

Together, we can save a life

SFC-ARC-A001389

Lockheed Martin Corporation
6801 Rockledge Drive Bethesda, MD 20817
Telephone 301-897-6185 Facsimile 301-897-6028

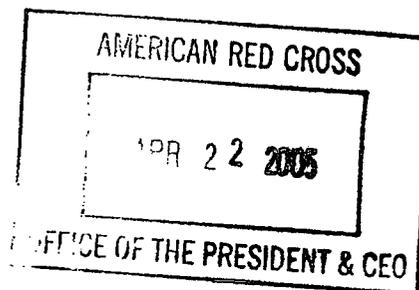
LOCKHEED MARTIN



Norman R. Augustine
Chairman of the Executive Committee

April 18, 2005

Adm. Marsha Johnson Evans, USN (Ret.)
President and CEO
American Red Cross
National Headquarters
2025 E Street, NW
Washington DC 20005



Dear Marty:

I hope all goes well for you . . . I am still remembering with fondness the wonderful evening you arranged in my honor. It was particularly nice to have the opportunity to get to know you better.

While it is never my objective to interfere in any way, I did want to pass along the attached business card from a gentleman by the name of Michael Myers. Although he works at Lockheed Martin I did not know him (he is a relatively senior manager in our field operations) but I happened to meet him at a function (not having to do with Lockheed Martin) here in Washington. He mentioned that as he approached retirement he was trying to decide what to do with his time and thought he would like to become a Red Cross volunteer and hopefully serve abroad as well as in the U.S. He said he had inquired several times but had never received any real answer from the Red Cross other than a few out-of-date magazines that appeared in the mail. I know how hard you (and, previously, I) work to be sure that the Red Cross is responsive, and it is only knowing this that I take your time to pass along this information.

There is absolutely no need for you to have anyone respond to me, however, they may wish to contact Mr. Myers. I'm merely the messenger!

I hope that all goes well . . . we are very fortunate to have you at the helm of our Red Cross.

With all best personal regards.

Sincerely,

Norman R. Augustine

Attachment

SFC-ARC-A001390

Feb 13, 2005

Dear Sherry,

Thanks so much for your very kind letter of January 26th. Congratulations on your decision to create the next chapter of your life... I agree with your observation recently that "60 is the new 50." You're writing Paramount with such class... a wonderful role model for all of us who face inevitable transitions.

I look forward to our continuing work together. And best wishes for happiness and health. Warm regards,
Marty

Paramount Pictures

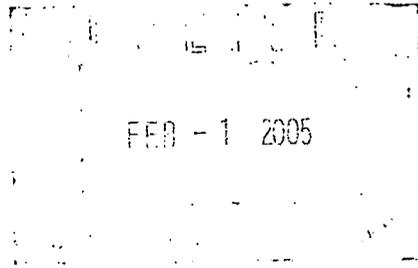
Motion Picture Group

5555 Melrose Avenue
Hollywood, CA 90038-3197
323-956-4575
Fax 323-862-8510

Sherry Lansing
Chairman and CEO

January 26, 2005

Ms. Marsha Evans
President and CEO
The American Red Cross
National Headquarters
2025 E. Street N.W.
Washington, DC 20006



Dear Marsha and Fellow Board Members,

I wanted to let you know how sad I am that I am unable to be with you at the February 12th meeting of our Board. I regret that personal matters are preoccupying me temporarily. As you know, I am in the final stages of winding down my current professional obligations and making the transition to the "third chapter of my life." In the springtime, I will be free to devote myself fully to philanthropic causes, and of course the American Red Cross is at the top of my list.

The work of the American Red Cross is profoundly important to me, and it has only become more so in the wake of the tsunami disaster and, closer to home, in the aftermath of the floods and mudslides that have affected Ohio, Indiana and California. The capacity of our organization to respond quickly, effectively and compassionately to needs as different in scope and locale as these demonstrate yet again the unique power of the American Red Cross. No other organization could have mobilized on such a global scale; no one else could have offered such hope and assistance. I am reminded once more how fortunate we are to have the American Red Cross, and how privileged I am to play a role in its work.

It is especially gratifying that the public fully appreciates once again the value of the American Red Cross. I have never been more proud to be a part of this incomparable organization.

I will look forward to seeing you at our next meeting in May. Until then, my heart is with you and the work of the American Red Cross.

Best,

Sherry
Sherry



File



National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

May 3, 2005

Ms. Sherry Lansing
10451 Bellagio Road
Los Angeles, CA 90077

Dear Sherry,

It has taken me sometime to get back to you about the measles trip because the dates are dependent on the host country's national society's scheduling of the campaign. At last we have nailed the dates of the campaign planned for Mozambique: September 4-10. I will be in China the week before and am planning to go from there to Mozambique on or about September 5 or 6. I hope you might be able to join me.

With regard to our "wish list" of celebrities who might join the trip, we'd love for you to invite Dakota Fanning, Julianne Moore, Goldie Hawn, Jamie Lee Curtis, and Brad Pitt. Dakota and Julianne are both members of the Celebrity Cabinet. Jamie Lee was just with Maria Shriver and me at the launch of the California Preparedness Campaign last Monday in Northridge...she would be a wonderful addition to our support network!

Please let me know if this might work. If you have questions, please call. Marisa Frank in my office at (202) 303-5314 will be organizing the specifics of the trip.

I hope this works for you...the measles eradication work we have done is pretty amazing!

Warm regards,

A handwritten signature in cursive script, appearing to read "Marsha".



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

March 24, 2005

The Honorable Michael Chertoff
Secretary of Homeland Security
Department of Homeland Security
Washington, DC 20528

Dear Mr. Secretary:

On behalf of the American Red Cross, I want to congratulate you on your selection as Secretary. We are proud of the strong relationship that has existed with the Department of Homeland Security (DHS) since its creation, and look forward to continuing our close cooperation under your leadership. Moving forward, Red Cross Chairman Bonnie McElveen-Hunter and I respectfully request a meeting with you to discuss future collaboration, identify opportunities to align our strategic priorities, and explore additional opportunities to incorporate the unique expertise and capabilities of the Red Cross into DHS activities.

We have been pleased to work with DHS during the development and implementation of various policy and operational documents. Specifically, we were integrally involved in the development of the National Response Plan (NRP). Under the NRP, the Red Cross serves as Primary Agency to DHS for mass care (ESF #6) responsible for the provision of food, shelter, emergency first aid, disaster welfare information, and bulk distribution of emergency relief items.

The Red Cross also serves as a Support Agency to the Department of Health and Human Services for Public Health and Medical Services (ESF #8), providing blood, mental health services, and disaster health services. We have also undertaken an expanded role within the areas of community recovery (ESF #5) and external affairs (ESF #15). Perhaps the best example of the Red Cross' value under the NRP was our joint work with DHS providing vital disaster relief to the tens of thousands of people affected by last year's devastating hurricane season.

The Red Cross shares your commitment of meeting the emerging challenges of homeland security. Addressing all-hazards preparedness on the part of individuals and families, meeting the needs and expectations of the public both during and after disasters, and resolving the significant capacity shortfalls to meet human needs arising from a catastrophic disaster are significant challenges the Red Cross stands ready to help meet.

Again, congratulations on your new position and thank you for your consideration of this important meeting request.

Sincerely,

Together, we can save a life

SFC-ARC-A001394



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

February 2, 2005

Mr. Ross H. Ogden
22 Cedarwood Drive
Greenwich, CT 06830-3905

Dear Ross:

Thank you for your donation of 14 shares of General Electric Co. stock to support the American Red Cross General Fund. Your generous gift of securities, which had a mean value of \$37.45 per share the day it was received, helps the Red Cross continue to provide vital programs and services across the country and beyond.

I also want to thank you for the incredible work you have been doing in partnership with the Growth & Integrated Development team. I understand that you facilitated the \$100,000 donation we received from PepsiCo during the hurricanes, and the more recent \$100,000 gift from the Tudor Foundation for our tsunami relief efforts.

Your efforts on behalf of the Red Cross are a wonderful example of philanthropy and reflect the humanitarian nature of our organization. I am grateful for your participation as a Governor, and thank you again for your wonderful commitment to the Red Cross and those we serve.

Warm regards,

This letter serves as the tax receipt for your gift received on December 14, 2004. The American Red Cross is a tax-exempt, nonprofit organization as described in section 501(c) (3) of the IRS Code for 1984, as amended. Adequate records will be maintained and made available to the IRS upon request. In accordance with IRS regulations, no goods or services were provided by the American Red Cross as part of this contribution. Your gift may be recognized in future Red Cross publications. If you prefer your gift to remain anonymous, or have questions about your gift's designation, or would like to learn more about the services that the Red Cross is committed to providing, please call 1-800-797-8022.

Together, we can save a life

SFC-ARC-A001395



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

February 4, 2005

Mr. Richard M. Niemiec
Senior Vice President
Corporate Affairs & Subsidiary Operations
Blue Cross and Blue Shield of Minnesota
P.O. Box 64560
St. Paul, MN 55164-0560

Dear Dick,

I want to thank you and Joan once again for your ongoing support of the American Red Cross. We have sent a card to Meg Hoyt to inform her of your generous \$100 donation to the tsunami relief efforts in honor of her birthday. I can imagine how pleased she will be to hear of this heartfelt gift.

Your consistent involvement in our fundraising initiatives, particularly the critical tsunami aid, is remarkable. I am proud of the excellent work that is accomplished by our Red Cross Governors and the humanitarian spirit they exemplify.

Again, thank you for your tremendous support of the Red Cross.

Warm regards,

This letter serves as the tax receipt for your gift received on January 18, 2005. The American Red Cross is a tax-exempt, nonprofit organization as described in section 501(c) (3) of the IRS Code for 1984, as amended. Adequate records will be maintained and made available to the IRS upon request. In accordance with IRS regulations, no goods or services were provided to the donor by the American Red Cross as part of this contribution. Your gift may be recognized in future Red Cross publications. If you prefer your gift to remain anonymous, or have questions about your gift's designation, or would like to learn more about the services that the Red Cross is committed to providing, please call 1-800-797-8022.

Together, we can save a life

SFC-ARC-A001396



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

April 25, 2005

Major General Robert L. Smolen, USAF
6933 Conservation Drive
Springfield, VA 22153

Dear Bob,

I want to offer my deepest sympathy to you and your family on the loss of your brother. I was so sorry to hear the news. While I cannot pretend to know how difficult this time is for you, I hope you know your friends and colleagues at the American Red Cross share in your sorrow.

Please know that you and your family are in my thoughts and prayers. If I may be of assistance in any way, do not hesitate to contact my office.

Warmest regards,

Marty

CO



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

February 18, 2005

Mr. Edward A. Heidt, Jr.
President and CEO
The Penrod Company
2809 South Lynnhaven Road
Suite 350
Virginia Beach, VA 23452

Dear Buzz,

Thank you for the gift of \$25,000 through the Penrod Company. This donation will support the tsunami relief efforts of the American Red Cross. Once again, you have shown significant kindness towards the grieving victims of this tragedy. I also appreciate your openness to consider applying your gift to domestic disaster relief services, should we have sufficient support for the tsunami relief operation.

Your consistent involvement in our causes, particularly in the case of desperately-needed tsunami aid, is remarkable. I am especially proud of the excellent work that is accomplished by our Red Cross Governors, and the humanitarian spirit they exemplify.

Thank you for your firm resolve in supporting the critical initiatives of the Red Cross.

Warm regards,

Together, we can save a life

SFC-ARC-A001398



124
auto

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

May 3, 2005

Ms. Sherry Lansing
10451 Bellagio Road
Los Angeles, CA 90077

Dear Sherry,

It has taken me sometime to get back to you about the measles trip because the dates are dependent on the host country's national society's scheduling of the campaign. At last we have nailed the dates of the campaign planned for Mozambique: September 4-10. I will be in China the week before and am planning to go from there to Mozambique on or about September 5 or 6. I hope you might be able to join me.

With regard to our "wish list" of celebrities who might join the trip, we'd love for you to invite Dakota Fanning, Julianne Moore, Goldie Hawn, Jamie Lee Curtis, and Brad Pitt. Dakota and Julianne are both members of the Celebrity Cabinet. Jamie Lee was just with Maria Shriver and me at the launch of the California Preparedness Campaign last Monday in Northridge...she would be a wonderful addition to our support network!

Please let me know if this might work. If you have questions, please call. Marisa Frank in my office at (202) 303-5314 will be organizing the specifics of the trip.

I hope this works for you...the measles eradication work we have done is pretty amazing!

Warm regards,

A handwritten signature in cursive script that reads "Marty".

Hill, Jennifer (President's Office)

From: itrezzoAgent [agent@itrezzo.com]
Sent: Friday, June 06, 2003 8:42 AM
To: Hill, Jennifer (President's Office)
Subject: RE: BoG June 6 WP.mje.doc

Request processed by itrezzoAgent
Attachment 1 of 1
BoG June 6 WP.mje.doc (45kb)
Status: Converted

National Headquarters
Office of the President and CEO

To:
David T. McLaughlin, Chairman
Red Cross Governors

Date:
June 6, 2003

From:
Marsha J. Evans
Subject:
Positive Coverage of NHQ/Biomedical Realignments

As a follow-up to yesterday's communication about realignments at national headquarters and Biomedical Services, I thought you would be interested in the related article that appeared on page 10 of the front section of today's Washington Post.

I think you will agree that article was fair, balanced and straightforward and a good recitation of the salient issues. We will share this with communicators in chapters and Blood Services regions, and continue to work with the media to ensure that our progress as an organization is accurately reflected in the days and weeks ahead.

If you have any questions, please contact Chuck Connor (202-303-4481) or me.

Attachment

washingtonpost.com

American Red Cross To Cut 231 Jobs Most of Layoffs Will Be in Area

By Jacqueline L. Salmon Washington Post Staff Writer Friday, June 6, 2003; Page A10

The American Red Cross is issuing layoff notices this week to 231 employees, most of them in the Washington area, officials said yesterday. The national organization said it is being forced to make the cuts because of the poor financial health of its chapters and declining revenue from its profitable blood services division.

"The entire fundraising environment in the country is tough," said Bob McDonald, the organization's new chief financial officer. "It's a tough time." Red Cross officials said \$20 million must be trimmed from the \$2.5 billion budget for the coming fiscal year.

Part of that cutback results from a decision by the organization's Washington headquarters to rescind a planned dues increase for its 961 chapters. After protests from the chapters, which face their own financial difficulties, Red Cross headquarters backed down on the dues issue. "Rescinding that increase will require hard choices to be made" at the national headquarters, Red Cross CEO Marsha Evans wrote in a recent e-mail to the chapters. According to the e-mail, the chapters expect to report a cumulative deficit of \$44 million for the fiscal year that ends June 30.

Red Cross headquarters, including its blood services division, employs about 4,000 people nationwide, but most of the staff cuts will come from the organization's downtown Washington offices and its biomedical operation in Rosslyn, officials said yesterday. Last month, the organization issued an urgent appeal for donations to its community Disaster Relief Fund, which it said had sunk to \$5 million, down from \$68 million a year ago. Another financial challenge has been the \$1.9 million paid to former CEO Bernadine Healy, who was ousted from her job in 2001 after clashing with the organization's board of governors. The payout, which included salary, expenses and \$1.6 million in severance, angered some in the Red Cross when it came to light recently in the organization's annual report to the Internal Revenue Service. Healy and her

attorney have defended the payment as appropriate. After Evans came aboard last summer, she instituted a review process to scrutinize executive salaries more closely, and the board tightened its procedures for approving executives' pay. McDonald said yesterday that the Healy payment did not contribute to the organization's current financial difficulties. "We consider that history," he said. The organization's chapter network has been hammered by the poor economy, the expense of responding to terrorist threats, and fallout from the bad publicity over how the Red Cross handled its Liberty Disaster Fund, which was set up to collect contributions for victims of the Sept. 11, 2001, terrorist attacks. Officials had wanted to use the fund for purposes other than helping Sept. 11 victims but were forced to abandon the idea when donors protested. Most Red Cross chapters have laid off workers or made other cuts as their income has tumbled. Some chapters are merging to cut costs: For example, the National Capital Red Cross, which covers Fairfax County and the District, recently took over financially strapped chapters in Montgomery and Prince George's counties. Of the 231 layoffs being announced this week, 145 will come from the national organization's blood services division, which last year brought in nearly three-fourths of the group's total revenue of \$2.7 billion. Price declines in the lucrative blood plasma business are mostly to blame for the layoffs, officials said yesterday.

In April, the Red Cross settled a long-simmering dispute with the Food and Drug Administration over the group's testing, handling and tracking of donated blood and pledged to pay millions of dollars in fines if it mishandles blood products in the future.

The organization's last round of layoffs occurred 14 months ago, when it furloughed about 100 people. There were complaints over how those laid off were treated; some of them were rehired later. McDonald said yesterday that the organization would handle this new round of layoffs in a "sensitive and dignified way." He also said executives will not receive merit pay increases in fiscal 2004.

The Red Cross recently began consolidating its Washington area staff, moving it into a new building at 2025 E St. NW, adjacent to its headquarters on 17th Street. The new building cost \$135 million, but officials said they will save money on rental office space. © 2003 The Washington Post Company

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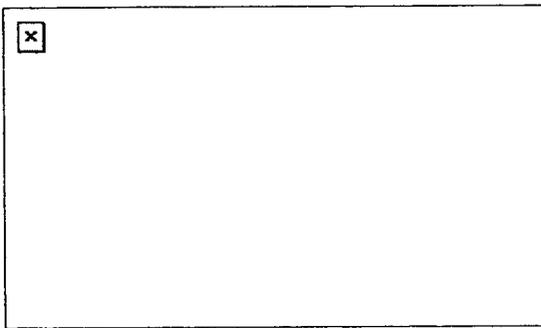
Hill, Jennifer (President's Office)

From: Hill, Jennifer (President's Office)
Sent: Friday, November 07, 2003 7:19 PM
To: Rhodd, Michelle
Subject: FW: Remaining Service Area Headquarters Locations Announced

Hi Michelle,
Just making sure you got this one too.

-----Original Message-----

From: Communication and Marketing
Sent: Wednesday, November 05, 2003 6:23 PM
Subject: Remaining Service Area Headquarters Locations Announced



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

To: David McLaughlin, Chair
Red Cross Governors

Date: November 5, 2003

From: Marty Evans

Subject: Remaining Service Area Headquarters
Locations Announced

Our Service Area Executives, Joe Packa and Sue Richter, started work this Monday in their new offices in Birmingham and Houston, respectively. Today, we are pleased to share with you the locations of the remaining Service Area offices.

Many different variables were examined in selecting these locations. Although no location was "perfect," we tried to weigh the decisions based on how each location fit each of the following criteria:

- Central location within Service Area – maximizes access to all field locations and increases likelihood of reasonable travel rates by air, rail and interstate highways.
- Reasonable cost of living and wage base – ensures affordable housing and living costs for Service Area employees and their families and guarantees a reasonable operating cost for the Service Area.
- Metro area – increases the pool of qualified employees.
- Existing Red Cross space – maximizes the ability to share services and minimizes costs for establishing area offices.
- Non-disaster prone area – lowers risk of vulnerability of disaster operations center.

Because they best meet the above criteria, our new Service Area offices will be located in the following cities:

- Sacramento, California - Service Area 1 - Pacific
- Las Vegas, Nevada - Service Area 2 - West

SFC-ARC-A001402

- Des Moines, Iowa - Service Area 3 - Midwest
- Cincinnati, Ohio - Service Area 5 - Great Lakes
- Worcester, Massachusetts - Service Area 6 - Northeast
- Raleigh, North Carolina - Service Area 7 - Mid-Atlantic

Although located in the same cities as chapters, these Service Area offices will be a completely independent entity, reporting to the Service Area Executive and ultimately to the Executive Vice President of Programs and Services.

Additional information about our progress with Service Areas is available at https://crossnet.redcross.org/every/initiatives/sas/sas_leadership_msg.asp, and I will continue to update you at key points along the way.

Hill, Jennifer (President's Office)

From: Hill, Jennifer (President's Office)
Sent: Monday, August 29, 2005 4:16 PM
To: Elcano, Mary
Cc: McArthur, Brian; Conlogue, Avele; Douglas, Cheryl; Connor, Chuck; Correspondence Unit
Subject: FW: Link for BOG message

Hi Mary:

Below is the message to the BoG, including Marty's edits and Brian's link to key messages and copy of key message. Please broadcast to the BoG.

Thank you also for letting Cheryl know the process change. I look forward to working more closely with you and Avele.

Jennifer Hill

Subject: Entire Organization Mobilizes for Hurricane Katrina

Even before Hurricane Katrina ripped ashore this morning near Grand Isle, Louisiana, as a strong and deadly Category 4 storm, the American Red Cross had launched the largest mobilization for a single natural disaster in its history.

Emergency response vehicles from 48 states, along with our three mobile kitchens, are converging on staging areas across the Gulf Coast. We have hundreds of thousands of meals ready to be moved to where they are most needed, and through our partnership with the Southern Baptists, we will be able to prepare and deliver 500,000 meals a day. Volunteers are staffing shelters in Louisiana, Mississippi, Alabama, Florida, and Texas.

We have been aggressively engaging in fundraising. Early gifts include Office Depot's commitment of \$1 million toward hurricane relief efforts. Additionally, Coinstar is accepting donations at more than 10,000 machines located in grocery stores nationwide and is activating special Disaster Relief Fund screens to encourage donations. Our In-Kind Gifts team has contacted more than 20 recurrent donors for offsetting the costs of goods and services, such as bleach, water, snacks, first-aid kits, and more. Front-line fundraisers are connecting with hundreds of previous disaster donors and continuing discussions with Red Cross partners who have expressed interest in donating to the "next big disaster" relief operation. Online activity has grown since Thursday, and call activity to 1-800-HELP-NOW is expected to increase.

As we continue to gather our forces of volunteers and materiel today, the trajectory and intensity of the storm continues to unfold. While some uncertainties remain, we must look forward and begin planning for the long-term sustainability of what promises to be a lengthy and massive operation. Already, I am encouraging our field units to plan for the long-term sustainability of this massive relief operation. Unquestionably, we will urgently need them to respond to our requests to deploy Disaster Services Human Resources (DSHR) volunteers.

As these operations will require a great deal of financial assistance, I urge you to consider your sphere of influence and reach out to your contacts to request their support. For your ready reference, Key Messages are posted on CrossNet: https://crossnet.redcross.org/chapters/services/disasters/ops/archive/05_katrina_key_messages.pdf. You can check this same link each day for updates to these messages, and we have also attached a Word file for those of you without CrossNet access.

We will continue to keep you informed as needed. Please feel free to contact Joe Becker, Senior Vice President for Preparedness and Response, at (202) 303-8501 with questions, or call me at (202) 303-5319.

1/3/2006

SFC-ARC-A001404

Hill, Jennifer (President's Office)

From: Kroemer, Kurt
Sent: Monday, December 30, 2002 9:45 AM
To: Hill, Jennifer (President's Office)
Subject: FW: Guam Typhoon Pongsona update

Sent on December 26th.

-----Original Message-----

From: Evans, Marsha
Sent: Tuesday, December 24, 2002 2:44 PM
To: Kroemer, Kurt
Subject: Guam Typhoon Pongsona update

Kurt, could you please ensure the below is sent out sometime on the 26th if possible. Thanks!

To: David McLaughlin, Chair of the Board
Governors of the American Red Cross

The below information is part of an update sent this week to the Disaster, Development and Media team in the field. This is for your information:

For just over two weeks, the American Red Cross has been providing much-needed relief for victims of Supertyphoon Pongsona, which ravaged Guam and the Northern Mariana Islands when it struck with the intensity of a Category 5 hurricane on December 8. In fact, Pongsona was so severe that the storm has claimed the # 2 spot on the list of Top 5 disaster responses by the Red Cross this year.

Our response to help residents of the U.S. territories was immediate and innovative. In just 14 days, utilizing 600 disaster relief workers and a new method of service delivery that includes staffing a call center and 1-800 hotline in Virginia to assist with casework, we've already opened 20,000 cases with disaster-affected families. Compare this to five years ago, in December 1997, when Typhoon Paka struck Guam. On that operation, 914 Red Cross personnel spent 45 days working on 5,031 cases. Our current response to Pongsona is a significant feat and one that we should all take pride in.

- Though the current typhoon operation is massive, there has been relatively little attention given to this disaster on the mainland. Island disasters are costly, and it is difficult to raise funds to support relief efforts so far away. It is crucial that we raise awareness of our relief efforts in Guam and the Northern Mariana Islands. To aid you in telling this important story, we've created numerous communication materials. You can localize these materials to get the word out about our "silent disaster" response during the holidays and beyond.

December's Silent Disaster Super typhoon Pongsona, Claims # 2 Spot on Red Cross Top 2002 Disasters List

http://www.redcross.org/press/disaster/ds_pr/021223pongsona.html

- *Hundreds of Volunteers Spending Christmas Helping Guam, Northern Mariana Islands*
- "Journey to Guam", <http://www.redcross.org/>
Special interactive section on public Red Cross web site shows the relief picture to readers thousands of miles away
- **Talking Points: Silent Disasters** https://corpweb.redcross.org/ds/silent_disasters.html
- **VDOC Pongsona section** https://corpweb.redcross.org/ds/hurricane/021206_pongsona.html

Please do not hesitate to contact me or Kurt Kroemer, Deputy Chief of Staff if you have questions. Best regards, Marty

*Marsha J. Evans
President and CEO
American Red Cross
430 17th Street NW
Washington, DC 20006
Tel: 202-639-3292
Fax: 202-783-3432*

Sylvester, Suzanne

From: Marty Evans, President and CEO
Sent: Friday, March 11, 2005 4:23 PM
To: ALL SERVICE AREAS; BHQ - Blood Services CEOs; ALL DC NHQ-BHQ
Subject: Board of Governors' Winter Meeting

Distributed to: Board of Governors; Chapter Executives; AFES Stations; All Service Area staff; Blood Services Region CEOs; and All NHQ and BHQ Staff.

At their February 10-11 meeting, the American Red Cross Board of Governors acknowledged the success of our tsunami disaster relief efforts even as they debated ways to ensure effective Red Cross service delivery for the future at both the field and national levels.

Tsunami Response

Since the 3,000-mile path of destruction left by the Indian Ocean's tsunamis on December 26, the American Red Cross has been striving to transform the humanitarian graciousness of the American people into an effective relief program that meets the varied needs of the many victims across multiple countries. The generosity of the public has been truly astounding: gifts and pledges of \$410.3 million for tsunami disaster relief through February 28. As you know, we ceased active fundraising on January 25, and we are working hard today to put donor dollars to work as quickly as possible in the affected areas. The Red Cross program focuses on the critical areas of food and safe drinking water; healthcare and disease prevention; family relief supplies distribution; psychosocial services delivery; disaster preparedness, and mitigation education. To bring together the right resources for this long-term project, we are creating a separate tsunami-relief structure at national headquarters that will work with the International Federation of Red Cross and Red Crescent Societies, our partners at the World Food Program, and elsewhere.

These fundraising results point to sustained success by the field in both raising awareness about the Red Cross response and being sensitive to the overwhelming desire of Americans to help. The high energy and enthusiasm from the chapters stretches back to the hurricanes of last fall, and comes at the same time chapters have been working to locally maintain their core programs and services. January's public opinion poll is encouraging because it demonstrates that our organization-wide efforts are resonating at the community level. Public trust in the Red Cross has risen to 82 percent. Also encouraging are the growing numbers of those who indicate intent to donate to the Red Cross. The Board felt this signaled a tremendous opportunity for chapters to convert these contributors to long-term supporters of the local Red Cross.

We have developed numerous templates and tools to help you engage local donors to support chapter programs. We believe the fresh new advertising campaign recently shared with you, "There is a Place," will be especially helpful in attracting interest. Please feel free to contact your service area representatives for tailored assistance in bolstering local fundraising.

Volunteers, Diversity Highlighted

The key to providing high levels of service to every county nationwide lies in attracting and retaining trained volunteers and ensuring that our paid and volunteer workforce truly reflects the diversity of all the communities we serve. Kate Forbes, National Chair of Volunteers since last October, reported to the Board on the State of Volunteerism at the Red Cross. Kate provided an interesting profile of today's Red Cross volunteer. On the plus side, our volunteers are motivated by a desire to help others and make a difference. Most are satisfied — fully 92 percent would recommend the Red Cross to a friend as a place to volunteer — and 85 percent agree that their supervisor makes them feel like a valued member of the organization. However, "The State of Volunteerism Report" spotlights the need to diversify our volunteer base: only five percent of Red Cross volunteers are African American, two percent are

Hispanic, and two percent are Asian. These low numbers of minority volunteers underscore the challenges facing the organization as we seek to reach out to diverse communities.

With this in mind, David Wilkins, our Vice President for Corporate Diversity, presented tactics for increasing inclusion of all communities. We have worked at the headquarters and service area levels to ensure that a slate of diverse candidates is considered for every volunteer or paid job opening. We also need to reach out to local contractors, vendors, and other businesses that reflect the diverse nature of our communities. By forming these relationships, we will find the expanding pool of volunteers, customers, leaders, and donors we can depend upon for success.

Tools such as the Diversity Scorecard and the Strategic and Tactical Model are available to enable Red Cross units to engage all members of our communities. We have also developed a Volunteer Resources Management Readiness Assessment with which chapters can evaluate their capacity to deliver an effective volunteer program. An exciting online volunteer management training and development program is now available to all Red Cross employees and volunteers who have access to CrossNet.

Broadening Our Community Presence

Following the Board's approval of changes to chapter charters and jurisdictions, we now have 868 chapters. As we consolidate our chapters, an increasing number of Americans are living in communities that are not served by a chartered unit. Working with chapters and service areas, we have been attempting to develop a methodology to provide Red Cross services in these State Service Delivery Areas (SSDAs). The Board discussed this issue in great detail and agreed upon the principle that all communities should be served by a Red Cross chapter in the future. Furthermore, all localities should receive "core" Red Cross services and have access to other Red Cross services, even if they are not offered in their community. To arrive at that point, we will have to develop a creative way to adjust our current chapter model so that it will operate within our Chapter Performance Standards. Over the next six to eight weeks, we plan to share a proposed design concept and solicit field-unit comments. We also plan to explore this issue at the national convention in May.

Changes to the National Convention

The Board approved recommendations to change the national convention to an alternate-year event. Over the past 10 years, the national convention has suffered from declining revenues, increased costs, and related difficulties for the host chapter. However, our Congressional Charter requires that an annual meeting take place to consider resolutions and elect Governors and other national leadership volunteers. To meet these requirements while responding to the realities of the current environment, the Board decided that, beginning in 2006, we will hold a national convention every other year in Washington, DC, to coincide with March, Red Cross Month. The national convention will be preceded by a Red Cross Lobbying Day on Capitol Hill. On the alternating year, we will conduct a half-day business meeting, with the majority of delegates attending and voting electronically. These meetings may be held in Washington, DC, or perhaps in one of the service area cities. At both meetings, the sole official business will be the election of the Governors, Resolutions Committee members, and Nominations Committee members, with delegates participating in person or electronically. In addition, the entire resolutions process will be conducted prior to the national convention, with both the Open Hearing and Business Session being held via Web-cast instead of in person. The revised process will gain additional visibility on Capitol Hill and highlight the service areas, and takes effect with the previously scheduled 125th anniversary convention in Washington.

We believe this change brings us in line with actions many other nonprofits have already taken, and will help control costs. As many of you know, in response to an earlier chapter resolution, the 2005 convention will feature a pioneering effort to allow voting delegates to participate in the business session at the convention even if they are unable to travel to San Francisco. This year's convention begins at 5:00 p.m. Friday, May 27, and concludes at noon on Sunday, May 29. I urge you to register now and review the many planned activities by visiting the special CrossNet section, <http://www.signup4.net/Public/ap.aspx?EID=200488E>.

Chapter Assessment

As I mentioned in my October summary of the Board actions, the Governors previously voted to approve the use of the general Consumer Price Index as a basis for increasing the national chapter assessment requirement. This resulted from a great deal of effort to respond to chapter concerns about the equity and consistency applied to the annual Chapter Assessment, which supports direct services and programs delivered by national headquarters. At that time, we said that the Board would approve the calculated national requirement amount for FY06 in its February meeting. After considering the most current economic data available and taking into account the financial results of the chapter network, the Board has voted to increase total annual assessment dues in FY06 to \$81.5 million. This marks a 2.7 percent increase from the \$79.4 million requirement for FY05. The formula for determining each chapter's portion of the national requirement will remain unchanged for FY06, including a 10-percent cap as a maximum increase for any chapter. To help plan for the increase, chapters will receive their individual statements in mid- to late March of this year. In addition, we have recently released updated tools to increase understanding and explain the assessment more fully to your boards, donors, and staff:

https://crossnet.redcross.org/chapters/administer/finance/understand_annual_chap_assessment.asp. Throughout this process, we have engaged service areas and chapters, including the President's Advisory Council, and we continue to welcome your input on this topic.

The Board also discussed the consequences of the significant financial challenges facing the national headquarters organization, reflected by the \$50 million operating deficit for the FY05 budget, which grows to a \$65 million deficit when capital expenditures are included. We are now at the final, most wrenching phase of the Core Services Analysis, which has already resulted in the organizational realignments I announced on February 9. Department leaders at national headquarters are now examining their organization and identifying ways to reduce, realign, or eliminate work and activities, while cutting their overall cost structure. The correlating impact on staffing levels, budget, and activities/work products will then be identified. We expect to finalize and announce decisions related to the Core Services Analysis by the end of March. The Board also received updates on the restructuring of Biomedical Services. Many changes have already been implemented, while others are in the final planning stages. Biomedical Services continues to evaluate the allocation of energy, staff, and resources necessary to achieve its strategic priorities and maintain the core mission of providing blood products to those in need. We will communicate these changes as needed.

The Board unanimously voted to recognize Terry J. Sicilia's nearly 30 years of service to the Red Cross. Many of you know Terry, who has left an indelible mark on the organization by championing field-unit issues during his long tenure. His legacy in a career marked by increasing levels of responsibility will be the successful implementation of the service areas last year. Terry will retire from the Red Cross on March 31, 2005.

In closing, I want to praise the amazing effort put forth by all Red Crossers over the past several months. We have each been stretched by the number and scope of recent challenges, yet we continue to deliver the critical services upon which so many rely. The coming months will bring new challenges, both anticipated and unforeseen. The Board shares my confidence that we will join together to meet them, as we always have. Please feel free to contact me with your questions or concerns.

Hill, Jennifer (President's Office)

From: Douglas, Cheryl
Sent: Tuesday, January 07, 2003 7:52 AM
To: Hill, Jennifer (President's Office)
Subject: RE: New Stewardship Tool Debuts January 1

Thanks Jennifer, for forwarding. Emma is a good BoG member and it is always good to know that they are happy with managements decisions/success.

Cheryl Douglas
Director of Administration
Office of the President and CEO
American Red Cross
Voice: 202.639.3182
Fax: 202.783.3432
Email: douglasc@usa.redcross.org

-----Original Message-----

From: Hill, Jennifer (President's Office)
Sent: Monday, January 06, 2003 6:24 PM
To: Evans, Marsha; Prevatte, Carolyn
Cc: Kroemer, Kurt; Douglas, Cheryl
Subject: FW: New Stewardship Tool Debuts January 1

From BoG Member, Emma Chappell, regarding the Concern Connection Line:

-----Original Message-----

From: Chappellemma@aol.com [mailto:Chappellemma@aol.com]
Sent: Monday, January 06, 2003 12:42 PM
To: harry@usa.redcross.org
Subject: Re: New Stewardship Tool Debuts January 1

Dear Marty:

The idea of establishing the Concern Connection Line and operating it 24 hours a day is a good one. I am sure that I don't have to tell you but often times people are afraid to come forward and report the incidents of misconduct as they see them occuring for whatever reasons. However this vehicle should remove the excuses and allow you to address the concerns right away before they have a chance to fester. Congratulations and good luck and best personal regards.

Sincerely,

Emma Chappell

Distributed to: Board of Governors

The following message is from Bonnie McElveen-Hunter, Chairman

I'm extraordinarily pleased to announce the International Red Cross and Red Crescent Movement (Movement), including the American Red Cross, yesterday welcomed the decision of the Diplomatic Conference held in Geneva to adopt a Third Additional Protocol to the Geneva Conventions. This creates an additional emblem alongside the red cross and red crescent. A joint press release has been issued by the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies. The American Red Cross is issuing a release with supporting communication materials available on CrossNet.

Not only does this action create a neutral emblem devoid of cultural, political, and religious connotations, it creates an additional protective emblem equal in status to the existing red cross and red crescent, and it paves the way for Magen David Adom (MDA) to become a full voting member of the Movement. As part of our commitment to the Fundamental Principle of universality, the American Red Cross has considered the admission of MDA to the Movement a policy priority for more than 50 years.

The additional emblem, known as the red crystal, will provide a comprehensive and lasting solution to the emblem question. It will appear as a red square frame standing on one corner with a white interior, placed on a white background.

The American Red Cross thanks the United States Government, the Swiss Government, the International Committee of the Red Cross, the International Federation of Red Cross and Red Crescent Societies, and all American Red Cross leadership and staff who have worked on this issue for all of their tireless efforts in helping to make the adoption of the Third Additional Protocol a reality.

For the MDA to become a full voting member of the Movement, several additional steps need to take place. The American Red Cross will continue to work to ensure that these steps are achieved. Following the adoption of the Protocol, the Standing Commission of the Red Cross and Red Crescent has decided to call an International Conference of the Red Cross and Red Crescent as early as spring 2006. The Conference brings together those States that are party to the Geneva Conventions, the ICRC, and the 183 member societies of the Federation. The Conference will be asked to amend the statutes of the Movement, to take into account the creation of the new emblem, in order to realize the objective of universality.

We can celebrate this most welcome decision as a victory for universality and for the more than 50 years of unwavering effort by the American Red Cross in support of MDA's full inclusion in the Movement.

Hill, Jennifer (President's Office)

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Cc: Kroemer, Kurt; Douglas, Cheryl
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Sincerely,

Emma Chappell

To: Chairman McElveen-Hunter; Red Cross Governors

From: Use Marty's Emailbox

Subject: **Updated Tools Created for Responding to Tsunami Inquiries**

Late last night, we sent a comprehensive set of fresh communication tools to American Red Cross field units to help address the various inquiries they are likely to receive from local media, donors, and the general public. I wanted to share this same information with you. Right now, we are not actively seeking out publicity, but we are responding to media inquiries. We strongly encourage chapters to take the same conservative stance. It is important that we make clear to the American public and our donors our role in this response and the type of relief that we are providing.

Because the American Red Cross is not the lead agency in this relief effort and given the unique aspects of international disaster response, it is essential that each of you has access to the latest corporate messaging. In creating these materials, we were mindful that, while the American Red Cross is but one partner in the Federation's response, we have had to provide information in a context to a public that sees us as One Red Cross. These new tools, posted on CrossNet, include a set of four basic key messages and comprehensive Q&A addressing the response efforts and fundraising issues. You will also find a new "Facts at a Glance" section detailing specific American Red Cross relief statistics. All of these tools can be found at https://crossnet.redcross.org/chapters/services/intl/ops/archive/sasian_earthquake_tsunamis_com_m_tools.asp. Please use these new materials as your main guidance for responding to inquiries; they supersede all talking points that have been posted previously. I suggest you check CrossNet regularly for further updates.

Please refer media inquiries to Patrick McCrummen, Director, Response and Preparedness Communication, (202) 439-0714, mccrummenp@usa.redcross.org. We will continue to keep you fully updated.

*1/3/05 approved to send out for
blast per BD*

SFC-ARC-A001360



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: Bonnie McElveen-Hunter, Chairman
Red Cross Governors

Date: ~~October 28, 2004~~

From: Marty Evans

Subject: Summary Observations from the
2004 Board Retreat

At the conclusion of the 2004 Board of Governors Retreat, I committed to providing a synopsis of the proceedings and my observations on the direction for the American Red Cross over the course of this fiscal year. I want to thank you all for participating in this significant event. Through your discussions, the Board has provided insight and guidance to the management team as we continue to implement our Strategic Plan.

STRATEGIC PLAN PERFORMANCE

We began the Retreat with an overview of our past year's progress against our Strategic Goals. We have made significant progress in many areas and must focus our energies on improving performance in others. Our strengths in the past year include enhancing our disaster response capability, making significant strides in the areas of regulatory compliance, laying the groundwork for increasing diversity, improving customer satisfaction and service effectiveness, and improving America's trust in and favorability rating of the Red Cross.

However, it is imperative that we continue our efforts to prepare individuals, families and businesses for emergencies. While our efforts have increased the level of awareness, we have much to do to convert that knowledge to action. We must also increase the level of blood collections to stabilize the Red Cross component of the nation's blood supply. Lastly, it is imperative that we aggressively address the financial challenges of the organization through cost reductions, process improvements and increased revenue generation.

FOCUSING ON THE CORE

The changing environment and disaster landscape require the Red Cross to marshal and leverage its resources, talent and competencies on its core, fundamental services. We have entered a period of prolonged and intense hurricane activity on top of the ever-present threat and reality of terrorism. In addition, this country's level of preparedness must be substantially increased to better equip our communities to prevent, prepare for and respond to emergencies. We must also continue to honor our commitment as a steward of the nation's blood supply. In summary, it is imperative that the Red Cross ensure it is exceptional at:

- Increasing the level of individual, family and organizational preparedness for emergencies
- Ensuring we are exceptional in disaster response
- Ensuring the nation has an adequate supply of the safest blood possible

SFC-ARC-A001361

ENHANCING CRITICAL CORE COMPETENCIES

Our facilitators, the Boston Consulting Group, led the Board through an exercise in which participants were divided into groups to address the three critical core competencies of:

- Raising funds and generating revenues
- Extending the resources of the Red Cross – cultivating and nurturing partnerships, volunteers and blood donors
- Building and sustaining a culture of One Red Cross – in deed and word

Raising Funds and Generating Revenues

The common themes from these discussions were building leadership capacity that is focused on *relationship building* and *accountability*. The critical ingredient to sustainable revenue generation is the creation, nurturing and retention of long term relationships with a variety of donor categories: corporations, “influentials”, community leaders, individuals and the media. Building collaborative relationships internally will also strengthen our efforts. This includes national-chapter, chapter to chapter, and national-biomedical-chapter relationships.

Bolstering local capacity with national support and tools was also discussed. Local efforts should be tied to a national case for support. Customizable fundraising programs, such as the “Heroes Campaign” need to be developed and implemented. Other suggestions included workplace giving programs and potential earned-income strategies. A nationally branded event that would take place in communities across the country was also discussed. A “Save a Life” walk could be a means to engage national and local corporations, government leaders and individuals and families.

Extending Red Cross Resources

The next discussions explored how to strengthen the Red Cross resources of volunteers, blood donors and partnerships. A common thread throughout these deliberations was the need to establish and nurture sustainable relationships. This includes exploring ways to broaden the engagement of blood donors through volunteer and fundraising opportunities. Reaching out to other institutions such as religious organizations and corporations was also a focus for extending our resource base. It is critical to offer a broad range of opportunities that fit with the mission and desires of the partner. Regarding volunteers, the need to target specific skill-sets was raised (e.g., social workers, civil engineers, etc.). Reaching out to trade associations and other professional organizations was offered as a tactic to expand our volunteer skill-set. However, we must focus on making it “easy” to volunteer with the Red Cross and ensure we reach out and engage volunteers in a manner that fits with how they want to be engaged with the Red Cross.

Building and Sustaining a Culture of One Red Cross

The last discussion groups turned their attention inward to focus on how we can truly execute our mission as one organization. Much of the discussions focused on our structure and history with attention paid to newer initiatives that will support the concept of One Red Cross (e.g., Strategic Plan, Service Areas, Chapter Performance Standards). “Unifying” our resources was discussed as a way to build on these initiatives. This includes collaborative fundraising, streamlining back-office functions, leveraging IT solutions and bolstering performance management systems. A clear and

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bd retreat

comprehensive articulation of the future organization is a critical step in aligning the activities, structure and leadership of the Red Cross.

BUILDING THE BOARD/MANAGEMENT PARTNERSHIP

The afternoon of the Retreat focused on strengthening the relationships between:

- Board of Governors and national leadership
- Board of Governors and field leadership
- National leadership and field leadership

The relationship between the Board and national leadership was seen as reasonably clear and effective. Attention focused on ensuring the Board is appropriately focused on governance issues and that management supports this by providing appropriate information such as results, finances, and the rationale and impact of decisions. The structure, format and agenda of Board meetings can facilitate this process. It was noted that management is clearly responsible for the operations of the organization and Governors should be involved in these activities at the request of the President and CEO or Chairman. The discussion groups emphasized that Governors should also actively support and engage in fundraising activities.

Governance responsibilities for the Board as it relates to the field centered around education, development and engagement. Education about the local board's governance responsibilities (e.g., charters, jurisdictions, standards, etc.) is a primary focus for Board engagement with chapters, as are updates on the Strategic Plan and relevant Board decisions. Governors must also help develop volunteer leaders to grow into potential nominees for the Board of Governors. It was felt that these education and development roles are best accomplished through direct engagement with local leadership.

The roles of national leadership and field leadership were felt to be fairly well understood. Two items to strengthen the relationship included aligned incentives and better communication. Aligned incentives focused on incorporating performance objectives of each into both national and field leadership performance plans. Ensuring local alignment with the national Strategic Plan was mentioned as an opportunity to reinforce the bond between national and the field. Lastly, communication needs to be consistent and constant, allowing local leaders time to fully understand the meaning and ramifications.

In conclusion, I found our discussions to be of great strategic value for the management team as we continue our execution of the Strategic Plan. It is clear that we must continue our efforts to prepare individuals, families and organizations for emergencies; strengthen our capacity for disaster response; and, continue to increase the supply of the safest blood possible for the nation. The critical nature of building strong and sustainable relationships with corporations, government agencies and community leaders was a resounding theme of this retreat and will be an ongoing focus for our endeavors going forward. I look forward to providing you updates on our efforts as the year progresses.

The divisions will support 2-5 regions within their assigned jurisdiction. Division VPs will be responsible for developing a plan for functional consolidation and achievement of the strategic requirements within their jurisdiction by the middle of January 2005. Division VPs will report to one of two Senior VPs in Biomedical Services, and the four Area offices will be closed early next year. The Senior VPs, located at national headquarters in Washington DC, are Don Dudley and Greg Vasse, who will be supported by existing Biomedical staff. Each region will continue to be led by a CEO who will report directly to their Division VP. Some regional CEOs will remain in their current positions while others are relocating, with a few of these positions yet to be determined. All of the leadership positions are effective immediately.

We believe this restructuring is a necessary change to our organization – one which will allow the divisions to focus on consolidated, quality-oriented functions and driving system efficiency – while enabling the regions to focus on growth and quality in collections and improving customer relations with donors and hospitals.

There will be additional changes at Biomedical Services at national headquarters. We will rebalance the areas of Quality and Regulatory Affairs and Operations, ensuring that appropriate activities are placed in their proper departments. We will also enhance the Medical Office by expanding its activities to include the development and management of a volunteer external scientific board, comprised of hospital physicians and PhDs of prominence in the industry. We will strengthen our sales and marketing function and develop mechanisms to increase customer satisfaction and product availability. Additionally, all real estate/construction activities currently residing in Biomedical Services will be transferred to national headquarters for efficiency and cost savings. Stan Roberts will be Vice President for Business Strategies, responsible for the BioArch Program. The role of headquarters will shift from directive to more supportive of field operations. These headquarters changes will be determined by the middle of January 2005.

The broad concepts behind these actions were discussed in a variety of venues, including the recent Biomedical Services field leadership meeting. Although there have been changes in Biomedical Services in the past, they have not taken our fundamental strategic requirements into account. Field leaders will work with senior headquarters management to design action plans for achieving these objectives, including appropriate staffing levels. A process will be determined to match the new structure with the skills, abilities, and desires of our personnel.

These changes will affect the lives of many Biomedical Services employees and their families. Every effort will be made to assist those affected by this transition. We will carry these actions out in a sensitive and dignified manner and in an atmosphere of open communication.

Questions regarding these changes in Biomedical Services can be referred to Jack McGuire at (202) 303-5351 or m McGuirej@usa.redcross.org.

To: Chairman McElveen-Hunter, Red Cross Governors
From: Marty Evans
Subject: Biomedical Services Announces Organizational Changes

Recently, Jack McGuire, Executive Vice President, American Red Cross Biomedical Services, announced that an evaluation of Biomedical operations, lines of service, culture, and structure revealed that changes are necessary to achieve new strategic priorities, while maintaining our fundamental mission of providing lifesaving blood and blood products to those in need. The following six strategic requirements were discussed:

- *Transform our organizational culture to a greater focus on customer service*
- *Increase blood collections*
- *Reduce costs*
- *Continuously improve our quality and compliance profile*
- *Build our internal management team from within the organization*
- *Reinforce the Red Cross brand*

Successful realization of these strategic priorities requires structural and functional changes to Biomedical Services in the months ahead. As you are already aware, in order to meet the challenges facing our organization, our nine National Testing Laboratories (NTLs) will be consolidated to five. The NTLs in St. Paul, Atlanta, Dedham, and Southern California are expected to be closed by March 31, 2005. The NTLs in Philadelphia, St. Louis, Charlotte, Portland, and Detroit will continue as core facilities. The Red Cross will optimize functions within the remaining facilities and provide the vital resources our NTLs offer in fewer locations.

As was announced earlier this week, the Red Cross, long recognized as a leader in tissue banking, has reached an agreement with the nation's largest tissue bank, Musculoskeletal Transplant Foundation (MTF), and will transfer its tissue donation program to MTF within the coming months. This transition is also in keeping with our current strategic requirements.

In the field, there will continue to be 35 overall Blood Services Regions; however, we will develop 11 Divisions, which will determine how to better accomplish many of the common functions within all regions (i.e. Finance, HR, IT, etc.). This structure should have a positive impact on the quality of Red Cross operations. With this new division structure, we can utilize economies of scale in order to ease responsibilities for individual regions, so their focus can shift to our hospital customers and blood donors. The divisions will be led by the following Division Vice Presidents:

- | | |
|-------------------|------------------|
| 1. Steve Brown | 7. Howie Waltz |
| 2. Chris Hrouda | 8. Peter Page |
| 3. John Taylor | 9. Joan Manning |
| 4. Mary O'Neil | 10. Ann Saunders |
| 5. Sharon Whitman | 11. Don Webb |
| 6. Tom Angle | |

BOG Email Update: Tissue Exit

To: All Board of Governors
From: Marty's email
Subject: Changes for Tissue Services

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

Biomedical Services continues to evaluate the ways in which the American Red Cross allocates resources to achieve our goals and maintain our core mission of providing a safe and available blood supply.

Accordingly, we have decided to discontinue our Tissue Services program. Rather than closing the program, we will transfer the operations to another non-profit organization, Musculoskeletal Transplant Foundation, Inc. (MTF). Founded in 1987, MTF is the nation's largest tissue bank. We selected MTF based on its status as a non-profit service organization and dedication to providing quality tissue through a commitment to excellence in education, research, recovery, and care for recipients, donors, and their families.

Given our current strategic imperatives, this decision is consistent with our mission. We deeply appreciate all the outstanding work performed by the Tissue Services staff over the last 22 years. We realize this decision will have an impact on many of our staff members. We are making every effort to best ensure that the transfer goes smoothly for all involved. It is anticipated that the transfer will be completed by the end of January 2005. Should you have questions, please contact Jack McGuire, Executive Vice President, Biomedical Services, at 202-303-5646. As always, please feel free to contact me as well.



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Marsha Johnson Evans
President and Chief Executive Officer

June 17, 2004

Mr. Peter Loftin
Chairman of the Board
BTI Telecom Corp.
9660 Falls of Neuse, Suite 138, #125
Raleigh, NC 27615

Dear Peter,

Thank you for your leadership as an American Red Cross Governor. Your dedication and service on behalf of this great organization has been appreciated.

It has been a pleasure to work with you, and I wish you the best in your future endeavors.

Warm regards,

Together, we can save a life

SFC-ARC-A001309

Policy Memorandum 02-02

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

Date: October 9, 2002

From: Marty Evans, CEO

Subject: Coordination with
Government Relations

Public policies formulated and implemented by a variety of governmental bodies directly influence the ability of the American Red Cross to fulfill its mission. If we are to maximize opportunities to advance our work, it is critical that the organization speaks with one voice when articulating our policy positions to these entities and the American public. The development and articulation of policy positions must be a team effort with the involvement of senior management and subject matter experts from across the organization. This includes the affected lines of service, Communication and Marketing, Government Relations, the Office of the General Counsel, and the President's Office.

It is important that coordination among Red Cross units occur well before we are asked to articulate a policy position. The Government Relations Department will be the lead unit to coordinate and facilitate public policy positioning for all Red Cross units. The scope of this responsibility includes:

- Coordination and development of policy statements and testimony before Congress;
- Coordination and development of position statements before federal advisory committees and other forums;
- Articulation of Red Cross policy positions before representatives of executive branch agencies;
- Coordination and development of policy positions articulated by Red Cross staff who may serve on outside task forces or committees;
- Coordination of statements made by Red Cross employees in articles submitted to scientific journals;
- Coordination of responses to proposed rules published in the *Federal Register*, and
- Coordination of persistent requests and responses to the executive and legislative branches.

To ensure these positions are fully considered in a timely manner, Government Relations will maintain a calendar of upcoming federal and state legislative and executive branch forums and provide this to senior management on a regular basis. With this coordination, we will ensure an organization-wide approach and promote a consistent organizational voice with federal and state policymakers. Jan Lane, Vice President, Government Relations (202-639-3482) is the point of contact if you have questions regarding this coordination effort.

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**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:** April 7, 2003

From: Marsha J. Evans **Subject:** Fourth Monthly Update

Despite the outbreak of war, which is keeping us very busy, there are many important matters we are addressing. Here is a summary of the past month's activities.

Iraq War Update

I recently shared with you an update of the activities the American Red Cross, the ICRC and our other Red Cross partners in the region. As we have all seen, activities in the region are fluid and changing. For a daily summary of activities, please visit:

https://corpweb.redcross.org/intl/iraq/ci_intl_movement_summary.asp

It very important to remember that, as the war itself comes to a close, Red Cross assistance from across the Movement is gearing up for a massive influx of humanitarian aid across Iraq and the surround area. Emergency communications and other AFES activities will continue while U.S. service men and women remain in the region and Red Cross chapters and other field units will continue to prepare America through *Together We Prepare*.

AFES: Red Cross chapters are providing a critical link between military families and their service members deployed to the conflict. Nearly 30 Armed Forces Emergency Services personnel are in the Persian Gulf region delivering messages to the extent that troop movements permit. Chapters are also providing invaluable support services to military families, including referrals for financial assistance, and are actively reaching out to the families of National Guard and Reserve members to familiarize them with available services.

Under the terms of our agreement with the Department of Defense, the Armed Services Blood Program Office has asked that we provide limited shipments of blood and blood products to them for a brief period of time. Our ability to help is based upon the blood being available at the time of the request. Should the military need additional shipments, they will come from blood in our inventories at that time.

Fundraising Progress: As you are aware, we launched a national fund-raising campaign on March 20, within the guidelines of Donor DIRECT, with tentative targets of \$6 million for the International Response Fund and \$8 million -- \$10 million to support Armed Forces Emergency Services. This campaign is another opportunity for local units to show their communities the importance and timeliness of Red Cross services. Our efforts received a jump start with a \$5

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million leadership gift from the Lilly Endowment. I would like to acknowledge the important role of John Lyter, CEO of the Greater Indianapolis Chapter, in cultivating and managing the Red Cross relationship with the Lilly Endowment and for working with the Growth and Integrated Development Department to secure this much-welcomed gift.

Communications: In January, I recorded wartime response and military support PSAs, which highlight our support of military families, our humanitarian relief efforts during time of war and appeal to the public for support our efforts. Since the onset of events, CNN, CBS, *USA TODAY*, *Yahoo!* and AOL Time Warner among others have generously donated space for placement of our PSAs. We continue to work to secure additional placements and have encouraged chapters to support the campaign by making free copies of the advertising available to them to place locally. We also must recognize the local-unit employees and volunteers, whose experience and connections to those we serve are often exactly what the media are looking for when they seek stories that resonate with their target audiences.

Disaster Relief Fund

Meanwhile, as part of our overall fund-raising efforts, we are continuing to seek contributions for the national Disaster Relief Fund. In February, the fund balance stood at \$26.2 million – a drop of almost \$57 since the beginning of this fiscal year. To make matters worse, \$14 million of the fund is restricted by donors to specific geographic areas. This depleted balance could hamper our flexibility in the event of a major disaster, and we are working hard to build it back up.

Together We Prepare

I am greatly encouraged by the enthusiastic reception from chapters, government and media of our initiative to educate the American public about the simple steps they can take to better prepare themselves for disasters and other emergencies. During his March 31 speech at the Port of Philadelphia with front-line Coast Guard personnel, President Bush singled out the Red Cross on three separate occasions, praising our volunteers and our vital role in the nation's homeland security.

Earlier, I highlighted the *Together We Prepare* effort in a keynote address before the Global and Homeland Security Summit and in a speech to state homeland security directors sponsored by the National Governors Association. I have also promoted the initiative's value to groups of donors, local emergency planning officials, and others during a number of chapter visits, including the Delmarva Chapter's kickoff. Bob Bender, CEO of the American Red Cross in Greater New York, joined me in a well-attended breakfast briefing for media outlets. I am heartened by the response each time.

We also recently accepted an invitation from Fox's Bill O'Reilly to appear on the April 1 edition of "The O'Reilly Factor." During that program, Chuck Connor, Senior Vice President, Communication and Marketing, succinctly and successfully conveyed our program and fund-raising messages across to host Bill O'Reilly, who was largely positive in his questioning.

2002 MURM

Convention 2003

Delegates to Indianapolis for the annual convention will find a new approach, offering greater involvement from the field, a stronger emphasis on training, plus solid learning objectives and take-aways for each training session. A major feature of the May 30 – June 1 meeting will be the launch of the Strategic Plan. Please join David McLaughlin and myself for a candid conversation during the President and Chairman's Forum on Sunday, June 1. You will soon be receiving detailed information on the Board meetings and convention activities from the Board Office.

Headquarters Begins Move to 2025 E Street

I am pleased to report that several departments have begun moving into our new national headquarters building at 2025 E Street here in Washington, D.C.. It was a decade ago that the Board approved the Strategic Real Estate Plan, deciding to consolidate all of our national headquarters offices into a downtown D.C. campus. Having the majority of national headquarters employees and volunteers located within walking distance of each other will promote efficiency, effectiveness and ultimately, better service overall.

I invite you to visit 2025 E Street as it fills with Red Crossers over the next few months. This construction project recently received two awards from the Washington Building Congress. Tom Samra and his team have worked tirelessly to make certain that construction timelines were met, ensuring an early 2003 opening. In our new building, the average cost of construction was \$22/square foot, compared to a D.C.-wide average of \$42/square foot for significant savings to the Red Cross. It is truly a great resource for every Red Cross employee and volunteer — regardless of the location of their home unit.

Building Relationships on the Hill

March and April are busy months for us on Capitol Hill, as the Red Cross moves our funding requests for AFES and Homeland Security activities forward. With regard to AFES, we are working with select members of the Senate and House Armed Services Committees, and the Defense Appropriations Subcommittees in both houses, to press our case for funding. Over the past few weeks, Alan McCurry and I have spoken with House Defense Appropriations Chairman Jerry Lewis (R-CA) and Ranking Member John Murtha (D-PA) to position Red Cross for possible funding in the FY03 Supplemental Appropriations bill (for costs directly related to the Iraqi situation) and the FY04 Defense Authorization and Appropriations bills. During April, we will meet with leadership of the newly formed Homeland Security Appropriations Subcommittees concerning our request for support to help fund information technology, badging and background checks for personnel, training and client support requirements.

We also have updated staffers in almost 80 offices in the House and 27 offices in the Senate on *Together We Prepare*, linking them back to chapters in their jurisdictions to which they can refer constituents requesting information about emergency preparedness. We are working with the Sergeant At Arms' Office in the Senate to provide CPR/First Aid training for nearly 250 staff on April 24.

Red Cross Travel Log

Internal to Red Cross, I emphasized the importance of cooperation between national headquarters and Biomedical Services headquarters and regions at the Biomedical Leadership Team meeting in Nashville at the end of February. Attending the Midwest-North Central Regional Meeting in early March, I met with executives from the Kroger Corporation to explore future collaboration, and during a visit to the American Red Cross of Massachusetts Bay, I personally thanked Gillette CEO James Kilts for his Duracell subsidiary's support of the *Together We Prepare* initiative. A Strategic Forum session in Los Angeles afforded an opportunity to have positive discussions with the Lincy Foundation. From there, I went on to the Oregon Trail Chapter to speak at their inspiring Breakfast of Champions and attend their Strategic Forum session. I also joined them in discussions with the Nike Corporation.

Congratulations

The Red Cross is recipient of the 2003 AFP/Kintera Award for Outstanding Achievement in Internet Fundraising awarded by the Association of Fundraising Professionals (AFP). This award recognizes organizations that demonstrate excellence in using the Internet and related technologies to create new and innovative fundraising tools, programs and models, with the winner chosen by other nonprofit fund raisers.

Though the war continues to be the focus of our efforts to do our very best work, you can see that we are not letting other opportunities pass us by. Please feel free to call me at any time with your thoughts or suggestions. Should events warrant, I will be in direct contact immediately; otherwise, I look forward to sharing more with you next month.



**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: February 21, 2003

From: Marsha J. Evans

Subject: Third Monthly Update

Although we just met two short weeks ago, events are moving quickly on several issues of vital importance.

Important Biomed Update

The investigation into the white particulate matter found in red blood cell units continues. This material has been identified as aggregated platelets, a normal blood constituent. The American Red Cross, the Food and Drug Administration (FDA); the Centers for Disease Control and Prevention (CDC); the Holland Laboratory; Baxter Healthcare, the blood-bag manufacturer; and Emory University have aggressively investigated this phenomenon over the last three weeks. A number of non-Red Cross blood center and the military blood supply have also reported instances of particulate material. There has been a thorough review of the nature of the particulates as well as a review of all adverse patient reaction reports by both the Red Cross and the Georgia Department of Health. There was no indication of an increase of adverse reactions related to units transfused to patients during this time period. Based on the vigorous investigations completed by the Red Cross, Baxter and CDC, the FDA allowed the release of 19,000 previously quarantined blood units in Nashville and Atlanta. A key remaining issue is determining the set of circumstances that cause the formation of these particulates.

A summary report is being prepared to outline the findings related to this problem. The "preliminary conclusions" of this report are:

1. there has been no increase in adverse patient event reporting among Red Cross regions
2. the particulate matter is of biologic origin and is composed primarily of platelets
3. the presence of particulate matter is positively associated with platelet-rich components
4. the presence of particulate matter is positively correlated with hard spun packed red cells prior to leukoreduction and
5. white particulate matter is prevalent and pronounced, occurring earlier in the process.

On February 7, the Red Cross signed an agreement to provide supplemental blood to the Department of Defense, should the need arise. Earlier this month, I shared with you, and to the service delivery units in the field, the Red Cross plan and that of our blood banking partners to accommodate a surge in blood donors, as was seen in the wake of September 11, 2001.

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Together We Prepare Takes Center Stage

Despite the paralyzing snowstorm of February 15-17, we have enjoyed great success in telling the American public about the simple steps they can take to better prepare themselves for disasters and other emergencies. As you know, we were most pleased to join Homeland Security Secretary Tom Ridge for his launch of the federal government's "Ready" campaign at the Cincinnati Area Chapter on February 19. The event attracted wide media coverage, and leveraging that momentum we publicly launched *Together We Prepare* the next day. Media push included an interview on CNN, a media teleconference and a satellite media tour. The heavy media coverage we have received (thanks in no small measure to our chapters and Blood Services regions pitching the event to their local outlets) is being supplemented with an array of *Together We Prepare* advertising. The umbrella campaign we have developed depicts the broad range of ways people can prepare themselves and their families with the help of the Red Cross. Red Cross PSAs will be placed in select affiliate broadcast and cable TV stations, radio stations, magazine media and 100 top newspapers in mid-March. We are buying print ads in key magazines, and will also make available printed billboards and a finite number of airport dioramas. All this advertising will be made available to local units for placement as well.

President's Day Storm

While the President's Day storm brought cities in the Northeast and elsewhere to a halt, the Red Cross continued its work unabated. Substantial disaster relief operations were launched in West Virginia, Virginia, Ohio, Kentucky and Tennessee. Local chapters in the affected areas reported sheltering and feeding activities as a result of the severe winter weather, while with local Disaster Action Teams continued to respond to fires and other local emergencies. At national headquarters, disaster workers at the Call Center camped out and continued to answer calls around-the-clock, providing information and referrals for anyone seeking advice on personal and family safety. Simultaneously, the extreme weather along the East Coast severely impacted the blood supply, leaving certain parts of the country with less than a one-day supply. To avert a worse blood shortage, the Red Cross issued a nationwide appeal, urging donors in communities not affected by the storm to schedule an appointment or visit a blood drive in their local area.

The blizzard also made it impossible for me to personally travel to the Partners in Progress (PiP) conference in New Orleans, where Red Crossers grappled with finding solutions to the challenging of today's fund-raising environment. Despite the weather, more than 500 participants made it to Louisiana to exchange fund-raising tips of the trade. I was able to address the attendees via a conference call and was buoyed by their spirit even as senior management and I share many of their concerns. Together, we will work on solutions guided by the new strategic plan.

Even as we focus on preparing America, the Red Cross must also ready itself for the possible coming conflict. A war will heighten the demand for many Red Cross services at home and abroad. Given the mounting tensions, we're updating our contingency operations plan for the headquarters offices in Washington, D. C., and the surrounding metro area. We have also sent detailed guidance to field units, including resources to use when responding to questions on biological and chemical hazards and other issues. We will continue to include you on these messages so that you have access to the source material, as it is very important for all of us to

strictly adhere to expert guidance. America is now turning to the Red Cross, and we will rise to meet the expectations of our public.

International Activities

On February 11-12, representatives from the five key measles partner organizations—the American Red Cross, UN Foundation, CDC, World Health Organization and United Nations Children’s Fund—reconvened at the Third Annual Partners for Measles Advocacy meeting. During the two-day conference, which included the five partners, the Federation, Pan American Health Organization and others, examined the successes and challenges of the 17 mass vaccination campaigns conducted across Africa so far. I continue to take great pride in our Measles Initiative, already a proven success as I have described in previous updates. Earlier this month, I met with Tim Wirth, the President of the United Nations Foundation. We discussed opportunities to expand our relationship outside Measles as well as efforts to engage and integrate our organizations’ youth in the Measles Initiative and other projects.

Preliminary Polling

Telling the Red Cross story locally is critical to public opinion. On February 1-2, we fielded a public opinion poll to track public perception of the Red Cross. Across the entire population, favorability is up 5 points since November and trust has held steady at 75 percent. Favorability and trust have increased among younger adults (18-44) and declined among older Americans (55 and older). Unfortunately, awareness of local Red Cross chapters has continued to decline—from 75 percent in January 2002, to 69 percent in November 2002, and to 65 percent in February 2003. Preliminary analysis of the poll data provides strong support for targeting the *Together We Prepare* campaign to younger adults and reiterates the importance of keeping strong messages—such as those of *Together We Prepare*—about local Red Cross services in front of the public. I will be providing you with a much more detailed analysis of this poll shortly.

Chuck Connor, Senior Vice President, Communication and Marketing, has been sending you our *Good News* weekly e-mail, keeping you abreast of the increasingly positive news coverage the Red Cross has recently received. I think that this is an important resource, as often our tendency as crisis managers is to magnify negative coverage, which is a small percentage of our total media presence. On February 12, I met with Eddie Fritz, Executive Director of the National Association of Broadcasters (NAB). We taped a segment for its monthly *Telejournal* program (that essentially serves as the video version of the TV broadcasters’ trade magazine), which aired February 21. It was an excellent opportunity for me to introduce *Together We Prepare* and to preview two advertising spots to the 1,000 TV stations that will also receive PSAs.

Building Relationships, Strengthening the Red Cross

Without resources and support at the grassroots level, the Red Cross cannot succeed. On February 11, the Red Cross signed a Memorandum of Understanding with the Boy Scouts of America, led by my friend and former colleague, Chief Scout Executive Roy Williams. This agreement provides a real opportunity to increase first aid training throughout neighborhoods across the country by equipping more than 3 million youth and 1.2 million adult Scouting volunteers with the skills they need to save lives. I believe this is one of the more important agreements signed in recent months and I found the enthusiasm and selflessness of the young

Scouts who attended the ceremony invigorating. I recognized several who had already used their skills to save a life, including John Reese III, who at the age of 9 had saved his brother from a burning house. Our longstanding relationship with the Boy Scouts will no doubt continue to save lives—and the Red Cross will benefit from the creativity and talents of individuals within the Boy Scout organization who choose to become Red Cross volunteers.

To help tell our story in ways that resonate with Americans of all interests, I'm delighted to announce that we have secured 15 members for our 2003 National Celebrity Cabinet. Fellow Governor Sherry Lansing has been tremendously generous in stewarding this year's recruiting effort. The 2003 cabinet includes: Randy Travis (country music artist), Jimmie Johnson (NASCAR driver), Nicole Miller (fashion designer), Jamie-Lynn Sigler (actress and Broadway star), Al Roker (NBC's "*Today*" show), Kurt Warner (St. Louis Rams quarterback), Heidi Klum (supermodel), Ruben Blades (actor, artist and composer) and Peyton Manning (Indianapolis Colts quarterback). We are also thrilled that six of the current Celebrity Cabinet members have opted to continue with us for another year: Chi McBride (FOX's "*Boston Public*"), Jane Seymour, Nancy O'Dell, Marlee Matlin, Lonestar and Tim McGraw. I ask that you please keep the members of our 2003 Celebrity Cabinet confidential until the formal press announcement and launch event, scheduled for mid-April.

Currently, we're finalizing the sessions and programs for the 78th Annual American Red Cross Convention, hosted by the Greater Indianapolis Chapter. This year's convention theme, "Setting the Course," represents the mindset each and every one of us must adopt to best serve America. This year's meeting will feature more integrated programming, new and different venues for dialogue and networking as well as inspirational and motivational sessions. The unveiling of the organization-wide strategic plan will provide a platform for interactive sessions on how to meet the plan's goals and objectives at every level. Again, you will hear much more in the weeks ahead as we get closer to convention.

Please feel free to call me at any time with your thoughts or suggestions. Should events warrant, I will be in direct contact immediately; otherwise, I look forward to sharing more with you next month.



**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: January 16, 2003

From: Marsha J. Evans

Subject: Second Monthly Update

Happy New Year! As you know by the communications you've been receiving, the holidays were a busy time for the American Red Cross. We're working hard on several fronts to advance our interests with many of our internal and external stakeholders and constituents.

On January 2, we announced an exciting, new initiative, *Together We Prepare*, designed to showcase how the Red Cross can – and already does – prepare each person and each family, helping make every community safer in these uncertain times. The campaign emphasizes five simple actions that every individual and every family can take to be better prepared for whatever may come:

- Make a plan
- Build a kit
- Get trained
- Volunteer
- Give blood

These are precisely the types of activities for which many Red Cross chapters are already known. In the weeks ahead, we will be providing the field with collateral materials, marketing tools, and guidance regarding the overarching program. This initiative will also be the guiding theme for Red Cross Month 2003.

Of course, we must explore other avenues for boosting the public's understanding of the vital functions of the Red Cross. In spring 2003, we're launching an advertising campaign that will extend our tagline promise, *Together, we can save a life*, to the American public. Its aim is to help to build relevance and a sense of engagement in our organization among the public and key stakeholder groups. A presentation on this effort is scheduled for our January meeting.

We've discussed our shared concerns about incidences of fraud and misappropriation that have recently surfaced in a small number of our field units. On January 1, we debuted a new resource to assist in upholding the Red Cross' organizational values as well as helping prevent incidents of organizational misconduct. The Concern Connection Line, (1-888-309-9679), is now available 24 hours a day and provides employees and volunteers with a means to report suspected

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theft, fraud, discrimination, harassment, or any misconduct that could violate the Red Cross Code of Conduct. Our new Compliance and Ethics Officer, James M. Byrne, will directly supervise the operation of this new resource, and I will keep you informed of any significant issues uncovered via the Concern Connection Line. This effort enhances our effectiveness and accountability and helps reinforce the public's trust in us.

As I wrote to you on December 20, the Food and Drug Administration's (FDA) inspection of Biomedical Services' headquarters closed with 213 Form 483 observations. We understand more work needs to be done to further strengthen our processes and procedures and we are committed to that effort. At the same time, the Red Cross is working with the Department of Health and Human Services (HHS) and the FDA in an effort to reach a resolution regarding our ongoing litigation of the 1993 Consent Decree. Going forward, we want to get the Consent Decree behind us so we can focus on the vital goal we share with the FDA—ensuring a safe and available blood supply for all Americans.

Because blood is often in short supply during the well-traveled winter season, I joined HHS Secretary and Board of Governors member Tommy Thompson, along with our blood banking partners, the American Association of Blood Banks and America's Blood Centers, at the recent kick-off of the federal blood challenge campaign. The campaign, "Give Thanks, Give Life, Give Twice," encourages federal employees to give blood at least twice this fiscal year. After the speeches, we joined others in the government by rolling up our sleeves and giving blood. This is perhaps the most concrete example of the untapped resources presented by the federal workplace, and we will continue to press our interests with the legislative and executive branches of government at the state and federal level. In a similar vein, I was privileged to represent our organization on November 25 at the White House signing of the Homeland Security Bill, which should afford our organization ample opportunity to help our neighborhoods and communities prepare for new threats in these uncertain times.

On a somber note, we are preparing the organization to respond in the event of an armed conflict with Iraq, being mindful of the principle of neutrality that guides the International Red Cross and Red Crescent Movement we serve, while fulfilling our Charter obligation to support members of the armed forces and their families. As in times past (and most recently in Afghanistan), AFES workers will deploy alongside service members should it become necessary. In preparation for conflict, we have been working with the Pentagon to determine staff requirements, while coordinating internally to ensure adequate volunteer support for military installations and hospital commands. We are also working closely with our partners at the Federation and ICRC, and with our sister societies in the region to plan a detailed humanitarian response to possible flows of refugees and internally displaced persons in the event of hostilities. To help clarify our Red Cross role and activities in the eyes of the public, I have taped a PSA spot for TV and radio that highlights our services to military families and support for refugees abroad, for use if the situation escalates. I will keep you fully informed as events unfold.

We've been making additional efforts to strengthen the partnerships that enable us to help people beyond our country's borders. Last month, I chaired a panel at the 25th anniversary symposium of the Pan American Health Organization, an agency of the United Nations (UN). The World

Health Organization, UNICEF, the CDC, and the UN Foundation are our strategic partners in one of our most aspiring programs, the Measles Initiative. I also was very happy to meet before the holidays with Didier Cherpitel, the Secretary General of the International Federation of Red Cross and Red Crescent Societies. We had a positive meeting that focused on building a stronger relationship, thereby enhancing support for each other's organizations in time of disaster. I will meet with our international Red Cross leadership in Geneva next week.

Also in December, the Red Cross and its Measles Initiative partners recent completed a mass measles vaccination campaign in Ghana. In one week, the Initiative helped to vaccinate nearly eight million children—more than 102 percent of the targeted population—against the highly contagious and deadly scourge of measles, completing the last of nine countries for last year's scheduled vaccination campaigns. Your fellow Governor Michael Hawkins also joined the trip. To date, nearly 72 million vaccinations have been given to children across Africa, saving an estimated 106,217 lives. In fact, the Red Cross documentary film, *Disease of the Wind*, takes viewers to Kenya with actress Jane Seymour and eight middle-school students from California to chronicle the tragedy of measles and the race to eliminate the disease. Debuting in November at the Deep Ellum Film Festival in Dallas, the film earned two awards - the audience choice awards for Best Documentary and the Lionel Rogosin award for "excellence in execution and spirit for a film that serves to help impact the world in a positive way through its message."

I'm personally looking for more opportunities for positive media exposure, and I welcome the news that Board of Governors members are receiving media training during their next meeting. Last month, I traveled to New York for an interview with Rita Cosby, host of the "FOX Wire" program on the FOX national network. Governor Peter Loftin was instrumental in arranging this opportunity. The piece aired December 8, and I was pleased with the opportunity to discuss the Red Cross, our programs and services, and our need for financial support with the FOX audience, which is now larger than CNN's. In fact, December provided many opportunities to highlight the work of the Red Cross in the media. The "CBS MarketWatch" column on cost-effective charities noted that watchdogs groups American Institute of Philanthropy and Charity Navigator gave the Red Cross their highest rating. Our proactive media plan promoting the "Top Five Disasters of 2002" received more than 35 national newspaper and television media hits, including the *USA Today* info graphics on their front page and a placement in UPI. Also in *USA Today*, the Health, Safety and Community Services' AED print ad received a donated full-page placement. While in Phoenix this past week for the Metro Chapter Managers meeting, I held a brief, but very productive, editorial board meeting with local media including *The Arizona Republic*. Also, look for the January 31 quarterly report of the Mitchell Plan—it will be his fourth report and the one-year anniversary of the first report. I fully expect it to be a positive reflection of our efforts to serve those affected by the September 11, 2001 attacks.

I found the Metro Managers' meeting a very useful venue for hearing the unvarnished views and suggestions of the executives responsible for serving our largest markets. I am fully aware that our rising trust numbers have not translated into corresponding fund-raising revenues for several chapters. I also heard some great stories of executives building relationships in their communities, becoming less reliant on traditional fund-raising strategies, and engaging their local Boards in these efforts. I have tasked our Development team, led by Skip Seitz and Michael

Farley, to work closely with chapters, on an individual basis if need be, to bolster local fund-raising performance. We can offer strategies to divert revenue sources away from an over-reliance on direct mail. We will be monitoring this situation closely, and Governors will be fully briefed on the financial situation at their Board meeting later this month.

To gain a better perspective on these and other operational challenges--and successes--I have continued to regularly visit Red Cross field units. When in Arizona, I spoke with the CEOs of the Grand Canyon Chapter, the Southern Arizona Chapter and the Arizona Blood Services Region. I've also met with the employees and volunteers at the St. Louis Area Chapter and the Greater Hartford Chapter. Just before the holidays I traveled to the Greater Indianapolis Chapter. As you know, Indianapolis will be the site of the 2003 American Red Cross National Convention, so I took the opportunity to meet with some of our supporters there, including the Lilly Foundation and the Indy Racing League.

We are also forging ahead with the draft of our new Strategic Plan. On December 9, we invited our corporate partners (including 3M, American Express, AT&T, Citigroup, Exxon/Mobil, IBM, Johnson & Johnson, Lowe's and Marriott) to Washington, D.C. to share their expectations and their suggestions for change. The initial draft of the plan, based on the wide-ranging input from our customers, chapters, Blood Services regions and state Service Councils, was presented to the Executive Committee on January 10. The full Board will have the opportunity to weigh the draft plan at its late-January meeting. Following that, we will disseminate the draft throughout the various segments of the organization for comment, with the final plan to form the cornerstone of discussion at the 2003 convention.

Finally, as I mentioned in November, we are preparing a notebook for each Governor that will include key message sound-bites, PowerPoint presentations on timely and "evergreen" issues, along with a speech suitable for delivery to Rotary clubs and other organizations. These will be provided to each of you at the Board media training scheduled for January 31, and mailed to those of you not in attendance.

Best wishes for a happy and productive 2003. 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
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**National Headquarters
Office of the President and CEO**

Together, we can save a life

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

Date: April 22, 2003

From: Marsha J. Evans

Subject: Update on Key Issues

To ensure you are fully informed on key issues facing the organization, I have summarized recent activity on several fronts, as follows:

Consent Decree Update

As I communicated to you at the time, the revised consent decree with the Food and Drug Administration was signed on April 11 and entered in the court on April 15. The contempt charges were lifted, the 1993 Consent Decree was vacated and we are now operating under the revised decree. Media coverage was relatively light and has since abated. We are moving forward to meet the 10-day, 30-day, 60-day and 90-day requirements of the decree. We are completing an extensive plan to educate employees about the provisions of the decree and to celebrate our future success.

KMI is in final stages of evaluating the Continuous Improvement Program (CIP), a key element of Biomedical Services' strategic plan that calls for significant investment in quality assurance, information technology and infrastructure. A brief will be presented during a combined meeting of the Biomedical and Audit Committees in Indianapolis next month.

Media Coverage of IRS Form 990

As I alerted you on April 21, we were contacted last week by a Cox Newspaper Syndicate reporter who was writing an article on the 990 and, in particular, Dr. Healy's compensation. To date, the story has only been picked up by three of the 34 Cox newspapers, the *Atlanta Journal Constitution*, the *Columbus Dispatch* and the *Dayton Daily News* in Ohio. Seven messages have been received through the Public Inquiry unit.

Iraq War Update

Though the military aspect of this conflict is abating, the humanitarian needs in this unstable region will be present for some time. To date, the American Red Cross has been supporting the efforts of the International Committee of the Red Cross (ICRC) and the Federation in Iraq. The American Red Cross has provided multi-faceted resources to augment the Movement's efforts, specifically in the area of technical expertise, material goods, cash and family tracing services.

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We have met ICRC and Federation requests for cash by sending an initial \$100,000 to each appeal. Three American Red Cross International Response Team members have been on loan to the Federation in support of Movement efforts, and to date we have facilitated delivery of 126 "safe and well" messages to family members here in the U.S., while assisting with ongoing family tracing services. Our national society has augmented the ICRC's pipeline support capacity with in-kind material support, including thousands of blankets, water containers, kitchen sets, hygiene parcels, tents and tarps. These have been either sent for use in Iraq or positioned in neighboring countries in the region for eventual distribution.

Late last summer – when the war with Iraq seemed imminent – Armed Forces Emergency Services (AFES) began contingency planning. Thirty-three Red Cross workers are now in the Persian Gulf region operating nine offices to support the 250,000 troops assigned to Operation Iraqi Freedom. The AFES Centers have served a record number of families in the three months between January 1 - March 31, 2003, with March setting a record at 20,768 families served. Chapters and AFES stations have briefed thousands of deploying National Guard/Reserves and are currently heavily involved with Family Support activities in their local communities.

Regarding our agreement with the Department of Defense, the Armed Services Blood Program Office has thanked us for our support of their blood needs during the Iraq war and has indicated that they will not need additional assistance.

Fund-Raising Campaign

On March 20, we launched a national fund-raising campaign, within the guidelines of Donor DIRECT, with a tentative target of \$6 million for the International Response Fund and \$8 million to \$10 million to support Armed Forces Emergency Services. As of April 17, the fund-raising grand total for the AFES *and* International response in Iraq is \$6,222,776. This includes \$5,974,901 for the AFES-Iraq Response, with the substantial amount resulting from the \$5 million Lilly Endowment gift. The International Response total stands at \$204,813, with over half of that amount (\$102,000) stemming from online donations. The Iraq Crisis Relief and Recovery program has garnered \$43,061.

We have worked extensively to ensure that all the communication materials reflect the most up-to-date AFES, International Services, fund-raising and financial language for our external and internal audiences. Special attention has been given by Development's In-Kind unit to develop guidelines in regards to quality of life and media inquiries. We have also maximized story opportunities related to AFES services and corporate partnership efforts (such as our new relationship with Nextel) with interested media, with an underlying goal of helping raise dollars for the organization. We continue to proactively target our messages to appropriate outlets as the *Wall Street Journal*, *Washington Post*, "Moneyline," *Chronicle of Philanthropy* and other top-tier media.

We continue to encourage donated placements of our wartime response advertising campaign, designed to promote fund raising and communicate our support for the military and humanitarian relief efforts during conflict. On the airwaves, these PSAs continue to appear on CNN, Fox

Swann memo
to McLoughlin
April 22/03

News Channel, CNBC and CBS, among other national networks. We also received the generous assistance of the National Association of Broadcasters, which made the PSAs available via satellite transmission to all local affiliate TV stations nationwide in early April. Additionally, 10-second fund-raising scripts are being read by radio announcers on stations in 28 of the largest media markets across the country, thanks to a donation by Metro Networks, the nation's largest supplier of traffic, news, sports and weather programming. In print, our Wartime Response PSAs have received prominent donated placements in both *Business Week* and *USA TODAY*. We continue to work with members of national media and online sites to secure placements that will support fund-raising for our critical service delivery efforts. We encourage chapters to support this campaign by ordering copies of this advertising free of charge from the advertising unit.

Building Relationships on the Hill

We continue to be very active on Capitol Hill, pressing our appropriations requests for AFES and Homeland Security. For AFES we are seeking \$6.1 million to cover the costs associated with support during the Iraqi conflict; \$35 million through the fiscal year 2004 Defense Appropriations bill to help fund costs associated with Department of Defense (DoD) requirements for emergency communications; and statutory language that will require DoD to include funding in the President's budget starting in FY05.

While we have secured bipartisan support for these requests, members and committee staff have indicated that the \$35 million request is a tall order. Senators Nickles, Dole, Inhofe, and Roberts have expressed support. In the House, I have met with Rep. Jerry Lewis (R-CA), Chairman of the House Defense Appropriations Subcommittee; Rep. Ike Skelton, Ranking Member, House Armed Services Committee; and conducted several discussions with Rep. Jack Murtha, Ranking Member of the House Defense Appropriations Subcommittee. COO Alan McCurry and the Government Relations staff have held a number of other meetings with key members and committee staff as well. We continue to meet with Pentagon officials to determine their requirements and support for inclusion of AFES costs within their FY05 budget requests.

Unfortunately, despite efforts by Rep. Murtha, the \$6.1 million sought through the FY03 war supplemental was not included during conference committee. Should a second supplemental bill develop, we will continue to advocate for inclusion of this funding. For Homeland Security, we are requesting \$31.1 million to cover costs associated with critical information technology upgrades and protections; community-based training; badging and security clearance for 37,000 Red Cross employees and volunteers supporting federal, state and local disaster response efforts; and support for the Disaster Relief Fund.

From our meetings to date, we have learned that Red Cross is seen as a unique part of the direct support needed for first responders. The definition of "first responder" is evolving in Congress, and indications are that members are not satisfied with limiting the definition and funding opportunities solely to police, fire and emergency medical services. I hope to meet shortly with the Chairman and Ranking Members of the Senate and House Homeland Security Appropriations Subcommittees, and other key members of these committees. I appreciate the support provided

by Rick Grinnan and Steve Carr to facilitate meetings with their Senators, both of whom serve on key Appropriations Committees overseeing these appropriations.

Headquarters Move to 2025 E Street

I am pleased to report that several departments have begun moving into our new national headquarters building at 2025 E Street, N.W.. It was a decade ago that the Board approved the Strategic Real Estate Plan and decided to consolidate all of our national headquarters offices into a downtown Washington, D.C., campus, reunifying an organization that has until now been split into several suburban locations. Having the majority of our employees and volunteers located within walking distance of each other will promote efficiency, effectiveness and ultimately, better serve to the American public, our chapters and the rest of the field.

The Board of Governors office is scheduled to move from Red Cross Square to 2025 E Street on July 11. My office will be relocating to the new building on April 30.

It is worth noting that the 2025 E Street construction project recently received two awards from the Washington Building Congress. Tom Samra, Vice President of Real Estate, and his team have worked tirelessly to ensure that construction timelines were met so that the project would stay on schedule for an early 2003 opening. In addition, for a variety of reasons, the average cost of construction of our new building came out to \$22 per square foot, compared to a D.C.-wide average of \$40. This model facility is a resource for every Red Cross employee and volunteer – regardless of the geography of their home unit. Should visiting Governors desire to work in the new facility before July 11, please contact Barbara Henderson at (202) 639-3930; e-mail hendersonb@usa.redcross.org.

Convention Materials

The national convention is fast-approaching. Delegates to Indianapolis will find an innovative new approach, offering greater involvement from the field, a stronger emphasis on training, plus solid learning objectives and take-aways for each training session. A major feature of the May 30 – June 1 meeting will be the launch of our new Strategic Plan. I also want to invite you to join David McLaughlin and me for a candid conversation and Q&A during the Chairman and President's Forum on Sunday, June 1. Governors will receive their materials, including highlights of the convention schedule, around May 16.

Summary of Increases in Health Insurance Costs – 2003 and 2004

The American Red Cross Life and Health Benefits Plan, which provides a broad range of health and welfare benefits to approximately 730 participating Red Cross employer units, has a combination of self-insured and fully insured medical options. Approximately 70 carriers represent a total of approximately 200 options. All self-insured pricing and insured renewals are done on a calendar-year basis. Approximately 40 percent of enrollment is in self-insured PPO arrangements, with Aetna as the dominant network provider.

For the 2003 year, we revised the way that the self-insured pricing was structured. In previous years, a rate was established for each individual unit, factoring in demographics, claims experience and enrollment rates for each unit. This caused unusual and inconsistent rates and volatility in rates from year to year. For 2003, we converted to regional pricing, with most units falling into one of five pricing bands based on the cost of health care in their geographical region. Cigna was added as a second network for the self-insured PPO plans, contributing an estimated cost savings of 2.6 percent.

For 2003, the self-insured PPO options increased by an average 13 percent, a few percentage points below the national trend for PPOs. However, due to our restructuring of the pricing, there was a wide array of impacts on individual units, from decreased amounts of over 50 percent to increases of approximately 60 percent.

The insured HMO contracts, both community-rated and experience-rated, also represented a wide range of adjustments, with the average increase being 16.7 percent excluding Aetna, and 20 percent including Aetna. The Aetna HMOs were moved to a self-insured basis for 2003, for an expected cost savings in excess of 5 percent. The range of insured renewals was from 0 percent to 75 percent. The national trend for HMOs was in the 18-20 percent range, slightly higher than what the Red Cross experienced.

For 2004, we are expecting less variation on the self-insured PPO pricing because we transitioned to the geographical-based pricing model. While we are in the early stages of reviewing claims data, we expect that rates will need to increase by approximately 15 percent for 2004. It is expected that for the insured HMO contracts there will again be a wide range of increases, but the average is expected to be approximately 18 percent. We will have final self-insured pricing and the bulk of HMO renewal rates by mid-July.

Please feel free to call me at any time with your thoughts or suggestions. Should events warrant, I will be in contact immediately. In the meantime, I look forward to seeing you all in Indianapolis.



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

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To: Chairman McElveen-Hunter
Members, Board of Governors

Date: September 15, 2004

From: Marsha J. Evans

Subject: Red Cross Seeks Government
Funding for Hurricane Relief

Yesterday, September 14, President George W. Bush asked Congress for an additional \$3.1 billion to help Florida and other states cope with the massive hurricane damage sustained over the past several weeks. Included in that request is \$70 million for the American Red Cross. The request comes even as Hurricane Ivan bears down on the Gulf Coast states, potentially adding to the \$63 million in anticipated Red Cross relief expenses from Hurricanes Charley and Frances.

As discussed in our conference call of September 7, we are working with our federal partners to seek this funding in addition to the generous outpouring of financial support from public and corporate donors in what some are calling the largest-ever Red Cross response to a natural disaster. I assure you that aggressive fundraising efforts will continue, and we will work at all levels to ensure the highest visibility for our ongoing relief efforts. I have taken the opportunity to personally brief the President on our response while accompanying him on a tour of the hurricane-ravaged regions of Florida and on the flight back to Washington. In his request to Congress, President Bush stated, "The American Red Cross is the only non-governmental agency with responsibilities under the National Response Plan, and back-to-back major hurricanes have put an unprecedented strain on its finances." Furthermore, as the language of the appropriation request notes: "Traditionally, the American Red Cross relies on private donors to support its relief activities, not taxpayer funds, and that will continue to be the case for future disasters."

If approved, the \$70 million funding request will be used to reimburse Red Cross disaster relief, recovery expenditures, and emergency services associated with Hurricanes Charley, Frances, and Ivan, only to the extent funds are not made available for those activities by other federal sources. We have been working closely with Florida's congressional delegation, including House Appropriations Committee Chairman Bill Young and Senator Bill Nelson to secure their support for this federal funding request.

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We are optimistic about receiving these additional resources to support what will be quite a lengthy relief operation conducted on many fronts.

I will keep you updated as events dictate. Please contact Jan Lane or me if you have questions concerning this supplemental appropriation request. If you receive any media inquiries on this topic, please refer them to Patrick McCrummen, (202) 439-0714.



**American
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National Headquarters
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To: David McLaughlin, Chairman
Members, Board of Governors

Date: December 22, 2002

From: Marty Evans

Subject: Executive Compensation and
Benefits

Having been president for just a short while, I believe now is the right time to share my views with you about the correct approach for the American Red Cross with respect to compensation and benefits for our executives. I have already expressed my thoughts to the Governance Committee of the Board, which is responsible for overseeing executive compensation and benefits for national headquarters. The Governance Committee's actions support my philosophy and I will work closely with the committee with respect to future determinations of executive compensations and benefits.

The American Red Cross is a unique humanitarian organization. Chartered by Congress to, among other things, carry out this nation's responsibilities under the Geneva Convention, the Red Cross has evolved to become a trusted entity that plays a critical role in preparing America -- providing disaster assistance, ensuring an adequate and safe national blood supply, meeting the health and safety needs of our communities and serving our military and their families in times of peace and in times of war. We also serve as a vital humanitarian relief arm for the international Red Cross movement. To fulfill these critical responsibilities, the Red Cross needs a talented and highly skilled work force, with executives representing no less than the best and brightest in their fields. In order to attract and retain this caliber of executive, we must design and implement market-competitive compensation and benefits programs. However, we must bear in mind that the Red Cross is a nonprofit organization that must hold the public's trust as stewards of donor dollars, and as such our compensation and benefits levels, practices, and policies must be open to public and media scrutiny. We must also ensure that the Red Cross remains in compliance with both the letter and spirit of the tax laws applicable to charitable organizations.

We can help achieve these objectives by hiring public-spirited men and women who have a personal commitment to the mission of our organization, and who recognize that it is a privilege to serve others through the Red Cross. While we have an obligation to compensate all our executives fairly and must continue to do so, we need to place a greater emphasis on attracting executives who are motivated more by the opportunity to serve than by personal gain.

The Red Cross has been in a period of transition over the past several years, most noticeably in the period following the attacks of September 11, 2001. The Red Cross now needs to develop and implement an organization-wide compensation philosophy that not only continues to meet tax law requirements but also reflects the expectations of the millions of Americans who support this organization. This is a goal that the Governance Committee and I both share.

To accomplish this, I am working with the Governance Committee to put in place a process for determining executive compensation that will (1) continue to ensure, based on an examination of appropriate market data and analysis by an outside consulting firm, that all compensation is reasonable in amount for services rendered in accordance with applicable tax law requirements; (2) tie executive compensation directly to performance to ensure that the Red Cross expects—and pays for—nothing less than top-notch performance; and (3) establish a specific role for the Governance Committee, as an independent Committee of the Board, in assuming responsibility for overseeing our executive compensation and benefits. This process should be in place by January 2003. With that in mind, I wanted to advise you that I plan to review all Red Cross executive salaries this spring. I will provide you feedback on my analysis and any recommendations for action to the Governance Committee by May 2003.

I am confident the process that is established will ensure our executive compensation and benefits programs clearly reflect the nonprofit, charitable nature of the organization we serve. In addition, I believe that the public will come to see that our salaries are consistent with our obligation to be wise stewards of the funds entrusted to us by the millions of donors who make our work possible. Please contact me if you have any questions regarding this issue.

Policy Memorandum 01-02

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

Date: October 9, 2002

From: Marty Evans, CEO

Subject: Policy Memorandum Process

Effective immediately, policies established by the President's Office will be communicated in the form of policy memorandums. Each policy memorandum will remain in effect until cancelled, and each will be reviewed on an annual basis to determine if updates are necessary. Updates will only be made by the President's Office.

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To: David T. McLaughlin, Chairman
Members, Board of Governors
Non-Governor Members, Biomedical
Services Board

Date: February 3, 2003

From: Marty Evans

Subject: Blood Quarantine

On Thursday, January 30, the American Red Cross Blood Services Southern Region asked its hospitals to voluntarily suspend use of certain blood units collected in Georgia and northern Florida. This action was a precautionary measure taken in the best interest of patient safety after some blood collected was found to have white particles in it.

During investigations regarding the Atlanta blood supply, we asked other regions to inspect their blood inventories for similar white particles. The Tennessee Valley Region, based in Nashville, found evidence of the white matter and quarantined 70 percent of its inventory late Sunday, February 2.

To date, 110 units in the Southern Region and 10 units in the Tennessee Valley Region have been found to have white particulate. Through our national distribution system, we shipped 2,600 units to Atlanta this weekend and are expecting to send another 1,600-2,000 units today to help ensure blood availability. Tennessee has received 99 units and is expecting to import 400 by day's end.

Microscopic examination of the white particles indicates that they are not infectious agents. We have received no reports of adverse patient reactions that can be tied to this issue. The Centers for Disease Control and Prevention (CDC) found no evidence that the white matter is associated with any viral or bacterial biothreat agents, including Ebola, anthrax, plague, or smallpox. The CDC and others continue to investigate the nature of the white particulate.

All of the affected blood was collected in the same type of blood collection bag, manufactured by Baxter. The Red Cross has quickly moved to bring in new blood bags in the affected regions to allow normal collections to continue.

Our top priority remains the safety and availability of blood in these regions and across the country. We are asking eligible blood donors to give blood to help sustain the national supply and ensure blood is available for patients in the affected regions and elsewhere.

Following are important key messages:

- 1. The top priority of the American Red Cross is both the safety and availability of the blood supply.**
- 2. The Red Cross is actively investigating the nature of the white particulate found in blood bags in Georgia and in Tennessee with aid from the Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), the blood bag manufacturer and others.**
- 3. Microscopic investigation shows the particles are not infectious. We have received no reports of adverse patient reactions tied to this issue.**
- 4. At this time, donating blood is even more important. The Red Cross is asking eligible donors in other areas to donate blood to help support patients in the affected areas. Eligible donors are asked to call 1-800-GIVE-LIFE to schedule an appointment today.**

Please immediately forward any media calls about this issue to Ryland Dodge, Director for Communication, Biomedical Services, at (703) 807-5492. Thank you.



**American
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National Headquarters
Office of the President and CEO

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To: David T. McLaughlin, Chairman
Members, Board of Governors
Non-Governor Members,
Biomedical Services Board

Date: February 6, 2003

From: Marsha J. Evans

Subject: Biomedical Services – Particulate Matter Issue

I want to provide you with an update on the continuing, extensive investigation into the issue of particulate matter appearing in a limited number of blood bags. We continue to work closely with the Food and Drug Administration (FDA); the Centers for Disease Control and Prevention (CDC); the Holland Laboratory; Baxter Healthcare, the blood-bag manufacturer, and Emory University to determine the nature and cause of this phenomenon. Conference calls are being held with the scientific and medical staffs of these organizations to review the latest findings, as they become available. CDC testing to date continues to show no evidence the matter is associated with viral or bacterial biothreat agents. In addition, the staff of the new Health and Human Services (HHS) command center, which was established to oversee emerging public health issues, has received updates from our Red Cross biomedical staff.

Under Ramesh Thadani's direction, the full inventory of red blood cell products (65,000 units) in our possession has now undergone an extra inspection specifically looking for particulate matter. Any units suspected of containing particles are shipped to the Southern Blood Services Region in Atlanta for further study.

Unfortunately, Biomedical Services has just been notified of a potential transfusion-related death that occurred in late January in Atlanta. The patient was an elderly gentleman who had other medical issues. At this time, there has been no determination that this event is related to the particulate issue. We have notified the FDA of this case and are prepared to respond to any media questions about it.

I briefed Secretary Thompson earlier today on our investigation, and our ongoing communications with his staff. I relayed to him the high level of cooperation and interagency coordination we have experienced with the FDA and CDC to date. I was also able to explain to him that we are doing everything possible, through our national inventory management system, to ensure blood availability to those hospitals affected by the current quarantine.

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In collaboration with the American Association of Blood Banks, we are alerting the independent blood centers and hospital transfusion services to study outcomes and are sharing information to help them identify any additional units that may contain similar particulate matter.

I will keep you closely informed of further developments in this matter. It is an evolving situation, with investigators working around the clock to study the situation. It is crucial that we communicate the facts once they are established as well as reinforce that this organization's **top priority** is the safety and availability of the blood supply and the safety of the patients who rely on us to provide lifesaving blood. Field units have been instructed to forward any national media calls to Ryland Dodge, Director of Communication and Media Relations for Biomedical Services, at (703) 807-5492.



**American
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National Headquarters
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To: Chairman David McLaughlin **Date:** February 7, 2003
Members, Board of Governors

From: Marsha J. Evans **Subject:** Red Cross Information Related to
Nationwide Orange Alert

Today, John Ashcroft, Attorney General, and Tom Ridge, Homeland Security Secretary, raised the nationwide threat level from yellow "elevated risk," to orange "high-risk." According to CNN, intelligence reports about possible attacks, "especially by al Qaeda; the culmination, beginning this weekend, of the Hajj pilgrimage to Mecca, Saudi Arabia; and the continuing confrontation with Iraq," led to the risk level being raised.

As part of this threat announcement, Americans are being encouraged by the White House, the Department of Homeland Security (see <http://www.whitehouse.gov/homeland/>), and the news media to check with their local emergency response agencies, including the American Red Cross, and visit Redcross.org to seek information on individual, family, and community preparedness. The Red Cross is referenced six times on the Homeland Security webpage announcing the threat level elevation, (<http://www.dhs.gov/dhspublic/display?theme=87&content=450>).

For your information and personal family preparedness, I am attaching a news release with additional information about what you can do. Do not hesitate to contact me with questions.

Attachment

SFC-ARC-A001438



Together, we can save a life

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

NEWS RELEASE

Contact: Phil Zepeda
Phone: (202) 639-3308
Pager: 888-328-5506
zepedap@usa.redcross.org

Contact: Dana Allen
Phone: (703) 206-8107
Cellular: (571) 214-8619
allenda@usa.redcross.org

AS NATION'S TERROR THREAT LEVEL RAISED TO 'HIGH,' AMERICAN RED CROSS URGES FAMILIES, SCHOOLS, BUSINESSES TO PREPARE

Public Advised to Follow Safety Precautions for Level Orange Available at www.redcross.org

WASHINGTON, February 7, 2003 — America's terror threat level has been raised to "High/Orange" for just the second time since the Homeland Security Advisory System was established nearly a year ago, and the American Red Cross is urging the public to take steps to prepare for the unexpected.

Corresponding with the government's color-coded system, the Red Cross has tailored specific emergency readiness information for families, individuals, schools, neighborhoods and businesses relating at each of the five threat levels. These Red Cross Recommendations for the Homeland Security Advisory System are available for the public at www.redcross.org.

"When hearing that the terror threat level has been raised, many people think, 'what does this mean to me? What do I need to do?'" said Alan McCurry, Chief Operating Officer of the American Red Cross. "The preparedness information available at redcross.org is specifically tailored for each color-coded threat level, giving the general public some practical preparedness guidelines that can make homes, schools, workplaces and communities safer during these uncertain times."

Each level of the Red Cross recommendations includes completing the identified actions at the lesser threat levels. Being alert to suspicious activity and reporting it to authorities, along with taking a Red Cross CPR/AED and first aid course, are recommended throughout the system. Specific to today's announcement, the following is a summary of recommended actions for "Orange" and lower levels:

- **Individuals**
 - Review your Personal Disaster Plan.
 - Ensure your Disaster Supplies Kit is stocked and ready.
 - Develop alternate routes to and from work or school and practice them.
 - Exercise caution when traveling.
 - Have shelter-in-place materials on hand and review the procedure in *Terrorism: Preparing for the Unexpected*, a Red Cross brochure.
 - If a need is announced, donate blood at blood collection center (1-800-GIVE LIFE).
 - Prior to volunteering, contact blood collection agency to determine their needs.

-more-

- **Families**

- Review Family Disaster Plan with all family members.
- Check items in your Disaster Supplies Kit and replace items that are outdated.
- If not known to you, contact your child's school to determine their emergency notification and evacuation plans.
- Ensure the emergency communication plan is understood and practiced by all family members.
- Discuss children's fears concerning possible terrorist attacks.

- **Neighborhoods**

- Check on neighbors who are elderly or have special needs to ensure they are okay. Review their disaster plan with them.
- If a need is announced, contact nearest blood collection agency and offer to organize a neighborhood blood drive.

- **Schools**

- Review the school's emergency plan that was developed using the *Red Cross Emergency Guide for Business and Industry*.
- Ensure all emergency supplies are stocked and ready.
- Offer Masters of Disaster "Facing Fear: Helping Young People Deal with Terrorism and Tragic Events" lessons in grades K-12.
- Prepare to handle inquiries from anxious parents and media.

- **Businesses**

- Review the emergency plans, including continuity of operations and media materials on hand.
- Ensure that the emergency communication plan is updated and includes the purchase of needed emergency equipment as detailed in the *Red Cross Emergency Management Guide for Business and Industry*.
- Determine any need to restrict access to the business or provide private security firm support/reinforcement.
- Contact vendors/suppliers to confirm their emergency response plan procedures.
- If need is announced, contact nearest blood collection agency about organizing a blood drive.

To download the full versions of the *Red Cross Recommendations for the Homeland Security Advisory System*, visit www.redcross.org, where you can also find a wide variety of free publications in a variety of languages to help citizens prepare for terrorism and natural disasters. To donate blood or host a blood drive at your business, please call 1-800-GIVE-LIFE.

Governed by volunteers and supported by community donations, the American Red Cross is a nationwide network of nearly 1,000 chapters and Blood Services regions dedicated to saving lives and helping people prevent, prepare for and respond to emergencies. Led by 1.2 million volunteers and 30,000 employees, the Red Cross annually mobilizes relief to families affected by more than 67,000 disasters, trains almost 12 million people in lifesaving skills and exchanges more than a million emergency messages for U.S. military service personnel and their families. The Red Cross is the largest supplier of blood and blood products to more than 3,000 hospitals across the nation and also assists victims of international disasters and conflicts at locations worldwide.

- # # # -



National Headquarters
Office of the President and CEO

Together, we can save a life

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

Date: February 27, 2003

From: Marsha J. Evans

Subject: CFO Announcement

Last November 15, I announced that we were launching a search for a new Chief Financial Officer (CFO). I am happy to report that after interviewing a myriad of talented candidates, I have selected Robert P. McDonald, to serve as CFO, effective Monday, March 24. I will ask the Executive Committee to approve this appointment next week.

Robert's 33 years of leadership experience in international finance will give our diversified financial operations the strategic outlook and perspective required by today's environment. He will report directly to me.

During his seven years as CEO, North America for Standard Chartered Bank, Robert has transformed the bank's business model into a sophisticated, functionality-driven platform that provides multiple products to corporate and institutional investors. In 1997, Robert implemented a disaster recovery plan for the bank that, on September 11, 2001, enabled it to process a normal day's \$60 billion dollar clearing volume. Prior to that, he was with Chase Manhattan Corporation in New York and London. His experience in merchant banking and corporate finance at Standard Chartered and again at Chase Manhattan has keenly focused on two key activities: integration of diverse functions and systems, and building strong relationships with customers and staff.

Robert received his B.A. from Providence College in Rhode Island and earned his M.B.A. in International Finance from The George Washington University in Washington, D.C.. Please join me in welcoming Robert to the Red Cross.

I would also like to take this opportunity to recognize Jack Campbell's longstanding record of leadership and dedication to this organization. As CFO, Jack's tireless effort and professional work ethic have served as a role model for many of us across this organization. As the Senior Vice President of Chapter and Disaster Services Finance, Jack will continue to focus on critical chapter financial issues. Please join me in thanking Jack for all he has done—and continues to do—in service of the Red Cross.

SFC-ARC-A001441

Recently, *The Wall Street Journal* contacted the American Red Cross in conjunction with a possible story they were researching on the Strategic Blood Reserve that had been announced following September 11, 2001 (9/11). On Wednesday, March 3, 2003, *The Wall Street Journal* interviewed Biomedical Services Chief Operating Officer Allan Ross about the Strategic Frozen Blood Reserve.

The interview covered three basic areas:

- the current status of the Strategic Frozen Blood Reserve;
- the expenditure of ARC resources in equipment (such as the ACP 215 machines) as related to the Strategic Frozen Blood Reserve; and
- the future of the frozen reserve, including FDA licensure and the usage of new technology.

Background: Immediately following 9/11, the Red Cross froze nearly 10,000 units using the current freezing technology, which allows for only a 24-hour shelf life after the units are thawed. New technology is available that will allow a 14-day shelf life following thawing. In order to utilize the new technology, we are working with Haemonetics, an expert in the field, to perform the necessary clinical studies to receive licensure from FDA. We hope to have the studies completed and FDA approval in summer 2004.

During the interview, Allan re-affirmed the Red Cross' commitment to the Strategic Frozen Blood Reserve and reiterated our work with important stakeholders – the FDA, HHS, the American Association of Blood Banks' Inter-organizational Task Force on Disasters and Terrorism and others – to proactively ensure a safe and adequate blood supply.

I will inform you when, *or if*, the article is published.

The Red Cross welcomes the opportunity to accurately inform and educate the American public on our Strategic Blood Reserve, its components and our related investment of both financial donor and blood donor resources in this vital, life-saving supply. Any national media calls you receive should be forwarded to Ryland Dodge, Director of Communication and Media Relations for Biomedical Services, at (703) 807-5492. As always, I am open to your comments and questions.



**American
Red Cross**

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

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: June 6, 2003

From: Marsha J. Evans

Subject: Positive Coverage of
NHQ/Biomedical
Realignments

As a follow-up to yesterday's communication about realignments at national headquarters and Biomedical Services, I thought you would be interested in the related article that appeared on page 10 of the front section of today's *Washington Post*.

I think you will agree that article was fair, balanced and straightforward, a good recitation of the salient issues. We will share this with communicators in chapters and Blood Services regions, and continue to work with the media to ensure that our progress as an organization is accurately reflected in the days and weeks ahead.

If you have any questions, please contact Chuck Connor (202-303-4481) or me.

Attachment

American Red Cross To Cut 231 Jobs

Most of Layoffs Will Be in Area

By Jacqueline L. Salmon
Washington Post Staff Writer
Friday, June 6, 2003; Page A10

The American Red Cross is issuing layoff notices this week to 231 employees, most of them in the Washington area, officials said yesterday.

The national organization said it is being forced to make the cuts because of the poor financial health of its chapters and declining revenue from its profitable blood services division.

"The entire fundraising environment in the country is tough," said Bob McDonald, the organization's new chief financial officer. "It's a tough time."

Red Cross officials said \$20 million must be trimmed from the \$2.5 billion budget for the coming fiscal year.

Part of that cutback results from a decision by the organization's Washington headquarters to rescind a planned dues increase for its 961 chapters. After protests from the chapters, which face their own financial difficulties, Red Cross headquarters backed down on the dues issue.

"Rescinding that increase will require hard choices to be made" at the national headquarters, Red Cross CEO Marsha Evans wrote in a recent e-mail to the chapters. According to the e-mail, the chapters expect to report a cumulative deficit of \$44 million for the fiscal year that ends June 30.

Red Cross headquarters, including its blood services division, employs about 4,000 people nationwide, but most of the staff cuts will come from the organization's downtown Washington offices and its biomedical operation in Rosslyn, officials said yesterday.

Last month, the organization issued an urgent appeal for donations to its community Disaster Relief Fund, which it said had sunk to \$5 million, down from \$68 million a year ago.

Another financial challenge has been the \$1.9 million paid to former CEO Bernadine Healy, who was ousted from her job in 2001 after clashing with the organization's board of governors. The payout, which included salary, expenses and \$1.6 million in severance, angered some in the Red Cross when it came to light recently in the organization's annual report to the Internal Revenue Service.

Healy and her attorney have defended the payment as appropriate.

After Evans came aboard last summer, she instituted a review process to scrutinize executive salaries more closely, and the board tightened its procedures for approving executives' pay.

McDonald said yesterday that the Healy payment did not contribute to the organization's current financial difficulties. "We consider that history," he said.

The organization's chapter network has been hammered by the poor economy, the expense of responding to terrorist threats, and fallout from the bad publicity over how the Red Cross handled its Liberty Disaster Fund, which was set up to collect contributions for victims of the Sept. 11, 2001, terrorist attacks. Officials had wanted to use the fund for purposes other than helping Sept. 11 victims but were forced to abandon the idea when donors protested.

Most Red Cross chapters have laid off workers or made other cuts as their income has tumbled. Some chapters are merging to cut costs: For example, the National Capital Red Cross, which covers Fairfax County and the District, recently took over financially strapped chapters in Montgomery and Prince George's counties.

Of the 231 layoffs being announced this week, 145 will come from the national organization's blood services division, which last year brought in nearly three-fourths of the group's total revenue of \$2.7 billion. Price declines in the lucrative blood plasma business are mostly to blame for the layoffs, officials said yesterday.

In April, the Red Cross settled a long-simmering dispute with the Food and Drug Administration over the group's testing, handling and tracking of donated blood and pledged to pay millions of dollars in fines if it mishandles blood products in the future.

The organization's last round of layoffs occurred 14 months ago, when it furloughed about 100 people. There were complaints over how those laid off were treated; some of them were rehired later.

McDonald said yesterday that the organization would handle this new round of layoffs in a "sensitive and dignified way." He also said executives will not receive merit pay increases in fiscal 2004.

The Red Cross recently began consolidating its Washington area staff, moving it into a new building at 2025 E St. NW, adjacent to its headquarters on 17th Street. The new building cost \$135 million, but officials said they will save money on rental office space.

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National Headquarters
Office of the President and CEO

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

Date: March 11, 2003

From: Marsha J. Evans

Subject: Legislative Contacts

The achievement of the goals outlined in the 2003 Legislative and Executive Branch Agenda, approved by the Executive Committee in January, is vital to the strategic position and the financial stability of the American Red Cross. The legislative and regulatory initiatives set forth in the Agenda will help establish the Red Cross as a leader in disaster preparedness and response, and address two of the long-term financial challenges to the organization — stable sources of funding for AFES and off-shore disaster response.

As Governors, your assistance is critical to securing essential appropriations and advancing our legislative priorities on Capitol Hill. Enclosed is a list of those Members of Congress serving on committees that will consider our legislative requests. If you know any of these Members personally, I would ask that share that information with us.

We will keep these contacts in mind as we move forward with our legislative work, and may ask that you join us in meetings with these Members or their key staff. I assure you that any contacts you share with me will be kept confidential.

For the Red Cross to be truly successful in accomplishing all that must be done, we must pull together and leverage every available resource. I thank you for your assistance.

Attachments:

- 2003 Legislative and Executive Branch Agenda
- Key Contacts List

SFC-ARC-A001446

Key Congressional Members

Senate Republican Leadership

Senator Bill Frist (R-TN), Senate Majority Leader
Senator Mitch McConnell (R-KY), Senate Majority Whip

Senate Democratic Leadership

Senator Tom Daschle (D-SD), Senate Minority Leader
Senator Harry Reid (D-NV), Senate Minority Whip

Senate Committee on Appropriations

Senator Ted Stevens (R-Alaska), Chairman of full committee & Defense Subcommittee
Senator Robert C. Byrd (D-WV), Ranking Member
Senator Daniel Inouye (D-HI), Ranking Member, Defense Subcommittee
Senator Thad Cochran (R-MS), Chairman of new Subcommittee on Homeland Security
Senator Robert Byrd (D-W.VA), Ranking Member of new Subcommittee on Homeland Security

Senate Committee on Armed Services

Senator John Warner (R-VA), Chairman
Senator Carl Levin (D-MI), Ranking Member

Senate Committee on Environment and Public Works

Senator James Inhofe (R-Oklahoma), Chairman
Senator Jim Jeffords (I-VT), Ranking Member

Senate Committee on Finance

Senator Chuck Grassley (R-IA), Chairman
Senator Max Baucus (D-MT), Ranking Member

Senate Committee on Foreign Relations

Senator Richard Lugar (R-IN), Chairman
Senator Joseph Biden (D-DE), Ranking Member

Committee on Government Affairs

Senator Susan Collins (R-ME), Chairperson
Senator Joe Lieberman (D-CT), Ranking Member

Senate Committee on Health, Education, Labor, and Pensions

Senator Judd Gregg (R-NH), Chairman
Senator Ted Kennedy (D-MA), Ranking Member

House Republican Leadership

Representative Denny Hastert (R-IL), Speaker of the House
Representative Tom DeLay (R-TX), House Majority Whip

House Democratic Leadership

Representative Nancy Pelosi (D-CA), House Minority Leader
Representative Steny Hoyer (D-MD), House Minority Whip

House Committee on Appropriations

Representative Bill Young (R-FL), Chairman
Representative David Obey (D-WI), Ranking Member
Representative Harold Rogers (R-KY), Chairman of new Subcommittee on Homeland Security
Representative Martin Olav Sabo (D-MN), Ranking Member of new Subcommittee on Homeland Security

House Committee on Armed Services

Representative Duncan Hunter (R-CA), Chairman
Representative Ike Skelton (D-MO), Ranking Member
Representative Joel Hefley (R-CO), Chairman, Subcommittee on Readiness
Representative Solomon Ortiz (D-TX), Ranking Member, Subcommittee on Readiness

House Committee on Energy and Commerce

Representative Billy Tauzin (R-LA), Chairman
Representative John Dingell (D-MI), Ranking Member

House Committee on Government Reform

Representative Tom Davis (R-VA), Chairman
Representative Henry Waxman (D-CA), Ranking Member

House Committee on International Relations

Representative Henry Hyde (R-IL), Chairman
Representative Tom Lantos (D-CA), Ranking Member

House Committee on Ways and Means

Representative Bill Thomas (R-CA), Chairman
Representative Charlie Rangel (D-NY), Ranking Member

House Select Committee on Homeland Security

Representative Chris Cox (R-CA), Chairman
Representative Jim Turner (D-TX), Ranking Member

House Committee on Transportation and Infrastructure

Representative Don Young (R-Alaska), Chairman
Representative James Oberstar (D-MN), Ranking Member
Representative LaTourette (R-OH), Chairman, Subcommittee on Economic
Development, Public Buildings, and Emergency Management
Representative Jerry Costello (D-IL), Ranking Member, Subcommittee on Economic
Development, Public Buildings, and Emergency Management

2003 Legislative and Executive Branch Agenda
*(Approved by the Executive Committee
of the Board of Governors 1/10/03)*

American Red Cross determines its legislative and executive branch priorities consistent with the organization's Strategic Plan. As the plan is developed over the next seven months, the 2003 Agenda will be modified accordingly to support the goals of the ARC.

Strengthen/build relationships with key Chairs, Ranking Members, and targeted Members of strategically important (i.e. oversight of ARC; appropriations) committees. This will include:

- Senate Armed Services, Appropriations, HELP, Finance, and Foreign Relations Committees;
- House Armed Services, Appropriations, Energy and Commerce, International Relations, and Ways and Means Committees;
- Senior leadership meetings with Members and congressional staff briefings on core services;
- Strategic Chapter and Blood Region outreach; and
- Establishment of an awards and recognition program for elected officials at federal, state and local levels.

Continue to position the ARC at the federal, state and local levels to support 'all hazards' domestic preparedness and response efforts:

- As ARC Homeland Security Plan is developed, identify:
 - funding opportunities for consideration by senior management; pursue as directed
 - opportunities for chapter and blood region integration into state preparedness and response efforts
- Maintain ARC's leadership position in national and community collaboration for disaster preparedness and response as the new Department of Homeland Security is established.
- Work with NHQ and Chapter leadership to build relationships with elected and appointed officials at all levels of government to ensure ARC's integration into all-hazards planning and response

Support for Biomedical Services Strategic Plan:

- Involve federal and state officials in efforts to build a stable, sustained blood supply (e.g. continued congressional outreach; support for HHS Federal Blood Drive Challenge)
- Continue to brief key policymakers on progress toward FDA compliance
- In collaboration with the rest of the blood banking community, support efforts to increase reimbursement for blood components and plasma derivatives to appropriate levels

Secure Appropriations:

- AFES - Secure permanent source of government funding to cover costs associated with meeting DoD requirements for emergency communications; secure supplemental appropriation of \$6.1 million for contingency planning
- Support for Domestic Preparedness (Disaster Services/Cross-functional needs)
 - \$25 million for client support, training and equipment
 - Continued funding for Clara Barton Center (\$3 million)
- Secure permanent source of government funding to support offshore disaster response; secure funding for Guam disaster operation (~\$17 million)
- In collaboration with the American Heart Association, support funding for AED/CPR training and public access programs

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- Identify funding targets of opportunity for International Services.

International Services:

- Educate relevant congressional committees on ARC International Services programs;
- Continue to work with Congress and the Administration to secure membership of the Magen David Adom in the International Red Cross Movement.

Increased Oversight of Nonprofits:

- As Congress, state legislatures, and executive branch agencies consider increased oversight and accountability of nonprofits, ARC will work with leaders in the nonprofit sector to influence legislation and regulation.
- Evaluate ARC posture with respect to State Attorneys General

January 17, 2003



**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:** March 18, 2003

From: Marsha J. Evans **Subject:** Iraq Conflict Issues

In the event we go to war with Iraq, individuals may approach the American Red Cross with varying issues or proposals. As governors, you may be asked to comment on several topics. The following bullet points cover three areas that, Red Cross experience tells us, will address a majority of these interactions.

- ***Volunteers*** – Most people volunteer out of altruism, but major events like war result in an increase in calls from individuals who are unsuited to represent the Red Cross. We will provide chapters with guidance on handling these individuals locally. We also routinely receive inquiries from individuals wishing to serve as medical volunteers. In the event that we have a programmatic need for these individuals, we will issue very specific guidance; otherwise we will ask them to contact their local chapter, get trained and serve at the community level.
- ***Vendors and In-Kind Donations*** – If we require specific goods and services, we will be very precise in outlining our needs. Chapters will be provided this information; otherwise we will discourage such offers, which often are not appropriate for the humanitarian needs in question.
- ***Financial Partnership Offers*** – During the previous Gulf War, we received many offers of partnership; some legitimate, some dubious. These should be referred to Skip Seitz, Senior Vice President of Growth and Integrated Development at (202) 639-3009.

Also attached are talking points on the Red Cross' roles and activities in times of war.

As events unfold, I will be in contact with you.

Attachment

SFC-ARC-A001452

The Red Cross Role in War	
Background / Discussion Points	Sound Bites
<p>The Red Cross Role in War</p> <ul style="list-style-type: none"> • The seven Fundamental Principles – humanity, impartiality, neutrality, independence, voluntary service, unity and universality – guide all Red Cross services and they ensure access to people in need. • The principles of neutrality and impartiality allow the Red Cross to help all those who are in humanitarian need. • The Red Cross does not issue statements condemning the behavior of any government involved in a conflict or potential conflict or for their alleged violations of the Geneva Conventions as these political statements may endanger the humanitarian efforts of the ICRC or jeopardize ICRC efforts to gain access to prisoners of war and thereby diminish chances of Red Cross protection and assistance. • The ICRC acts as the lead agency for the Movement during times of armed conflict. • The Geneva Conventions, upheld by the Red Cross Movement, stipulate humanitarian treatment without discrimination for wounded and sick members of the armed forces on land and at sea, prisoners of war and civilians. <p>Refugee Humanitarian Aid</p> <ul style="list-style-type: none"> • As in all conflict situations, the American Red Cross will provide appropriate humanitarian assistance when the request comes from the ICRC or if it is requested directly from the Iraqi Red Crescent. • As a part of the Movement, we may be requested to help the Iraqi Red Crescent directly, through the ICRC or through the Federation. • Right now, the American Red Cross has staff in countries near Iraq working together with the ICRC, sister societies and partners to provide food, medical assistance and shelter to hundreds of thousands of refugees and internally displaced persons. <p>Armed Forces Emergency Services (AFES)</p> <ul style="list-style-type: none"> • The American Red Cross is assisting U.S. military service members and their families by: <ol style="list-style-type: none"> (1) linking military personnel to their families back home through an extensive and widespread emergency communications network; (2) mobilizing and deploying trained workers to provide emergency communication and other essential services that meet the requirements of military personnel deployed into areas of conflict overseas; and (3) reaching out to members of the National Guard/Reserves and their families with information about American Red Cross services available to them. • We have Armed Forces Emergency Services staff on U.S. military installations near Iraq [in Afghanistan, Kosovo, Kuwait, and Saudi Arabia with offices in Turkey, Bahrain and Diego Garcia]. By the time all of the troops are in place, there will be more than 30 Red Cross workers in the area. 	<ul style="list-style-type: none"> • Through our congressional charter, the American Red Cross has a long history of supporting members of the military and their families in times of peace and war. • For American service members, the Red Cross is a lifeline, assisting more than 1,100 military families daily with urgent messages regarding a serious illness, death of a loved one or the joyous birth of a child. • This is the most extensive American Red Cross support effort for military families since the Persian Gulf crisis in 1990-91. • In upholding the founding ideals, the entire Movement including the American Red Cross, does not take sides regarding the merits of any armed conflict. • The Red Cross promotes and advocates respect for the protections of the Geneva Conventions and customary International Humanitarian Law.

- When the U.S.A. prepares for or is actively engaged in war, the need for American Red Cross support to military families increases substantially.
- Through our state-of-the-art, high-tech communication network, the American Red Cross is there 24 hours every day serving military members and their families worldwide. This network is composed of our 2 communication centers (Ft. Sill, Oklahoma and Falls Church, Virginia); 961 chapters located throughout the United States; and 108 offices on military installations worldwide.
- In most deployment locations American Red Cross offices are open around the clock. The Red Cross also visit hospitals and remote locations bringing comfort and a touch of home.
- Hundreds of chapters have been very busy briefing departing service members and their families on Red Cross services available to assist them during the deployment.
- Members of the National Guard and Reserves may access services through their local Red Cross chapter. Chapters are listed in local telephone books and on redcross.org.
- The American Red Cross supports the men and women of the United States military and their families. It would not be correct to say we support the military.
- Our staff who deploy to military installations are civilians who do not carry weapons. They accompany the armed forces without actually being members of the armed forces and provide emergency communication and other essential services to service members and their families.
- To preserve the Fundamental Principle of neutrality, our staff serving on military installations overseas restrict their operations to on-base activities.
- We anticipate an additional \$6 million in annual costs to mobilize and deploy our workers and supplies into the combat areas; to provide outreach to community-based military families as their loved ones are called to active duty; and to respond to increased requests for emergency communication services to link and aid military personnel and their families during times of personal crisis.
- Additional costs will also be experienced by Red Cross chapters nationwide to provide ongoing support to the military families in their local communities.

Blood Needs

- Should the need arise and working together with our partners in the blood banking community, the American Red Cross will work to meet the blood needs of civilians and military personnel.
- The blood banking community is prepared to support the military's blood needs when and if it is called upon. In order to ensure in advance that patients are protected with a safe and adequate supply, we urge the public to help by donating blood as frequently as every eight weeks. It is the blood on the shelves today that saves lives.
- We will work tirelessly to ensure that lifesaving blood is available whenever and wherever it is requested and needed. However, we cannot provide lifesaving blood without blood donors who come forward regularly to replenish the blood supply.
- We urge all eligible donors to make an appointment to give blood in the coming weeks and months and every two months thereafter.

- **Right now, the International Red Cross has staff in countries near Iraq working to provide food, medical assistance and shelter to hundreds of thousands of potential refugees.**
- **The Red Cross is there to care for the homeless, the wounded and the sick without regard to nationality.**



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chair
Members, Board of Governors

Date: March 19, 2003

From: Marsha J. Evans

Subject: Iraq-conflict national fund-raising
campaign

Should hostilities commence in Iraq, the American Red Cross will launch a national fund-raising campaign to raise funds for the delivery of AFES and International services on the chapter and national levels. Both AFES and International Services have outlined their initial service delivery strategies for their respective roles – providing a link between U.S. military personnel and their families; and responding to the humanitarian needs of both the affected civilian populations of Iraq and the refugees in bordering countries.

Today, the Red Cross estimates it will cost \$8-10 million over the next several months to continue to meet the needs of the members of the Armed Forces and their families. An additional \$6 million will be needed for the humanitarian efforts in and around Iraq. We are committed to conducting a conservative and transparent fund-raising campaign that will align with Board of Governors policy and Donor DIRECT guidelines.

The fund-raising campaign will be launched by releasing TV, radio and print Public Service Announcements (PSAs), asking for America's support and generosity to help us address critical needs of military members and their families as well as those vulnerable populations in Iraq.

In addition to the public campaign, the Growth & Integrated Development is proactively reaching out to corporate and major gift donors with opportunities to support our relief efforts and to ready their employees, families and communities for emergencies through the *Together We Prepare* program.

We will closely monitor the events and adjust our fund-raising strategy, if needed. As the financial needs of this campaign are met, the Red Cross will move into the transitional activities outlined in our Donor DIRECT guidelines to refocus the public's support to chapters and ongoing needs for Red Cross service delivery.

Should you have questions regarding our strategy, please contact me directly delivery.

SFC-ARC-A001455



**American
Red Cross**

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

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

Date: March 7, 2003

From: Marsha J. Evans

Subject: Sec. Ridge Appt. to BOG / 990
posting/ NYC media events/Worth
Magazine Top 100

New Governor Selected

On February 14, 2003, David and I sent a letter to the White House, respectfully requesting that President Bush appoint Homeland Security Secretary Tom Ridge to the American Red Cross Board of Governors, replacing the departing Joe Allbaugh. I am happy to announce that this request has been granted and that Secretary Ridge will be joining us soon in our shared goal of preparing America both as a partner and a Governor.

As the only nongovernmental organization with mandated responsibilities under the Federal Response Plan, the Red Cross is now working closely with the Department of Homeland Security to help build the country's capacity to prepare for and respond to major disasters and terrorist events. I hope you will join me in welcoming Secretary Ridge to the Board.

At this time, I would also like to thank Federal Emergency Management Agency Director Joe Allbaugh, who has served as a Governor appointed by the President since March 2000, with Deputy Director Michael Brown acting as Director Allbaugh's designee. During his term as a Governor, FEMA and the Red Cross worked collaboratively to meet the challenges posed by the unprecedented events of September 11, 2001, and both organizations have improved capabilities to respond to future terrorist events on American soil.

Form 990 posting

As I briefed you some weeks ago, we will be posting our Form 990 on RedCross.org later today and are ready for any media inquiries which might arise. We are also advising the field of this today and telling them to refer any queries to our Communication and Marketing staff.

New York media trip

I was in New York City yesterday and participated in a breakfast briefing with long-lead publications and other key media in to discuss our *Together We Prepare* initiative. Joining me was Bob Bender, CEO, ARC in Greater New York. Thirteen media participated including *Red Book*, Associate Press, *Parade*, Reuters, *Ladies Home Journal*, *Heart and Soul*, Hearst

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Publications, and others. (I have attached the excellent AP story about *Together We Prepare*, which was sent around the country as a result of the briefing.)

Later, I had a very frank and productive conversation with Bill O'Reilly at Fox News. He told me that he is focused on the future of the Red Cross and expressed strong interest in doing a story on our Armed Forces Emergency Services and the part it will play in supporting service people and their families in the days and weeks ahead. This is very good news, so we will be following up immediately. My thanks go to Governor Sherry Lansing, who arranged this very productive session.

My last event in New York was the National *PR Week* Awards. *PR Week* is the highly-regarded advertising/public relations trade publication. Their awards program has become a strong indicator of best practices in the industry and has highlighted the most effective and creative teams in the country. I am delighted to report to you that the Communication and Marketing Department won top honors in Technique Awards for **Best Use of Research or Measurement**—"Targeted Market Research Drives Changes to Fund-Raising Practices." The award recognized the excellent work that was done on DONOR Direct, a communication, marketing and fund-raising strategy to add additional measures in acknowledging donor intent. The Communication and Marketing Department also received honorable mention in the **NonProfit PR Team** category, "Unprecedented Disaster: Unprecedented Team" for communication efforts in support of and after September 11, 2001.

Worth Magazine's Top 100

Finally, you will doubtless be pleased to learn that—according to *Worth* magazine's current article, "Boards of Prestige"—you are serving on one of the top 100 most prestigious nonprofit boards in America. I knew I was in good company!

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**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: Chairman David McLaughlin **Date:** March 6, 2003
Members, Board of Governors

From: Marsha J. Evans **Subject:** Wall Street Article

Recently, *The Wall Street Journal* contacted the American Red Cross in conjunction with a possible story they were researching on the Strategic Blood Reserve that had been announced following September 11, 2001 (9/11). On Wednesday, March 3, 2003, *The Wall Street Journal* interviewed Biomedical Services Chief Operating Officer Allan Ross about the Strategic Frozen Blood Reserve.

The interview covered three basic areas:

- the current status of the Strategic Frozen Blood Reserve;
- the expenditure of ARC resources in equipment (such as the ACP 215 machines) as related to the Strategic Frozen Blood Reserve; and
- the future of the frozen reserve, including FDA licensure and the usage of new technology.

Background: Immediately following 9/11, the Red Cross froze nearly 10,000 units using the current freezing technology, which allows for only a 24-hour shelf life after the units are thawed. New technology is available that will allow a 14-day shelf life following thawing. In order to utilize the new technology, we are working with Haemonetics, an expert in the field, to perform the necessary clinical studies to receive licensure from FDA. We hope to have the studies completed and FDA approval in summer 2004.

During the interview, Allan re-affirmed the Red Cross' commitment to the Strategic Frozen Blood Reserve and reiterated our work with important stakeholders – the FDA, HHS, the American Association of Blood Banks' Inter-organizational Task Force on Disasters and Terrorism and others – to proactively ensure a safe and adequate blood supply.

I will inform you when, *or if*, the article is published.

The Red Cross welcomes the opportunity to accurately inform and educate the American public on our Strategic Blood Reserve, its components and our related investment of both financial donor and blood donor resources in this vital, life-saving supply. Any national media calls you receive should be forwarded to Ryland Dodge, Director of Communication and Media Relations for Biomedical Services, at (703) 807-5492. As always, I am open to your comments and questions.



**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:** April 2, 2003

From: Marsha J. Evans **Subject:** Iraqi Conflict Update

Nearly two weeks into the conflict with Iraq, we are operating in a tense environment fostered by 24-hour news saturation. In this deluge of information, we are working to provide you and others in the Red Cross with timely and relevant report on the roles and activities of the American Red Cross, the ICRC and our Federation partners.

Below are three CrossNet links of special relevance. They provide updates on the current activities across the Movement plus describe the role of the different components of the Movement and the POW situation as it evolves.

Movement Roles: https://corpweb.redcross.org/intl/iraq/ci_rcroles.asp

IHL & POW Situation: https://corpweb.redcross.org/intl/iraq/ci_update_pow_hum_law.asp

Daily Summary of Activities:

https://corpweb.redcross.org/intl/iraq/ci_intl_movement_summary.asp

Also attached are the summary of activities as of April 2, 2003 and a brief overview of the roles played by the ICRC, Federation and the American Red Cross itself during this conflict. The situation is complex and fast moving. Please visit these sites regularly, and I will update you directly as events warrant. Should you have questions regarding this update, please contact me.

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Red Cross and Red Crescent Movement Activities, as of April 2, 2003

With the war in Iraq underway, the Red Cross and Red Crescent Movement has moved quickly to meet its unique humanitarian relief and protection responsibilities.

As lead agency in the Movement during conflict situations, the International Committee of the Red Cross (ICRC) is active throughout Iraq with a team of 14 expatriate delegates and approximately 300 local hires. The ICRC has been present in that country since the 1980 Iran-Iraq War. Prior to the start of the conflict, the ICRC had pre-positioned resources adequate to care for 7,000 war wounded and to provide food, non-food items such as kitchen sets, water containers and medical supplies for 150,000 war-affected people. As both coalition and Iraqi forces take prisoners of war (POWs), ICRC meets with authorities to gain access to POWs and urge full compliance with the Geneva Conventions. Meanwhile in anticipation of possible refugee outflows from Iraq, the Federation of Red Cross and Red Crescent Societies has deployed staff and relief items in several surrounding countries including Jordan, Turkey, Iran, Syria and Kuwait.

On March 20, 2003, the ICRC and Federation each issued separate appeals for approximately \$80M each, for their Iraq-related operations over the next 4 months for the ICRC and 9 months for the Federation. The United States government, with full encouragement and support of the American Red Cross, has provided \$10M to the ICRC appeal and \$3M to the Federation appeal. The American Red Cross is also pursuing additional funds from both the U.S. government and from private donors.

In view of the United States' role as the foremost Coalition combatant and mindful of our Movement's obligation to maintain strict neutrality and impartiality, the American Red Cross has crafted its response accordingly. Rather than seeking an immediate and hands-on role, we have emphasized the provision of support to our Movement partners. Resources - material, financial and personnel - have been dispatched to both the ICRC and the Federation. This includes the provision of:

- two staff members who are on-the-ground in Jordan and Turkey,
- over \$405,000 worth of relief goods for distribution through the ICRC in Iraq and through the Federation (as the situation requires) in neighboring countries, and
- cash support to jump-start operations, totaling approximately one quarter of a million dollars distributed among the ICRC appeal, the Federation appeal and direct assistance to both the Jordanian Red Crescent and the Syrian Arab Red Crescent.

Notable thus far has been the absence of a massive population displacement of refugees and internally displaced. This good news must be carefully tempered; if the war extends for a long period of time or the civilian casualty toll increases, population movement with all the human suffering that accompanies it can be expected to increase substantially. So far, the use of precision weapons does seem to have mitigated the number of war-affected in urban areas. This too must be monitored and may increase if urban warfare intensifies. It is fortunate that Iraqi civilian households (noting regional variations) are estimated, as of late March 2003, to have adequate food stores to last through April 20, 2003, after which the humanitarian challenge to reach innocent civilians will be daunting.

Access to POWs remains an issue of great importance to all Americans, and we remain confident that ICRC is handling this crucial matter with skill, discretion and fairness. We are monitoring this situation constantly and eagerly await the first ICRC messages from American POWs to their families. The American Red Cross stands ready to assist as necessary to ensure expeditious delivery.

The Role of the International Red Cross and Red Crescent Movement

The military confrontation in Iraq brings attention to the roles of components of the International Red Cross and Red Crescent Movement. During this conflict, it is important to understand the role of the Movement components, including the American Red Cross at home, oversees during military action and in rendering humanitarian aid to affected populations.

International Committee of the Red Cross (ICRC)

Based on the Geneva Conventions and other agreements, the International Committee of the Red Cross (ICRC) acts as the lead agency for the Movement during times of *armed conflict*. In this role, the ICRC:

- Provides food, water, emergency relief and medical assistance to civilians without access to these basic necessities.
- Coordinates humanitarian relief efforts of the Movement in areas directly affected by conflict.
- Visits prisoners of war and civilian detainees held in relation to conflict to ensure that their conditions and treatment comply with the basic principles laid out in international humanitarian law (IHL).
- Conducts searches for missing persons.
- Exchanges messages to and from members of separated families.
- Reunites separated families.
- Helps to establish neutral and protected hospital and security zones in areas of conflict.
- Provides surgical equipment for war-wounded to hospitals and basic supplies to ensure that hospitals continue to operate during conflict.
- Through direct and confidential dialogue, reminds all sides participating in hostilities of their obligations under international humanitarian law - namely to respect and protect those not or no longer taking part in the fighting.
- Through direct and confidential dialogue, draws attention (to parties of the conflict) to serious IHL violations and encourages respect for IHL.
- Educates the public about IHL and the role of the ICRC in conflict (to encourage respect for the red cross and red crescent emblems) and contributes to the development of humanitarian law.

International Federation of Red Cross and Red Crescent Societies

The International Federation of Red Cross and Red Crescent Societies (Federation) is the membership association and international coordination arm for 179 national Red Cross and Red Crescent societies throughout the world. When the needs of people affected by disaster exceed the capacity of their national society, the Federation helps coordinate the international response of other national societies. *During conflicts* the Federation works under the leadership of the ICRC to provide humanitarian assistance as necessary.

The American Red Cross

As part of the Movement, the American Red Cross supports the provision of humanitarian relief to war victims during an armed conflict. This support includes offering assistance to civilians affected by the conflict and tracing and Red Cross message services on behalf of prisoners of war and separated civilians. Assistance is provided in accordance with the Red Cross fundamental principles of humanity, impartiality and neutrality.

The American Red Cross has a long history of offering support to the families of U.S. military personnel during times of peace and war, including keeping families in touch with their loved ones in the armed forces through our emergency communications network, as mandated in its congressional charter. American Red Cross staff deployed to U.S. military installations are civilians and do not carry weapons. They accompany U.S. armed forces without actually being members of the military and provide emergency communications and other essential services.

The American Red Cross also educates the public about IHL and the activities of the Red Cross and Red Crescent Movement.

The Role of the International Red Cross and Red Crescent Movement

The Geneva Conventions and the American Red Cross

The American Red Cross promotes and advocates respect for the protections of the Geneva Conventions and customary IHL, especially during times of armed conflict. These protections stipulate humanitarian treatment without discrimination for wounded and sick members of the armed forces on land and at sea, prisoners of war and civilians. As a member of the Movement, the American Red Cross calls upon all governments to respect their obligations as defined in the Geneva Conventions and stresses the need to allow the ICRC to carry out its protective role.

Neutrality: Red Cross and Red Crescent national societies, including the American Red Cross, may not take sides in hostilities or engage at any time in political, racial, religious or ideological controversies. In this light, when controversies of such nature present themselves, whether quietly or on a community or nationwide stage, the members of the International Red Cross and Red Crescent Movement must remain neutral and provide impartial humanitarian services to victims of conflicts.

Quiet Diplomacy: The American Red Cross, and the Movement as a whole, avoids publicly assigning fault or judging the behavior of governments with respect to violations of IHL. Public statements alleging violations of the Geneva Conventions could jeopardize the Movement's neutrality. In particular, the efforts of the ICRC to gain access to prisoners of war or provide other critical protection and assistance services could be compromised. Instead, the ICRC, as the lead agency in cases of armed conflict, follows a strategy of "quiet diplomacy," working directly with the governments involved to achieve an appropriate level of recognition and respect for international humanitarian law.

Impartiality: The American Red Cross does not discriminate in its service delivery on the basis of nationality, race, religious belief, class or political opinion. Services are provided on the basis of need, giving priority to the most urgent cases of distress.

Training: Training courses on the Geneva Conventions, the Fundamental Principles, and IHL are provided regularly by International Services instructors.



National Headquarters
Office of the President and CEO

Together, we can save a life

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

Date: April 3, 2003

From: Marsha J. Evans

Subject: **Successful Appearance on
"The O'Reilly Factor"**

Chuck Connor, Senior Vice President, Communication and Marketing, appeared this past Tuesday, April 1, on the Fox News Channel program, "The O'Reilly Factor." Chuck was invited on the program to update viewers on the American Red Cross response to the terrorist acts of September 11, 2001, our commitment to honor donor intent and our programs related to the conflict in Iraq.

In an interview on the previous evening's program, author Steven Brill had made erroneous statements about remaining contributions in the Liberty Fund and his ideas on dispersion of those funds to military families. Because of the need to correct Brill's assumptions and host Bill O'Reilly's increased favorability towards the Red Cross, we accepted O'Reilly's invitation to appear on Tuesday evening's program.

As the attached transcripts of both interviews indicate, we were successful in getting our messages across to O'Reilly, who was largely favorable in his questioning. This is a marked improvement to his characterization of the organization on previous broadcasts.

Please be aware that Brill's appearance was to promote his forthcoming book, *After: How America Confronted the September 12 Era*. Through interviews and media research, Brill follows eight individuals, including the former Red Cross President and CEO, in the weeks and months after the terrorist attacks. The book goes on sale April 7, 2003. Inasmuch as the book provides significant detail about the Board of Governors' and Executive Committee's actions, you may receive media inquiries. Please refer all media calls related to the book to Darren Irby, Vice President, External Communication, at irbyd@usa.redcross.org.

For your information, the Liberty Fund Distribution statistics relevant to Tuesday night's program are posted on CrossNet and current as of March 28, 2003. Stats at a glance can be found at: <https://corpweb.redcross.org/ds/terrorism/111401.html>.

Please contact me should you have any questions.

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Back of the Book: Interview With Author Steven Brill, "Most Ridiculous Item of the Day," Viewer Mail

[Abridged Version of Transcript]

Bill O'Reilly

2,474 words

31 March 2003

20:38

Fox News: The O'Reilly Factor

English

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O'REILLY: In the "Back of the Book" Segment tonight, a new book that I highly recommend called "After: How America Confronted the September 12 Era."

With us now is its author Steven Brill.

It's a good book. It's a good book because it goes into every area of how our lives -- all of our lives have changed since September 11. Now I believe we never would have had this war in Iraq had we not had that attack. Am I wrong?

STEVEN BRILL, AUTHOR, "AFTER: HOW AMERICAN CONFRONTED THE SEPTEMBER 12 ERA": Oh, I think you're right. I think...

... O'REILLY: Yes. The other thing that -- that you spent a lot of time on is something that we got involved with here, the charity situation, charity controversy...

BRILL: You bet.

O'REILLY: ... between me and the Hollywood community. What's your take on that? Be cruel. Let me have it if I'm wrong.

BRILL: Well, I think you raised an issue that, if you hadn't raised it, would have glided along under the radar, and the situation would have been a lot worse than it was.

I think you began by picking the wrong target. It turns out that the September 11 Fund did a lot better job than the Red Cross. You might be surprised to know that, today, as we're sitting here, there's more than \$400 million that the Red Cross still has sitting in its bank account that was donated for those September 11 victims.

Now maybe, if they don't know what to do with it, you can call on them to use it...

O'REILLY: Well, they me that...

BRILL: ... aid the troops in...

O'REILLY: They've got a new group in there, as you know, because the old group -- after...

BRILL: The money is frozen. Maybe they could use that money to aid the families of the troops who are losing money in this war.

O'REILLY: That's a good question. We'll ask them. We'll ask them. But our point was that we wanted accountability of these charities.

BRILL: You got accountability, and accountability as usual makes things better, and...

O'REILLY: Right.

BRILL: ... by raising that issue, it got picked up in the rest of the press, and, suddenly, everybody was asking...

O'REILLY: But did you believe the war -- did you believe the war we had to go through to get the accountability? It was a war. Clooney, O'Reilly...

BRILL: Well...

O'REILLY: ... back and forth, screaming, angst.

BRILL: Here's what. Here's what. The volunteers, the actors thought they were doing the right thing, and they were doing the right thing. They didn't have any bad motives.

It was the bureaucracy at the Red Cross that couldn't function, and they got so scared of you -- now, you know, I didn't see people coming on from the Red Cross after you had them on once or twice -- that they couldn't function.

And, whenever there was a little bad piece of publicity over here, they changed their policy. Then, if there was something bad over here, they changed their policy, and the result in the Red Cross was total chaos, and...

O'REILLY: Yes, it's a shame, but I have...

BRILL: ... they...

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O'REILLY: But I am confident in the new leadership. But we will have them on. We're going to invite them on. Four hundred million, you say, is still sitting there?

BRILL: More than \$400 million sitting there.

O'REILLY: So maybe we can help out the Gulf War families over here.

BRILL: That's -- they're having trouble figuring out what to do with it.

O'REILLY: Well, there you go. We'll do a new jihad -- pardon the pun -- and try to get that.

All right. Steven Brill, thanks very much. The book is "After." Check it out.

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Follow Up: Should Red Cross Money go to Soldiers' Families?

Bill O'Reilly

1,609 words

1 April 2003

20:29

Fox News: The O'Reilly Factor

English

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O'REILLY: In the "Factor Follow-Up" segment tonight, last night on THE FACTOR, author Steven Brill said the **Red Cross** is sitting on \$400 million left over from 9-11 donation. And we ruminated that some of that money might go to the families of American military people killed in Iraq.

With us now is Charles Connor, the senior vice president for communications at the **Red Cross**.

I understand the \$400 million figure is too high. Right? You're sitting on what?

CHARLES CONNOR, **RED CROSS**: Right now, we have \$250 million that is committed over the next four to five years to spend on survivors, families, rescue workers who were affected by 9-11. And that's our plan. We're committed to do that.

O'REILLY: So you've got \$250 million all going to 9-11 impacted people.

CONNOR: We've promised it because that's what the donor intent was.

O'REILLY: Right. Now wouldn't it be better, because from what I understand most of those people have been taken care of financially now. I mean, we, as you know, been very involved with this whole story and they tell us that between the government and the -- all of the other funds, including the United Way, that finally got the money to them, that they're all pretty much OK.

Wouldn't it be better, just a suggestion, to say, all right, now since this is a war on terror and it's all in it, we're going to take care of the families that lose people in the Iraqi war with some of this money?

CONNOR: Bill, the -- 9/11 changed everything, and it changed the **Red Cross**. When we take money from donors, we ask them what they want their money to go to.

O'REILLY: Right.

CONNOR: When they say it will go to X, Y, or Z, particularly 9/11, that's where we're going to spend it.

We know from our experience in Oklahoma City that there are long-term effects way after the accident, we're seeing that now in New York, and our commitment is to spend that for 9/11 victims over the next five years.

Now may I say that there are agencies -- military relief agencies that do that very thing, as you suggest, and I'm sure they can use your support. In fact, our Armed Forces Emergency Service connects people with those military agencies.

O'REILLY: OK. I'm just -- I'm just wondering whether the \$250 million you have now is going to sit there for a long time.

CONNOR: We know where every dollar of that money is going. Every dollar.

O'REILLY: Well, how much time do you think it will take for you to distribute the \$250 million?

CONNOR: It will take about four-and-a-half years.

O'REILLY: Four-and-a-half years.

CONNOR: From today. That's right.

O'REILLY: All right. And so you're looking at psychological problems, college education funds, things like that.

CONNOR: Things like health, mental health, all kinds of family services. We have a hundred caseworkers that are kept busy practically around the clock helping people in 38 states and -- I learned this today -- in 65 countries. These are all people who have been adversely affected by 9/11.

O'REILLY: OK. Now the **Red Cross**' primary goal is to help in disasters, right. When a disaster hits. Certainly, 9/11 is a disaster.

CONNOR: Absolutely.

O'REILLY: The Iraq thing is a war. It's different than a disaster. It's a calculated government move to go in and right a wrong, in their opinion. Do you get involved in any kind of a war situation?

CONNOR: Absolutely. Since we were chartered 99 years ago by Congress, the **Red Cross**'s job is to connect military people in uniform with their

families back home and connect them with their families for all kinds of emergency communications.

O'REILLY: How do you do that in Iraq?

CONNOR: Well, we are not --we're not in Iraq now. We expect to be soon. But we have been in Kuwait and Qatar and in Bahrain for many, many weeks with births, deaths, serious illnesses, and we connect service members and their families so...

O'REILLY: So you give them phone cards and things like that?

CONNOR: We -- no. What we do is we've got workers over there who, when word comes from, let's say, your son or someone else's daughter that there's been a car accident or a birth, our workers right there actually go and find the soldier or airman and let them know.

O'REILLY: Oh, OK. That kind of...

CONNOR: If they're in the hospital and the airman or the soldier says, well, tell my family I'm OK, we do that. We take care of that, and we've been doing it in all the wars.

O'REILLY: All right. So you've got guys on the ground, and then...

CONNOR: Absolutely. right.

O'REILLY: ... when we win the Iraq war, you'll go into Iraq and do the same kind of thing?

CONNOR: Well, we expect to when we're told by Central Command.

O'REILLY: All right. Now the International **Red Cross** is trying to get to see the POWs the Iraqis are holding. They're only holding maybe six or seven, but you can't do that because we're a belligerent nation in the fight, right.

CONNOR: That's exactly right. We're fenced out a little bit on that. American **Red Cross** is because we're a belligerent nation. But the International Committee of the **Red Cross** does that, and they do a very good job of it.

O'REILLY: But they can't get in.

CONNOR: That may be, but...

O'REILLY: Violating the Geneva Convention.

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CONNOR: That may be, but I can tell you this. They are usually quite effective and quite low key, and the reason that they're...

O'REILLY: Right. Well, they're over there in -- they're now with the Iraqi prisoners that we're holding, but -- they can't go in.

CONNOR: Right, right.

O'REILLY: So your policy has changed then since 9/11. Now you give money to the **Red Cross** for certain thing. It goes right to there.

CONNOR: Bill, you are one of the people who helped us craft that policy.

O'REILLY: All right.

CONNOR: It's very good, and we want to give you credit for it.

O'REILLY: I want to tell everybody you've got a new regime at the **Red Cross**, and...

CONNOR: We don't take money from people unless we get from them exactly what they want their money to go to.

O'REILLY: There you go.

CONNOR: May I say we can use the money for the Armed Forces Emergency Service and for our humanitarian relief operations that are coming up.

O'REILLY: All right. And go on line, get the **Red Cross**.

Mr. Connor, thanks very much. We appreciate it.

CONNOR: Thank you very much.



**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: April 21, 2003

From: Marsha J. Evans

Subject: Media Coverage: IRS Form 990

Late Friday afternoon, April 18, Phil Zepeda, Senior Director, Media Communication, was contacted by Cox Newspaper Syndicate reporter Andy Mollison. Mollison was putting together an article for Saturday on Dr. Healy's compensation, which he located in the posting of our most recent 990 tax documents, disclosed in accordance with law on redcross.org.

Cox Newspaper Syndicate is a collection of 34 newspapers including the *Atlanta Journal Constitution*, their largest daily. Our initial clip review shows that the story was only picked up in Atlanta and Columbus, Ohio (*The Columbus Dispatch*). Seven messages have been received through the Public Inquiry unit.

As you know, I have undertaken an analysis of current compensation practices for all Red Cross executives. I believe our executive compensation program must clearly reflect the nonprofit, charitable nature of the organization we serve. This past February, well in advance of the 990 public posting, Communication and Marketing established a media plan to respond to inquiries in the event that the 990 sparked attention in the press. The 990 has been posted online since Friday, March 7. To date the only other media inquiry we have received was from a *New York Post* reporter, who did not file a story.

The statement below was provided to Cox Newspapers last Friday in response to their questions. Please contact me if you have any questions on this issue.

"As part of its commitment to public accountability, the American Red Cross released its complete tax return, IRS Form 990, for its fiscal year 2002.

It is important to note that no portion of the compensation paid to current and former American Red Cross senior executives came from the Liberty Fund or the Disaster Relief Fund. In addition, new President and CEO Marsha Evans has initiated an analysis of current compensation practices for Red Cross senior executives. The all-volunteer Red Cross Board of Governors—independent of management—has now engaged an outside consulting firm to provide market compensation data and evaluations, and tie financial

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rewards directly to the achievement of results before future executive salaries are approved.

Based on the organization's agreement with Dr. Healy, we are unable to provide any further information on her compensation and severance.

All information in the American Red Cross Form 990 is available in its entirety on the charity's public Web site, www.redcross.org.

Ramesh Thadani is the Chief Executive Officer of Biomedical Services. His bonus was awarded in accordance with his initial employment contract when he joined Biomedical Services in March 2001.

Due to the holiday, David McLaughlin is not available for interviews."

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**American
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National Headquarters
Office of the President and CEO

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To: David T. McLaughlin
Members, Board of Governors
Non-Governor Members,
Biomedical Services Committee

Date: April 22, 2003

From: Marsha J. Evans

Subject: Penn-Jersey Identity Theft

In February 2003, the American Red Cross learned that incidences of identity theft had occurred in the Penn-Jersey Blood Services Region. To date, these incidents have affected some 23 donors who participated in four separate corporate-sponsored blood drives between November and December 2002. The donors' personal information was used to open credit accounts and make jewelry purchases.

Upon learning of the problem, we immediately contacted the U.S. Attorney's Office for the Eastern District of Pennsylvania and requested they open an investigation and develop a task force of federal law enforcement officials to fully investigate the matter. We are also working closely with the Federal Bureau of Investigation and the U.S. Postal Inspection Service.

The Penn-Jersey Blood Services Region, based in Philadelphia, has been in close contact with the companies involved to determine the best way to work with the affected individuals and employees who participated in the blood drives. The region is sending letters to blood drive participants notifying them that they may have been a victim of identity theft and offering to pay for a credit check. To coordinate the Red Cross response, a working group has been assembled of staff from Biomedical Services, the Penn-Jersey Blood Services Region, Growth and Integrated Development, the Office of General Counsel, and Communication and Marketing.

A key issue under discussion is that Blood Services regions currently collect social security numbers because they are unique to each blood donor, serve as the primary donor identifier, and provide a safeguard against duplicate donor records in our database. Duplicate records can compromise the database. We are currently reviewing the possibility of moving away from social security numbers; however, we must first develop a unique donor identifier that can be accommodated by our current computer system and then apply it to all existing donors. This software solution is not a quick or easy fix, and will ultimately require FDA approval.

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We've developed talking points that emphasize the following points:

- The identity theft has been isolated to the Penn-Jersey Blood Services Region.
- The Red Cross immediately contacted the U.S. Attorney's Office and is working closely with law enforcement to resolve this matter.
- The Red Cross takes the confidentiality of our donors very seriously and has many checks and balances that secure blood donor information.
- The Red Cross relies on voluntary blood donations to meet the needs of the American people for blood and blood products.

This story may break in the media in the near future as charges will likely be filed soon. Unfortunately, while regional in nature, the story has the capacity to be picked up by national media outlets. We will carefully manage this issue from a media perspective, and I will keep you informed as events warrant. Please feel free to contact with any questions regarding this issue.

SFC-ARC-A001474



Together, we can save a life

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

Date: May 5, 2003

From: Marsha J. Evans

Subject: Tornado Response and Related
Issues

By now you will have heard about the fatal tornadoes that swept last night through several Midwestern and Southern states. I wanted to give you an overview of Red Cross disaster relief activities, and am taking this opportunity to update you on other issues related to relief and preparedness.

Tornadoes

As many as 80 tornadoes hit the midwest and south on Sunday, May 4 and early Monday morning, killing at least 34 people and leaving dozens more injured, with severe weather continuing throughout the region. The number of fatalities is not confirmed as rescue and recovery efforts continue.

Lawrence County, Missouri, appears to be the hardest hit, with an estimated 12 fatalities and extensive damage. The tornado cut across the county and in 30 minutes had torn through the heart of Pierce City, where virtually every resident and business was affected. The largest tornado first touched down in Bonner Springs, Missouri, traveling through Wyandotte counties and into Platte and Clay counties, leaving behind a deadly path of destruction and killing at least eight people. The storm also rumbled into western Tennessee, where tornadoes damaged houses, trailers and other buildings.

Red Cross disaster workers from chapters in the affected areas responded immediately, providing shelter and other emergency relief. National headquarters is mobilizing personnel, equipment, supplies and more into the disaster areas. This relief operation will function in several states and will require a great deal of sheltering and a large mental health component. Already 14 shelters and widespread mass care activities are operating in Kansas, Missouri, Tennessee and elsewhere, with hundreds of relief workers on the scene. The Red Cross is moving equipment and resources into the affected areas, including Emergency Response Vehicles (ERVs), mobile kitchens, comfort and hygiene supplies and more.

Members of the Rapid Response Team for public affairs are on the ground and providing the news media with a first-hand look at the Red Cross response to this tragedy. In addition, national headquarters is preparing live radio copy with strong asks for the national Disaster Relief Fund and working with Celebrity Cabinet members on messaging for a possible Radio Media Tour for tomorrow. Visit CrossNet for continuous updates as the relief operation unfolds.

If you receive questions or media inquires regarding the Red Cross response to these tornadoes, please refer them directly to the Disaster Public Affairs desk in the Disaster Operations Center at (703) 206-6232.

TOPOFF Federal Disaster Exercise

Given the heightened interest of the public and the news media in any story relating to terrorism, we anticipate significant news media interest in Top Officials (TOPOFF) 2 – the second in a series of congressionally mandated, full-scale terrorism exercises to be conducted May 12 - 16. As a leader in the response to the disaster incidents represented by TOPOFF 2, the Red Cross is participating as if the exercise scenarios are actually happening. Heavy interest is expected in each of the four exercise venues (Washington, Illinois, the District of Columbia and Canada) from local, national and international news media. Today, Homeland Security Secretary Tom Ridge is conducting a press conference in Washington, D.C., to announce the TOPOFF 2 exercise. Representatives of the Red Cross' Disaster Services will be at the press event.

Preparation for this exercise has required close coordination with our chapters, Biomedical Services and national headquarters, as well as with our partners in the Canadian Red Cross and the U.S. government. The scenario will simulate the following venues and incidents:

- Seattle, WA-Radiological Dispersal Device explodes;
- Chicago, IL-Pneumonic Plague confirmed; and
- Washington, D.C.-No incident, but a low-level command post exercise.

This exercise builds on the success of TOPOFF 1 in 2000, and will provide real-world experience in linking terrorism preparedness, components of the *Together We Prepare* campaign and Red Cross- Homeland Security coordination. During the exercise, we will focus on sheltering-in-place procedures, family tracing, coordinated messages from the various federal agencies, Homeland Security-level recommended actions, promotion of the 866-GET-INFO hotline, blood needs and more. As in 2000, the involved agencies are looking to the Red Cross to again take the lead in communicating with the public and making our messages clear and understandable.

Turkey Earthquake

On May 1, an earthquake measuring 6.4 on the Richter scale hit southeastern Turkey. The earthquake demolished several structures in and around Bingol, including a dormitory at the Celtiksuyu boarding school, which was the focus of heavy media attention. Unfortunately, CNN is now reporting that rescue workers have abandoned the search for survivors, including the boys in the collapsed dormitory. While the Turkish Red Crescent Society and authorities appear to have sufficient resources, the American Red Cross is closely monitoring developments and is prepared to provide support if needed and requested by our Turkish counterparts.

Earthquakes are common in Turkey, which is home to three major tectonic plates. The American Red Cross responded when earthquakes hit Turkey in August and November of 1999 and, again, in the Afyon region in February 2002.

Please feel free to call me at any time. Should events warrant, I will be in contact immediately.



**American
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National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chairman
Members, Board of Governors

Date: May 7, 2003

From: Marty Evans

Subject: Summary of Inter-American
Conference

Governor Michael Hawkins and I joined representatives from 35 Red Cross Societies of the Americas Region gathered in Santiago, Chile for the XVII Inter-American Conference from 23-26 April 2003. Additionally, leadership from the International Federation, ICRC, Standing Commission and, in an observer capacity, Participating National Societies from other Regions as well as relevant external technical agencies also took part in the gathering.

Simultaneous Seminars

Simultaneous presentations and seminars were held in advance of the official opening ceremonies on a range of topics including: resource mobilization, the effects of war on women, migration, youth violence, and partnerships with the corporate sector. The American Red Cross (ARC) presented in a panel discussion on migration in regarding capacity of ARC chapters along the US-Mexico border and our history of joint collaboration.

Plenary Sessions

The President of CORI, the Inter-American Regional Committee (Comité Regional Interamericana), provided a report on progress in the Americas Region since the last Inter-American Conference held in Santo Domingo, Dominican Republic (1999). The Federation and ICRC presented an overview of joint support to regional national societies over the past four years. Leadership from the Federation reported on the Secretariat's "Strategy for Change" and its implementation.

Within the context of the Federation's "Strategy 2010", two main themes were presented and discussed –

- (1) **Health:** "Equity and health in the Americas: The Red Cross initiative to increase health equity and strengthen local capacities in the Americas", with four main program priorities in the Americas including; non-remunerated voluntary blood donation, maternal and child health, HIV/AIDS, and health in emergency settings.

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(2) Disaster Preparedness/Response: "Reducing risks and improving coordination: towards an integral disaster-management system in the Americas." Program priorities agreed upon for the Americas include: prevention, mitigation and community preparedness; disaster preparedness and response; and rehabilitation, reconstruction, and development.

Because current American Red Cross programs in the Region are consistent with these themes and have served as a model for high-impact humanitarian interventions, ARC International Services was asked to make presentations at sessions covering both topics.

Conference Declaration

National Societies within the region approved the final conference declaration on Saturday, which emphasizes the aspirations and intentions of societies in the region to work towards improved equities in access to community based health care and towards a more efficient disaster management system integrated with programs that reduce overall vulnerability to disasters and help communities recover from the effects of disasters. ARC delegates successfully lobbied the drafting committee to remove specific references to Iraq (with a focus on responsibilities of occupying powers) resulting in a much broadened reference to Movement actions on behalf of civilians left vulnerable due to all conflicts worldwide.

Inter-American Coordinating Committee (CORI)

CORI was created as a regional mechanism for coordination and cooperation among societies in the Americas. Unfortunately, the past 15 years of CORI proceedings are characterized primarily by discussion of the group's own statutes. Newly proposed changes to the statutes of CORI led to a vigorous and fractious debate, highlighting concerns of Caribbean National Societies who feel underrepresented. In the end, the revised statutes for CORI and election of new members were both tabled to be taken up again at a CORI meeting to be held in Geneva immediately prior to the Federation General Assembly late this fall. Most National Societies (21 - including the American Red Cross) abstained from voting throughout the session due to the lack of consensus and seriousness of the issues at hand.

ARC Leadership and Movement Partner Meetings

During the conference, the ARC delegation also held side meetings with Movement and National Society leaders including those from: Federation governance and management; ICRC; the Standing Commission; Canadian Red Cross; Spanish Red Cross; Mexican Red Cross; Chilean Red Cross (host); British Red Cross and Jamaican Red Cross. Discussions centered on longstanding and potential operational partnerships, the Federation's Change Strategy and financing, and statutory meetings of the Movement to be held in late 2003.

American Red Cross delegates also held dozens of informal conversations with National Society leaders from the region and observer societies to discuss cooperation, conference themes and the state of ARC relations with the Federation. Emphasis was placed on clarifying and reiterating our dual positions of increased engagement (within the limits of un-predictable funding that is dependent on government grants and philanthropic giving trends) and continued concern over the MDA membership issue.

A number of the conversations centered on the issue of ARC withholding its Bareme payment. It appears this issue is heating up as some Federation leaders would like to link more assertively and publicly ARC's non-payment directly to the Federation's financial travails. In the coming months prior to the Federation General Assembly it will be necessary to further clarify the ARC position and build more consensus for ARC's position on MDA membership.



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

Date: May 9, 2003

From: Marsha J. Evans

Subject: Aggressive Visibility, Fundraising
to Support Disaster Relief Fund

The rash of tornadoes and subsequent flooding that hit America's heartland have given albeit an unfortunate opportunity to showcase Red Cross disaster relief. With disaster relief operations in 11 states and severe weather continuing to be a threat, our operations are expanding. As you know, the Disaster Relief Fund with an unrestricted a cash balance of about \$5 million is dangerously low as we head toward hurricane season.

Attached you will find a message that I have sent to the field which includes a CrossNet link to talking points on the Disaster Relief Fund. Governors who have had media training may wish to contact local field units and make themselves available, as appropriate.

Should you have questions please feel free to contact me or Chuck Connor, Senior Vice President of Communication and Marketing.

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To: David T. McLaughlin, Chairman
Red Cross Governors

Date: May 22, 2003

From: Marsha J. Evans

Subject: Heightening Visibility, Attracting Support

Over last weekend, we conducted a poll of 1,000 adults to assess more definitively the climate for attracting charitable donations to the American Red Cross. In general, the results were no surprise: the economy is the major factor hampering donations, with two-thirds of respondents citing concerns such as rising costs, particularly of medicines; a possible decrease in household income; and questionable news reports about charities. At the same time, people who indicated they would donate to tornado victims overwhelmingly mentioned the Red Cross as the organization they would select for their charity. In an unaided response, 87 percent of people who had previously given to us within the past year mentioned the Red Cross as the organization to which they'd donate. These results suggest a need for a concentrated effort to heighten Red Cross visibility and educate donors about the need to shore up the Disaster Relief Fund.

More alarmingly, this survey comes on the heels of April's public opinion poll chronicling the continuing decline in public awareness of the Red Cross at local community level. Specifically, the poll showed that 38 percent of respondents could not say with certainty that there was a local Red Cross providing services for their community. This figure denoting lack of local awareness has increased steadily from 25 percent in June 2002. The same poll also revealed that only 20 percent of respondents reported being contacted by the Red Cross in the past six months to ask for a charitable donation. This statistic is down from 23 percent in February 2003, and is low compared to the number of people contacted by other charities. These findings parallel what we know about chapters reducing their direct mail effort.

Given the dangerously low level of the Disaster Relief Fund, we all must work aggressively to garner financial contributions at both the national and chapter levels. Public visibility is essential if we are to continue offering our lifesaving programs to the people we serve. To that end, my management team has been working with several chapter executives on a strategy to urgently restore the fund's balance, and you will be hearing more about these efforts at the national convention and in the days ahead. Chapter leadership must also take proactive measures to spotlight the good work their local Red Cross does each and every day, especially in responding to the many local disasters that often do not attract media attention. Our polling numbers tell us that, in the aggregate, we all have much more work to do to ensure there is much greater

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awareness about how Red Cross chapters are serving their communities – and how they can help ensure that we will be there for the residents of tomorrow.

At headquarters, we will do all we can to support local visibility efforts of chapters. Since the tornado outbreak on May 4, national headquarters has worked to leverage and maximize media opportunities. We have provided support both internally for relief operations within the field and chapters, and externally through contact with the media and communication to stakeholders. We have also provided visibility tips, templates and advertising materials to the field. In working with our media contacts, we have focused on 800-HELP-NOW and the need for donations to the Disaster Relief Fund. To date, of the 230 national media "hits," 180 have included a specific fund-raising call to action. Red Cross spokespersons have been interviewed on CNN, The Weather Channel, Fox News, CNBC, MSNBC and ABC News, with messages included in numerous other news broadcasts, and major networks' morning and evening shows.

On May 14, I conducted a satellite media tour to speak about tornado response and the need for funds. Our message reached more than 1.5 million people in key media markets surrounding the affected cities and states; that same day, we held a radio media tour on 15 radio stations across the nation in several major markets, bolstering our already heavy presence on the airwaves. We have taken care to insert the Red Cross message, including how to help, on major online media outlets including CNN.com, MSNBC.com, Weather.com, ABCNews.com, and more. Our public website featured a special front page for Mother's Day weekend that encouraged donations in the name of mothers, generating \$26,000 in donations to the Disaster Relief Fund in just one day.

We have also executed an advertising strategy to encourage awareness and stimulate fund-raising. Live-read radio copy was quickly provided to 1,175 radio stations in the affected markets, resulting in about \$259,000 in donated media value to an audience of approximately six million. The "Recent Tornadoes" print ad was distributed to 180 daily publications in the affected markets. It ran in impacted regional editions of *USA Today* on May 13 and is running again today. The National Association of Broadcasters included the 30-second general disaster relief television PSA featuring country music artist and National Celebrity Cabinet Member Tim McGraw in its monthly Telejournal. The Telejournal, distributed by NAB via satellite to its 1,100 member local affiliate TV stations and chapters, asked local member stations to pull down the feed and air the spot.

As a follow-up to my letter to congressional delegations representing disaster-affected areas, we sent an e-mail message to affected-area chiefs of staff in both the House and Senate to help raise the visibility for the disaster relief response and build upon ongoing relationships.

Looking Ahead

It is important to recognize that there are still many opportunities to take advantage of our organization's strong record of helping our neighbors across the country stay safe at home, work and play. We have a powerful brand and an excellent reputation; for example, a recent survey of 150 Fortune 1000 senior executives showed a strong respect and admiration for the Red Cross. The Red Cross ranks second among 22 major non-profit organizations, with a rating of 7.9 out of 10. In other news, the Better Business Bureau Wise Giving Alliance issued a new report on its www.give.org website concluding that the Red Cross meets the CBBB Standards for Charitable

Solicitations. According to a letter from their Chief Operating Officer, Bennett Weiner, the charity watchdog is "pleased that we can now state that the Red Cross meets our charity standards and appreciates all the cooperation that your organization has provided to date." We need to capitalize on this momentum.

This past year, we began working initiatives to replenish the Disaster Relief Fund. With the occurrence of these latest disasters, we have had the national press coverage to capture the public's attention regarding our relief effort, enabling us to deploy a national disaster campaign. We continue to apply ourselves to solving this problem, working with chapters to bring our differing perspectives and experiences to bear. You have my commitment, together with the heightened support of the entire staff at national headquarters and chapter participation, to rebuild the fund and improve the visibility of the Red Cross in all localities.

As always, please feel free to contact me with your thoughts or suggestions.



National Headquarters
Office of the President and CEO

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To: David T. McLaughlin, Chairman
Red Cross Governors

Date: May 23, 2003

From: Marsha J. Evans

Subject: Resolution III Update

The delegates to the 2002 National Convention adopted Resolution III, which addresses the issue of chapter assessments. (The full text of this resolution is available at <https://corpweb.redcross.org/bog/fy02/resolutions/finalres02.pdf> under the heading "Resolution III, Retention of Locally Contributed Dollars.") In December 2002, I appointed an Advisory Committee, comprised of both chapter and national representatives and chaired by Catherine Miller, a former Red Cross Governor, to evaluate the issues and recommendations presented by Resolution III. I have had the opportunity to discuss the issues raised in Resolution III with chapter leaders during my visits to chapters and in other Red Cross forums. In addition, I received considerable feedback from many chapters through the strategic planning process this past year. Based on consultation with the Advisory Committee regarding its work and the valuable input I have received from the field, I am moving ahead on several initiatives that will respond to the points raised in Resolution III.

The Resolution states that local chapters should have greater involvement in strategic planning and prioritization to ensure focused national headquarters support activities.

- This past year, chapters were asked to participate in strategic planning for the organization and given the opportunity for a high level of engagement. This participatory approach to strategic planning will continue in the future.
- I have asked the Advisory Committee to fully develop a proposal for establishing a "Partnership Council" comprised of chapter leaders to provide me with input, feedback, and counsel on a wide range of issues affecting the American Red Cross, including but not limited to strategic planning and chapter assessment. I have asked the Advisory Committee to provide recommendations on the criteria for appointment to the Council and procedural functioning by no later than June 30, 2003.

Further, the Resolution states that national headquarters should develop more effective tools to evaluate and support chapter assessments.

- To better support chapters and assist them in describing to their local donors the Red Cross' use of assessment dollars, I have directed ARC Chief Financial Officer Bob McDonald to ensure that, to the fullest extent possible, all assessment funds are applied to all service delivery and chapter capacity building programs at national headquarters. Documents and reports provided by national headquarters explaining the use of assessment dollars will demonstrate this allocation in clear and concise terms.

Finally, the Resolution calls for consideration of recommendations regarding clear and equitable cost sharing between national headquarters and local chapters.

- Generating sufficient revenues to support both chapters and national operations is both a challenge and a great opportunity for the Red Cross. In the current economic environment, we will continue to cultivate partners, seek out new sources of revenue, and embark on greater collaborative fund raising for the benefit of all.
- I have also asked Bob McDonald to explore possible alternatives for the level of chapter assessment and the calculation method for future application. While an immediate assessment adjustment is not feasible, as we return to financial stability we can consider other alternatives. Again, these efforts will be explored and developed collaboratively with the field.

While this has proved to be a challenging time financially for the American Red Cross, I am confident that, together, we will emerge as a stronger and better positioned organization, poised to provide even better services and programs to the American people.

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To: David T. McLaughlin, Chairman
Red Cross Governors

Date: June 3, 2003

From: Marsha J. Evans

Subject: Merit Pay Update

We have just returned from a very successful Red Cross convention but now must return to the business at hand. As discussed last week, we have made some very difficult decisions regarding the downsizing and merit pay. I am attaching a message that will be broadcast across the Red Cross today on this latter issue.

Later in the week we will be releasing a message about our reorganization and some budget-related reductions in force, which I will also forward to you.

Again, thank you for your participation in and support of the convention. I believe it was a turning point for our organization.

SFC-ARC-A001486

Evans
JWH 3/03

Subject: July 1 Merit Pay Increase Adjusted to Reflect Budget Challenges

As you know, the ongoing economic downturn is taking its toll on all segments of the American Red Cross. Unfortunately, as fiscal year 2004 (FY04) begins on July 1, 2003, we are compelled to take additional actions to mitigate the effects of recent investment experience and declining contributions. As a reminder, for the current fiscal year, NHQ has already taken steps to restrict hiring, reduce purchases of equipment, cut travel expenses and eliminate major meetings and conferences. Now we must reduce an estimated \$20 million at national headquarters in FY04 to ensure that our strategic priorities are funded. As is the case in the chapters, this will require painful cuts in program and staff resources. One tool we have used to allow us to retain as many staff as we can at their current salary level is to adjust the merit pay awarded to successful employees. **After considering many different alternatives, in consultation with senior management, I have made the difficult decision to eliminate any FY04 merit increases for Red Cross executives and delay implementation of merit increases for certain staff for three months.** Details follow.

Executives

This means that Red Cross national sector executives will not receive a merit increase for the period July 1, 2003 to June 30, 2004. Specifically, an executive is any employee, corporate or Biomedical Services, who is eligible for the executive benefits program, and includes, but is not limited to, employees with the following titles: President, CEO, Chief Operating Officer, Executive Vice President, Senior Vice President, Vice President, Executive Director, Blood Services region or National Testing Laboratory CEO, and Chief Officer of a function.

National Sector Employees

Merit Award Process (MAP) pay increases for all other Red Cross national sector employees will be delayed three months—from July 1 to October 1, 2003. Red Cross national sector employees include staff at national headquarters, Biomedical Services headquarters, customer business units, chapter regional offices, Armed Forces Emergency Services, Shared Services Center, and all national sector field staff. Although implementation is being delayed, this action will not affect the merit increase percentage for these employees. The MAP program will remain intact as previously communicated; new MAP schedules and salary planning worksheets will be issued to reflect the new October 1, 2003 implementation date.

Additionally, we will suspend salary adjustments that are outside of the MAP program during FY04, although there will be provisions for exceptional circumstances. Spot awards will be suspended until a revised policy for recognizing extraordinary service is approved and issued on or about July 1, 2003.

SFC-ARC-A001487

Biomedical Services Blood Region and NTL Staff

At the Biomedical Services blood regions and NTLs, employees at the supervisor level and below will receive a merit increase as scheduled by the local unit, whether or not the unit has implemented MAP. Management-level employees at the region/NTL, generally meaning those with the title of manager and above, will have their eligibility for a merit increase delayed for three months from the original date of implementation. As stated above, executives will not receive an increase during FY04.

I know these actions are disappointing during times of tightened family budgets. However, I believe they are a prudent exercise which should help us avert further cost reductions. If you have specific questions, please contact your Human Resources representative, or you may contact the Compensation Division at Compensation@usa.redcross.org.

SFC-ARC-A001488



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To: David T. McLaughlin, Chairman
Red Cross Governors

Date: June 5, 2003

From: Marsha J. Evans

Subject: NHQ & Biomedical Services
Realignments

As I mentioned in my Tuesday, June 3 message to you, we continue to implement very difficult but necessary decisions regarding the future of the American Red Cross. Attached is the message shared across the organization this afternoon regarding the realignments, and subsequent downsizing, of the Red Cross.

Again, thank you for your participation in and support of the convention. I continue to believe that it was a turning point for our organization. I will continue to update you as events warrant and am, of course, available for any comments or questions you may have.

SFC-ARC-A001489

June 5/03

Subject: National Headquarters and Biomedical Services Realignments

Since I arrived at the American Red Cross, we have been working together at all levels of the organization to finalize a strategic plan for the organization's future. That effort was completed at the national convention this past weekend. As you are keenly aware, the current economic downturn is also having an increasingly serious impact on the Red Cross. These factors have led us to realign our national sector work structure to ensure that we can deliver against the strategic priorities of the American Red Cross, while operating in today's restricted financial environment. These activities will begin this week.

Beginning in mid-2002, the Board of Governors and senior management team began to take a hard look at national headquarters' structure and functions with the objective of providing value and added support to the field while emphasizing service delivery. We observed that several issues have begun to coalesce, resulting in the need to integrate these major activities. One was the ongoing organizational review that realigns national headquarters (NHQ) functions along core mission aspects--response and preparedness--and streamlines how chapters are supported by NHQ. A key consideration was the 10-year Strategic Plan for Biomedical Services and the recent agreement with the FDA on a revised Consent Decree. Finally, the "Refocus on Disaster Services," a comprehensive review of the entire disaster services system that ensures our relief services are continuously monitored and improved, was also a major factor in determining our future structure.

Like other not-for-profits, the Red Cross has experienced difficult fund-raising challenges, reflecting donors' personal financial uncertainties and ongoing weakness of the capital markets resulting in declining investment revenues. The combination of a plasma pricing issue, the cost of implementing the FDA compliance program, and modernizing Biomedical Services' infrastructure compels us to make changes to our organization. At national headquarters, we have already taken steps to restrict hiring of new personnel, reduce purchases of equipment, and eliminate major meetings and conferences.

Initial Changes

Driven by these issues and guided by the forward-looking imperatives of the new Red Cross Strategic Plan, NHQ, and Biomedical Services will undergo a series of profound changes beginning this week. We will take advantage of opportunities to more efficiently share support services at Biomedical headquarters, moving those functions back to corporate departments. On June 4 and 5, we announced a restructuring of Biomedical Services that includes a reduction in force. This action will prioritize Biomedical Services functions in alignment with the strategic plan and the imperatives of the FDA consent decree. Affected Biomedical departments include Customer Service, Donor Strategy, Communication and Media Relations, External Affairs, Finance, Medical Office (including Transplantation Services), and Human Resources. Additionally, we will be undertaking a more comprehensive strategic review of Biomedical Services that includes Plasma, Transplantation Services (i.e. Tissue Services and Cord Blood), and Holland Laboratory. This review will be completed by June 2004.

Realignments will also take place in other NHQ departments either to **absorb Biomedical activities or to ensure that budget objectives for the new fiscal year are met.** Actions are

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being taken in Communication and Marketing; Growth and Integrated Development; International Services; AFES; Chapter Services Network; Shared Services Center; Health and Safety, Youth and Community Services; Human Resources and Organization Development; Information Technology; and Finance (including the General Services Division).

Organizational Review

I mentioned earlier that this January, we launched the project to review the Chief Operating Officer's organization and examine the structure of Disaster Services and Chapter Services Network at national headquarters. The goal is to determine the most effective way to support the service delivery capacity of our field units. Importantly, this new structure will create a Programs and Delivery Department that is divided into three critical areas: Chapter Operations Support, Preparedness, and Response. The reorganization will also include a Training and Leadership Development unit that will consolidate functions that are currently spread among various departments. We will announce the structural changes from this review in July.

Let me be frank. We know that these difficult decisions affect the lives of our employees and their families. We continue to look at other ways to reduce operating costs, while maintaining our commitment to service. We pledge to carry these actions out in a sensitive and dignified manner in an atmosphere of open communication. The privacy and feelings of departing staff will be handled with utmost sensitivity. Support resources will be made available, including extended Employee Assistance Program resources, outplacement services for all employees who will be leaving, Financial and Retirement Planning Sessions, and peer assistance. Moreover, departing employees will have time to transition their duties and conduct job-search activities before departing. Remaining staff will be fully briefed by their supervisors and encouraged to ask questions; their new duties and ongoing responsibilities will be clearly defined.

To succeed as an organization, we must constantly review our operations, structure, and programs to reflect the changing needs of the people we serve, while ensuring that we can operate effectively under the fiscal constraints of the day. This is part of our collective and individual responsibility to be the best possible stewards of the resources entrusted to us by our donors, partners, and supporters. Throughout its 122-year history, the American Red Cross has continually evolved to ensure its relevancy to the nation. As painful as they may be today, the actions we take now will ensure that we are there in the future to help those who have always depended on us.



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

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

Date: March 7, 2003

From: Marsha J. Evans

Subject: Sec. Ridge Appt. to BOG / 990
posting/ NYC media events/Worth
Magazine Top 100

New Governor Selected

On February 14, 2003, David and I sent a letter to the White House, respectfully requesting that President Bush appoint Homeland Security Secretary Tom Ridge to the American Red Cross Board of Governors, replacing departing Governor Joe Allbaugh. I am happy to announce this request has been granted, and Secretary Ridge will be joining us soon in our shared goal of preparing America both as a partner and a Governor.

As the only nongovernmental organization with mandated responsibilities under the Federal Response Plan, the Red Cross is now working closely with the Department of Homeland Security to help build the country's capacity to prepare for and respond to major disasters and terrorist events. I hope you will join me in welcoming Secretary Ridge to the Board.

At this time, I would also like to thank Federal Emergency Management Agency (FEMA) Director Joe Allbaugh, who has served as a presidentially appointed Governor since March 2000, with Deputy Director Michael Brown acting as Director Allbaugh's designee. During his term as a Governor, FEMA and the Red Cross worked collaboratively to meet the challenges posed by the unprecedented events of September 11, 2001, and both organizations have improved capabilities to respond to future such events.

Form 990 Posting

As I briefed you some weeks ago, we will be posting our annual tax return, the Form 990, on our public web site, RedCross.org, later today. We expect this posting to generate attention, as we have already received one media inquiry related to this information. We will also notify the field that the Form 990 is being posted today, clearly instructing them to refer all media inquiries to NHQ Communication and Marketing staff.

New York Media Trip

I was in New York City yesterday to participate in a breakfast briefing with long-lead publications and other key media to discuss our *Together We Prepare* initiative. Joining me was Bob Bender, CEO of the ARC of Greater New York. Representatives from 13 media outlets attended, including *Red Book*, Associated Press, *Parade*, Reuters, *Ladies Home Journal*, *Heart*

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and Soul, and Hearst Publications. Attached is an excellent AP story about *Together We Prepare*, which was released around the country as a result of the briefing.

Later, I had a very frank and productive conversation with Bill O'Reilly at Fox News. He told me that he is focused on the future of the Red Cross and expressed strong interest in doing a story about our Armed Forces Emergency Services and the part it will play in supporting military service men and women and their families in the days, weeks and months ahead. This is very good news, and we will follow up. My personal thanks go to Governor Sherry Lansing, who arranged this very productive dialogue.

Last night was spent at the National *PR Week* Awards. *PR Week* is the highly-regarded advertising and public relations trade publication. Its awards ceremony recognizes the most effective and creative advertising and public relations teams in the country. I am delighted to report to you that our Communication and Marketing Department won top honors in Technique Awards for ***Best Use of Research or Measurement*** with "Targeted Market Research Drives Changes to Fund-Raising Practices." This award recognized the excellent work that was done on Donor DIRECT, a communication, marketing and fund-raising strategy to add additional measures in acknowledging donor intent. The Communication and Marketing Department also received Honorable Mention (second place in a field of more than 70 entries) in the ***NonProfit PR Team*** category for "Unprecedented Disaster: Unprecedented Team" – for communication efforts in support of and after the September 11, 2001 disaster response and relief effort.

Worth Magazine's Top 100

Finally, I am very happy to share with you that – for those of you who haven't already read it – according to *Worth* magazine's recent article, "Boards of Prestige," you are serving on one of the top 100 most prestigious nonprofit boards in America. I knew I was in good company!

SFC-ARC-A001493



National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: June 11, 2003

From: Marty Evans

Subject: Premiere of "Laura Croft: Tomb Raider: The Cradle of Life,"
July 21, 2003

As Sherry Lansing mentioned to you at your meeting at the national convention, Paramount has offered for the American Red Cross to be the beneficiary of "**Laura Croft: Tomb Raider: The Cradle of Life**," which is premiering on **Monday, July 21**, at the Grauman's Chinese Theatre located at 6925 Hollywood Boulevard in Hollywood, CA. A post-party will be held across the street following the premiere. The post-party consists of a dinner buffet and entertainment; no remarks will be made. In addition to holders of the tickets sold by the Red Cross, attendees to the event will include producers, directors, talent, studio executives, and Paramount guests. Dress for this event is business attire.

The Red Cross is responsible for selling 250 tickets, and all proceeds made from these ticket sales will directly benefit the Disaster Relief Fund. A limited number of these tickets are available for individual sale at \$250 each, and I wanted the Red Cross Governors to have first opportunity to purchase a ticket before we sell the packages (the real source of fundraising for this event.) The timing of this opportunity fits nicely with last Friday's launch of the national fund-raising campaign to shore up vital resources for the Disaster Relief Fund. I am writing to seek your help in selling tickets. Package prices are:

Platinum Package - \$25,000

- 10 tickets to premiere (platinum seating)
- 10 tickets to post-party
- Reserved premiere table at post-party
- Name listed as benefactor on printed materials whenever possible

Gold Package - \$10,000

- Eight tickets to premiere (premium seating)
- Eight tickets to post-party
- Reserved table at post-party
- Name listed as patron on printed materials whenever possible

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Silver Package - \$5,000

- Six tickets to premiere (preferred seating)
- Six tickets to post-party
- Name listed as sponsor on printed materials whenever possible

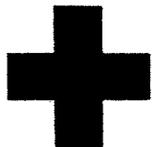
Individual Tickets – Limited Quantities - \$250

- Ticket to the premiere and post-party

This new film is the sequel to the hit, "Lara Croft: Tomb Raider," (see <http://movies.yahoo.com/shop?d=hp&cf=prev&id=1808406293&intl=us>), which opened to over \$48 million on June 15, 2001, setting the record for the highest opening for a movie starring a woman. The 2001 version was based upon the popular "Tomb Raider" videogame series.

Most likely the film will be rated PG-13 and stars Angelina Jolie (Lara Croft), Chris Barrie (Hillary), Gerard Butler (Terry Sheridan), Ciaran Hinds, Djimon Hounsou, Til Schweiger and Noah Taylor (Bryce.) Additional cast members have not yet been announced.

We plan to open this opportunity to Red Cross field units after we offer opportunities to purchase packages to our corporate donors but I want to give the Board the first chance to support this exciting initiative. If you feel you are able to sell packages, or have business associates who might wish to purchase a package and/or wish to purchase individual tickets for yourselves, please contact Abbie Gibbs, Officer, Growth and Integrated Development, at (202) 303-4016, or via e-mail at GibbsA@usa.redcross.org before **Friday, June 20**.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chairman
Red Cross Governors

Date: January 4, 2006

From: Marty Evans

Subject: Time Magazine Insert

I am pleased to let you know that this month the American Red Cross has taken proactive efforts to increase public trust and positive perceptions among an important audience of influential decision makers across the country.

Using *Together We Prepare* campaign messages, we developed a groundbreaking advertising effort designed to motivate influencers—Americans who are educated, aware and involved—to take action and learn more about the Red Cross, as well as support our local and national efforts through time, money or blood. Enclosed is a copy of the June 16 issue of *Time Magazine* containing two of the advertising pieces in support of this effort (marked with a post-it note). A special eight-page booklet insert—“The Most Useful Book In The World”—and accompanying full-page ad appears in *Time*'s top management demographic circulation, a special distribution targeting 800,000 of the publication's most influential business and Capitol Hill subscribers. We expect this issue, featuring Senator Hillary Rodham Clinton on the cover, reached beyond the estimated 4.3 million readers of this issue.

As many of you saw at convention, the targeted booklet contains messages about the Red Cross and our lifesaving mission, as well as valuable, concrete information on how the readers can prepare themselves, their workplace, and their loved ones for the unexpected. In addition to the *Time Magazine* placement, the booklet is available as a Flash presentation on our public Web site (www.redcross.org), and received about 4,000 visits from our homepage during its first two weeks online. An additional 45,000 printed copies of the booklet were also available for field units across the country to promote with influential audiences locally. Within one week, all booklets were sold out!

To further broaden our influential reach, a “stand-alone” ad containing similar messaging also appeared in *USA Today* (on June 10) and *U.S. News & World Report* (on June 16).

We are thrilled to bring this innovative advertising to influential homes and businesses across the country. It is efforts like this that go a long way toward encouraging continued support of this key audience. If you have any questions about this effort, please contact Chuck Connor, Senior Vice President of Communication & Marketing at (202) 303-4481; e-mail ConnorCh@usa.redcross.org, or me.

SFC-ARC-A001496



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chairman **Date:** January 23, 2003
Members, Board of Governors

From: Marty Evans **Subject:** Response to Mexico Earthquake

I am writing to update you on the status of actions related to the tragic January 21, 2003 earthquake in Colima Mexico. We were apprised of the event late Monday evening, and our bilingual staff closely followed developments throughout the night.

By morning, it became evident that the American Red Cross should respond in a manner appropriate to the size and scope of this disaster. Sending personnel, relief supplies, or cash into a foreign country is a delicate, diplomatic process as we have no wish to embarrass our sister society or its government. Instead, we sent a senior, bilingual, logistics delegate to Mexico City, and he was on the job within four hours of deployment. American Red Cross staff already in Mexico accompanied the Mexican Red Cross team to assist in damage assessments in the affected areas yesterday.

The American Red Cross has warehouses of relief supplies in Panama, Guatemala, Nicaragua, El Salvador, and Honduras. The supplies were immediately offered to the Mexican Red Cross. I called Jose Antonio Fernandez, the Director General of the Mexican Red Cross to offer our sympathies. I verbally assured him we were ready to assist in any way possible. Mr. Fernandez did not request additional personnel or supplies, and has not done so to date. The Mexican Red Cross and the Government of Mexico have mounted a robust response utilizing significant assets from across Mexico.

Back in Washington, D.C., our team was working with the U.S. Department of State to secure an emergency grant. The details are still being worked out, but the outlook is very positive. The American Red Cross has been selected despite formidable competition from other NGO's to apply for these monies. Our D.C.-based personnel have also been working with the media, and attempting to find further funding. These efforts are continuing despite lagging interest on the part of the media in most markets. Corporate and foundation interest is extremely weak. Calls to our 1-800 number totals 520, as compared to 21,000 calls received for the El Salvador earthquake exactly one year ago.

Please rest assured that I have directed our staff to continue working extremely hard to overcome these obstacles. We want to ensure that Mexican beneficiaries receive immediate, high-impact, appropriate emergency relief. Please feel free to contact me directly with any questions or comments.

Attached is the News Release we sent out today.

SFC-ARC-A001497

Ticket

\$ 250

- 1 ticket to Premiere (general seating)
- 1 ticket to Post-Premiere Party

As we've mentioned before, in addition to the tickets the ARC sells; attendees to the event will include producers, directors, talent, studio executives and Paramount guests. Attire for the event is business.

We also will be opening up this opportunity to the field. If you feel you are able to sell packages and/or tickets, please contact Abbie Gibbs at 202.303.4016 or via e-mail at GibbsA@usa.redcross.org before Friday, June 20, 2003.

Background on the Film

This is the sequel to the hit film, Lara Croft: Tomb Raider, which opened to over \$48 million on June 15th, 2001, setting the record for the highest opening for a movie starring a woman, which was itself based upon the popular "Tomb Raider" videogame series.

Most likely the film will be rated PG-13 and stars Angelina Jolie (Lara Croft), Chris Barrie (Hillary), Gerard Butler (Terry Sheridan), Ciaran Hinds, Djimon Hounsou, Til Schweiger and Noah Taylor (Bryce.) Additional cast not yet announced.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: Red Cross Governors **Date:** July 10, 2003
From: Marty Evans **Subject:** CIP Update

Following is a copy of the joint message sent to Biomedical Services from both the Chairman and myself earlier this month regarding the Continuous Improvement Program.

I will continue to keep you informed about this important initiative, as events warrant. In the meantime, should you have any questions or comments about this program please feel free to contact me.

SFC-ARC-A001500

A Joint Message from the Chairman and the President and CEO

To: All Biomedical Services Staff:

If we are to continue to be allowed to fulfill our mission of providing the American people with the safest blood supply possible, we must do everything we can to achieve and sustain compliance with all Food and Drug Administration (FDA) regulations and the Consent Decree. Only by making fundamental changes to our core processes, systems and infrastructure, through the Continuous Improvement Program (CIP), can we create sustainable compliance, improve our relationship with the FDA and make the American Red Cross a better place for all of us to work.

The CIP is the cornerstone of the strategic plan for Biomedical Services, and we believe strongly that the CIP is the correct strategy for achieving our long-term goals for regulatory compliance and operating effectiveness.

Because of CIP's essential role in achieving compliance, early this spring the Audit Committee and the Biomedical Services Committee of our Board of Governors commissioned an independent assessment of the CIP by KMI Parexel, an internationally recognized compliance and regulatory consulting firm. The purpose of the audit was to review the overall CIP program and its 30 individual projects to assess whether CIP is the correct strategy.

We are pleased to report to you that the audit has confirmed that the CIP is indeed the correct strategy for our business and that it is well-designed, comprehensive and well-managed. The results of the audit further strengthen our support for the CIP and our Board of Governors' commitment to all aspects of the program.

While the audit team did make recommendations for some adjustments to the program, your CIP leadership team is using the information gleaned from the audit findings to further strengthen the program. Now, we must keep our focus on *staying* the course and implementing the many improvements underway through the CIP projects. For this reason, we have requested monthly updates on the progress of the CIP at our Board of Governors' meetings, so that we can track your accomplishments and remove any barriers to success.

We know that many of you have been working hard for the past year on CIP teams creating this needed change, and that these responsibilities placed an added burden on you, your organization, and your family. We appreciate your efforts to date and ask you to use this opportunity to re-dedicate yourself, as we have, to the successful implementation of the CIP.

Over the next several months, you will see under the direction of Ramesh Thadani that the CIP will become much more visible throughout the organization as projects that impact many critical areas of collections and manufacturing move into implementation. We ask for your active support as well.

We congratulate you on your progress to date and look forward to regular reports on your future accomplishments. This is an exciting and dynamic time for the CIP and for all of Biomedical

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Services. Thank you in advance for your continued support of and commitment to this very important initiative.



Marsha J. Evans
President and CEO



David McLaughlin
Chairman, Board of Governors



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chairman
Members, Board of Governors
Non-Governor Members,
Biomedical Services Board

Date: December 13, 2002

From: Marty Evans

Subject: Media Strategy for BHQ Inspection
Closing

The Food and Drug Administration's (FDA) inspection of Biomedical Services' Headquarters (BHQ) is scheduled to close Wednesday, December 18, with a number of Form 483 observations or areas the agency views as needing improvement. The observations fall into five key categories, including donor suitability and labeling processes, quality assurance, information technology and hotline cases.

As you know, the Red Cross was working with HHS and the FDA in an effort to reach a resolution regarding our ongoing litigation of the 1993 Consent Decree. However, as we continue to work on this goal, the headquarters inspection closing will occur before we reach a tentative settlement. We must therefore expect some bad news coverage on this subject.

In an effort to create a balanced communications environment around the FDA's actions and to mitigate any damage to the organization's brand, we are deploying a proactive media strategy before the inspection closing. We will target a select group of national reporters who generally cover inspection closings and educate them about the Red Cross' efforts to improve our quality assurance processes. These efforts include:

- Using new technologies to reduce the potential for human error;
- Restructuring and increasing the level of Quality Assurance staffing by 50 percent, with 175 new positions being added throughout the field and BHQ;
- Creating a less cumbersome and complex training system and implementing a training program like those found in other successful corporations; and
- Re-engineering the core manufacturing processes to provide more robust, easier to follow processes that reduce and prevent errors.

On Monday, December 16, Allan Ross, Chief Operating Officer for Biomedical Services, and Jack Prause, Senior Director of Quality Business Operations for Biomedical Services, will host a meeting with select national news outlets to emphasize the Red Cross commitment to operational excellence. Those health reporters who attend the meeting, and who will likely cover the BHQ inspection closing, will be educated about the progress made to date as well as any future

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initiatives to enhance Biomedical Services. It is our hope that the information shared by the Red Cross will be included in the various news reports concerning the FDA inspection findings, and lead to more balanced reporting.

On Wednesday, December 18, we will distribute a news release on PR Newswire announcing our operational effectiveness effort. This will ensure that reporters have an electronic version of our progress and our enhancements to our procedures and systems. This information will be provided in advance of the potential media coverage of the BHQ inspection findings later that day. Since we know that Associated Press and other wire services will cover the inspection and send stories nationally, our news release will assist local reporters in writing their own pieces.

We will continue to communicate details regarding this strategy as events unfold. Should you have questions, please contact Chuck Connor, Senior Vice President of Communication and Marketing, at (202) 639-3272.

National Headquarters
2025 E. Street, N.W.
Washington, DC 20006

Mary Hundley DeKuyper
National Chair of Volunteers

To: American Red Cross Board of Governors Members

**From: Mary DeKuyper – National Chair of Volunteers
and Ann Allen Adams – Manager, Volunteer Resources**

cc: Marty Evans

Subject: Invitation to the 2003 American Red Cross Volunteer Administration Institute

Greetings! You are cordially invited to attend the 2003 American Red Cross Volunteer Administration Institute (VAI 2003):

Barrier Busters: Leading a New Generation of Volunteers
Cincinnati, Ohio – October 13-14
Hilton Cincinnati Netherland Plaza

The Institute is a two-day, professional development conference for leaders, and will address the following key themes:

- Focus on strategic volunteer involvement
- Teach basic and advanced volunteer administration competencies
- Identify and break down barriers
- Develop innovative strategies to recruit, train, retain, and lead volunteers

VAI 2003 ties in directly with:

- Our **Strategic Direction**: *"Inspire a new generation of volunteers and supporters to enrich our traditional base of support."*
- Our **Strategic Goals**:
 - More people are engaged in the mission of the Red Cross as volunteers, blood donors, and financial donors.
 - The Red Cross demonstrates sustained progress in ensuring it is representative of the communities it serves.
 - The Red Cross has a high performance work force composed of dedicated volunteers and employees.

The conference is designed for leaders at all levels for Chapters, Blood Service Regions, AFES HUBs, and stations beyond the local unit level participants.

We hope you can join us at this interactive learning opportunity!

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Please note:

We are developing an opportunity for Red Cross Governors to have a Q&A session with participants.

Attached, please find additional information about the 2003 VAI program, registration, hotel, and other materials. You may register at: <http://www.signup4.net/Public/ap.aspx?EID=200314E>.

On October 16, 2003 (two days after the VAI 2003), Marty Evans, President and CEO, will serve as keynote speaker for the **International Conference on Volunteer Administration** in Cincinnati, Ohio. The topic for the keynote address is "The Future of Volunteerism, Non-Profits and Non-Government Organizations in Light of Current World Events." For more information or to register, contact Marshall Associates at 800-704-8001 or visit the Association of Volunteer Administration's website at <http://www.avaintl.org/education/conference>.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: August 7, 2003

From: Marty Evans

Subject: Disaster Relief Fund Campaign
Update

As you know, this past June we launched a campaign to replenish the national Disaster Relief Fund (DRF). The goals were ambitious:

- Rebuild the DRF to a minimum operating level of \$30 million by August 31, 2003;
- Assess donor market potential with chapter leadership in each state to establish realistic fund-raising targets; and
- Rebuild and maintain the DRF at \$56 million.

Together, with support from local chapters, we have raised in-kind donations of more than \$5.4 million and \$7.4 million in cash and pledges since May 2003, for a total of \$12.8 million. More importantly, in coordination with chapter leaders and Red Cross Governors, we are building partnerships that will better serve local units and our organization beyond the conclusion of this campaign. For example, Sun Microsystems has joined the Annual Disaster Giving Program (ADGP), donating \$825,000 over three years to support the DRF and selected chapters, and an additional \$500,000 for in-kind information technology services. In addition, Target donated \$200,000 above their annual ADGP commitment to support the DRF.

We plan to drop nearly 200,000 pieces of direct mail this week, with more than 140 chapters electing to participate. We are also soliciting hundreds of thousands of potential donors via e-mail, and are prominently featuring the campaign on our public Web site. In addition, Yahoo! has generously donated online advertising this summer (with an approximate value of \$240,000) to drive traffic to the Red Cross online donation site.

We are finalizing a Disaster Relief Fund Campaign Cabinet of leaders from corporations and foundations who will be asked to make a financial contribution, permit their name to be publicly associated with the campaign, and help us cultivate and engage support from fellow corporate leaders. To date, campaign cabinet members include:

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- Mary Beth Salerno, President, AMEX Foundation;
- Tim McClimon, Director of Corporate Giving, AT&T Foundation;
- Tim Doke, Vice President of Corporate Communications, Dell Corporation;
- Frederick Smith, Chairman and CEO of FedEx; and
- Edward B. Rust, Chairman and CEO, State Farm.

Chapters continue to express the critical importance of their volunteer leaders' involvement in fund raising for the campaign. Additional thanks go to Doug Dittrick and Gina Adams, chair and vice chair of the Public Support Committee who are serving as campaign cabinet members, as well as helping identify fellow Red Cross Governors who are interested in fund raising for the important campaign. Governors will be asked to help solicit funds from their peers and identify additional prospects. If you have not spoken with Doug, and are interested in helping, please contact him immediately at (201) 444-1700.

I am committed to keeping the DRF appeal at the forefront of public messages and activities. I continue to meet with individuals and organizations to personally ask for contributions, as well as include an appeal in my speeches. I have also sent letters requesting that corporate partners who have previously solicited customer donations during major disasters do so now in support of the DRF.

I want to thank Sherry Lansing for the opportunity to raise funds for the DRF at the premiere of *Lara Croft Tomb Raider: The Cradle of Life*. It was wonderful to have so many of you support the event in Hollywood, where we raised more than \$81,000 for the fund, as well as gained both friends and visibility for our cause.

We know that fund-raising challenges will persist as long as the current economic climate prevails; we are taking further steps to trim all unnecessary expenses from every national headquarters function, including national relief operations. As you may know, we have enacted a series of restructuring and organizational realignments at national headquarters, which eliminated more than 300 positions and will result in an overall annual savings of about \$20 million. Additionally, we saved the organization \$6 million by deferring fiscal year 2004 merit pay increases until October 2003 for most national headquarters employees. We have also asked chapters to renew their efforts to cover local disaster relief costs, in an attempt to trim the \$13 million in reimbursements they received last year for local small-scale disasters.

I don't have to tell you how critical this campaign is to our ability to meet our commitment to be there for the American people when disaster strikes. I sincerely hope that each of you will work with your fellow Governors in the Public Support Committee to provide your individual support.

Thank you for your continued dedication to our lifesaving mission. I will continue to update you on our progress in accomplishing these crucial goals. In the meantime, please feel free to contact me at (202) 303-5319 with questions or concerns.

SFC-ARC-A001508



**American
Red Cross**

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

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: August 15, 2003

From: Marty Evans

Subject: Eastern Seaboard Power Outage
Update

By the time most of us learned about yesterday's massive power outage in Canada and the northeastern and central United States, the American Red Cross had already swung into action. In New York City, as thousands of people poured out of buildings and subway stations as they tried to make their way home in the sweltering August heat, the American Red Cross in Greater New York handed out bottled water and flyers on heat exhaustion. Red Cross volunteers were deployed to Penn Station, Grand Central Station, Port Authority, the George Washington Bridge Bus Terminal, the Brooklyn Bridge, the Flatbush and Jamaica subway stations in Brooklyn, and LaGuardia and JFK airports to help people cope with the sudden loss of civilization's amenities. In New City alone, more than 225,000 people received bottled water from Red Cross volunteers.

The Red Cross performed similar services in Connecticut, New Jersey, Ohio, Pennsylvania, and Michigan. Local chapters dispatched Emergency Response Vehicles, set up Emergency Aid Stations, and opened shelters and reception centers for people seeking a break from the heat. As state after state activated their Emergency Response Plans, Red Cross workers were called upon to staff Emergency Operations Centers through the night. In all affected areas, Mental Health Services volunteers acted swiftly to allay the stress of the situation. In Washington, D.C., the Red Cross was represented at the Department of Homeland Security's operations center, and, at national headquarters, the Disaster Operations Center was activated to support local unit activities. Additionally, a national news release was issued, stressing the importance of preparedness.

To support Red Cross relief, our corporate partners (including Sears, Kmart, Home Depot, and Nextel) have offered their assistance, and Culligan is supplying thousands of bottles of water. We are continuing to solicit targeted businesses.

Not surprisingly, Red Cross efforts attracted national media attention. Don Stephens, an experienced disaster responder, appeared on "Good Morning America" and MSNBC, succinctly summarizing the Red Cross in addition to offering practical suggestions in line with our Together

We Prepare initiative. Don is scheduled to appear on CNN later today. "Good Morning America" also aired a segment featuring a woman and baby from Atlanta who, after arrival by bus to New York last night, wept while saying that "nobody helped her except the Red Cross." CNN Headline News broadcast a live segment in front of a Red Cross comfort station, located outside Penn Station, and NBC's "Today" interviewed the mayor of Cleveland, who praised Red Cross services to stranded travelers.

Several chapters have reported leveraging these power outages to share the Red Cross preparedness message via their own local radio and TV stations – even in non-affected markets – and we continue to urge all chapters to use this opportunity to educate their communities about the importance of preparedness. All national media interviews are focusing on the practical steps outlined by our *Together We Prepare* campaign, and we have posted resources for the chapters and the public on CrossNet and Redcross.org (<http://www.redcross.org/news/ds/misc/030814blackout.html>).

As is our history, this sudden and unforeseen event brought out the best from our local units and highlighted the importance of our efforts to prepare our nation for the unexpected. I will update you if further events warrant. Please feel free to contact me at (202) 303-5319 with your questions or concerns.

SFC-ARC-A001510



**American
Red Cross**

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

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: August 18, 2003

From: Marty Evans

Subject: Meeting with Secretary Ridge

Last week, I met with Department of Homeland Security (DHS) Secretary Tom Ridge to welcome him as a member of our Board of Governors and to discuss the vital partnership between the DHS and American Red Cross. I briefed him on our Strategic Plan, our refocus on preparedness and response to emergencies, and the development of our new Service Areas.

It is clear that our emergency response and preparedness missions are complementary, and that Secretary Ridge expects the Red Cross to provide significant support of homeland security efforts at the national, regional, state, and local levels. He stated that the Red Cross has "great credibility," citing previous disaster response in Pennsylvania and our recent work together during the TOPOFF 2 exercise.

During the National Governors Association meeting this week, the Secretary intends to encourage state Governors to ensure that the Red Cross is integrated into state plans, drills and exercises. At the federal level, the Red Cross has been given a position within the DHS Emergency Operations Center and has been asked to be part of the Secretary's Crisis Assessment Team (CAT). When activated, the CAT will provide decision support to Secretary Ridge and senior DHS staff during select elevated alert and national-level incident management scenarios. In fact, I was present and fully participated when the CAT was activated during the recent mass power outage.

Last week's meeting has set the stage for our future work together, and I will provide you with further information at our September meeting. Please feel free to contact me at (202) 303-5319 with any questions you may have before that time.

SFC-ARC-A001511



**American
Red Cross**

National Headquarters
Office of the Chairman

Together, we can save a life

To: Red Cross Governors **Date:** September 22, 2003
From: David T. McLaughlin **Subject:** Board Acts to Strengthen Chapter
Service Delivery

Shortly, I will be sending the following message out to chapter chairs. I wanted to share it with you first and am attaching key talking points should you be questioned about our actions on this matter.

The following message is from David McLaughlin, Chairman, American Red Cross:

At its meetings last weekend, the Board of Governors took a major step toward ensuring continuity and consistency in the services provided to the American people by the Red Cross. Specifically, the Board unanimously voted to direct management to pursue strategies that clearly delineate the responsibilities of chapters and national headquarters through the implementation of Service Areas; establish a new performance-driven chapter evaluation system; implement systems to reduce the burden of chapter administrative tasks; and develop a service delivery configuration for each Service Area.

You will hear details on each of these in the days and weeks to come, and will have the opportunity to contribute towards their successful implementation, but I wanted to share with you a specific element of the Board's actions this weekend. Acting unanimously, the Board determined that, to ensure the future success of Red Cross service delivery in our communities, **chapter executives will report directly to a Service Area executive.** While the ultimate authority and responsibility over chapter management rests with the Service Area executive, it will be exercised in partnership with the local chapter board, which will retain its vital oversight role. As stewards of the Red Cross mission and resources, chapter boards will continue to ensure that community needs are identified and met and the chapter is financially stable. At the same time, Service Area executives must have the authority to ensure quality, compliance, consistency and overall performance of the chapters within the service area.

I can assure you that we took these actions deliberately and in the interest of one Red Cross. I have met with many of you and I know that each of you has taken your responsibilities as chapter chair with the utmost gravity. I want to stress that your duties remain crucial to the success of our chapters. At the same time, the Board of Governors believes that the American Red Cross is

at an historical juncture. Looking forward, we must improve our service delivery in a consistent manner and increase our presence in communities nationwide. We have to restructure NHQ and field units to implement fully our new strategic plan. We need to provide a vehicle for accountability at all levels and within all segments of the organization, and we must reduce administrative and service delivery costs.

To ensure that the American Red Cross is best positioned to meet the challenges that lie ahead, the Board has directed management to make the changes outlined above. The key result will be to increase the accountability of chapters to NHQ, via the Service Areas, necessitating in clearly defined shared responsibilities for chapter oversight between the chapter boards and the Service Areas. In its future meetings, the Board will review a proposed new system for evaluating chapter performance. The Red Cross will also move to develop a systematic way to streamline administrative services. As chapter chairs, your role remains vital to each of these endeavors, and my fellow Governors and I look forward to our continued close working relationship.

Over the coming days and weeks, field units will be receiving more detailed information on our efforts to create the field system of the future. In the meantime, if you have questions, please contact Terry Sicilia, Executive Vice President, Programs and Services, (202) 303-7245. We have also created a special e-mail box at safeedback@usa.redcross.org to submit questions.

Your Board of Governors is drawn from volunteers with many diverse backgrounds and skills. No matter how we came to the Board, each of us is committed to assure the best possible future for the American Red Cross as a whole. We are unified in our desire to serve the American people, and every action we take is intended to ensure that the Red Cross will continue to be their trusted resource in the years to come. This decision is an example of that intent, and while we recognize the significance of our action, I want to assure you that every member of the Board firmly believes that we have established the proper course for the American Red Cross.

Attachment

SFC-ARC-A001513

to go
from mcLaughlin

Attachment

Service Area Accountability Roles
Talking Points

- At its meetings last weekend, the Board of Governors took a major step toward ensuring continuity and consistency in the services provided to the American people by the Red Cross.
- Specifically, the Board decided to authorize management to pursue strategies that:
 - Clearly delineate the responsibilities of chapters and national headquarters through the implementation of Service Areas;
 - Establish a new performance-driven chapter evaluation system;
 - Implement systems to reduce the burden of chapter administrative tasks; and
 - Develop a service delivery configuration for each Service Area.
- The Board has acted unanimously to clarify and increase accountabilities of chapters and national headquarters by **requiring chapter executives to report directly to a Service Area executive.**
- As stewards of the Red Cross mission and donated resources, chapter boards will continue to ensure that community needs are identified and met and the chapter is financially stable. Service Area executives will have the ultimate authority to ensure quality, compliance, consistency and overall performance of the chapters within each Service Area.
- The need to increase the accountability of chapters to national headquarters, via the Service Areas, necessitated clearly defining the shared responsibilities for chapter oversight between the chapter boards and the Service Areas.
- This change takes place amid a broader context of activity (new Service Areas, performance standards, streamlined administrative services, possible new service delivery configurations).
- This broader effort is designed to enable us to mobilize communities, inspire a new generation of volunteers, strengthen our financial base and enhance service delivery. In other words, fulfill our commitment to the Red Cross Strategic Plan.
- As chapter chairs, your role remains vital to each of these endeavors, and all Governors look forward to our continued close working relationship between the Board and chapter chairs.
- We know that changes of this magnitude require ongoing and creative communications that inspire dialogue. Over the coming days and weeks, field units will be receiving more detailed information on our efforts to create the field system of the future.
- Our communication methods will include developing and sharing key messages and PowerPoint presentations, posting information to CrossNet and hosting conference calls for field leaders.
- In the very near future, some of you may be approached to assist us by making presentations at state and regional meetings.

SFC-ARC-A001514



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman Date: September 27, 2003
Red Cross Governors

From: Marty Evans Subject: Isabel Update

A week after Hurricane Isabel hit the Mid Atlantic region, I wanted to update you on the progress of our response, facets of our effort that have made this disaster response unique and the progress of our public support activities.

As of Saturday, September 27, we have sheltered a total of 60,000 individuals. Today, five shelters remain open with 79 victims. The massive power and water outages left many families unable to prepare meals, translating into a large demand for Red Cross feeding services. The Red Cross has served more than one million meals and snacks served. We have received tremendous support in this effort, particularly from Southern Baptist Disaster Relief, which has deployed 13 kitchens to join our Henry's Kitchen and Spirit of America.

You should know that your approval in 2002 of *Disaster Refocus* has enabled us to make major strides in improving Red Cross disaster response and client service. Nearly 14,000 inquiries have been placed to our 1-866-GET INFO call center, despite the center itself being affected by the power outage and was temporarily relocated. We were able to begin individual financial assistance to victims about three days ahead of our usual schedule. This is the first major disaster in which we are using the new client assistance cards, which enables disaster victims to retain both flexibility and dignity.

These operations have not been without their service delivery challenges due to such factors as the length of power outages as well as cost containment efforts discussed at our recent meeting. As with any transitional activity, we will be looking closely at these initiatives and other aspects of our disaster service delivery to glean what lessons we can to more effectively meet the needs of every disaster victim. We have and will continue to discuss way to improve service delivery with chapter leadership in affected areas.

The extended power outages have created an additional opportunity for the Red Cross to serve communities and stay in the public eye. We are, of course, taking every opportunity to make the case for the Disaster Relief Fund – before the hurricane hit and now. Before Isabel made landfall, we sent out a satellite feed that included a pitch for the Disaster Relief Fund; at least 104 television stations from around the country ran it, generating an audience of almost 6.5 million viewers. As one measure of the success of those efforts, our print/transcript media

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monitoring service alone reports 995 mentions of the Disaster Relief Fund in stories nationwide. Major national television interviews have included Lou Dobbs, Wolf Blitzer, and Headline News, all on CNN. ABC ran an extensive World News Tonight segment profiling the Red Cross response to Isabel and the status of the Disaster Relief Fund; NBC, CBS, Fox national and affiliate newscasts and the Weather Channel also had repeated Disaster Relief Fund and Red Cross mentions.

We continue to work closely with local, state and federal agencies and officials. Governors Easley of North Carolina, Warner of Virginia, and Ehrlich of Maryland have personally visited Red Cross service sites. I joined Governor Warner on his tour of the impacted areas in Alexandria, Virginia. We continue to send daily briefings to members of Congress in the most affected areas, updating them on service delivery in their states and districts. A number of public officials, including U.S. senators, governors and lieutenant governors, have also become engaged in efforts to make the public aware of the need to support the Disaster Relief Fund, through public service announcements, e-mail letters to their constituents, and inserting messaging into speeches. Several members of the Senate Spouses Red Cross unit toured the Disaster Operations Center, and have now engaged additional members of the group in volunteer disaster training to support the Red Cross during future disasters.

We are seeing strong activity in the fund-raising area. Since September 16, the American public has given approximately \$660,000 through 800-HELP-NOW, mail and online donations. A number of companies have also made financial pledges. The Lilly Endowment, Inc. responded immediately by generously donating \$3.5 million to the Disaster Relief Fund and has challenged other corporations and foundations to do the same. Six of our corporate partners, including Lowe's, Food Lion, McDonald's and Winn Dixie, have committed to run customer donation programs in their stores providing their customers a convenient way to make a contribution. While it is still too early to assess the health of the Disaster Relief Fund, I am encouraged by both the speed and the level of participation we are seeing. Fund-raising totals are posted each day on CrossNet and www.redcross.org. Additional information about Isabel is updated daily on CrossNet at https://crossnet.redcross.org/chapters/services/disasters/ops/archive/hurr_isabel.asp.

I know many of you have been involved in fund raising and other aspects of our response to Hurricane Isabel and, as always, I appreciate your dedication and commitment to the Red Cross.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: Red Cross Governors **Date:** October 9, 2003
From: Marty Evans **Subject:** Hurricane Isabel Fundraising
Update

Many of you have joined me in fundraising initiatives to replenish the American Red Cross Disaster Relief Fund and recover the costs of Hurricane Isabel disaster response. Thank you for your continued time, leadership, and financial support.

As you know, in June 2003, the Red Cross launched a national Disaster Relief Fund (DRF) campaign with a focus of engaging high-capacity corporations, individuals, and foundations to contribute major gifts (six- and seven-figures) to the DRF, while also partnering with chapters to solicit the same from their local relationships. Our Development team has been working closely with chapter leadership in both affected and non-affected states on major gift solicitation strategies, deploying direct mail and email campaigns, garnering cost-offsetting in-kind contributions, and implementing customer in-store donation programs with corporate partners.

Since September 16, we have directly solicited 1,589 donors, representing \$20.28 million in asks for the Disaster Relief Fund and Hurricane Isabel relief operations. We have already received gifts totaling \$9.44 million for this effort. We anticipate the costs of the response to Isabel to be between \$14-16 million.

- Immediately after the storm made landfall, the Lilly Endowment Inc. donated \$3.5 million to support our Isabel response efforts and challenged other foundations and corporate America to do the same.
- A number of companies have made early financial pledges, including Pfizer, Wal-Mart, BP, and Exxon Mobil. Additionally, corporations including McDonald's, Lowe's, Food Lion, Winn-Dixie, Kash n' Karry, Coinstar, Bojangles, and RBC Centura bank branches have established customer donation programs so their patrons can support the Red Cross.
- Since September 16, more than \$800,000 has been raised through 800-HELP-NOW, RedCross.org, and email. An email was sent to previous disaster donors on September 16, which alone raised a total of \$138,000, with \$84,000 in gifts generated in the first 24 hours. This was a new record for our email campaigns (excluding 9/11). A second email campaign followed on September 24 and raised an additional \$77,000.

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- \$1.33 million in in-kind goods and services from Home Depot, Kraft Foods, AT&T Wireless, Tyson Foods, and dozens more have helped offset the costs of our response throughout the affected states.
- The DRF Campaign Cabinet (comprised of 14 entrepreneurial and innovative leaders from corporations, foundations, and our Board of Governors) is aggressively raising dollars and visibility for Red Cross lifesaving services.

There is strong collaboration between departments at national headquarters, our chapter network, and volunteer leadership, unlike any before. The partnerships we are creating today will ensure the organization's financial viability by opening the door to new financial supporters of local and national initiatives, as well as strengthening our relationships with those who have supported us for years.

We anticipate meeting the needs of Hurricane Isabel disaster relief in the coming weeks, as dollars from our customer donation programs arrive and the results of our major gift asks come to fruition. Once we meet the financial needs for Isabel, we will continue fundraising to replenish the Disaster Relief Fund to attain a healthy balance of \$50⁺ million.

I make fundraising a priority every day. If you would like to participate in our efforts to replenish the DRF and/or recover the costs of Hurricane Isabel, we have a toolkit of sample solicitation letters, call scripts, and opinion editorials. Please contact Michael Farley, Vice President of Field Development and Integration, at (202) 303-4834 for more information. Together, we will continue our work to help those who rely on the Disaster Relief Fund when tragedy strikes.



**American
Red Cross**

National Headquarters

Together, we can save a life

To: David McLaughlin, Chair
Red Cross Governors
From: Marty Evans
Date: October 13, 2003
Subject: Charity Navigator Names Red
Cross one of "10 Best," Latest
Public Opinion Poll Positive

I am pleased to share with you that Charity Navigator, a nonprofit group that helps donors make "intelligent giving decisions" by providing information on over 2,500 organizations, has named the American Red Cross one of its "10 Best Charities Everyone's Heard Of." The Red Cross is the only human service provider in the Top 10. Here are the rankings according to the Charity Navigator's Web site (found at <http://www.charitynavigator.org/index.cfm/bay/topten.detail/lstid/18.htm>):

<u>Rank</u>	<u>Charity</u>	<u>Overall Score</u>
1.	The Trust for Public Land	68.92
2.	Boys & Girls Clubs of America	68.86
3.	The Nature Conservancy	68.23
4.	Fidelity Charitable Gift Fund	67.34
5.	Scholarship America	67.12
6.	The National Christian Foundation	66.83
7.	American Red Cross	66.63
8.	Wildlife Conservation Society	66.16
9.	National Gallery of Art	65.39
10.	RAND Corporation	63.07

Charity Navigator describes the ranked agencies as follows: "These 10 charities work throughout the country and the world. They are large, complex organizations with budgets exceeding \$100 million, and at least \$75 million in net assets. They became household names, in part, because of their exceptional financial management, no easy feat considering the scope and size of their operations. Charitable givers should feel confident that these national institutions put their donations to good use."

Building on that good news, I would also like to share some highlights from our most recent public awareness poll, which was fielded October 2-5, 2003. Our trust rating is up strongly since last April's poll, and the percentage of respondents with a "favorable" perception of the Red Cross has climbed accordingly, surpassing the percentages of the other agencies surveyed. While we attribute some of the increase to a general recovery in the public's confidence in nonprofits, the Red Cross's strong improvement also points to the heightened visibility generated by our advertising and positive news coverage on our disaster response efforts.

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Of those surveyed in October, 75 percent held "very favorable" perceptions of the Red Cross, up 7 percent from April's poll, and ahead of the American Cancer Society, the American Heart Association, the Salvation Army, and the United Way. Similarly, trust in the Red Cross was measured at 78 percent (up 9 percent since April), statistically on par with the Salvation Army, and above the American Cancer Society, the American Heart Association, and the United Way. Of great interest is the jump in respondents who named the Red Cross as the agency they would turn to for disaster or community emergency preparedness information – with 61 percent of respondents naming the Red Cross. This represents more than twice the rate of mention of any other organization, and has climbed 13 percent since April, when fewer than 50 percent mentioned the Red Cross.

The polling data are still being carefully analyzed, and I look forward to communicating a more detailed report with the organization shortly. In the meantime, I believe both of these accomplishments are strong indicators of the effectiveness of our messages to the public, and enforces the impact that an organization-wide strategic plan can have. I will be in touch with you soon to update you on our ongoing efforts.



**American
Red Cross**

National Headquarters

Together, we can save a life

To: David McLaughlin, Chair
Red Cross Governors

Date: October 13, 2003

From: Marty Evans

Subject: Presidential Advisory Council
Announcement

I am pleased to formally announce the appointments of the 15 inaugural members of the American Red Cross Presidential Advisory Council. This diverse group of chapter executives, chosen from a pool of 87 highly-qualified and capable leaders, represent 15 chapters of varying sizes from across the country and each bring a unique perspective to the work of the Red Cross.

Experience as a team player, a proven track record in the field, and a broad understanding of the issues facing the Red Cross today were important factors considered in our review of the nominated candidates. Their appointments to the council are a testament to both the leadership and commitment they have shown in helping the Red Cross to overcome challenges and meet the ongoing needs of the communities in which we serve.

Each appointment will be for a one-, two-, or three-year commitment. In the first year of the council, members will be randomly assigned to serve one of the randomly staggered terms.

The Presidential Advisory Council will meet at national headquarters in Washington, D.C. on Wednesday, November 12, 2003. I look forward to updating you on the discussions from their first meeting in the near future.

SFC-ARC-A001521

**American Red Cross
Presidential Advisory Council**

Mrs. Cynthia L. Allen
Wyandotte County Chapter (KS)

Ms. Anne M. Fox
Central Illinois Chapter

Mr. Harold Brooks
American Red Cross Bay Area Chapter (CA)

Mrs. Jane H. Gilbert
Charter Oak Chapter of Connecticut

Ms. Candace A. Carey
Central Arkansas Chapter

Mr. Davis Henderson
Tampa Bay Chapter (FL)

Mr. Michael E. Carroll
American Red Cross of Greater
Columbus (OH)

Mr. John R. Hughes
Greater Lehigh Valley Chapter (PA)

Mr. Kevin M. Doroski
Oregon Mountain River Chapter

Mrs. Mary Ann Leon
Concord Area Chapter (NH)

Mr. Norman (Bud) McKonly
Greater Milwaukee Chapter (WI)

Ms. Marita C. Wenner
Wayne Pike Chapter (PA)

Ms. Janis (Jan) Mildenhall
American Red Cross of Alaska

Mrs. Ann M. Wright
Upstate South Carolina Chapter

Ms. Catherine A. Tisdale
Grand Canyon Chapter (AZ)

Ms. Joan Manning (Liaison)
Chief Executive Officer, Pacific Northwest
Blood Services Region



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: David McLaughlin, Chair
Red Cross Governors

Date: October 14, 2003

From: Marty Evans

Subject: Presidential Advisory Council
Announcement

As I discussed previously, I am establishing a Presidential Advisory Council comprised of chapter executives to provide input and feedback on opportunities, challenges, and concerns affecting the management and operations of the organization. I am pleased to formally announce the appointments of the 15 inaugural members of this Council. This diverse group of chapter executives, chosen from a pool of 87 highly qualified and capable leaders, represents 15 chapters of varying sizes from across the country. Each member brings a unique perspective to the work of the American Red Cross. Additionally, I have also appointed a Biomedical Service Region executive as an ex officio council member.

Experience as a team player, a proven track record in the field, and a broad understanding of the issues facing the Red Cross today were important factors considered in our review of the nominated candidates. Their appointments to the council are a testament to both the leadership and commitment they have shown in helping the Red Cross to overcome challenges and meet the ongoing needs of the communities in which we serve.

Each appointment will be for a one-, two-, or three-year commitment. In the first year of the council, members will be randomly assigned to serve one of the randomly staggered terms.

The Presidential Advisory Council will first meet at national headquarters in Washington, D.C. in mid-November. I look forward to updating you on the discussions from their first meeting.

SFC-ARC-A001523

**American Red Cross
Presidential Advisory Council**

Mrs. Cynthia L. Allen
Wyandotte County Chapter (KS)

Ms. Anne M. Fox
Central Illinois Chapter

Mr. Harold Brooks
American Red Cross Bay Area Chapter (CA)

Mrs. Jane H. Gilbert
Charter Oak Chapter of Connecticut

Ms. Candace A. Carey
Central Arkansas Chapter

Mr. Davis Henderson
Tampa Bay Chapter (FL)

Mr. Michael E. Carroll
American Red Cross of Greater
Columbus (OH)

Mr. John R. Hughes
Greater Lehigh Valley Chapter (PA)

Mr. Kevin M. Doroski
Oregon Mountain River Chapter

Mrs. Mary Ann Leon
Concord Area Chapter (NH)

Mr. Norman (Bud) McKonly
Greater Milwaukee Chapter (WI)

Ms. Marita C. Wenner
Wayne Pike Chapter (PA)

Ms. Janis (Jan) Mildenhall
American Red Cross of Alaska

Mrs. Ann M. Wright
Upstate South Carolina Chapter

Ms. Catherine A. Tisdale
Grand Canyon Chapter (AZ)

Ms. Joan Manning (Liaison)
Chief Executive Officer, Pacific Northwest
Blood Services Region

To: David McLaughlin, Chair **Date:** October 22, 2003
Red Cross Governors

From: Marty Evans **Subject:** October Poll Results

Attached is a brief summary of the poll findings I discussed with you in my October 13 "Charity Navigator" message. As previously mentioned, our October public awareness poll shows that the trust rating for the American Red Cross is up significantly since last April's poll. There is also an increase in the percentage of respondents who hold a "favorable" perception of the Red Cross, surpassing the percentages of the other agencies surveyed.

While we attribute some of this good news to a general recovery in public confidence regarding the work of nonprofits, the Red Cross's strong improvement also points to our heightened visibility through advertising and recent news coverage about our disaster response efforts. A "visible" Red Cross continues to be a priority for our organization. I look forward to sharing more good news as time passes. Should you have any questions, please feel free to contact me.

Attachment

SFC-ARC-A001525



Two-Minute Poll Summary

October 2003

Public trust in the American Red Cross rose 9 points to 78 percent between April and October 2003.

- The American Red Cross now ties with the Salvation Army and surpasses the American Cancer Society, the American Heart Association and the United Way.
- Part of this increase in trust is related to improvements in the economy, which increased public trust in many institutions.
- The improvement in trust in the Red Cross can also be tied to strong, positive media visibility, particularly related to disaster response and increased recall of PSAs and advertising.
- Highest trust was once again among those aged 18-44 (87 percent).
- Thirty-eight percent of the American public recalled hearing or seeing something about the American Red Cross in the past three months. Twenty-two percent of those who saw such information reported that it made them feel much more favorable toward the organization versus 1 percent who felt much less favorable. This continues a four-poll trend of strongly positive media balance.
- There has also been a 13 percent increase in the percent of Americans who spontaneously name the American Red Cross as the organization that they would turn to for information on disaster or emergency preparedness (61 percent).

Among seniors aged 65 and older, there is improvement in favorability, but challenges remain.

- Between April and October, favorability among seniors rose 19 percent to 61 percent. Although favorability is higher for the Salvation Army than for the Red Cross, a third of seniors still give the Red Cross the highest favorability rating (10 on a 10-point scale).
- Trust and intent to donate remained stable for seniors.
- While seniors were most likely to be swayed in a favorable direction by the information they saw or heard about the Red Cross, they are also least likely to recall stories about Red Cross.

There has been a modest improvement in public awareness of local chapters.

- For the first poll since November 2002, we have seen a modest improvement in the number of respondents who had confidence that there is a local office, branch or chapter of the American Red Cross providing services for their community (66 percent). A greater percentage (75 percent) are confident that the American Red Cross provides services for the local community.
- There has also been a 6 percent increase (to 67 percent) in public confidence that the "American Red Cross cares about my community."

More aggressive fund raising is essential; partnerships with churches and religious groups may help.

- The American Red Cross continues to be among the least likely of the major nonprofits to ask for financial donations.
- Half of all Red Cross financial donors have made financial gifts to four or more other charities in the past 12 months. Seventy-one percent of American Red Cross donors also give to religious groups.
- Among respondents who said that they had not been contacted by the Red Cross in the past six months to ask for a donation, many would be interested or very interested in receiving a letter (23 percent) or e-mail (13 percent) telling them about Red Cross services and requesting a donation.

Recommended actions

- Continue to promote **Together We Prepare** as one important strategy for building awareness of the range and relevance of Red Cross services.
- Coordinate as appropriate with the Communication and Marketing Public Relations Plan to tell the story of local Red Cross services in a nationwide, coordinated effort.
- Continue to ask your community for financial support remembering that 90 percent of financial donations come in at the end of the calendar year. Explore partnerships with religious institutions.
- Reaching out to new generations is an organization-wide strategic initiative. Stay tuned for updates on an effort to understand and reach out to the 25-45 demographic.

Methodology: Omnibus telephone survey of 1,000 U.S. adults 18 years and older on October 2-5, 2003, conducted by ORC International. Margin of error is +/-3.1 percent.



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: October 29, 2003

From: Marty Evans

Subject: California Wildfires
Prompt Massive
Relief Operation

With the situation rapidly changing, I want to update you on our California Wildfire response efforts.

In the lengthening shadow of a depleted Disaster Relief Fund (DRF), the American Red Cross has mobilized thousands of employees and volunteers to help families in Southern California who find themselves devastated by the worst wildfires in the area in more than a decade. Our response has shown the dedicated people who make up the Red Cross at their finest, and made me proud to be one of them.

As these unpredictable fires rage, the devastation of homes – and sadly, injury and loss of life – continues to mount. Nearly 600,000 acres have burned, 1,600 homes are estimated to be destroyed, and more than 60,000 residents are reported to have fled their homes. Tragically, 16 deaths are blamed on the fires. More than 500 power poles are down, leaving an estimated 83,000 customers without power. On October 27, President George W. Bush declared the region a major disaster area, and unfortunately, the damage is not yet over.

So far, 10 Red Cross chapters are involved in the response, helping meet the immediate needs of disaster victims in what has become a national operation. Last night, our 23 shelters/evacuation centers sheltered approximately 5,400 residents in total. Sixteen in-state Emergency Response Vehicles (ERVs) are providing Mass Care support to evacuees, as well as the firefighters who are relentlessly working to contain the fires. To date, we have served more than 47,600 meals and snacks. The State Emergency Operations Center is operating 24-hours a day. More than 1,180 Red Cross workers have been involved, and the need for workers will continue for weeks to come.

Chapters in California are actively publicizing the 866-GET-INFO number. The call center in Falls Church, Virginia, will be operational 24 hours a day, 7 days a week, to respond to callers inquiring about evacuation information, shelter locations, disaster preparedness and response

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activities, post-disaster assistance, recovery information, and welfare inquiries. To date, we have received more than 3,400 calls.

As we learned in the days following September 11, 2001, the need for increased collaboration among the agencies most active in providing disaster relief is essential. All told, we are working with 27 other organizations in response to this disaster. Our full-time disaster employees and volunteers are working with the Federal Emergency Management Agency, state emergency management officials, local Red Cross chapters, state and local government officials and agencies, and other non-profit organizations to aid in the response efforts. We continue to provide daily status reports to the Governor's Office, and members of Congress and their staffs from the affected areas. A conference call to members of the California Congressional delegation, whose districts were affected, was held to keep them apprised of Red Cross disaster relief efforts. On October 20, the future First Lady of California, Maria Shriver toured the Red Cross disaster headquarters at Norton Air Force Base, made a pitch for our DRF, and met with evacuees and Red Cross volunteers.

Not surprisingly, the entertainment industry has focused its attention on the plight of wildfire victims and in the process, has drawn significant positive attention to Red Cross relief efforts and our need for public support. Yesterday, Ellen Degeneres opened her show by discussing the wildfires and encouraged the audience to donate to the Red Cross. She also mentioned that part of the proceeds from her new book will be donated to the Red Cross to help the fire victims, and has posted information about the DRF on her website. Lowe's and NASCAR driver and Red Cross Celebrity Cabinet member Jimmie Johnson are "Racing for Relief" to generate funds for the DRF. Lowe's will donate \$100,000 to the Red Cross at the beginning of this weekend's Checker Auto Parts 500. *Access Hollywood* is also running a ticker regarding the DRF on their show.

Local and national media coverage has been steady and successful. I had an excellent opportunity to tell our story and appeal to the public for donations of blood and financial support when I was interviewed by Wolf Blitzer on CNN. Our strong communicators in Southern California, coupled with national Rapid Response Team efforts, have won placements on many national outlets including CNN, MSNBC, Fox News, and *America's Most Wanted*, as well as local radio and television stations throughout California.

Financial support was immediate and continues while the fires still blaze. Chapters throughout California have pulled together, in coordination with our Growth and Integrated Development Department, and several organizations have pledged support, including Toyota (\$1 million), Bank of America (\$500,000), Wal-Mart (\$300,000), Wells Fargo (\$250,000), and AT&T (\$100,000). Three customer donation programs have been implemented by Lowe's, McDonald's and Washington Mutual, and in-kind donations have been received from organizations including Disney, Wyndham Hotels, Verizon Wireless, Wal-Mart and Home Depot. An e-mail solicitation was distributed to 100,000 potential donors this afternoon, requesting support for the DRF, and a mailing is scheduled to reach more than 200,000 households later this week with the same message.

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Communication and marketing materials, as well as customizable resources to enable field units to tell our story, raise money and provide donor recognition, are being posted daily on a special section of CrossNet. Many of the materials are also available in Spanish. We have also dispatched a photographer and video crew to the affected area to provide valuable documentation of the disaster. Print ads, live radio copy, and TV/Radio PSAs featuring Celebrity Cabinet members Chi McBride and Tim McGraw have also been provided to field units across the country. In compliance with Donor DIRECT guidelines, all advertising materials have been designed to promote the DRF as the vehicle for supporting victims of the Southern California Wildfires and other disasters across the country.

I plan to get a first-hand look at the operation by traveling to California next Tuesday evening. I will spend all day Wednesday in San Diego and Thursday in Los Angeles. While the details are still being worked out, I will be involved in media and donor cultivation activities, and I will also go to the disaster sites to visit with our great Red Crossers.

In the past year, I have witnessed, time and time again, how our employees and volunteers are at their very best while helping others through the very worst of times. We are asking field units to continue educating the public on the importance of their support through time, money and blood to helping us meet our life-saving mission. Please refer to the continually updated relief information and messaging on CrossNet (https://crossnet.redcross.org/chapters/services/disasters/ops/archive/DR616_s_california_wildfires.asp). I will continue to keep you updated as the situation warrants.



National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: November 3, 2003

From: Marty Evans

Subject: Adequate Funds for
Southern California
Relief Operation

Late last Friday evening, October 31, after full consultation with the affected chapters, we estimated that we had raised enough money to fund Red Cross relief operations connected with the response to the Southern California wildfires. Therefore, we needed to let our donors, public and media know that while our needs for this disaster appear to have been met, they can still support disasters throughout the country by giving to the Disaster Relief Fund and their local chapter. A major tenet of Donor DIRECT, the national initiative of affirmative confirmation and acknowledgement to ensure donations are directed as intended, is the promise to let the public know when enough money has been raised to cover costs of a specific disaster.

An organization-wide communication was sent Friday night instructing field volunteers and employees on how to transition communication and fund-raising efforts. A national press release was also released articulating messaging around these changes and can be found at http://www.redcross.org/pressrelease/0,1077,0_314_1871,00.html. We had virtually no coverage of this announcement over the weekend.

Please refer to the continually updated relief information and messaging on CrossNet (https://crossnet.redcross.org/chapters/services/disasters/ops/archive/DR616_s_california_wildfires.asp). I will continue to keep you updated as the situation warrants.

SFC-ARC-A001530



National Headquarters
Office of the President & CEO

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To: David McLaughlin, Chair
Red Cross Governors

Date: November 5, 2003

From: Marty Evans

Subject: Remaining Service Area
Headquarters Locations Announced

Our Service Area Executives, Joe Packa and Sue Richter, started work this Monday in their new offices in Birmingham and Houston, respectively. Today, we are pleased to share with you the locations of the remaining Service Area offices.

Many different variables were examined in selecting these locations. Although no location was "perfect," we tried to weigh the decisions based on how each location fit each of the following criteria:

- Central location within Service Area – maximizes access to all field locations and increases likelihood of reasonable travel rates by air, rail and interstate highways.
- Reasonable cost of living and wage base – ensures affordable housing and living costs for Service Area employees and their families and guarantees a reasonable operating cost for the Service Area.
- Metro area – increases the pool of qualified employees.
- Existing Red Cross space – maximizes the ability to share services and minimizes costs for establishing area offices.
- Non-disaster prone area – lowers risk of vulnerability of disaster operations center.

Because they best meet the above criteria, our new Service Area offices will be located in the following cities:

- Sacramento, California - Service Area 1 - Pacific
- Las Vegas, Nevada - Service Area 2 - West
- Des Moines, Iowa - Service Area 3 - Midwest
- Cincinnati, Ohio - Service Area 5 - Great Lakes
- Worcester, Massachusetts - Service Area 6 - Northeast
- Raleigh, North Carolina - Service Area 7 - Mid-Atlantic

Although located in the same cities as chapters, these Service Area offices will be a completely independent entity, reporting to the Service Area Executive and ultimately to the Executive Vice President of Programs and Services.

Additional information about our progress with Service Areas is available at https://crossnet.redcross.org/every/initiatives/sas/sas_leadership_msg.asp, and I will continue to update you at key points along the way.

SFC-ARC-A001531



**American
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National Headquarters
Office of the President and CEO

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To: David T. McLaughlin, Chairman
Red Cross Governors
Non-Governor Members, Biomedical
Services Board

Date: November 12, 2003

From: Marty Evans

Subject: Reorganization of
Holland Lab

On November 12, we announced a reorganization of the Jerome H. Holland Laboratory that narrows its focus to those activities that directly support blood products. Attached you will find the text of the broadcast e-mail announcement, talking points on the reorganization, and selected Q&A and statement.

As always, I will update you as events warrant. Should you have questions about this matter, please do not hesitate to contact me. If you receive any media inquiries, please refer them directly to Ryland Dodge, Director, Biomedical Communications, (202) 303-5492, e-mail dodger@usa.redcross.org.

Attachment

SFC-ARC-A001532

November 12 E-mail Announcement

Subject: Changes at Holland Lab

The following message is from Alan McCurry, interim Executive Vice President, American Red Cross Biomedical Services:

Biomedical Services continues to evaluate the ways in which we allocate our energy, staff and resources to achieve our priorities and maintain our fundamental businesses. After careful review and consideration, we have determined that we must refocus on our core mission of providing a safe and available blood supply. Accordingly, we have decided to reduce functions at the Jerome H. Holland Laboratory. Specifically, the Red Cross will begin narrowing our R&D efforts to those activities that directly support blood products. This means we will no longer support externally funded research grants and programs or cellular therapies. We will continue to support research impacting blood banking. We are interested in exploring opportunities to transfer these high quality grant-funded programs to another local organization which is active in biomedical research.

Given our current strategic and financial imperatives, this decision is consistent with our mission. We appreciate all the fine work performed by the affected R&D staff over the last several years and realize this decision will have an impact on many of our staff members. We will make every effort to ensure this transition goes smoothly for all involved. Staff affected by this decision have been notified and will learn more about detailed actions in the coming weeks. This transition is expected to take place over the next several months and to be completed by June 2004.

We will continue to consider prudent and necessary changes to Biomedical Services that will move us toward quality operations, regulatory compliance, and operational efficiency in our core business of blood services.

For internal and external queries:

Talking Points

1. After careful review, the American Red Cross has decided to narrow the R&D efforts at Holland Lab to those activities that directly support blood products. This transition is expected to be completed by June 2004.
2. The Red Cross will continue to support research that directly supports our blood banking operations, but will no longer support externally funded research grants and programs or cellular therapies.
3. In keeping with our current strategic and financial imperatives, the Red Cross must devote its resources to research and development programs that are directly related to Biomedical Services core businesses.
4. We realize this decision will have an impact on our staff and will make every effort to provide a smooth transition for all involved.

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5. Biomedical Services continues to evaluate the ways in which we allocate our energy, staff and resources to achieve our priorities and maintain our fundamental businesses.

Q/As

Q. How many people will be affected?

A. Approximately 120 research scientists and an undetermined number of administrative and facilities staff members (there are appx. 60 admin & facility staffers).

Q. How many staff members currently work at Holland Lab?

A. Approximately 250.

Q. Does this mean Holland Lab will be shutting down?

A. That has not yet been determined. The Red Cross is interested in exploring opportunities to transfer these high quality grant-funded programs to another local organization which is active in biomedical research.

Q. Will the current facility be closed?

A. The future of the actual building has not yet been determined. We are exploring various alternatives with regard to future use of facilities.

Statement from the American Red Cross regarding changes at Holland Lab

American Red Cross Biomedical Services continues to evaluate the ways in which we allocate our energy, staff and resources to achieve our priorities and maintain our fundamental businesses. After careful review and consideration, we have determined that we must refocus on our core mission of providing a safe and available blood supply. Accordingly, we have decided to reduce functions at the Jerome H. Holland Laboratory. Specifically, the Red Cross will begin narrowing our R&D efforts to those activities that directly support blood products. This means we will no longer support externally funded research grants and programs or cellular therapies. We will continue to support research impacting blood banking. We are interested in exploring opportunities to transfer these high quality grant funded programs to another local organization which is active in biomedical research.

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National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: November 7, 2003

From: Marty Evans

Subject: Biomedical Services
Realignment

We are committed to the safety of blood donors and patients in need, and to meeting the best interests of the public we serve. A culture of quality is an essential element in meeting those commitments. An independent assessment of our Quality Assurance and Quality Control activities, required by the amended Consent Decree, highlighted the need for an independent Quality Assurance program and the consolidation of all operational activities under the COO for Biomedical Services. Therefore, we are realigning the organizational structure of Red Cross Biomedical Headquarters, effective Monday, November 10. This action will not result in the loss of any jobs.

This realignment will include:

- Creation of an independent Quality and Regulatory Affairs department, reporting directly to the President and CEO.
- Consolidation of all Biomedical Services operational functions under the COO for Biomedical Services.
- Consolidation of all operational development and support activities under the COO for Biomedical Services.
- Consolidation of all Biomedical Services financial functions under the Chief Financial Officer.

Attached are organizational charts that illustrate these changes in Biomedical Services. We believe this realignment will create a stronger foundation for compliance and quality improvements, enable greater efficiency, and provide an impartial compliance arm much like those at a number of successful pharmaceutical companies.

We are continuing to make the prudent and necessary changes to Biomedical Services that will enable us to reach compliance and operational effectiveness more quickly.

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**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: November 13, 2003

From: Marty Evans

Subject: Despite Disasters and
Heightened Visibility,
DRF Still Empty

I wanted to update you on the latest developments in our efforts to translate the positive visibility generated by the American Red Cross response to Hurricane Isabel and the California wildfires into meaningful support for the Disaster Relief Fund (DRF).

Even as the fires raged and hurricane winds lashed the affected areas, Red Cross mobilized disaster relief operations that met to our finest traditions. Hurricane Isabel drove 50,000 people to seek shelter, where more than 20,000 Red Cross workers labored to meet the emergency needs of those affected in the days and weeks following the September 18 landfall. While nearly 750,000 acres of Southern California burned, almost 9,000 Red Crossers fanned out to help residents from six counties cope with destroyed homes and disrupted lives. Our disaster relief workers teamed up with the Federal Emergency Management Agency (FEMA), state emergency management officials, union locals, and several other agencies to partner in the recovery of affected communities. By any definition, these efforts successfully carried out the humanitarian mission of the Red Cross.

Our relief efforts have generated unprecedented – and nearly 100 percent favorable – visibility that has been augmented by a sophisticated fundraising campaign. In newspapers large and small, and on television interviews ranging from Wolf Blitzer on CNN, "Newshour With Jim Lehrer," to the "O'Reilly Factor", the Red Cross' efforts have been warmly reviewed. Just last week, I appeared on the "The Ellen DeGeneres Show," where our disaster relief operations were praised on camera by the host herself. Also last week, around 20 million viewers watched "The West Wing" episode titled, "Disaster Relief," that exceeded our expectations with its fulsome depiction of our organization's response following a fictitious tornado in Oklahoma.

We also tested a new approach to advertising called "Alert" spots, and placed Red Cross ads on a variety of print, TV and radio outlets, using a mix of targeted paid and public service spots. Additionally, I met with government leaders, including several governors and Maria Shriver, spouse of California's governor-elect, to explain Red Cross deployment and response activities.

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As you know, in June 2003 we launched a Disaster Relief Fund (DRF) campaign to restore this vital fund to a healthy balance. Through the support of major gift donors and the general public, we have generated more than \$17.9 million in cash, pledges, and in-kind donations since mid-September. We believe that the money raised to date, plus contributions in the pipeline but not yet counted, will cover our disaster expenses for Isabel and the California wildfires. In fact, on October 31, per Donor DIRECT protocol, we announced that we had raised sufficient funds to offset the costs of the California wildfires, and asked donors to channel their support to the DRF for disasters in communities nationwide. We also conscientiously centered discussions with major donors on the DRF.

Last week I joined 15 of our top corporate contributors, including Merck & Company, Cisco Systems, and Lowe's, in San Bernardino. We visited a fire-ravaged neighborhood, a Red Cross shelter, job headquarters, and service center to see first-hand how their organizations' contributions to the Red Cross improves the circumstances of disaster victims.

Unfortunately, donors continue to restrict their donations to the specific disasters at hand, in lieu of making more general contributions to the DRF. Since July 1, 2002, we have spent \$143.9 million from this fund, while raising only \$69.4 million. Therefore, today the DRF remains empty and unable to fill the purpose established by the Board of Governors.

Recent market research indicates that today's post-September 11 climate – with its economic uncertainty, worries over personal and family security, and suspicion of large organizations – may have caused a perceptible shift in our disaster fundraising paradigm. No longer should we rely on a specific incident, however visible, to yield donations for the general DRF fund.

Accordingly, I plan to begin a high-level review of the underlying assumptions, policies, and strategies for the funding and management of the Disaster Relief Fund. I plan to present our initial conclusions to you at your February 2004 meeting.

Since I came to the Red Cross more than a year ago, we have worked together to bring an integrated approach to service delivery, guided by efficient management and operating under a clearly defined strategic plan. It is time to bring this approach to the challenges of raising funds for disasters in an era defined by changing assumptions. I look forward to working with you on this vital issue, and will keep you informed on this exciting process. .

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**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David T. McLaughlin, Chairman
Red Cross Governors

Date: November 14, 2003

From: Marty Evans

Subject: California Wildfires
Update

I want to update you on our response to the recent California wildfires, which thankfully are now almost 100 percent contained.

Even as the fires raged across nearly 750,000 acres of Southern California, the American Red Cross mobilized a response that lived up to our finest traditions of disaster relief. Almost 9,000 Red Crossers fanned out across the state to help residents from six counties cope with destroyed homes and disrupted lives.

Although the fires are essentially out and all of the 41 Red Cross shelters have closed, disaster workers are still offering assistance to affected families as they sift through the debris and begin to rebuild. A total of 10 Red Cross chapters are continuing to help with the response to this national relief operation. We are operating 11 service centers, three in San Bernadino and eight in San Diego, where families can meet one-on-one with Red Cross caseworkers and discuss their emergency disaster-related needs. To date, we have served more than 333,500 meals and snacks. The 866-GET-INFO call center in Falls Church, Virginia, remains operational 24 hours a day, 7 days a week, to respond to caller inquiries – and we have already received nearly 17,000 calls. In addition, our disaster workers teamed up with the Federal Emergency Management Agency (FEMA), local and state emergency management officials, union locals, and several other agencies to partner in the recovery operations.

As I observed during my two-day visit to California last week, by any definition, the relief efforts successfully reflected the mission of the Red Cross. We should all be proud to be associated with the indefatigable men and women who have devoted themselves to the families affected by this very difficult—and ongoing—relief operation

Even as the flames began their deadly arc through Southern California, financial support was immediate and continuous. As you know, on October 31, we announced that we had raised sufficient funds to offset the costs of the California wildfires, and asked donors to channel their support to the Disaster Relief Fund (DRF) for disasters in communities nationwide. We also centered discussions with major gift donors and prospects on the DRF. In light of the issues the

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organization faced in San Diego in 2001, our message has been clear: we are one Red Cross. We are working closely and amicably with chapters throughout Southern California to assure our donors, partners, and relief workers that donor intent is honored without reproach while delivering consistent, efficient relief to the affected residents.

Going forward, we project that we will attract more funds for the California fires than we will need. Accordingly, we are formulating a plan that honors donors' intent for those funds and meets the needs of current and future disaster victims. To date, we estimate that we have raised a total of \$8.8 million in cash, pledges, and in-kind donations for the fires. All told, we have generated more than \$17.9 million in cash, pledges, and in-kind donations since mid-September, when Hurricane Isabel struck.

Recent market research indicates that today's post-September 11 climate—with its economic uncertainty, worries over personal and family security and suspicion of large organizations—may have caused a perceptible shift in our disaster fund-raising paradigm. We may no longer be able to rely on a specific incident, however visible, to yield donations for the general fund. Accordingly, I plan to begin a high-level review of the underlying assumptions, policies and strategies for American Red Cross disaster fund-raising. Our initial conclusions will be presented at your February 2004 meeting.

I have been very pleased how all segments of the Red Cross, both within California and outside the affected areas, have worked together to support the staffing and equipment needs of this massive operation. At the same time, I am gratified by the immensely favorable visibility that our efforts have generated. I am asking field units to continue to educate the public on the vital work that we do and the importance of their support through time, money, and blood donations. Please refer to the continually updated relief information and messaging on CrossNet: (https://crossnet.redcross.org/chapters/services/disasters/ops/archive/DR616_s_california_wildfires.asp).



National Headquarters
Office of the President and CEO

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To: David T. McLaughlin, Chairman
Red Cross Governors
Non-governor members, Biomedical
Services Board

Date: November 20, 2003

From: Marty Evans

Subject: Testing for Chagas
Disease and
Hepatitis C

An issue is currently developing regarding blood testing for Chagas disease and our historic actions regarding testing for hepatitis C; therefore I want to update you on our current position regarding these two subjects.

A November 18, 2003 article in *The New York Times*, which quoted Dr. David Leiby of Holland Laboratories, brought to light the issue of Chagas disease as a possible threat to the safety of the national blood supply. On November 9, 2003, the *Kansas City Star* featured a story about the implementation of screening tests for hepatitis C in the 1980s. These stories will be picked up by other media outlets. Consequently, I am providing you this information for background.

Chagas Disease

Chagas disease is one of the emerging infectious diseases being closely studied and monitored at Holland Laboratories. Chagas disease is a serious, often fatal disease caused by a parasite called *Trypanosoma [tripunusoma] cruzi*, (*T. cruzi*). It is linked to the increased movement of people to the United States from Mexico, Central America, and South America, where it is prevalent. More than 10 years ago, it was estimated that up to 100,000 U.S. residents had chronic *T. cruzi* infections. Because of continued immigration from endemic countries and the chronic nature of *T. cruzi* infection, this figure has likely increased.

To date, there have been 10 transfusion associated cases of Chagas reported in North America. The risk of receiving a Chagas infected transfusion in the United States is about 1 in 25,000. Unfortunately, there is presently no licensed test for Chagas available to blood banks. We expect the development of a test for Chagas sometime in the future; still, we cannot say when it will be approved for use by the Food and Drug Administration or available for use. However, current health history questions screen out Red Cross blood donors who may have been infected with Chagas. We are also working with our blood banking colleagues, evaluating what other short-term measures can be taken while a Chagas test is still in development. *The New York*

SFC-ARC-A001540

Times article discusses clinical aspects of the disease, its possible impact on the blood supply, and the difficult and time-consuming process of developing an approved test.

Hepatitis C

Hepatitis C is a disease that blood banks have grappled with for more than 20 years. Hepatitis C is a liver disease caused by the hepatitis C virus (HCV), which is found in the blood of persons who have the disease. HCV is spread by contact with the blood of an infected person. In 1990, a test was developed for hepatitis C and implemented by the Red Cross. An earlier surrogate screening test called "ALT" was considered as early as 1981, but not implemented by most blood banks until much later. The Red Cross implemented ALT testing in 1987. The *Kansas City Star* article centers on this test (ALT), and the delay by most blood banks in adopting surrogate testing procedures.

A fundamental component of the Red Cross' mission is to provide the safest possible blood to American hospitals. Our staff is dedicated to this mission, and is constantly monitoring the blood supply for threats from infectious diseases, such as Chagas disease and hepatitis C, and analyzing data on testing and screening to identify methods of improving blood safety measures.

There is the possibility that you might receive questions about these issues. So that you can most easily become familiar with these subjects, I have attached the text of both newspaper articles, along with Q&As related to both Chagas and hepatitis C. These should help you respond to most non-media inquiries. Please refer all media inquiries to Ryland Dodge, Director, Biomedical Communications, (202) 303-5492; e-mail dodger@usa.redcross.org.

Additional information on blood safety and testing can be found at the following Red Cross sites:
<http://www.redcross.org/services/biomed/blood/supply/intro.html>
<http://www.redcross.org/services/biomed/blood/supply/backgrounders.html>
<http://www.redcross.org/services/biomed/blood/supply/back6a.html>

Attachments



**American
Red Cross**

National Headquarters
Office of the President and CEO

Together, we can save a life

To: David McLaughlin, Chairman
Red Cross Governors

Date: November 25, 2003

From: Marty Evans

Subject: Town Hall Summary

As you know, we recently concluded three Town Hall meetings in Los Angeles, St. Louis, and Atlanta respectively, as part of our "Service Delivery of the Future" communications plan. Present at each session were representatives from the Board of Governors, national sector senior management, and chapter chairs and chapter executives from across the country: nearly 300 Red Crossers in total attended these important dialogue sessions centered on the new service area structure.

During each meeting, significant time and attention was given to address field reaction to the Board of Governors' September decision clarifying the field-national headquarters line of authority and strengthening our effectiveness as one Red Cross.

Overall, the discussions were very productive and several observations emerged and will be incorporated into future messaging. Each meeting emphasized the importance of partnership, particularly among the local board, chapter executive, and the service area team. When clearly presented with the facts and rationale behind it, field leadership reacted positively and was supportive of the line of authority decision. Comfort also increased with further distinction and clarification in language – with "local approval" held by local boards, and "corporate approval" held by the Service Area. It was helpful to identify which Charter responsibilities remain between the local board and the Board of Governors, and which management responsibilities flow through the service area team. We also emphasized that service areas were created to build capacity and share best practices.

Senior management will be reporting general themes and observations to both the Chapter and Disaster Services Committee and the Executive Committee. A summary of the Town Hall meetings will also be posted on CrossNet. In the meantime, we have begun incorporating the beneficial suggestions resulting from these meetings. We are accelerating the implementation of the balance of the communications plan. Additionally, we are creating an "Ambassador Corps" of chapter executives and board members to function as emissaries promoting the upcoming service area stages.

As we continue to move forward with this important organization metamorphosis, I will continue to update you at key points along the way.

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**American
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National Headquarters
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To: David T. McLaughlin, Chairman
Red Cross Governors

Date: January 9, 2004

From: Marty Evans

Subject: Threat Level Lowered to
"Yellow/Elevated"

At approximately 11:30 a.m. EST today, the Department of Homeland Security lowered the national security threat level from "Orange/High" to "Yellow/Elevated." Some sectors and locations of the country remain on higher alert. In concert with this change, we issued a customizable local news release for use by field units and a national press release earlier today, outlining the importance of taking the simple preparedness steps outlined in the Together We Prepare campaign and using the Red Cross-developed specific disaster readiness guidelines for individuals, families, neighborhoods, schools, and businesses.

The Response Department has protocols in place that address changes in the national threat level, and the appropriate steps were implemented on December 21, 2003, when the nation was elevated to High alert. In accordance with these standard procedures, we checked the deployment status of our Critical Response Team (CRT) members and staff liaisons for the national emergency operations centers, reviewed personnel rosters for deployment, and verified our back-up locations and systems for organizational continuity of operations. Biomedical Services also provided the latest blood inventory status to the American Association of Blood Banks. To help educate the public, we posted safety steps on www.redcross.org, we issued a national press release, and provided materials to the 866-GET-INFO call center operators and chapters.

SFC-ARC-A001543



**American
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National Headquarters
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To: David T. McLaughlin, Chair
Red Cross Governors

Date: May 7, 2004

From: Marty Evans

Subject: Piedmont Hospital

I would like to take this opportunity to provide you with information pertaining to the death of a patient in Atlanta, Georgia. The American Red Cross is cooperating fully with the Food and Drug Administration (FDA) during their investigation into the recent death of a seriously ill patient at Atlanta's Piedmont Hospital following a blood transfusion. There has been media interest in this case and the Atlanta Journal Constitution has run two stories. We will continue to work closely with all parties involved until the FDA's investigation is completed and more information is made available.

If you have any questions regarding this matter, please contact Jack McGuire, Executive Vice President, Biomedical Services at (202) 303-5646. Media inquiries that you may receive should be forwarded to Ryland Dodge at (202) 303-5492.

SFC-ARC-A001544



**American
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National Headquarters
Office of the President & CEO

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To: David T. McLaughlin, Chair
Red Cross Governors

Date: May 7, 2004

From: Marty Evans

Subject: Secretary Ridge at 2004
Convention

I am delighted to share that President George W. Bush has asked Secretary of Homeland Security and Red Cross Governor Tom Ridge to speak on his behalf at the opening session of our national convention in St. Louis on Friday, May 21.

Secretary Ridge's attendance will underscore our vital role in ensuring Americans become better prepared for all manner of disasters and emergencies. At the same time, his participation highlights the strengthening ties between the Red Cross and local, state, and federal agencies charged with homeland security responsibilities.

Next week, you will be receiving more specifics on the schedule of Board activities in St. Louis. Should you need additional information, please call the Board of Governors office or me. I look forward to seeing each of you in St. Louis.

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To: Chairman David McLaughlin; Red Cross Governors

From: *Use Marty's E-mailbox*

Subject: Talking Points for Your Use at Convention

Attached are talking points we developed for use by senior management at the national convention concerning internal organizational topics that might be raised by chapter and Blood Services region representatives and others. I thought it would be useful if you also had these talking points to use when responding to questions or comments from field leaders and other volunteers and employees. For your convenience, a limited number of printed, bound copies will be available in the Board of Governors office at the Renaissance Grand Hotel in St. Louis and in the Communication and Marketing office located in room #125 at the Convention Center.

Feel free to contact me with any questions you may have. I look forward to seeing you in St. Louis later this week.

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National Headquarters
Office of the President & CEO

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To: Bonnie McElveen-Hunter, Chair
Red Cross Governors

Date: July 23, 2004

From: Marty Evans

Subject: Successful Preparedness
Symposium Results in
Heightened Visibility

On July 20, the American Red Cross hosted a successful symposium on public preparedness in cooperation with George Washington University, the Department of Homeland Security (DHS), and the Council for Excellence in Government. Approximately 120 people attended the event which was covered by C-SPAN, and received ample print media attention.

Our first panel included federal and state government leaders involved in the development of policies related to terrorism response. Panelists included former Virginia Governor Jim Gilmore, chair of the congressionally mandated Gilmore Commission which recommended the establishment of the Department of Homeland Security. Panelists Rep. Curt Weldon (R-PA), a leader on first-responder issues, and Rep. Jane Harmon (D-CA), Ranking Member of the House Intelligence Committee, provided a lively overview of Congress' perspective. Citing Winston Churchill, George Foresman, panelist and Homeland Security Advisor to Virginia Governor Mark Warner, posited that we "are at the end of the beginning" and entering a second phase of preparedness, the more difficult period of managing expectations of the public, who must be an active part of the solution and not rely solely on government. This group underscored the cultural changes in the United States that must occur to deal with current realities.

The second panel, moderated by Susan Neely, Assistant Secretary of DHS for Public Affairs, focused on setting goals for preparedness and defining the roles of the federal, state, and local governments; the private sector; non-governmental organizations; and community leaders. President of the Radio-Television News Directors Association Barbara Cochran addressed the critical role of the media in informing the public of necessary preparedness actions, and Advertising Council President and CEO Peggy Conlon cited the importance of ensuring the authenticity, simplicity, and consistency of the preparedness message. George Vradenburg, Senior Committee Member of the Homeland Security Advisory Council, discussed the critical importance of person-to-person communication with hard-to-reach audiences that community leaders, such as the American Red Cross, can provide. Lastly, State Farm Insurance Company Executive Vice President Brian Boyden addressed how the private sector might help prepare its employees and what the insurance industry can do to provide incentives for preparedness.

At lunch, DHS Secretary Tom Ridge discussed the importance of partnerships in preparedness. He stated that partnerships – groups brought together by shared vigilance, readiness, and communication – are the only way to achieve seamless protection. He stressed that preparedness

is a choice that every citizen must make, and it is the job of each partner to make that choice an easy one.

After lunch, the participants broke into two working groups. Moderated by DHS Undersecretary for Emergency Preparedness and Response Michael Brown, the first group focused on preparedness *before* a disaster. The second group discussed how advance preparation can mitigate disaster impact *during and after* a disaster, and was led by Sue Mencer, Executive Director of DHS's Office of State and Local Government Coordination and Preparedness.

Both groups agreed on the following fundamental principles:

- Action must happen now. There must be a revolution in disaster preparedness, not an evolutionary process. The threat won't wait. We can't wait.
- Exercises have not addressed the long-term human services needs of disaster victims. Consensus that there should be post-event exercises focusing on the long-term psychological and economic effects of disaster.
- To manage public expectation, the disaster preparedness and response community must tell the public what to expect (i.e., sheltering-in-place may be required for three days).
- There must be an identified, trusted provider of a consistent message during all phases of an incident.

Symposium participants highlighted current best practices that demonstrate the power of collaboration among community groups, government at all levels, and the private sector. These collaborations must be further refined, and the gaps identified where vital partnerships are falling short. The symposium summary report is expected to serve as a blueprint of action steps to overcome the barriers to preparedness.

Media Coverage

The preparedness symposium yielded significant media coverage including C-SPAN, the *Wall Street Journal*, WTOP Radio, and an op-ed in the *Washington Times*. On July 21, *Washington Post* quoted me and cited our recent Red Cross/Wirthlin Worldwide research. Alan McCurry was interviewed on-camera by Cox Broadcasting, which feeds to 13 television affiliates nationwide. I was interviewed by ABC Radio, and on Sunday, June 25, I will appear on Fox News LIVE at 4:20 p.m. EST to discuss our recent preparedness poll, the preparedness symposium, and the barriers to public preparedness. An *ABC World News Tonight* story on preparedness is also scheduled to air this Sunday, and will include an interview with a family that has followed Red Cross guidelines to prepare. Check your local listings.

To maximize Red Cross visibility from this media coverage, we issued a national news release and posted the speeches delivered by Secretary Ridge and me online for Red Cross units to share with key constituents. See CrossNet and Redcross.org for details. If you receive any media inquiries, please contact Carrie Martin, Public Relations Manager, (202) 303-4459.

Next Steps

All participants in the symposium were asked to write down two best practices and lessons learned in public preparedness. We received 34 responses. The Government Relations office is compiling those responses now and will send them to the symposium participants.

Please feel free to contact Jan Lane, Vice President, Government Relations, (202) 303-4348, or me if you have any questions on the symposium. I look forward to seeing many of you next week during your scheduled committee meetings.

To: Chairman McElveen-Hunter/Red Cross Governors;
From: Marty Evans' E-mailbox
Subject: **Hurricane Charley, One Week Later**

Just one week after Hurricane Charley swept across Florida, causing widespread devastation in 25 counties, we at the American Red Cross now realize the immense magnitude of the task ahead. Based on a still-incomplete assessment, we have already identified more than 77,000 damaged homes, with nearly 11,000 totally destroyed. We are looking at a difficult situation with a large area still without power amid dangerous heat, and telephone service that is frustratingly erratic for those reaching out to family members and relief workers.

This disaster presents significant challenges as tens of thousands of people look to the Red Cross to provide each day's necessities of food and shelter. We have invested sizeable resources in this humanitarian response—people, equipment, and materials. Our feeding operations are some of the most extensive ever in Red Cross history, anticipated to serve 150,000 meals a day at maximum levels. We are planning for a long and very expensive operation, with the expected potential of becoming, at the \$50 million mark, the fifth most expensive disaster in Red Cross history.

Charley has also presented us with a landmark opportunity to validate our strategic direction in disaster response and field service. We have been innovative in our response delivery. Red Cross' Client Assistance System (CAS) software is being used in Florida for the first time on a large-scale operation. The data entered into CAS also feeds into the Coordinated Assistance Network (CAN), our innovative partnership with the United Way, the Salvation Army, and other services providers. Our 1-866-Get-Info call center has handled nearly 60,000 calls to date, the most since September 11, 2001. As I noted earlier, the Service Areas are working effectively at the grassroots to bring local chapter resources to assist disaster impacted areas. Of course, this is a massive Level V operation requiring nationwide Red Cross help. We are pre-testing the new DSHR structure model, simplified and reorganized to deploy response teams that provide better and faster service to internal and external clients.

As you know, our services extend beyond providing immediate emergency relief. To help with emotional care for those affected, our mental health staff has been bolstered by assistance from established partners such as U.S. Public Health mental health officers and Church of the Latter-Day Saints psychologists, and new partners like licensed psychologists from New College in Sarasota, and students from the University of South Dakota. As people begin to rebuild their lives and homes, we are estimating the need to provide casework and other longer-term help to over 30,000 families.

We have also responded to the need to heighten local and national visibility to drive donations to the Disaster Relief Fund. Media interest in the Red Cross response has been phenomenal. There has been extensive positive coverage at both the national and local levels. Just yesterday, a full-page ad appeared in *The New York Times*, an almost unheard-of gesture that was repeated today in *USA Today*. On Monday, I am also hosting a press briefing to tell our story to local media nationwide. In addition to attracting donations, our intent is to raise awareness of the Red Cross

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in the days leading up to September 11th, a time the nation is focused on preparedness, as we mark the third anniversary of the attacks.

Our \$50 million campaign has already attracted more than \$18.5 million pledged or raised. The Lilly Endowment Inc. made a lead gift of \$5 million, and other supporters include the Orlando Magic and the DeVos family (\$1 million), Toyota (\$1 million), Robert Wood Johnson Foundation (\$750,000), Pew Charitable Trust (\$500,000), and Office Depot (\$500,000). Chapters and services area are reporting early success. In-kind donations are strong. The American public has also showed its generosity, giving more than \$3 million through 1-800-HELP-NOW and RedCross.org. A national news release, including local public service announcement (PSA), supporting the \$50 million nationwide fundraising campaign is planned for Monday to further increase awareness and bolster our fundraising efforts.

Let me finish by acknowledging the amazing efforts of our own Red Cross family. Many of our Florida volunteers, while attending to the needs of their neighbors, must also respond to the loss of their own properties and the welfare of their loved ones. Some of the inhabitants of Red Cross shelters are our own relief workers, who have traveled from near and far to provide relief and comfort in communities with no available hotel space. Day after day, our disaster workers put in long hours under arduous conditions, spurred by their commitment to our mission, knowing that there are many weeks of hard work ahead. They are truly a source of inspiration and I know you join me in thanking them for their courageous and compassionate dedication – they serve as a reminder of the best in us.

For a dynamic photo essay shot on the scene of the hurricane, see <http://www.redcross.org/news/photoessays/charley/>. For updates on the operation, please refer to our public Web site, <http://www.redcross.org/>, as well as the hurricane relief section on CrossNet (https://crossnet.redcross.org/chapters/services/disasters/ops/archive/DR810_trop_storms_bonnie_charley.asp).

I will be in touch again soon. Thanks for your continuing support.



**American
Red Cross**

National Headquarters

Together, we can save a life

To: Chairman Bonnie McElveen-Hunter
Red Cross Governors

Date: August 31, 2004

From: Marty Evans

Subject: Presentation to Showcase
Hurricane Charley Response

Several members of the Board of Governors have expressed interest in having a presentation they can give "back home," outlining the organization's response to Hurricane Charley. The attached includes language characterizing the Red Cross response, along with photographs of the devastation. Feel free to use these materials to tell the Red Cross story.

For those interested in our fundraising efforts, a number of other tools are available, including template letters, email solicitations, case statements, and key messages to use with donors. To ensure continued coordination across the organization, please continue working through your Growth and Integrated Development relationship manager in advance of contacting potential donors. If you do not have a regular relationship manager, please contact Shannon Cooper, Volunteer Leadership Program Officer, at (202) 303-4856; email coopershan@usa.redcross.org.

We hope you find these materials useful, and I encourage you to check CrossNet often at https://crossnet.redcross.org/chapters/services/disasters/ops/archive/DR810_trop_storms_bonnie_charley.asp for the latest information on our efforts, including fund-raising tools and resources.

Attachment

SFC-ARC-A001551



National Headquarters
Office of the President and CEO

Together, we can save a life

To: Bonnie McElveen-Hunter, Chairman
Red Cross Governors

Date: August 31, 2004

From: Marty Evans

Subject: September is
National
Preparedness Month

Department of Homeland Security (DHS) Secretary Tom Ridge recently declared this September to be National Preparedness Month. Because this aligns with our strategic emphasis on preparing the American public for disasters, we plan to take this opportunity to raise awareness of the Red Cross as an established resource for individual, home, community, business, and school preparedness. National Preparedness Month will kick off at a September 9 launch event on Capitol Hill. Secretary Ridge will open the event, and I am honored to have been invited to give the closing remarks.

To highlight and build upon our successful preparedness program, we are encouraging local Red Cross units to become involved in *Together We Prepare Saturday* on September 18. Field units can take advantage of the wide array of preparedness materials available to them to organize community events and involve local officials and agencies in preparedness activities. In addition, we will launch a new online store featuring preparedness products on www.redcross.org. These efforts will showcase the Red Cross as the best source of information, training, and products for preparedness.

I also wanted to brief you on what is shaping up to be an extremely active hurricane season. The Red Cross relief efforts continue to receive excellent media coverage, from more than 200 hours of interviews, a mention on the MTV Video Music Awards and an MTV auction, to prominent news stories in virtually every national vehicle and valuable donated advertising space. We are hopeful that this widespread coverage will make the preparedness message resonate especially well this September. By highlighting our success in response to Hurricane Charley, and leveraging this attention on disasters to raise public interest in preparedness, we will progress in solidifying our partnership with the American people.

SFC-ARC-A001552

The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run, and has also prompted the largest staff deployment and feeding operations for any natural disaster to date.

The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run. The response has also prompted the largest staff deployment and feeding operations for any natural disaster to date.

To: Chairman McElveen-Hunter, Red Cross Governors
Date: September 15, 2004
From: Marty Evans

Subject: Red Cross Seeks Government Funding for Hurricane Relief Hurricane Relief Update

Yesterday, September 14, President George W. Bush asked Congress for an additional \$3.1 billion to help Florida and other states cope with the massive hurricane damage sustained over the past several weeks. Included in that request is \$70 million for the American Red Cross. The request comes even as Hurricane Ivan bears down on the Gulf Coast states, potentially adding to the \$68 million in anticipated total Red Cross relief expenses from Hurricanes Charley and Frances.

As discussed in our September 7 conference call, we are working with our federal partners to seek this funding in addition to the generous outpouring of financial support we have seen from public and corporate donors. I assure you that we have challenged chapters to maintain their aggressive fundraising efforts; for our part, we will continue to ensure the highest visibility for these Red Cross relief operations. I have taken the opportunity to personally brief President Bush on our response while accompanying him on a tour of the hurricane-ravaged regions of Florida and on the flight back to Washington. In his request to Congress, President Bush stated, "The American Red Cross is the only non-governmental agency with responsibilities under the National Response Plan, and back-to-back major hurricanes have put an unprecedented strain on its finances." Furthermore, as the language of the appropriation request notes: "Traditionally, the American Red Cross relies on private donors to support its relief activities, not taxpayer funds, and that will continue to be the case for future disasters."

If approved, the \$70 million funding request will be used to reimburse Red Cross disaster relief and recovery expenditures, and emergency services associated with Hurricanes Charley, Frances, and Ivan. We have been working closely with Florida's congressional delegation, including House Appropriations Committee Chairman Bill Young and Senator Bill Nelson, to secure their support for this federal funding request. Attached you will find communication guidance tailored to the supplemental request and the Disaster Relief Fund. Please contact Jan Lane, Vice President, Government Relations at (202) 303-4348 or me if you have questions concerning the appropriation request. If you receive any media inquiries on this topic, please refer them to Patrick McCrummen, Director, Response Communication and Marketing, at (202) 439-0714.

The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run. This response has also prompted the largest staff deployment and feeding operations for any natural disaster to date. With Hurricane Ivan now sustaining winds of 155 miles per hour as it approaches vulnerable population centers in the southern Gulf states, our relief efforts have intensified. In fact, approximately 200 shelters have been opened in anticipation of Ivan's landfall, with active hurricane watches mounted in Georgia, Mississippi, Alabama, Florida, Louisiana, and Texas. Even before the eye of the hurricane makes landfall tonight or Thursday morning, coastal areas are already seeing strong winds and high surf. After

SFC-ARC-A001554

Ivan moves inland, we can expect heavy rain, damaging winds, and tornadoes to plague many coastal communities. All of our resources — including emergency response vehicles and shelter trailers containing cots, comfort kits, and emergency supplies — as well those of our service partners are now being deployed to staging areas. Importantly, every chapter has committed to sending at least one staff member to assist with this unprecedented organizational response.

Meanwhile, our fundraising efforts must continue with full force. I have made it clear internally that our philanthropic outreach in chapters and the national sector must continue unabated. Because this appropriation is a request and not a guarantee, we do not know whether any part of the request to Congress will be granted. As of yet, we don't know the true costs of our total hurricane response related to this confluence of storms. I cannot emphasize the importance of your personal contributions and involvement in cultivation and solicitation activities to our fundraising effort. As Red Cross Governors, you set an example for all on the value and impact volunteer leadership can have.

Some of you have asked how specifically how you can get involved. You can:

- Give your personal gift. Challenge others to do the same. To ensure appropriate processing, BoG gifts should be mailed to:
American Red Cross
21726 Network Place
Chicago, IL 60673-1217

- Work with your relationship manager or Shannon Cooper, Volunteer Leadership Program Officer, (202) 303-4856 or coopershan@usa.redcross.org, in Growth & Integrated Development (GID) to participate in the solicitation of major corporations and individuals with whom you have a connection. This includes introducing Red Cross staff to your friends and colleagues or calling potential donors jointly with a member of GID.

- Raise awareness by telling the Red Cross response story through e-mail updates, opinion editorials and key messages. All of these materials are available on CrossNet: <https://crossnet.redcross.org/chapters/services/disasters/index.asp>.

As always, I will keep you updated as events dictate.

Attachment

Supplemental Funding Request to Congress
Communication Guidance
Wednesday, September 15, 2004

Pocket statement

The American Red Cross is currently undertaking a historic response to the recent major hurricanes. The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run. The response has also prompted the largest staff deployment and feeding operations for any natural disaster to date. It is clear that the financial resources required for this effort are beyond that which we have raised so far. We are still relying on the American public and our philanthropic partners for their financial support.

Our situation was aptly summarized by President Bush in his request to Congress: ***“The American Red Cross is the only non-governmental agency with responsibilities under the National Response Plan, and back-to-back major hurricanes have put an unprecedented strain on its finances. Traditionally, the American Red Cross relies on private donors to support its relief activities, not taxpayer funds, and that will continue to be the case for future disasters.”***

Talking points

- The Red Cross is currently undertaking a historic response to the hurricanes by mobilizing the largest feeding, sheltering, and human resources deployment effort in response to a natural disaster in its history.
- It is clear that due to the scope and collective impact of the hurricanes, we require extraordinary resources that allow us to ensure timely delivery of relief services to all of the affected areas.
- The Red Cross has staged and deployed staff and resources to respond to Hurricane Ivan.
- To date, the Red Cross has provided more than 5 ½ million meals and snacks and opened 620 shelters housing nearly 300,000 people.
- Despite extensive fundraising efforts, the Red Cross has \$39.8 million in pledged contributions, of which \$14.2 million had been received by COB Tuesday (9/14). This is against preliminary estimated total costs of \$68 million for Hurricanes Charley and Frances. While it is currently unknown what the cost of Hurricane Ivan will be, given the strength of the approaching storm, it is likely to be very significant.
- Over the past three weeks, the Red Cross has reached out to every philanthropic partner with whom we have an existing relationship to request support for these disaster relief operations. We continue to aggressively pursue charitable contributions in cooperation with our chapters.
- Following each and every disaster, our nation relies on and expects the Red Cross to provide immediate assistance.

- The Red Cross is facing a critical financial crisis in responding to the Florida hurricanes, which are unprecedented in scope. With Hurricane Ivan about to make landfall, the Red Cross needs additional financial resources to help disaster victims.
- The Red Cross **has the physical capacity** to respond to the storms. It is clear that — despite ongoing extraordinary efforts to raise funds — the Red Cross **needs additional financial resources to meet its immediate needs.**
- **We need all of America to step up to provide the financial resources required for such a massive response.** The President of the United States understands our need during this historic event, and has acknowledged them by stating, “The American Red Cross is the only non-governmental agency with responsibilities under the National Response Plan, and back-to-back major hurricanes have put an unprecedented strain on its finances.”

Questions and Answers on the DRF and the Costs of Relief:

1. How is the Red Cross meeting its current needs if donations are lagging?

A. With its Disaster Relief Fund depleted and tens of thousands of families estimated to require Red Cross services for the foreseeable future, we have been required to undertake short-term borrowing in anticipation of future receipt of pledged and future contributions. The Red Cross would not need to borrow funds if the Disaster Relief Fund could be maintained as an adequate reserve for this hurricane and other relief operations. However, the cash balance of the Disaster Relief Fund was just \$835,000 on July 1, and the Red Cross estimates it will need to spend a total of \$68 million for Hurricanes Charley and Frances alone.

2. We understand that the Red Cross might be a recipient of some funding from the federal government to support your efforts. Are you really that stretched?

A. The Red Cross is currently undertaking a historic response to the recent major hurricanes. The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run. The response has also prompted the largest staff deployment and feeding operations for any natural disaster to date. Our resources are being stretched and we rely on the generosity of the American public for help. In times of extraordinary need such as that now in Florida and along the Gulf Coast, the financial resources needed to meet the current needs of disaster victims, consistent with the Red Cross' mandate under its Congressional Charter, are not being met at the level necessary to support our response.

During the past decade, the Red Cross has found it necessary only three times to seek congressional appropriations to support disaster response for both domestic (Hurricane Georges 1998; \$30M) and offshore disasters (American Samoa, 1993; \$34M; Guam, 1998: \$20M) when charitable donations have not kept pace with disaster relief needs.

Although we have requested support from the federal government, our planning assumption must be that there will be no federal funding, so we continue to ask all Americans to financially support our hurricane relief efforts.

3. Isn't the Red Cross a private organization?

A. The Red Cross is a congressionally-chartered non-profit organization with the responsibility to provide disaster relief wherever and whenever it is needed. We also have designated responsibilities under the Federal Response Plan and the Interim National Response Plan in the event of large-scale disasters. Like other non-profits, the Red Cross occasionally receives federal grants through our partnerships with other federal agencies. In any given year, the amount of federal money received would not exceed 4-5 percent of its budget.

4. If you receive the \$70M federal funding, how will this affect your fundraising efforts?

A.

- These are unique circumstances. The combined response to Hurricanes Charley and Frances generated the largest shelter operation the Red Cross has ever run. The response has also prompted the largest staff deployment and feeding operations for any natural disaster to date. In 123 years we have made this request only three times before.
- While the American public and our philanthropic partners have donated nearly \$40 million, the costs exceed current commitments, and with Hurricane Ivan about to make landfall, we need to ensure we can continue uninterrupted delivery of services to people in need.
- If we receive this funding, we will continue to educate our partners about our disaster relief services and garner financial support for the next disaster. Every year the American public provides us with hundreds of millions of dollars from across the country to fulfill our mission of preventing, preparing for, and responding to disasters and other emergencies. That task and these needs will remain well after these storms have passed.

5. What will happen to any extra money you raise? Will it go to the victims?

A. The Red Cross always honors the intent of its donors. Frankly, we expect to struggle to raise just what is needed for these hurricane relief operations.

6. Is there a policy about how you would handle any excess funds?

A. We do not anticipate receiving excess funds for these operations. However, Red Cross policy requires that any time funds designated for a disaster exceed the costs of our standard relief services for that operation, then the Red Cross will devote those funds to future disaster relief, recovery efforts, and disaster preparedness in the affected areas. We always work to ensure that the intent of the donor is honored.

Other (undesignated) funds will be used to enable the Red Cross to provide immediate emergency assistance to the victims of thousands of disasters across the country each year, including everything from house fires to wildfires and future hurricanes. Disaster victims need essential items right away, such as food, shelter, and mental health counseling. In order to assist anyone with disaster-caused needs whenever and wherever a disaster occurs, the Red Cross must have money available immediately.

7. Should I be contacting my elected officials to support our efforts to secure this supplemental funding request?

A. Although we encourage support, please refrain from a proactive campaign to do so. Any specific offers by elected officials to assist our efforts should be referred to Jan Lane, Vice President, Government Relations, at (202) 303-4348.

8. Is the Red Cross concerned that the American public would not like the idea of the Red Cross receiving funding from the government?

A. According to a recent survey, 82 percent of current Red Cross financial donors "agree" or "strongly agree" that federal funding supporting Red Cross disaster services at this time is a good idea. Even donors who currently do not give to the Red Cross agreed that federal funding made sense during times of disaster.

9. Is the Red Cross concerned that federal government support during times of disaster might affect future donations?

A. Fully 83 percent of current Red Cross financial donors polled stated it would not make any difference in their intent to give. In fact, 14 percent of those questioned actually said it would make them *more* likely to donate. Even those who do not currently donate to the Red Cross shared a similar view on their desire to give. Moreover, 16 percent of those questioned stated it would increase their desire to support the Red Cross.

Source: Poll conducted by ORC International September 10 – 13, 2004. Margin of error is +/- 3.1 percent.

To: Chairman McElveen-Hunter/Red Cross Governors;
From: Marty Evans' Email
Subject: ***Wall Street Journal* article RE: FDA Inspection of Southern Blood Region**

Attached is an article entitled, "FDA Is Questioned on Report About Red Cross Unit in Atlanta," as it appears in today's *Wall Street Journal*. We were aware that this article would be published, as we worked cooperatively with the reporter to provide background and relevant history. We have concluded that, on balance, the article is a reasonably fair and accurate summary of the circumstances and details surrounding the situation.

Obviously, maintaining our current forward momentum and progress with the Food and Drug Administration (FDA) is of paramount concern to us. Building on this collaboration, we spoke with the FDA prior to the publication of the article and in advance of the background interviews to ensure the FDA had no objections.

Should you have any questions or require additional information, please feel free to contact Biomedical Services Executive Vice President Jack McGuire. Jack can be reached on: (202) 303-5646.

SFC-ARC-A001561

September 29, 2004

Health

**FDA Is Questioned on Report
About Red Cross Unit in Atlanta**

By ANNA WILDE MATHEWS
Staff Reporter of THE WALL STREET JOURNAL

The Food and Drug Administration, already under scrutiny for its handling of a staffer's finding about the risks of antidepressants, now is facing questions about why it changed a critical report by its own investigators on the Red Cross's handling of blood.

The Senate Finance Committee is examining the FDA's decision to amend an inspection document about a Red Cross facility in Atlanta. The questions from Finance Committee Chairman Charles Grassley, an Iowa Republican, are part of a broader examination of the FDA's handling of safety issues.

The first version of the document, dated June 10, had 15 observations of possible violations, including several about blood provided to a patient who died in March soon after getting the infusions. The Red Cross disputed many of the comments.

The final version of the report, dated Sept. 2, included six observations and didn't mention the death -- despite the Red Cross's own admission that one of its technicians failed to identify an antibody in the patient's blood. After detecting the oversight, the Red Cross moved to recall blood that was incompatible with that antibody, but the patient had already gotten it. The Red Cross explained the incident to the FDA, and the Red Cross said it doesn't believe its actions regarding the blood caused the patient's death.

The FDA regulates the nation's blood supply and oversees the Red Cross under a special consent decree.

The FDA said the amended document reflected the views of an internal working group that oversees the consent decree under which the Red Cross operates. The group concluded that some problems cited in the original version were caused by the hospital involved, not the Red Cross, said John Taylor, FDA associate commissioner for regulatory affairs. (The FDA sent a warning letter in August to the facility, Piedmont Hospital in Atlanta, regarding the handling of blood matters.) Other changes were "to clarify and make sure the observations were correct and appropriate," Mr. Taylor said.

The FDA said the tests available to detect the antibody are limited, and that the Red Cross handled the matter appropriately.

A spokeswoman for Piedmont Hospital, a nonprofit, said the hospital has responded to the FDA's warning letter and is "confident the cited deficiencies did not impact the care of this patient." She said there has been "no verification" that the blood the person got contributed to the death.

The FDA, which generally has been tough on the Red Cross in administering the consent decree, declined to make available for an interview the two Atlanta-based inspectors who examined the facility. Both signed the first document, but only one signed the amended report.

Many of the concerns raised in the original FDA inspection document centered on how a Red Cross laboratory in Atlanta handled eight units of red blood cells provided on March 6 and 7 to a patient identified as "RE." Some of those units were incompatible with RE's blood.

The Red Cross, Piedmont Hospital and the FDA declined to comment on the patient's identity. But RE may have been Rodney English, a 34-year-old who suffered from spina bifida. Mr. English was in the hospital for treatment of a sore on his hip, according to his aunt, Martha English. He died there on March 12, and his family isn't sure why, she said.

The FDA made no official findings about the cause of death. Its letter to Piedmont called the March 12 death a "possible hemolytic transfusion fatality," which involves the dissolving of red blood cells.

The eight units of blood went from the Red Cross to the hospital in two shipments; three units were sent March 6 and the rest the next day. The Red Cross wrote in its comments to the FDA that the first three units were found compatible with a March 5 sample of RE's blood. But a later check by another technician found that the first technician had failed to note the blood sample contained an antibody to Jk(b), which is an antigen, or chemical on the surface of red blood cells, the Red Cross told the FDA.

Patients can experience serious side effects from blood containing antigens to which they have antibodies.

One of the blood units sent on March 6 contained the potentially problematic antigen. The Red Cross wrote that the unit was given to the patient before it could be recalled, and that the first technician "did not appropriately 'rule out' the presence of" the antibody. In April, its lab instituted a new procedure to ensure at least two staffers review a patient's antibody identification before blood is released, the Red Cross wrote.

The original FDA inspection form faulted the Red Cross laboratory for aspects of its handling of the three units. In its written response, the Red Cross raised factual and procedural questions about those findings and wrote that its testing of the March 5 blood sample "exceeds industry standards."

On March 7, the Red Cross sent five more units of red blood cells for RE. They were urgently needed, the Red Cross told the FDA, so at the hospital's request it checked them only against old records of RE's blood before sending them. The Red Cross, in its written comments to the FDA, said it faxed the hospital a form noting this.

Soon after the units were shipped, the hospital sent the Red Cross a recent blood sample from RE, which showed that the units weren't compatible with his blood, according to the Red Cross. He already had been given two of the five units. The hospital transfused the remaining three anyway, because they were "the best available units for RE at the time," the Red Cross wrote.

SFC-ARC-A001563

The original FDA report faulted the Red Cross for the way it released the five units. The Red Cross responded that it acted under standard procedures, including confirming to the hospital that it hadn't checked the units against a recent blood sample.

In a statement, a spokesman for the Red Cross said: "We do not believe the Red Cross actions in providing this blood caused the patient's death." The Red Cross also said it didn't ask the FDA to remove anything from its inspection document.

The FDA's Mr. Taylor said the agency's inspection forms are routinely reviewed internally, and amendments are "not unprecedented." The concerns about the five units sent on March 7 were found to be flaws in the hospital's procedures, not Red Cross's, he said. They were mentioned in the warning letter to Piedmont. The hospital's violations also may have applied to the other three units, though they weren't mentioned.

Piedmont says the letter cited "documentation and communication issues surrounding five units of blood" that "have been addressed."

Mary Malarkey, an official in the FDA's Center for Biologics Evaluation and Research, said that in the case of the Red Cross's failure to detect the antibody in the sample from patient RE, "we feel that what happened was appropriately handled given the limitations" of the test available to the Red Cross.

To: Chairman McElveen-Hunter/Red Cross Governors;
From: Marty Evans
Subject: CBS Evening News

Below is a story entitled, "Fingers Point Over Blood Mix-Up" that ran last evening (Wednesday, September 29, 2004) on the "CBS Evening News." CBS approached us with specific questions and a request for several documents related to the FDA inspection of the Southern Blood Services Region earlier this year. We provided them with our statements and the relevant FDA inspection findings, as well as a letter to CBS that outlined our concern about their continued practice of subjective journalism.

The story that CBS reported strikes a very different tone than *The Wall Street Journal* article we forwarded to you yesterday, and delivers several opinions that appear to be unfounded and not based on the final findings of the FDA or the American Red Cross. As in the past, we will continue to emphasize to CBS that we expect factually accurate reporting and that their misleading reports can adversely impact blood donations – which could affect our ability to provide lifesaving blood products to those in need. Should you have any questions or require additional information, please feel free to contact Biomedical Services Executive Vice President Jack McGuire. Jack can be reached at (202) 303-5646.

FINGERS POINT OVER BLOOD MIX-UP

WASHINGTON, SEPT. 29, 2004

It's been six months since a fatal mix up at Piedmont Hospital in Atlanta -- mislabeled blood transfused into patient Rodney English who later died. Since then, an FDA probe partly faulted the hospital.

But what about the Red Cross in Atlanta which supplied the blood and has been slapped with numerous safety violations in the past?

The FDA inspected it after English's death and found pages of safety violations, reports CBS News Correspondent Sharyl Attkisson.

But when asked for the results, the FDA balked - it wanted to make "corrections" and give a "revised" copy. Under Freedom of Information laws, CBS News obtained both versions and compared them with public health watchdog Dr. Peter Lurie.

"There's a heading, 'recipient fatality' ... it keeps going with pages and pages about the recipient fatality -- what's wrong with this is this stuff has been taken out," he said.

The original FDA report details a series of errors at the Atlanta Red Cross in blood typing and testing, three other deaths the Red Cross failed to investigate properly, and screening problems -- donors allowed to give blood even after repeatedly testing positive for illnesses like Hepatitis C. All that's deleted from the new version.

"The worst stuff, the most incriminating stuff, indeed the stuff that was consistent with what the Red Cross has been doing for decades now, is the very stuff that has been taken out of these documents," said Lurie.

That includes most everything about English's case, even though it was a major focus of the inspection.

One official says the Red Cross insisted on changes, before the report was released to CBS News, which has documented ongoing problems with the Red Cross blood supply.

FDA officials defend the deletions, saying further review showed Piedmont Hospital was mostly to blame for the blood mix up. The hospital counters: it was the Red Cross that sent mislabeled blood to begin with.

For its part, the Red Cross says it's committed to working "with the FDA to meet the highest standards" and "the blood supply is safer than ever been."

Despite such assurances, critics point to English's death and the drastic altering of documents regarding public safety as reasons for concern.

To: Chairman McElveen-Hunter, Red Cross Governors

From: Marty Evans

Subject: Biomedical Services National Testing and Reference Laboratories

An evaluation of American Red Cross Biomedical Services operations, organizational culture, and structure indicates that change is necessary to achieve strategic priorities and maintain our fundamental mission of blood collection and distribution. To improve their alignment with the strategic direction of Biomedical Services, better focus on compliance and cost containment, and maximize testing capacity, we have initiated a restructuring of the National Testing and Reference Laboratories (NTRLs).

We have made the difficult decision to reduce the number of National Testing Laboratories (NTLs) from nine to five. This decision has been announced internally. By March 31, 2005, the Atlanta, Dedham, Southern California, and St. Paul NTLs will be closed and the testing transferred to the remaining locations in Charlotte, Detroit, Philadelphia, Portland, and St. Louis. These five remaining labs are both geographically well-situated and operationally capable of supporting the testing volume of the regions.

This is a necessary business decision. We must eliminate excess testing capacity and leverage the investment we have already made in the existing full-service NTLs.

We are well aware that these changes will affect the lives of our employees and their families. We will carry these actions out in a sensitive and dignified manner and in an atmosphere of open communication. NTRL and Biomedical Services senior management have designed action plans for accomplishing these tasks. Every effort will be made to assist those affected by this transition.

Questions regarding this consolidation can be referred to Jack McGuire, Executive Vice President, Biomedical Services, (202) 303-5351 or mcguirej@usa.redcross.org.

SFC-ARC-A001568

BOG Email Update: Tissue Exit

To: All Board of Governors
From: Marty's email
Subject: Changes for Tissue Services

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

Biomedical Services continues to evaluate the ways in which the American Red Cross allocates resources to achieve our goals and maintain our core mission of providing a safe and available blood supply.

Accordingly, we have decided to discontinue our Tissue Services program. Rather than closing the program, we will transfer the operations to another non-profit organization, Musculoskeletal Transplant Foundation, Inc. (MTF). Founded in 1987, MTF is the nation's largest tissue bank. We selected MTF based on its status as a non-profit service organization and dedication to providing quality tissue through a commitment to excellence in education, research, recovery, and care for recipients, donors, and their families.

Given our current strategic imperatives, this decision is consistent with our mission. We deeply appreciate all the outstanding work performed by the Tissue Services staff over the last 22 years. We realize this decision will have an impact on many of our staff members. We are making every effort to best ensure that the transfer goes smoothly for all involved. It is anticipated that the transfer will be completed by the end of January 2005. Should you have questions, please contact Jack McGuire, Executive Vice President, Biomedical Services, at 202-303-5646. As always, please feel free to contact me as well.

To: Chairman McElveen-Hunter, Red Cross Governors
From: Marty Evans
Subject: Biomedical Services Announces Organizational Changes

Recently, Jack McGuire, Executive Vice President, American Red Cross Biomedical Services, announced that an evaluation of Biomedical operations, lines of service, culture, and structure revealed that changes are necessary to achieve new strategic priorities, while maintaining our fundamental mission of providing lifesaving blood and blood products to those in need. The following six strategic requirements were discussed:

- *Transform our organizational culture to a greater focus on customer service*
- *Increase blood collections*
- *Reduce costs*
- *Continuously improve our quality and compliance profile*
- *Build our internal management team from within the organization*
- *Reinforce the Red Cross brand*

Successful realization of these strategic priorities requires structural and functional changes to Biomedical Services in the months ahead. As you are already aware, in order to meet the challenges facing our organization, our nine National Testing Laboratories (NTLs) will be consolidated to five. The NTLs in St. Paul, Atlanta, Dedham, and Southern California are expected to be closed by March 31, 2005. The NTLs in Philadelphia, St. Louis, Charlotte, Portland, and Detroit will continue as core facilities. The Red Cross will optimize functions within the remaining facilities and provide the vital resources our NTLs offer in fewer locations.

As was announced earlier this week, the Red Cross, long recognized as a leader in tissue banking, has reached an agreement with the nation's largest tissue bank, Musculoskeletal Transplant Foundation (MTF), and will transfer its tissue donation program to MTF within the coming months. This transition is also in keeping with our current strategic requirements.

In the field, there will continue to be 35 overall Blood Services Regions; however, we will develop 11 Divisions, which will determine how to better accomplish many of the common functions within all regions (i.e. Finance, HR, IT, etc.). This structure should have a positive impact on the quality of Red Cross operations. With this new division structure, we can utilize economies of scale in order to ease responsibilities for individual regions, so their focus can shift to our hospital customers and blood donors. The divisions will be led by the following Division Vice Presidents:

1. Steve Brown
2. Chris Hrouda
3. John Taylor
4. Mary O'Neil
5. Sharon Whitman
6. Tom Angle
7. Howie Waltz
8. Peter Page
9. Joan Manning
10. Ann Saunders
11. Don Webb

The divisions will support 2-5 regions within their assigned jurisdiction. Division VPs will be responsible for developing a plan for functional consolidation and achievement of the strategic requirements within their jurisdiction by the middle of January 2005. Division VPs will report to one of two Senior VPs in Biomedical Services, and the four Area offices will be closed early next year. The Senior VPs, located at national headquarters in Washington DC, are Don Dudley and Greg Vasse, who will be supported by existing Biomedical staff. Each region will continue to be led by a CEO who will report directly to their Division VP. Some regional CEOs will remain in their current positions while others are relocating, with a few of these positions yet to be determined. All of the leadership positions are effective immediately.

We believe this restructuring is a necessary change to our organization – one which will allow the divisions to focus on consolidated, quality-oriented functions and driving system efficiency – while enabling the regions to focus on growth and quality in collections and improving customer relations with donors and hospitals.

There will be additional changes at Biomedical Services at national headquarters. We will rebalance the areas of Quality and Regulatory Affairs and Operations, ensuring that appropriate activities are placed in their proper departments. We will also enhance the Medical Office by expanding its activities to include the development and management of a volunteer external scientific board, comprised of hospital physicians and PhDs of prominence in the industry. We will strengthen our sales and marketing function and develop mechanisms to increase customer satisfaction and product availability. Additionally, all real estate/construction activities currently residing in Biomedical Services will be transferred to national headquarters for efficiency and cost savings. Stan Roberts will be Vice President for Business Strategies, responsible for the BioArch Program. The role of headquarters will shift from directive to more supportive of field operations. These headquarters changes will be determined by the middle of January 2005.

The broad concepts behind these actions were discussed in a variety of venues, including the recent Biomedical Services field leadership meeting. Although there have been changes in Biomedical Services in the past, they have not taken our fundamental strategic requirements into account. Field leaders will work with senior headquarters management to design action plans for achieving these objectives, including appropriate staffing levels. A process will be determined to match the new structure with the skills, abilities, and desires of our personnel.

These changes will affect the lives of many Biomedical Services employees and their families. Every effort will be made to assist those affected by this transition. We will carry these actions out in a sensitive and dignified manner and in an atmosphere of open communication.

Questions regarding these changes in Biomedical Services can be referred to Jack McGuire at (202) 303-5351 or mcguirej@usa.redcross.org.

TO: BONNIE MCELVEEN-HUNTER, CHAIRMAN; RED CROSS GOVERNORS

FROM: MARTY EVANS

SUBJECT: Efforts to Address Financial Challenges

In May 2004, the Board of Governors approved a three year financial plan for the American Red Cross that achieves positive free cash flow by fiscal year 2008. Today, I informed all national headquarters staff that we have begun intensive efforts to "right structure" the organization and address the financial challenges of national headquarters. The goals of these efforts are to:

- Implement immediate cost-savings measures;
- Achieve our financial targets;
- Significantly improve the efficiency and effectiveness of our processes and procedures; and
- Ensure the national organization is structured appropriately to achieve the goals of our Strategic Plan.

While these efforts are focused on national headquarters, they will be aligned with and support similar efforts being undertaken by Biomedical Services. I will update you on our progress at your February Board meetings. If you have questions, please be in touch with me.

SFC-ARC-A001572



**American
Red Cross**

National Headquarters
Office of the President & CEO

Together, we can save a life

To: Bonnie McElveen-Hunter, Chairman
Red Cross Governors

Date: December 8, 2004

From: Marty Evans

Subject: Summary Observations from the
2004 Board Retreat

At the conclusion of the 2004 Board of Governors Retreat, I committed to providing a synopsis of the proceedings and my observations on the direction for the American Red Cross over the course of this fiscal year. I want to thank you all for participating in this significant event. Through your discussions, the Board has provided insight and guidance to the management team as we continue to implement our Strategic Plan.

STRATEGIC PLAN PERFORMANCE

We began the Retreat with an overview of our past year's progress against our Strategic Goals. We have made significant progress in many areas and must focus our energies on improving performance in others. Our strengths in the past year include enhancing our disaster response capability, making significant strides in the areas of regulatory compliance, laying the groundwork for increasing diversity, improving customer satisfaction and service effectiveness, and improving America's trust in and favorability rating of the Red Cross.

However, it is imperative that we continue our efforts to prepare individuals, families and businesses for emergencies. While our efforts have increased the level of awareness, we have much to do to convert that knowledge to action. We must also increase the level of blood collections to stabilize the Red Cross component of the nation's blood supply. Lastly, it is imperative that we aggressively address the financial challenges of the organization through cost reductions, process improvements and increased revenue generation.

FOCUSING ON THE CORE

The changing environment and disaster landscape require the Red Cross to marshal and leverage its resources, talent and competencies on its core, fundamental services. We have entered a period of prolonged and intense hurricane activity on top of the ever-present threat and reality of terrorism. In addition, this country's level of preparedness must be substantially increased to better equip our communities to prevent, prepare for and respond to emergencies. We must also continue to honor our commitment as a steward of the nation's blood supply. In summary, it is imperative that the Red Cross ensure it is exceptional at:

- Increasing the level of individual, family and organizational preparedness for emergencies
- Ensuring we are exceptional in disaster response
- Ensuring the nation has an adequate supply of the safest blood possible

SFC-ARC-A001573

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ENHANCING CRITICAL CORE COMPETENCIES

Our facilitators, the Boston Consulting Group, led the Board through an exercise in which participants were divided into groups to address the three critical core competencies of:

- Raising funds and generating revenues
- Extending the resources of the Red Cross – cultivating and nurturing partnerships, volunteers and blood donors
- Building and sustaining a culture of One Red Cross – in deed and word

Raising Funds and Generating Revenues

The common themes from these discussions were building leadership capacity that is focused on *relationship building* and *accountability*. The critical ingredient to sustainable revenue generation is the creation, nurturing and retention of long term relationships with a variety of donor categories: corporations, “influentials”, community leaders, individuals and the media. Building collaborative relationships internally will also strengthen our efforts. This includes national-chapter, chapter to chapter, and national-biomedical-chapter relationships.

Bolstering local capacity with national support and tools was also discussed. Local efforts should be tied to a national case for support. Customizable fundraising programs, such as the “Heroes Campaign” need to be developed and implemented. Other suggestions included workplace giving programs and potential earned-income strategies. A nationally branded event that would take place in communities across the country was also discussed. A “Save a Life” walk could be a means to engage national and local corporations, government leaders and individuals and families.

Extending Red Cross Resources

The next discussions explored how to strengthen the Red Cross resources of volunteers, blood donors and partnerships. A common thread throughout these deliberations was the need to establish and nurture sustainable relationships. This includes exploring ways to broaden the engagement of blood donors through volunteer and fundraising opportunities. Reaching out to other institutions such as religious organizations and corporations was also a focus for extending our resource base. It is critical to offer a broad range of opportunities that fit with the mission and desires of the partner. Regarding volunteers, the need to target specific skill-sets was raised (e.g., social workers, civil engineers, etc.). Reaching out to trade associations and other professional organizations was offered as a tactic to expand our volunteer skill-set. However, we must focus on making it “easy” to volunteer with the Red Cross and ensure we reach out and engage volunteers in a manner that fits with how they want to be engaged with the Red Cross.

Building and Sustaining a Culture of One Red Cross

The last discussion groups turned their attention inward to focus on how we can truly execute our mission as one organization. Much of the discussions focused on our structure and history with attention paid to newer initiatives that will support the concept of One Red Cross (e.g., Strategic Plan, Service Areas, Chapter Performance Standards). “Unifying” our resources was discussed as a way to build on these initiatives. This includes collaborative fundraising, streamlining back-office functions, leveraging IT solutions and bolstering performance management systems. A clear and

comprehensive articulation of the future organization is a critical step in aligning the activities, structure and leadership of the Red Cross.

BUILDING THE BOARD/MANAGEMENT PARTNERSHIP

The afternoon of the Retreat focused on strengthening the relationships between:

- Board of Governors and national leadership
- Board of Governors and field leadership
- National leadership and field leadership

The relationship between the Board and national leadership was seen as reasonably clear and effective. Attention focused on ensuring the Board is appropriately focused on governance issues and that management supports this by providing appropriate information such as results, finances, and the rationale and impact of decisions. The structure, format and agenda of Board meetings can facilitate this process. It was noted that management is clearly responsible for the operations of the organization and Governors should be involved in these activities at the request of the President and CEO or Chairman. The discussion groups emphasized that Governors should also actively support and engage in fundraising activities.

Governance responsibilities for the Board as it relates to the field centered around education, development and engagement. Education about the local board's governance responsibilities (e.g., charters, jurisdictions, standards, etc.) is a primary focus for Board engagement with chapters, as are updates on the Strategic Plan and relevant Board decisions. Governors must also help develop volunteer leaders to grow into potential nominees for the Board of Governors. It was felt that these education and development roles are best accomplished through direct engagement with local leadership.

The roles of national leadership and field leadership were felt to be fairly well understood. Two items to strengthen the relationship included aligned incentives and better communication. Aligned incentives focused on incorporating performance objectives of each into both national and field leadership performance plans. Ensuring local alignment with the national Strategic Plan was mentioned as an opportunity to reinforce the bond between national and the field. Lastly, communication needs to be consistent and constant, allowing local leaders time to fully understand the meaning and ramifications.

In conclusion, I found our discussions to be of great strategic value for the management team as we continue our execution of the Strategic Plan. It is clear that we must continue our efforts to prepare individuals, families and organizations for emergencies; strengthen our capacity for disaster response; and, continue to increase the supply of the safest blood possible for the nation. The critical nature of building strong and sustainable relationships with corporations, government agencies and community leaders was a resounding theme of this retreat and will be an ongoing focus for our endeavors going forward. I look forward to providing you updates on our efforts as the year progresses.

To: Chairman McElveen-Hunter; Red Cross Governors

From: Use Marty's Emailbox

Subject: **Updated Tools Created for Responding to Tsunami Inquiries**

Late last night, we sent to American Red Cross field units a comprehensive set of fresh communication tools to help address the various inquiries they are likely to receive from local media, donors, and the general public. I wanted to share this same information with you. It is important that we make clear to the American public and our donors our role in this response and the relief that we are providing. In creating these materials, we were mindful that, while the American Red Cross is but one partner in the Federation's response, we have had to provide information and context to a public that sees us as One Red Cross.

These new tools include a set of four basic key messages and comprehensive Q&A addressing the response efforts and fundraising issues. In addition, you will find a new "Facts at Glance" section, detailing specific American Red Cross relief statistics. All of these tools can be found on CrossNet at https://crossnet.redcross.org/chapters/services/intl/ops/archive/sasian_earthquake_tsunamis_com_m_tools.asp. Please use these new documents as your main guidance for responding to inquiries; they supersede all talking points that have been posted previously. Be sure to check CrossNet regularly for further updates.

Because the American Red Cross is not the lead agency in this effort and given the unique aspects of international disaster response, it is essential that each of you has access to the latest corporate messaging. Right now, we are responding to media inquiries — but are not actively seeking out publicity — and we are encouraging chapters to take the same conservative stance. If you receive media inquiries, please refer them to Patrick McCrummen, Director, Response and Preparedness Communication, (202) 439-0714. Rest assured, we will continue to keep you fully updated. In the meantime, if you have questions, please be in touch.

SFC-ARC-A001576

To: Chairman; Red Cross Governors
From: Marty Evans
Subject: Response to Local-Chapter Assessment Question

Recently an email sent by a volunteer with the Johnson City-Washington County Chapter in Tennessee raised some questions regarding the calculation and the data used to determine the annual chapter assessment. Many of you appear to have been on the distribution list. While we appreciate the concern for the financial welfare of his chapter and other chapters, the incorrect modeling techniques underlying these assumptions could contribute to confusion surrounding the assessment calculation, rather than provide new insight or clarification.

In making its points, the chapter based its model on incorrect data which confused total revenue and qualified revenue¹, leading to erroneous calculations. Moreover, the chapter did not acknowledge that diversified revenue streams and one-time gifts from bequests affect each chapter uniquely, resulting in a local chapter assessment that that can vary from the national average. Most importantly, the information claimed to have been withheld is in fact readily available: in addition to current-year information provided directly to chapters during their annual data review process, six years of historical information (at the chapter, Service Area, and national level) is posted on CrossNet.

An earlier widespread email message from this same chapter made other errors, including comparing data from different years and confusing a statistical median with the mean.

We work hard to help chapters in understanding, calculating, and even challenging the assessment calculation, and we want to ensure that this is done accurately with a minimum of wasted effort and confusion. We will continue to provide tools to assist in this process, including the annual chapter data review process, the Chapter Assessment Explained Document (revised in January 2005 with detailed chapter assessment calculation guidance in the appendix), and the availability of the technical expertise of our Operations Research and Analysis team for questions.

If you have any further concerns about this issue, please do not hesitate to contact Alan McCurry at (202) 303-8651.

¹ "Qualified revenue" is used in the calculation of a chapter's assessment bill. It excludes legacies and bequests, donor-restricted income, and gains on investments and fixed assets.

To: Chairman Bonnie McElveen-Hunter; Red Cross Governors
From: Use Marty's mailbox

Subject: Update on International Activity and NHQ Core Services Review

With the recent conclusion of the annual Federation donor meeting and some promising motion on the Magen David Adom issue, combined with continuing American Red Cross efforts to aid those affected by the tsunami, there is renewed activity in the international arena. At the same time, national headquarters departments are now reaching the climactic stages of the review of core services aimed at prioritizing Red Cross services and removing significant costs from non-core activities. An update follows.

Activity on MDA

We continue to receive positive signals on efforts to bring the Magen David Adom (MDA) into full membership within the Movement, although a positive outcome is still months and many steps away. In January, the U.S. State Department formally told the Swiss Government that, based on an emerging positive climate in the Middle East, the Swiss should reschedule the conference at which governments would adopt a Third Protocol to the Geneva Conventions on our emblems. This would pave the way for MDA membership. Secretary of State Condoleezza Rice and U.S. diplomats around the world have been engaging key governments in seeking their support to encourage the Swiss Government to convene the conference based on the existing draft protocol which represents consensus achieved through negotiations in 2000. This draft would establish a new neutral emblem (a red crystal) for use by governments and the Movement where security situations require it, and would also allow MDA to use their current emblem at home and abroad (based on rules all societies follow about operations in foreign countries).

In recent meetings with various Movement leaders, I have been reassured that each is encouraging the Swiss Government to take the necessary steps so the issue of MDA membership could be resolved before the Federation General Assembly in November 2005. The MDA and Israeli Government are actively engaged, including during recent meetings with the Chair of the Standing Commission, the Federation, International Committee of the Red Cross (ICRC), and U.S. Government. Arab Red Crescent and Red Cross Societies are scheduled to meet this week and will be asked to indicate their support for moving forward with the diplomatic conference.

American Red Cross staff are developing communication and marketing strategies for reaching out to other societies to encourage their support and that of their governments. Our communication efforts are being coordinated with Movement communicators at the ICRC and Federation. We will also continue to work with State Department colleagues to ensure coordination and removal of any other obstacles to MDA membership, such as the need for changes to MDA's own statutes related to issues of independence from their government.

If you have questions about the MDA issue, please contact Julie Reynes, Executive Director, International Services, at (202) 303-6748 or me. It is important that you contact Deborah Goldberg, Officer, Strategic Response Communication, at (202) 303-4461 if you receive any media inquiries on this matter.

SFC-ARC-A001578

Donor Forum Recap

The annual Federation Donor Forum brings together leaders of 35-40 national societies that provide significant resources and material assistance to other societies and to the international operations of the Federation and the ICRC. This important non-statutory group met this year from March 11-13, where I joined 25 other national society representatives. This year's meeting focused on several important issues facing the Federation, including the ongoing "Federation of the Future" exercise, the Federation's budget architecture, and the Bareme formula. Additional reports were also presented on broader Movement and Federation issues and informal discussions included topics such as tsunami relief and the American Red Cross position on the MDA issue.

The "Federation of the Future" exercise, steered by a panel of national society representatives, seeks to strengthen the Federation to meet contemporary challenges. While the Federation's mandate to assist the most vulnerable in the four areas (health in the community, emergency response, emergency preparedness, values and principles dissemination) outlined in its "Strategy 2010" remains valid, its structure and processes need modernization. The panel will now develop a specific action plan for submission to the Federation's Governing Board in April.

The preliminary budget architecture proposal for the Federation Secretariat elicited broad support. It enumerated specific roles for the Secretariat including the strengthening of national societies, coordination and cooperation, representation and advocacy, international disaster response, governance support (and effective management of the foregoing). This approach will be discussed by the Federation's Finance Commission and the Governing Board at their April meetings.

The small group reviewing the Bareme formula (of which the American Red Cross is a member) seeks to maintain total funds raised at their current level while reducing the dependence of the Federation Secretariat on just three national societies (the United States, Germany and Japan) for 48 percent of the total annual dues. It proposes a revision to the current formula that determines national society dues, and the establishment of two ceilings of 15 percent (for the American Red Cross, which now provides 25 percent) and 9 percent (for Germany and Japan) to reduce this dependence. While many national societies welcomed the proposal as a step forward, others voiced significant concerns about its impact and the validity of the data. The Federation Finance Commission and Governing Board will review this proposal at their April meeting.

All of these items will be submitted for final approval to the Federation General Assembly in November 2005. If you have questions about internal Federation issues, please contact Gerry Jones, Special Advisor on International External Affairs, (202) 303-5270.

Tsunami Relief Accomplishments

Since the American Red Cross launched its disaster response in the immediate aftermath of the December 26 tsunami, our organization—with the support of International Red Cross and Red Crescent Movement partners, the affected national societies of Indonesia and Sri Lanka in particular—has initiated a wide range of activities. The American Red Cross raised \$378 million within 60 days of the disaster and has sent 29 personnel to Indonesia, the Maldives, and Sri

Lanka. These Red Crossers, including volunteers from chapters in Alaska, California, Iowa, Massachusetts, Missouri, and Texas, have conducted a variety of relief, logistics, family-linking, and psycho-social-related activities.

We have invested \$50 million in a partnership with the World Food Program, which has fed more than 1.3 million people in Sri Lanka, Indonesia, and the Maldives, and distributed more than 30,000 tons of food. In addition, the American Red Cross has committed \$38.5 million to the United Nations Foundation in support of emergency measles vaccinations and other emergency health-related campaigns in Indonesia and Somalia. In Indonesia, ongoing emergency vaccinations in Aceh and surrounding areas have now resulted in the vaccination of more than 100,000 children. The Somalia campaign, anticipated to start in August, will support the vaccination of approximately three million children.

The American Red Cross has also procured and provided vast quantities of supplies—tents, tarpaulins, mosquito nets, hygiene kits, cooking sets and the like, to Indonesia, Sri Lanka, and the Maldives. More importantly, the American Red Cross team has established a relief distribution system in eastern and southern Sri Lanka, distributed non-food relief items (blankets, hygiene kits, water containers, kitchen sets, tarpaulins, sleeping mats) to over 177,000 tsunami-affected people in eastern and southern Sri Lanka. We have provided training to Sri Lankan Red Cross Society volunteers, to whom distribution activities will be turned over at the end of this month. In the Maldives, we have provided psycho-social training to community service groups and teachers of more than 25,550 school children. Once teacher training is completed, we will have reached every school in the Maldives. Psycho-social support activities are now underway in Sri Lanka as well. Looking ahead, long-term planning is proceeding with Movement partners in the areas of health and disease control, water and sanitation, disaster preparedness, psycho-social assistance, and school-based feeding and nutrition education.

The American Red Cross has been well represented in region by both national sector and chapter employees and volunteers. You should take pride in the difference our efforts are making in the lives of the hundreds of thousands who have been so seriously impacted. If you have questions about tsunami relief operations, please contact Julie Reynes, Executive Director, International Services, (202) 303-6748. If you receive tsunami-related media inquiries, please contact at Patrick McCrummen, Director, Disaster Response and Preparedness Communication, at (202) 303-4288.

Core Services Review

National headquarters senior leadership continues the work of the Core Services Analysis effort, looking at the overall cost structure of national headquarters to achieve a balanced free cash flow by fiscal year 2008. The goal is to reduce national headquarters general operations expenses by \$65 million from a forecasted budget of approximately \$225 million. This significant reduction will create a balanced operating budget for general operations and provide the required funding for debt payment and strategic investment.

To date, department leaders have reviewed their activity inventories to develop recommendations to eliminate activities, realign work, and reduce costs. Our senior leadership team is currently evaluating these and other recommendations. Analysis and final decisions will continue through

April with the goal of implementation during May and June to achieve savings for fiscal year 2006 and beyond.

Please feel free to contact me (202-303-5319) should you desire additional details on any of these topics. As always, I am grateful for your support in the lifesaving and life-changing work we do at home and abroad.

SFC-ARC-A001581

To: Chairman Bonnie McElveen-Hunter; Red Cross Governors
From: Use Marty's mailbox

Subject: Change to Advertising Campaign Elements

Our new advertising campaign, "Help America," which was distributed in mid-January, has enjoyed widespread success, already yielding an estimated \$14 million in donated media. From the outset, all the ads in this campaign were guided by the central idea that the American Red Cross is a place where a diverse array of individuals come together to help one another and thereby help our country. This advertising campaign was based on exhaustive market research and testing over several months' time.

Notwithstanding our careful vetting of this campaign, some concern has been raised about one of the campaign's print ads, entitled "Training/CPR Saves Lives," which features a young Asian-American man standing in a kitchen. The stated concern of those who have contacted us is that the ad perpetuates stereotypes about Asian-Americans. For that reason, that particular print ad is currently being replaced. We have also asked field units to discontinue placing that individual ad until its replacement is available. Furthermore, to reduce the potential for similar concerns to be raised about the other individual ads, we are working with the Diversity Department and our advertising agency to take a second look at the ads from this campaign, and will make any necessary changes.

We are disappointed at feedback that one of ads may have suggested an ethnic stereotype, as that is diametrically opposed to the intent of the campaign, which is to demonstrate that America is made great by individuals offering to help one another despite apparent differences in race, age, gender, religious practice, or ethnicity. I also want to stress the painstaking effort that went into testing and reviewing the ad materials for this campaign, beginning with interviews with more than 1,000 selected individuals prior to the development of the materials. We worked very closely with an experienced advertising agency, and tested the materials with many different audiences in various stages of the campaign's development. We previewed the ads with a variety of Red Cross stakeholders, including chapter and Biomedical Services field units, the National Diversity Council, and many volunteers, including the Board of Governors. We do, however, appreciate the candid feedback we have received and will ensure that this input is reflected in the new version.

We still firmly believe in the campaign's overall message and basic strategy of implementation, but wanted to make you aware of the concerns raised and our plan of action to address the feedback. Should you receive any inquiries on this matter, please refer them to Darren Irby, Vice President, Public Relations, (202) 303-4484; email irbyd@usa.redcross.org. You may also call me (202-303-5319) as well. I will keep you fully informed of any new developments on this sensitive issue.

SFC-ARC-A001582

To: Chairman Bonnie McElveen-Hunter; Red Cross Governors
From: Use Marty's e-mail box

Subject: Senate Republican Policy Committee Critical of ICRC

I want to advise you of our position on an ongoing international issue. The United States Senate Republican Policy Committee (RPC), chaired by Senator Jon Kyl of Arizona, just published a policy paper critical of the International Committee of Red Cross (ICRC). This has prompted coverage from the national and international press, including *Wall Street Journal*, Reuters (Washington Bureau) and the Lou Dobbs' show on CNN.

The RPC Report credits the ICRC with delivering emergency relief supplies to hundreds of thousands of starving, diseased, and other conflict-affected people around the world and helping save American lives in two world wars. The report accurately and clearly states that the ICRC and American Red Cross are two separate organizations although both are part of the Movement and that the American Red Cross is "not involved in the ICRC's policy decisions and statements."

However, quotes from the RPC policy paper include accusations of the ICRC not adhering to the Movement principles of neutrality, impartiality, and humanity in its reports regarding visits to prisoners at U.S. detention facilities at Guantanamo Bay, Cuba, and Abu Ghraib in Iraq. It also accuses the ICRC of dishonest interpretation of the Geneva Conventions, and questions the value of the U.S. government's (and taxpayer's) money that supports activities of ICRC.

The American Red Cross is not commenting on the report or the allegations it contains.

Should you receive questions from donors, community members, and others:

Please respond on a reactive basis only, saying that we are not commenting on the report and that the ICRC and the American Red Cross are two separate organizations with different distinct missions as pointed out in the report itself: "There is a common misunderstanding that the American Red Cross and the ICRC are the same organization. While they operate separately from one another, they are both part of the (International Red Cross and Red Crescent) Movement ... However, the ARC is not involved in the ICRC's policy decisions and statements."

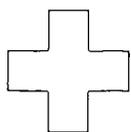
It is very important to remind non-media inquirers that while the ICRC is funded by governments, the American Red Cross is dependent on the generosity of the American public for donations of blood, time, and money. Any inquiries about Congress' role may be forwarded to Julie Gunlock, Manager, Congressional Affairs, at GunlockJ@usa.redcross.org or (202) 303-4395.

Should you receive questions from the media:

Because of the sensitivity of this topic, please do not make statements to the media. If you receive requests from any media outlet, please refer all calls to Carol Miller, Interim Lead for International Communication and Marketing, at MillerCa@usa.redcross.org or (202) 303-5040 (office) or 202-345-6163 (cell).

SFC-ARC-A001583

Should you have any questions, please feel free to call me (202-303-5319) as well.



**American
Red Cross**

National Headquarters
2025 E Street, N.W.
Washington, DC 20006

Bonnie McElveen-Hunter
Chairman

BY HAND

January 31, 2006

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

Dear Senator Grassley:

Thank you, Senator Grassley, for providing us an opportunity to respond to your questions regarding the Board of Governors and the American Red Cross over the past several years. The Senate Committee on Finance has received answers and documents responding to those specific questions today. As Chairman of the Board, I am writing to assure you and the Committee that the Board shares many of your concerns and is open to changing whatever governance practices are necessary to improve our performance.

The American Red Cross occupies a unique place in the world of charitable organizations ... we belong to the nation and to the American people. For 125 years, Congress has designated the Red Cross to be the primary disaster relief charity. We are an organization led by volunteers, guided by Congressional charter and supported by the generosity of the human spirit.

The American Red Cross is an organization that is at its best when times are at their worst. From the fire that leaves one family without a home to catastrophic disasters like September 11, the four Florida hurricanes in 2004, the Southeast Asian tsunami, and Hurricanes Katrina, Rita and Wilma, the countless numbers of dedicated Red Cross volunteers and employees are on the front lines helping the least, the last and the lost in their most critical hour of need. Because the Red Cross exists to fulfill a vital national mission, we bear an exceptional burden to ensure that we meet and exceed the expectations of those whom we serve and of those who selflessly donate their time, money and blood.

While I applaud the heroic efforts of the Red Cross volunteers and employees who responded to these disasters, clearly there are areas where we must improve the delivery of our services to the American people. It is absolutely essential for the Red Cross to learn from these prior challenges and to make necessary changes. To that end, the Board and Red Cross management are jointly conducting a comprehensive and urgent

Together, we can save a life

lessons learned review of our performance. Critical policy issues must be addressed well before the 2006 hurricane season begins.

Not only are we open to a critical review of how we provide our services, but we also welcome a critical review of our governance structure. We want to model the best corporate governance practices found in the charitable and for-profit sectors. We believe there is much to learn from the experiences of governing boards in those business communities. To help us achieve this goal, the Red Cross Board is convening a Summit on board governance to meet in late March, co-sponsored with the National Association of Corporate Directors. Our Summit will bring together the very best experts from non-profit boards, the for-profit corporate world, academia and government.

The Summit is intended to give us recommended actions that will guide the Board in improving our organization. I will supplement the response to your question on the Board's recommendations for governance changes as a result of the Summit and other lessons learned. Senator Grassley, we would greatly welcome your personal involvement in this Summit and we invite your staff to join us for all or part of the Summit.

On behalf of the Board and management of the Red Cross, we accept the enormous responsibility Congress granted us 125 years ago. We thank you for this opportunity and we look forward to working with you and with the many other organizations dedicated to guaranteeing the very best delivery of disaster relief services to the American people.

Sincerely,



Bonnie McElveen-Hunter
Chairman

**AKIN GUMP
STRAUSS HAUER & FELD LLP**

Attorneys at Law

STEVEN ROSS

202.887.4343/fax: 202.887.4288
sross@akingump.com

January 26, 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 an initial set of documents in response to Chairman Grassley's letter of December 29, 2005. This preliminary document production includes documents requested in 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-D000001 to SFC-ARC-D000817.

As we have previously discussed, you will be receiving next week additional documents as well as responses to the questions contained in the Chairman's letter. We are continuing to work with our client to identify additional documents responsive to the Chairman's request. Please contact us if you have any questions.

Sincerely,



Steven Ross
Robin Weisman

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

Captive Insurance Update

Implementation of the captive insurance facility is well under way. Accomplishments to date include the following:

- o An article has been published in Cue-In announcing the approval by the Board of Governors of the plan to form the captive. The article emphasizes that the action taken has no effect upon risk management procedures in the field.
- o A thorough analysis of the application of federal excise taxes to captive insurance premiums has been completed by the Office of the Secretary and General Counsel and an opinion memorandum has been developed to support the exemption of a captive owned by the American Red Cross from such taxes.
- o Discussions have been held with four insurance companies who represent potential markets for fronting and/or reinsurance services. At least one of these markets has expressed interest in providing some form of catastrophic coverage for AIDS liability.
- o Interviews have been conducted with eight captive management companies, two CPA firms and a law firm, all located in Bermuda. The results of these interviews have been shared with the Captive Insurance Company Steering Committee which consists of the following representatives:

Finance Committee Member
Mr. Louis R. Somers

Insurance Industry Volunteer

Staff Members

Mr. Neal J. Boyle, Vice President &
Chief Financial Officer
Mr. Stephen H. Richards, Secretary &
General Counsel
Mr. William M. Rose, Director,
Treasury Operations
Mr. John D. Campbell, Director, Accounting
Mr. Gregory L. Daniels, Director,
Risk Management Division

- o The Steering Committee approved the appointment of the following service providers:

<u>Captive Management Company</u>	- James (Bermuda) Ltd.
<u>Auditors</u>	- Deloitte, Haskins & Sells
<u>Law Firm</u>	- Conyers, Dill & Pearman
<u>Bank</u>	- The Bank of Bermuda, Ltd.

- o As part of its responsibilities, the Steering Committee has also completed a review of the following:

- Incorporation forms, business plan and time schedule for the incorporation and registration process.
- Factors involving capitalization and investment management procedures.
- Projected cash flow and financial statement proformas.

The formal incorporation and registration procedures are currently being carried out by official representatives of the captive in Bermuda and will be completed in sufficient time to commence operation on July 1, 1988.

Continued from page 1

Board Meeting

tion systems program operate more effectively.

Ten of the changes were recommended by the CMIS Steering Committee. The two other changes were developed jointly with chapter representatives at town meetings:

- That 14 Logical Application Groups (LAGS) be developed instead of the 21 originally planned
- That the national sector absorb half the costs of supporting and enhancing the 14 primary LAGS, effective fiscal year 1989-90

The 14 LAGS will comprise the core of the Red Cross information systems, thereby allowing the organization to focus its resources on its highest information systems priorities. If a chapter wishes to use any of the other 7 specialized LAGS, CMIS will develop the application if the chapter (or a group of chapters) provides funding.

Chapters will not be responsible for the full costs of supporting and enhancing the 14 primary LAGS. The town meetings convinced national management to realign its priorities and fund half of the costs. The chapter share of the costs will be paid by a cost-recovery fee charged to users.

"An important result of the Board's actions is to provide a steady stream of funds for maintaining and enhancing our developed applications," says Arnie de Beaufort, vice president of Systems Management.

Because there is no higher priority for the Red Cross than to safeguard the nation's blood supply, the Board also moved to standardize the blood product release system in the blood regions by July 1, 1989. For blood systems, the maintenance and enhancement of mandated product management and laboratory features of the Regional Blood Information System (RBIS) will continue to be funded through a per unit assessment.

"The American Red Cross has properly conducted a thorough review of the CMIS project," says Board member Todd Langley, a member of the CMIS

Advisory Committee and coordinator of the town meetings. "Extensive input from a broad section of field units was sought and received. This two-way dialogue resulted in important mid-course corrections by the Board."

The Board-approved policy changes for CMIS are listed in a March 15 memo from Gil Tills. Further elaboration will be provided in a CMIS communications package now being prepared.

"I can assure the field that clear and adequate communication of issues relating to CMIS is now one of our major goals," de Beaufort says.

Captive Insurance Company. The Board approved the establishment of a captive insurance company, effective July 1, 1988, to insure a portion of these lines of coverage: comprehensive general liability, workers' compensation, automobile liability, property, and directors and officers liability.

A captive insurance company is formed primarily to insure or reinsure the risks that are retained by a corporate parent. Captives generally provide greater price stability and control over an organization's resources.

The American Red Cross captive insurance company will replace policy deductibles and retrospective rating mechanisms to fund a portion of the corporation's losses.

The Risk Management Division at national headquarters has been studying the merits of a captive insurance company since 1984. Because of the increasing levels of risk retention and the growing number of exposures that have become difficult to insure in the traditional marketplace, a captive now represents the best course of action.

Greg Daniels, director of the Risk Management Division at national headquarters, says the conversion to a captive arrangement "will entail no interruption of the risk management process for chapters and Blood Services Regions. Claim submission procedures, loss control efforts, and premium allocation methodology will continue unaffected."

A Management Numbered Notice will be released soon to provide more details about the captive company.

Business Television Network. The Board's Public Support Committee

unanimously endorsed the concept of a nationwide business television network carrying programs transmitted via satellite. The committee determined that, short of face-to-face meetings, a business television network is the preferred vehicle for communications within the Red Cross.

National headquarters currently is surveying chapters to determine how many are willing to join the network, which will be named *CrossLink*. The cost for each chapter to join *CrossLink* is \$5,500 for equipment, plus an \$80-monthly participation fee.

Advocates of business television argue that the Red Cross, as an emergency organization, must have access to instantaneous communications to provide quality services. They also maintain that a business television network would create more cohesion between national headquarters and field units.

"*CrossLink* would give us the opportunity to keep chapters informed immediately, talk with field units about issues as they arise, and deliver messages across-the-board without their erosion through relay or transmission by way of the grapevine," says Bill Rapp, a member of the Board of Governors' Public Support Committee.

Al Rettig, manager of the *CrossLink* project, points out that the system could help everyone—small chapters as well as large.

"Some of the first solid buy-ins to the business network came from small chapters," Rettig says. "The opportunity to participate has been presented to every chapter because the Board set it up this way. This kind of a process ensures that no one is excluded."

Information packets were mailed to chapters last month detailing both the "challenges" and the "benefits" of *CrossLink*. Chapters that wish to join the network have until May 1 to commit in writing. Those that are hard-pressed to pay the fee can get financing through national headquarters.

Chapters that have questions about *CrossLink* should call the network hot line at (800) ARC-INFO. A message can be left on the tape and the call will be returned within 48 hours.

Families (SMF) and other chapter activities. CHERS is also on schedule. There has been significant interest voiced by a large number of chapters for both of these products which will be demonstrated at the convention.

A total of 17 IBM Token-Ring LAN systems have now been installed in chapters and at national headquarters. Eight other chapters have ordered systems.

Office of the National Chairman of Volunteers

Promoting succession planning for volunteers has brought into clearer focus two volunteer issues, performance evaluation of volunteer leaders and a viable transfer system to track volunteers as they move around the United States and, in the case of volunteers on military installations, around the world.

An evaluation process designed for volunteers has been available and sporadically used for over twenty years. The Performance Management System instituted in 1985 was designed for paid and volunteer staff. Interviews are currently being conducted with those who have participated in the performance management system and those who have not. We are striving to find out why evaluating volunteers works in some instances and is resisted in others. Recommended actions should be ready in early November 1988.

Persuading people to use a volunteer transfer system requires continual diligence. SAF is particularly aware of losing track of good installation volunteers because of the mobility of the armed forces. They are installing an automated tracking system which will quickly alert the Red Cross office at the receiving installation of the imminent arrival of trained and experienced volunteers.

Another volunteer issue receiving attention is a more explicit grievance procedure for volunteers to follow. It is proposed that if a grievance cannot be resolved at the point of conflict then steps can be taken to formally move the complaint through volunteer administrative channels and, if needed, to a volunteer review panel with

all parties agreeing to abide by the decision of the panel. Moving the grievance through volunteer channels to the next administrative level, where there is easier access to the parties involved, would shorten the resolution time. It would also help eliminate volunteers appealing directly to the chairman, the governors, the president and the national chairman of volunteers, which delays the process while background information is gathered and appropriate people are assigned to resolve the problem.

Finance

Having recently restructured the property and casualty insurance programs, the Risk Management Division has now focused its attention on some longer term objectives. You may remember from our October 1987 meeting that our primary property and casualty insurance services—such as risk transfer, safety engineering, claims adjusting and actuarial review—were subjected to an unbundling process. While in the past almost all of these services were provided by the more traditional segments of the insurance industry—such as the Travelers Insurance Company—each of these services is now being procured from independent third party organizations with more specific areas of expertise.

Building on this effort, we have investigated alternative funding structures that we believe will help us achieve a greater degree of financial control and increased stability over the long term. In keeping with these objectives, a recommendation regarding the formation of our own captive insurance company will be considered by the Finance Committee in their meeting tomorrow. We believe that such a proposal would enable Red Cross to decrease, even further, its dependence on the traditional insurance markets and maintain more consistent terms of coverage.

The Audit Division continues to manage the Volunteer Financial Consultant Program established in March 1986. At least forty financial reviews, scheduled in cooperation with managing directors and field service managers, will be performed by

volunteer financial consultants during FY 1988. The volunteer financial consultants advise and assist small chapters in the areas of budgeting, bookkeeping, financial reporting and internal accounting controls. This work is extremely important and provides many challenges for interested and qualified volunteers. Volunteers complete a two-day orientation and training program to orient them in accounting and auditing concepts and in audit procedures and programs.

With respect to investment and financing initiatives, we continue to make solid progress in developing alternatives for the field. The Intermediate Income Fund, which was introduced in May 1987, has already attracted almost \$2 million in deposits from the field. This fund presently yields almost 8% and lacks the volatility present in long-term bond funds. Overall, Red Cross units have invested about \$25 million in nationally-sponsored investment programs which is several times greater than it was just a few years ago. In large part this represents a vote of confidence for the Endowment Fund Board of Trustees who oversee the investment of these funds.

Tax exempt financing initiatives also are moving ahead with the closing of \$10.3 million of tax exempt loans on December 22, 1987, for four Red Cross units. An additional \$15 million of tax exempt financing will close within the next month. Compared to previous financing arrangements, it is estimated that Red Cross units will save about \$400,000 annually in borrowing costs with these new tax-exempt variable rate notes.

Also, plans are proceeding to provide low cost, tax exempt loans for smaller projects. The approach here will be to establish a tax exempt leasing facility which would borrow funds authorized by a single tax exempt authority. The funds would then be allocated to qualifying Red Cross units on a revolving basis to fund equipment and vehicle loans, as well as land and building financing for amounts under \$500,000. Loans would be contingent on Red Cross units meeting certain financial standards and would be

Mr. Hales

March 21, 1988

Mr. Daniels

Captive Insurance
Company

I took the liberty of re-writing the Cue-In article on the above-referenced subject. For purposes of Cue-In, the most important point is that the action taken will have virtually no affect on procedures in the field. The details of how we are handling the AIDS fund, legal expenses, pollution exposures, etc., should be left to the Management Notice.

I would recommend that the attached version be utilized as a starting point for further editing.

Gregory L. Daniels
Director
Risk Management Division

Attachment

SFC-ARC-D000486

Captive Insurance Facility. The Board approved the establishment of a captive insurance company, effective July 1, 1988, to insure a portion of the following lines of coverage: comprehensive general liability, workers' compensation, automobile liability, property, and directors and officers liability.

A captive insurance facility is a company formed primarily to insure or reinsure the risks which are retained by a corporate parent. For the American Red Cross, a captive will replace the use of policy deductibles and retrospective rating mechanisms to fund a portion of its losses. It is anticipated that greater price stability and control over the organization's resources will be achieved.

The Risk Management Division at national headquarters has been studying the merits of a captive insurance company since 1984. However, due to the increasing levels of risk retention and the growing number of exposures that have become difficult to insure in the traditional marketplace, the captive alternative now represents the most effective course of action.

According to Greg Daniels, director of the Risk Management Division, converting the current program to a captive arrangement will entail no interruption of the risk management process for chapters and Blood Services regions. Claim submission procedures, loss control efforts and premium allocation methodology will continue unaffected.

A Management Numbered Notice will be released in the near future to provide further details about the captive operation.

SFC-ARC-D000487

To Greg Daniels

Date 21 March 1988

From Stuart Hales
Editor, *Cue-In*

Subject Captive Insurance Comp.

I'm writing a story for *Cue-In* on the Board of Governors' meeting of February 27-28. The story will focus on the "big" decisions made by the Board -- health insurance, CMIS, and the captive insurance facility.

Attached is a draft of the info about the captive that I'd like to insert in the story. It only hits the major points -- I *don't* want it to be the definitive piece on this subject.

If there are any factual errors, or if you think the article misses one of the major points, please feel free to correct as you see fit. Also, if you'd like to add a *short* quote about the Board's decision to establish a captive (something positive), go right ahead.

One last thing -- I understand a Management Numbered Notice about the captive is either (a) in the works or (b) will soon be written. The article should mention this fact -- please add the proper information.

Any questions or problems, I'm on x3629. Thank you for your *prompt* attention to this matter.

Captive Insurance Facility. The Board approved the establishment of a captive insurance company, effective July 1, 1988, to insure several lines of coverage: comprehensive general liability, workers' compensation, automobile liability, property, and directors and officers liability.

A captive insurance facility is a company formed primarily to insure or reinsure the risks of a corporate parent. Captives generally provide greater price stability and control over an organization's resources.

The Risk Management Division at national headquarters has been studying the merits of a captive insurance company since 1987 because the Red Cross has experienced--

- * Loss of coverage for AIDS liability
- * Reluctance of commercial insurers to underwrite any exposures relate to blood and transplantation services
- * Loss of coverage for pollution exposures
- * Loss of coverage for defense costs

The Red Cross anticipates that with a captive insurance company it can write back in, at better terms, coverage for these liabilities.

Under the provisions of the Board's decision, the existing AIDS liability fund balance will be used as premium to obtain insurance coverage from the captive. AIDS liability insurance assessments collected from blood centers will help build the captive's capacity to pay AIDS-related claims and defense costs.