





**American  
Red Cross**

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

David T. McLaughlin  
Chairman

February 1, 2002

Senator George Mitchell  
Verner Lipfert Bernhard McPherson Hand  
901 15<sup>th</sup> Street, NW  
7<sup>th</sup> Floor  
Washington, DC 20006

Dear Senator:

I wanted to acknowledge your letter of 20<sup>th</sup> of December 2002, concerning your role as the Independent Overseer of the Red Cross Liberty Fund.

We are genuinely pleased that you are willing to assume this responsibility – the American Red Cross is the better for your leadership and so is the American public.

We are grateful to you and look forward to working with you, Berl, Jim and Jennifer.

Warm regards,

David T. McLaughlin

DTM: ln

Cc: Harold Decker

National Headquarters


**American  
Red Cross**
*Together, we can save a life*

**To:** Chairman David McLaughlin  
Board of Governors members  
Non-governor Biomedical  
Committee members

**Date:** August 28, 2002

**From:** Marty Evans, President and  
CEO

**Subject:** Cox News Service Update and  
Support Materials

This afternoon, a reporter from Cox Newspapers (a wire service that feeds stories into dailies such as the *Atlanta Journal Constitution* and *Dayton Daily News* (<http://www.coxnews.com/newspapers/index.html>) called regarding a story he's writing for publication Thursday, August 29, about the ongoing court case between the American Red Cross and the Food and Drug Administration (FDA). On Friday, August 23, the Red Cross and the FDA filed briefs in advance of a September 24 non-evidentiary hearing. The FDA's filing highlighted observations from a recent inspection at the Greater Chesapeake and Potomac Region, headquartered in Baltimore, Md. The FDA's brief is the foundation of the reporter's story and will include inflammatory statements such as "The American National Red Cross ... continues to be significantly out of compliance ... thereby jeopardizing public health," and "There is no justification for ARC's chronic inattention and callous indifference to its blood collection and processing responsibilities."

As you know, because this is a matter pending litigation, we are constrained from discussing specifics of the current case. However, we provided as much context and background as possible when educating this reporter. For example, we indicated that the American Red Cross shares a common goal with the FDA (providing the safest possible blood supply). Additionally, he was given information related to the sensitivities of creating unnecessary fear and alarm among blood donors and recipients. We also increased his understanding of the vital role our organization plays in building a key cornerstone of our nation's public health - a safe and adequate blood supply. We spoke to the commemoration of September 11, highlighting that one patient every two seconds needs a blood transfusion, *regardless* of a natural or manmade disaster. Because we currently have a two-day supply, we emphasized an optimal inventory is five to seven days and noted that we have been charting the precipitous decline in donations following unbalanced coverage of the American Red Cross and FDA relationship.

Our priority is to achieve resolution with the FDA, and we are committed to working with the agency to continue to make the blood supply safer than ever before.

Attached are talking points you can use with key stakeholders. If you have questions regarding our strategy, please contact me at 202-639-3292.

Thank you for your continued commitment to our mission.

SFC-ARC-A001837

FDA Asks Federal Court to Hold American Red Cross in Contempt of 1993 Consent Decree Page 1 of 2

U.S. Food and Drug Administration

**FDA News**



Department of  
Health and  
Human Services

FOR IMMEDIATE RELEASE  
P01-22  
December 13, 2001

Print Media: 301-827-6242  
Broadcast Media: 301-827-3434  
Consumer Inquiries: 888-INFO-FDA

## FDA ASKS FEDERAL COURT TO HOLD AMERICAN RED CROSS IN CONTEMPT OF 1993 CONSENT DECREE AND IMPOSE PROSPECTIVE FINES FOR VIOLATIONS

The Food and Drug Administration today asked a Federal court to hold American Red Cross (ARC) in contempt of a 1993 consent decree covering ARC's blood program. FDA also asked the court for authority to levy prospective fines against ARC for future violations. ARC supplies approximately 45 percent of the nation's blood supply.

FDA's actions followed inspections of ARC facilities over the last 16 years that have shown continuing ARC violations. These inspections include one from February through April 2000 of ARC's national headquarters, which provides quality assurance oversight for all of ARC's regional and laboratory facilities, and an inspection of ARC's Salt Lake City facility from March through May, 2001. Despite ARC's agreement to make substantial improvements, as promised in a consent decree signed in May, 1993, these inspections revealed persistent and serious violations of blood safety rules.

"FDA is acting today to ensure that the American Red Cross takes much more seriously its role as guardian of the safety of the nation's blood supply, which is essential to the public health," said Bernard A. Schwetz, DVM, Ph.D., FDA's Acting Principal Deputy Commissioner. "Unfortunately to date ARC has exhibited a corporate culture that has been willing to tolerate an unacceptably low level of quality assurance and a lack of concern for the public it is supposed to serve. In our view, these prospective penalties are necessary to ensure that ARC is held financially accountable for each unit of blood it fails to manage properly."

FDA laws and regulations establish overlapping safeguards designed to protect the blood supply. Because there is always some degree of risk, however small, in receiving blood products, each individual safeguard is considered critical to minimizing that risk. Although the failure of an individual safeguard, such as improper recordkeeping, does not automatically translate into the release of unsafe products, it may increase the potential risk. ARC's violations of the consent decree and blood safety regulations have decreased the margin of safety.

The need for strengthening ARC's motivation for compliance was particularly evident from the findings of FDA's sixth and most recent inspection of ARC's national headquarters in February-April 2000. This inspection revealed violative conduct, including the following:

- incorrect labeling and release of blood potentially contaminated with cytomegalovirus;
- lack of adequate quarantine and inventory controls;
- inadequate donor registration controls and failure to maintain accurate and current lists of

**FDA Asks Federal Court to Hold American Red Cross in Contempt of 1993 Consent Decr... Page 2 of 2**

- deferred donors; and
- erroneous, premature release of computerized "holds" on blood donations.

FDA's March-May 2001 inspection of the Salt Lake City facility further demonstrated that ARC has not corrected these violations. Numerous violations were observed relating to quality assurance and ARC's continuing failure to monitor and exercise effective control over its regions. For example, possibly unsuitable donors were not deferred appropriately and quality assurance personnel did not investigate these deviations or attempt to correct them.

Dr. Schwetz emphasized that, as FDA works to improve blood safety, patients requiring blood transfusions should not hesitate to receive blood. "The risk of not receiving a needed transfusion far outweighs the risk of receiving blood," he said. He also wants to encourage Americans to continue to donate blood. Giving blood is a safe and unselfish act. The health of millions depends on it," he added.

FDA's legal action consisted of a motion asking a federal court to issue an order requiring ARC to show cause why it should not be held in contempt of a 1993 consent decree and to impose on ARC prospective fines to encourage future compliance. The motion and supporting documents were filed in the United States District Court for the District of Columbia.

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**FDA News Page | FDA Home Page**

Office of Public Affairs  
Web page created by clb 2001-DEC-13.

SFC-ARC-A001839

**Talking Points Regarding Cox News Service Coverage**

- The nation's blood supply has never been safer. Technological advancements in blood testing and the dedication of thousands of volunteer and paid staff have raised its quality to new heights in recent years.
- The Red Cross shares a common goal with the Food and Drug Administration -- providing the safest possible blood components to patients. The American Red Cross is committed to continuing to work in partnership with the FDA to make the blood supply safer than ever before.
- Our priority is to achieve resolution with the FDA.
- The FDA and the American Red Cross agree: The blood supply is safer than its ever been in our nation's history. In fact, in a recent FDA statement, the agency said, "patients requiring blood transfusions should not hesitate to receive blood."\*
- Due in no small part to the \$287 million the Red Cross has invested in its biomedical operations since 1993, the number of FDA observations has decreased by more than 80 percent since the signing of the Consent Decree.
- The Red Cross continues to invest in its biomedical operations to meet the highest quality and regulatory standards. This ongoing effort emphasizes quality improvement, information technology and processing/supply chain infrastructure.
- The American Red Cross has provided humanitarian service to our nation since 1881 and has been the leading provider of America's blood supply for more than 50 years.

\*FDA Print News Release, distributed December 13, 2001.  
(<http://www.fda.gov/bbs/topics/NEWS/2001/NEW00785.html>)

SFC-ARC-A001840

**American  
Red Cross**National Headquarters  
Office of the President and CEO*Together, we can save a life*

**To:** Chairman McLaughlin and  
Members of the Board of  
Governors  
Non-Governor Biomedical  
Services Board Members

**Date:** August 22, 2002

**From:** Marty Evans

**Subject:** CBS Evening News Update and  
Support Materials

A reporter from CBS Evening News, Sharyl Attkisson, has produced more stories about the Red Cross, concentrating specifically on Blood Services and our relationship with the Food and Drug Administration (FDA). The story is scheduled to air this evening (August 22) and will focus largely on the recent inspection of the Greater Chesapeake and Potomac Region, headquartered in Baltimore, Md. The reporter interviewed a former region employee and will focus on accusations made by internal and external audiences regarding the Red Cross's compliance history and issues raised as a result of the region's recent inspection. We distributed the attached letter to the CBS reporter, and I am providing a courtesy copy to the network's president, Andrew Heyward. (Please see the attached letter sent to the reporter, position statement that will be sent to the network and talking points.)

Because you are key stakeholders and ambassadors of this organization, we are providing the attached talking points for your use in providing factual information regarding inquiries you receive and allaying fears and concerns resulting from this story.

As you know, the Red Cross shares a common goal with the FDA – providing the safest possible blood components to patients. Our priority is to achieve resolution with the agency. We plan to aggressively work with our paid and volunteer staff, donors, sponsors, hospital customers and communities at large to educate the public about the safety enhancements Red Cross has made to date and our commitment to collaboration and cooperation with the FDA.

Again, my goal is to continue to work diligently to ensure all key constituents, including but not limited to, policy makers, government officials, media and the general public, understand our commitment to working with the FDA to resolve issues and to be the most effective steward when it comes to providing the safest possible blood supply. If you have questions regarding our strategy or the issues raised in the coverage, please contact me at (202) 639-3292. We will also distribute these materials to field leadership prior to the broadcast and post the materials on CrossNet.

Attachments

SFC-ARC-A001841

### Talking Points Regarding CBS Evening News

The unbalanced reporting on CBS *Eye on America* does not represent the large-scale success of the American Red Cross in ensuring a safe, available blood supply for our nation. We have asked CBS for the opportunity to provide the facts regarding the story it ran and will continue to work toward educating the network about American Red Cross Blood Services.

- **The nation's blood supply has never been safer.** Technological advancements in blood testing and the dedication of thousands of paid and volunteer staff have raised its quality to new heights in recent years.
- **The Red Cross shares a common goal with the Food and Drug Administration – providing the safest possible blood components to patients. Our priority is to achieve resolution with the agency.** We are committed to working with the agency to resolve any issues and to be the most effective steward as possible when it comes to providing the safest possible blood supply.
- **Because the Red Cross is committed to ensuring that the nation's blood supply is as safe as possible, any potential problem is a serious matter to us.** Our internal quality control systems detected many of the same concerns prior to the FDA's inspection at the Baltimore facility and we have implemented an aggressive plan for resolution.
- **There are seven layers of safety that help protect the blood supply, which include self-deferrals, pre-check, completion of the blood donation record, health history screening, confidential unit exclusion, testing and post-donation information.** These multiple layers of safety demonstrate the robust systems in place.
- **Due in no small part to the \$287 million the Red Cross has invested in its biomedical operations since 1993, the number of FDA observations have decreased by more than 80 percent since the signing of the Consent Decree.**
- **The Red Cross continues to invest in its biomedical operations to meet the highest quality and regulatory standards.** This ongoing effort emphasizes quality improvement, information technology and processing/supply chain infrastructure.
- **The American Red Cross has provided humanitarian service to our nation since 1881, and has been the leading provider of America's blood supply for more than 50 years.** We support the ongoing efforts of the Greater Chesapeake and Potomac Region, headquartered in Baltimore, Md., to enhance their quality systems and applaud their paid and volunteer staff for their dedication to our lifesaving mission.

SFC-ARC-A001842

**American Red Cross Position Statement**

**Response to CBS**

The American Red Cross and the Food and Drug Administration (FDA) share a common goal: providing the safest possible blood components to patients. Our goal is to strengthen our working relationship with the FDA and other regulatory agencies in our efforts to continue to make the blood supply the safest its ever been. Even the FDA has said, "patients requiring blood transfusions should not hesitate to receive blood."

Every two seconds, someone in America needs blood. The American Red Cross is committed to safely and effectively helping fill this critical need. This is made possible through the dedicated support of thousands of staff and volunteers, sponsor groups and blood donors.

*Together, we can save a life*

08/22/02 13:07

AMERICAN RED CROSS->Man, Joan

004

08/22/02 16:06 FAX 202 639 3267

ARC MARKETING

004

*Not for Publication*

Sharyl Attkisson  
CBS News  
2020 M Street, N.W.  
Washington, D.C. 20036

Dear Ms. Attkisson:

Based on our conversation this afternoon, I am greatly concerned the CBS story that will air tomorrow night about the American Red Cross Biomedical Services will include false and misleading statements about the American Red Cross. In addition, I have serious concerns that CBS News intends to rely on biased sources with questionable credibility, without bothering to disclose these facts to its viewers.

For example, you informed me that your primary source for the story is a former Red Cross regional employee who was terminated more than a year ago. You claimed this individual was supposedly terminated for reporting alleged regulatory violations. You apparently do not know that two separate courts have already dismissed this individual's claims. In fact, the first court dismissed his claims more than a year ago. While our policies understandably prohibit us from publicly discussing details of personnel matters, your claims regarding the reasons this individual was terminated are clearly false.

In addition, your exclusive reliance on a source with a personal litigation interest against the subject of your story is a tactic that has been rejected by all responsible news organizations. At the very least, these matters must be disclosed to your viewers. Balanced and accurate reporting requires CBS News to provide American Red Cross Biomedical Services leadership with a full and fair opportunity to respond. Therefore, please inform us of any such allegations you intend to make so that we may respond prior to broadcast.

If CBS News chooses to reject this request, it runs a serious risk of publishing false and misleading statements that would unfairly impugn the reputation of the American Red Cross.

Thank you for your immediate attention to this matter. We look forward to a meaningful opportunity to respond to your allegations. I can be reached at (703) 807-5432.

Sincerely,

Trudy M. Sullivan  
Vice President, Communications and Strategy  
American Red Cross Biomedical Services

cc: Larry Moore, Deputy General Counsel, American Red Cross

SFC-ARC-A001844



National Headquarters

*Together, we can save a life*

**To:** David McLaughlin, Chairman      **Date:** August 12, 2002

Members of the Board of  
Governors

**From:** Marty Evans      **Subject:** Second Inquiry from Senator  
Charles Grassley

Earlier today we received a second letter of inquiry from Senator Charles Grassley, Ranking Member of the Senate Finance Committee (copy attached). This inquiry builds upon our June 14, 2002 response to his letter of May 7, 2002, and the recent CBS Evening News "Eye on America" series. The questions posed in the second inquiry appear to treat the assertions made by CBS as factual. In addition, significant additional material is being requested from Red Cross.

I have directed a team of senior managers to immediately begin work on a response to this inquiry, and will keep you informed of our progress, and involved when appropriate. Please be in touch with me if you have any questions.

Attachment

SFC-ARC-A001845

08/12/02 MON 16:01 FAX 202 639 3266

ARC MARKETING

002

Aug-12-2002 11:43am From-Charles E Grassley

202-228-0578

T-716 P.002/010 F-347

MAX BAUCUS, MONTANA, CHAIRMAN

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## United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-8200

JOHN ANCELL, STAFF DIRECTOR  
KOLAN DAVID, REPUBLICAN STAFF DIRECTOR AND CHIEF COUNSEL

August 12, 2002

Via Regular Mail and Telefax: (202) 783-3432

Ms. Marsha Johnson Evans  
President and Chief Executive Officer  
American Red Cross  
430 Seventeenth Street, NW  
Washington, D.C., 20006

Dear Ms. Evans:

I write to express concern about several issues raised in the American National Red Cross' (Red Cross) response dated June 14, 2002, to my letter dated May 7, 2002. As Ranking Member of the Senate Committee on Finance (Committee), I initially wrote to Harold Decker, Red Cross Interim Chief Executive Officer, to better understand Red Cross' strategy and procedure to deliver disaster relief, particularly 9-11 monetary relief, judiciously and with due speed to qualified recipients. I also sought information about your organization's transparency in terms of its financial reporting requirements for its national headquarters (National), 1,007 chapters, and four Regional Offices that oversee chapter compliance.

The Red Cross' written response and its senior officials' statements made during a recent meeting with me conveyed an image of financial accountability at all organization levels. However, information that I have received from independent sources reveals significant problems for the Red Cross in that: (1) several important chapters have a history of financial mismanagement; (2) the Red Cross knew of these problems before and after 9-11; and (3) the Red Cross failed to implement reforms that would guarantee that the chapters account for their finances. Unless and until the Red Cross guarantees chapter accountability, it will continue to experience financial irregularities that may lessen its credibility with the donating public.

The documents that I will reference in this letter highlight problems at the chapter level on a systemic basis. The time frame referenced in these documents begins April 3, 2001, to September 27, 2001. They are:

1. A letter written by former Red Cross President and Chief Executive Officer, Dr. Bernadine Healy, to the Audit Committee Chairman dated April 3, 2001, that discusses the need for institutional reform to ensure greater chapter accountability in the wake of New Jersey chapter officials embezzling \$1 million.
2. An August 2001 internal document prepared at Dr. Healy's request, entitled

SFC-ARC-A001846

Aug-12-2002 11:43am From-Charles E Grassley

202-228-0578

T-716 P.003/010 F-347

Ms. Evans  
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"Emerging Trends in the FY 2001 Operations of Chapters," that summarizes findings based on 80 chapter audits and reveals serious financial problems.

3. A confidential memorandum by Dr. Healy to the Red Cross' General Counsel dated April 16, 2001, that chastises the Red Cross' Executive Committee for turning the other cheek to chapter mismanagement and misuse of funds.
4. A memorandum by the Red Cross' outside auditor, KPMG, to Dr. Healy dated September 27, 2001, that reports the results of its "surprise" audit of 27 Red Cross chapters to include findings that chapters mishandled donations received in response to the 9-11 terrorist attacks.

Although I generally prefer to paraphrase documents in written correspondence, those that I reference herein merit reproduction.

First, Dr. Healy's letter to the Audit Committee Chairman references the embezzlement of \$1 million by Hudson County, New Jersey, chapter officials. She states that information about this crime "demonstrates that many of the controls presumed by you and senior management to be in place are not there." In discussing this chapter, which National re-charted during the period of embezzlement, Dr. Healy raises the need for institutional reform:

"Compensation information from chapters is voluntarily reported to headquarters. Headquarters does not have direct access to a complete record of this information. Therefore, we cannot assure the accuracy of the form 990 (annual Return of Organization Exempt From Income Tax) provided to the Internal Revenue Service. Furthermore, based on a recent meeting of the compensation subcommittee, we are not adequately addressing our exposure under the Taxpayer Bill of Rights legislation as we do not always know the compensation levels of our chapter employees or how it compares to the market.

We do not routinely monitor government grant compliance nor do we sign off on institutional assurances for chapter submission for Federal money.

*The external auditor engaged by the Corporation (KPMG) has not been overseeing the process of auditing chapters, the Headquarters review of the chapter external audit reports, or the periodic chapter audits done by our own internal audit team. Moreover, the KPMG reviews of our form 990 filings are inadequate. This appears to be a major business and legal risk, and would impact many of KPMG's certifications. On this issue, chapter boards engage external auditors at the local level and Headquarters does not have assurance that these audits are performed adequately. Most "reporting" is voluntary.*

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*Other issues that have been festering and are widely known include the lack of accountability of chapters for annual performance; a reluctance of Headquarters to exercise hiring and firing authority over chapter executives; and a tendency of Headquarters to relegate its authority to an advisory role as it relates to chapters. We have limited organization-wide systems to ensure compliance." (Emphasis added.)*

The August 2001 internal document prepared at Dr. Healy's request, entitled "Emerging Trends in the FY 2001 Operations of Chapters," details findings based on 80 audits at Red Cross chapters nationwide to reveal serious financial mismanagement. These trends range from inadequately overseeing accountings to inaccurately informing the public about financial and service delivery operations (each classified in the document as a "Critical Issue"). For example:

- "National disaster contributions are not remitted to national headquarters or are not remitted timely (classified as a 'Critical Issue')."
- "Bank reconciliations are not completed, or not completed timely, reviewed, or tested by someone with no cash-related responsibilities and/or signed and dated by the reviewer (classified as a 'Major Issue')."
- "Endowment moneys are not appropriately maintained (e.g., maintained locally) (classified as a 'Critical Issue')."
- "Investments (e.g., stocks, corporate bonds, and collateralized mortgage obligations) are not in compliance with corporate policy (classified as a 'Critical Issue')."
- "Financial reports to the board are not prepared or reviewed regularly and/or do not contain adequate information (e.g., comparison to the budget, a balance sheet, or year-to-date figures) and/or are not accurate (classified as a 'Critical Issue')."

Although I request information and documents from the Red Cross at the end of this letter, here I ask that you explain what steps the Red Cross has taken or intends to take to remedy each of these problems. If none, explain why not.

Presently, Red Cross does not require all chapters to report financial information to National. Red Cross states in response to my May 2002 letter, Question #27, "To ensure accountability, more than 70 percent of the total assets and revenues of our chapters are reviewed

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by national headquarters."<sup>1</sup> (See also Red Cross response to Question #29.) Please explain why the Red Cross does not require all chapters to report financial information to National. Also, identify the approximate 30% of chapter revenue and assets that National does not review, and state their monetary value. Further, state whether and how this Red Cross review policy guarantees that chapters safeguard and account for all funds; minimizes theft or fraud particularly relating to those assets and revenues that are not reviewed; and guarantees that all government filings are complete and accurate.

Next, Dr. Healy's confidential memorandum to Red Cross' General Counsel regarding the April 2001 Executive Committee Meeting chastises the Committee's apparent indifference to the \$1 million embezzlement. Dr. Healy writes:

*"I am concerned that the discussions by the Executive Committee did not reflect an appropriate sense of outrage regarding the offenses committed by the Hudson County Chapter Executive against the community he was to be serving or against the American Red Cross. I believe there was little if any sense of urgency regarding evaluating other chapters where there may be problems, nor enthusiasm or support of management for designing more effective control mechanisms and compliance systems. To the contrary, there were statements that the Board had dealt with this in the past by firing a few executives and boards and the situation was not unusual as isolated events and we should not overreact... The statement that touching the chapters was like touching the 'third rail,' was a Board warning to management about addressing system-wide issues, but less clear was their support for such actions.*

It would seem to me that we need to get solid Board support behind the corrective action plan we have laid out or it will be ineffective and unenforceable. Moreover, without strong Board support, increased management oversight by National will only become a source of strife and division within an organizational culture that is already divided." (Emphasis added.)

Further, I was surprised by findings relating to a "surprise" audit of 27 Red Cross chapters that KPMG performed on September 18, 2001. In a memorandum to Dr. Healy and other high-ranking Red Cross officials including its Chief Financial Operator, Jack Campbell, KPMG identified problems at the chapters relating to how they processed and allocated donations received since 9-11. KPMG's findings range from chapters mishandling "9-11" donations by keeping the money instead of transmitting the funds to the Liberty Disaster Relief Fund (Liberty Fund), to failing to follow national accounting procedures. For example:

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<sup>1</sup> All questions referenced in this letter are from my initial letter to the Red Cross dated May 7, 2002. All referenced answers are from the Red Cross' response letter to me dated June 14, 2002.

Aug-12-2002 11:44am From:Charles E Grassley

202-228-0578

T-716 P.006/010 F-347

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- Alexandria, Virginia, "Chapter has not counted lockbox donations since 9/11, but assumes that most will be coded as local funds."
- Bergen Crossroads, NJ, "Due to this chapter's location, almost all funds were designated [World Trade Center]. For non-designated funds, coded as local."
- Los Angeles, California, "Chapter has no accurate accounting for funds received after 9/11, at least \$500,000 in total."
- Montgomery County, MD, "Amount collected prior to 9/11 unknown due to backlog in accounting reconciliations (recent transition in accounting department)."
- Pine Tree, ME, "Cash/checks unlocked at all times."
- Savannah, GA, "Chapter could not provide information regarding cash/checks collected."

Taken as a whole, these documents reveal a history of serious financial mismanagement by Red Cross chapters that I find troubling. However, I am more concerned that Red Cross senior management appears to take an attitude that bad news from local chapters is all best swept under the rug. The Red Cross' indifference to these major accountability problems was verbalized by Mr. Campbell during a *CBS Evening News* interview broadcast on July 30, 2002:

*CBS News* Correspondent Sharyl Attkisson: "Weren't you troubled by the results of the audits?"

Campbell: "Actually, we were not troubled by the results of the audits at all. There was no recognition of any kind of problem."

Please explain this response in detail, particularly Mr. Campbell's apparent lack of concern that hundreds of thousands of dollars were at risk of not going to the 9-11 victims' fund or, worse, of loss or theft. Also, explain why these infractions occurred despite Red Cross' prior knowledge of accounting irregularities at the chapter level. Did any infraction that KPMG identified occur at a chapter with a prior financial problem known by Red Cross? If so, identify that chapter and explain Red Cross' failure to take remedial measures. Moreover, identify any remedial measure taken in response to KPMG's September 27 findings. Further, please produce all documents relating to these findings as well as any remedial measure.

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Importantly, KPMG's findings call into question several Red Cross statements that all of the funds received in response to the 9-11 attacks were deposited in the Liberty Fund,<sup>2</sup> and that the Red Cross had and would continue to use the Liberty Fund for the 9-11 victims.<sup>3</sup> These findings also cast serious doubt that, "The Red Cross has instituted unprecedented financial procedures and controls to ensure the highest level of accountability and accuracy in its accounting for contributions to and disbursements from the Liberty Disaster Relief Fund." (Red Cross response to Question #4.) Please explain these apparent inconsistencies.

In summary, the information that I received independent of the Red Cross leads me to conclude that the rosy picture the Red Cross sought to present does not match the reality presented in these documents. To get to the bottom of whether Red Cross has secured all 9-11 donations in the Liberty Fund for the exclusive use of the victims and holds its chapters accountable, please provide detailed responses to the following questions:

1. I have received information that at least one chapter has not yet turned over all donations meant for the Liberty Fund. Identify that chapter and any others that have not turned over these donations, explain why not, and identify any penalty imposed against that chapter.
2. For the past three years, identify any chapter that failed to provide any required financial information to any Red Cross governing body (i.e., National) in full or on time.
3. Red Cross' answer to Question #29 is unclear as to whether there are guidelines for uniform record keeping and financial reporting by the regions and chapters ("In regard to uniform record keeping and reporting, chapters use standard charts of accounts for accounting purposes.") Please clarify this response including what is meant by "standard charts of accounts."
4. For the past three years, identify any investigation involving allegations of mismanagement or fraud by any Red Cross officer, director, employee or volunteer. Also, state the status of the investigation and whether any settlement or penalty resulted, and identify the settlement amount or penalty.
5. For the past three years, identify all Red Cross officials who have left their positions

<sup>2</sup> See responses to Questions #1 ("All funds received in response to the terrorist attacks of September 11<sup>th</sup> were deposited in the Liberty Disaster Relief Fund), and #4 ("With respect to the Liberty Disaster Relief Fund, the Red Cross has operated under the most conservative guidance possible, crediting every contribution in the immediate aftermath of the September 11th attacks until October 30, 2001<sup>st</sup>").

<sup>3</sup> See responses to Questions #2 ("No portion of the Liberty Disaster Relief Fund will be used to pay Red Cross general administrative expenses or any other costs not related to the Fund[.]"), and #3 ("[T]he Liberty Disaster Relief Fund will be used exclusively to meet the needs of those directly affected by the September 11<sup>th</sup> attacks.").

Aug-12-2002 11:45am From-Charles E Grassley

202-228-0578

T-716 P.008/010 F-347

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under circumstances involving allegations of mismanagement or fraud. State whether any internal disciplinary proceeding was conducted or whether any lawsuit or charge was filed against the individual and the status of that action. Also, state whether he or she was allowed to retain benefits or transfer to another chapter and, if so, explain why.

6. Identify and explain the circumstances for the "five involuntarily dechartered" referenced in your response to Question #24.
7. It is my understanding that the Red Cross has a strong policy that the chapters should be financially self-sufficient. The *CBS Evening News* reported on July 31, 2002, that the Red Cross has allowed chapters to receive money from the National Disaster Fund more than 3,000 times last year. Please list all income to and expenditures from the National Disaster Fund from Fiscal Year 2000 to the present. This list should include but not be limited to all chapter "Form 903" requests as well as chapter accruals and advances. The list should also disclose the purpose of each Form 903 request (i.e., the precise reason why the chapter requested the funds). Also, describe the method by which the Red Cross approves or denies each 903 request as well as the procedures in place to ensure, after it approves the request, that the chapters properly use the "903" funds.
8. Information that I have received indicates that, contrary to the Red Cross' response to Question #26, the organization may receive more than 5% of its funds from federal, state, and local government sources and that in many chapters this amount frequently exceeds 30-40%. Please clarify your response and identify all chapters at which government funds (federal, state, and/or local) comprise more than 10% of the chapter budget.
9. Please produce the following documents for the past three-year time frame:
  - a. Minutes of the Board of Governors and Executive, Audit, and Finance Committees;
  - b. Copies of management letters and audit reports of chapters performed by the internal or external auditor, and
  - c. Copies of all reviews or summaries of locally-performed chapter audits by the internal and external auditor.
10. Has the Red Cross considered strengthening accountability to the Congress and the Executive by adding independent compensation and audit committees as well as active board members who are independent of the chapters?

Thank you for your cooperation. Given the timeliness of this information, I appreciate

Aug-12-2002 11:45am From:Charles E Grassley

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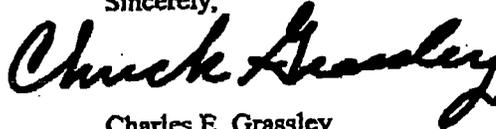
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your providing me with the Red Cross' complete responses by September 6, 2002. Afterwards, I would like to arrange a meeting with John D. Campbell, Red Cross Chief Financial Officer and Senior Vice President, and my Committee staff to discuss proposals for greater chapter accountability.

Again, I thank you for your time and courtesy in responding to these questions. I recognize that I have requested a significant amount of material, but I know from our meetings that you acknowledge Congress is responsible for conducting oversight of the Red Cross. If you have any questions, please do not hesitate to contact Dean Zerbe or Faith Cristol of my Committee staff at (202) 224-5315.

Giving to a charity isn't a frivolous act. People think hard about how much they can afford and where their money will do the most good. Charities should treat them accordingly. I am sure that you will agree that, accountability is critical to any charity's continued operation since it instills public confidence that taxpayer dollars are used wisely. I hope that we can continue to work together to help the Red Cross prioritize accountability to maximize financial relief to those in need.

Sincerely,



Charles E. Grassley  
Ranking Member

CC Via Hand Delivery: The Honorable Max Baucus, Chairman, Senate Committee on Finance

CC Via Regular Mail and Telefax:

Francis E. Reardon, CPA  
The Auditor General  
Department of The Army  
Office of the Auditor General  
3101 Park Center Drive  
Alexandria, VA 22303-1596  
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The Honorable David M. Walker  
Comptroller General  
U.S. General Accounting Office  
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(202) 512-9096

12-2002 11:46am From:Charles E Grassley

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Senator George J. Mitchell,  
Independent Overseer, American Red Cross Liberty Disaster Relief Fund  
Chairman  
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**American  
Red Cross**

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

David T. McLaughlin  
Chairman

## Memorandum to the Board

From: David McLaughlin

Subject: Article "The Controversial Red Cross" by Richard Carter

Date: August 6, 2002

An interesting article that Steve Shulman, the Executive Director of the ARC Museum, shared with me. It is worth your reading.

Regards

cc: Marty Evans

*Together, we can save a life*

SFC-ARC-A001855

# THE CONTROVERSIAL RED CROSS

By Richard Carter

*Ever since its founding, the American Red Cross has inspired furious argument.*

*Is it commercial? Is it partial to officers? Is it rigged charity? Here are the answers.*

● In summarizing his admiration of the American Red Cross, a clergyman (non-Fundamentalist) once wrote, "If there were any evidence that such a place as hell really existed . . . the American Red Cross would at once organize a relief expedition."

It would not. Nothing in its congressional charter gives the Red Cross the authority to tinker with the hereafter. Red Cross policy is woven on a Federal loom and not one doughnut would be served on the River Styx unless the White House or the Congress or the State Department or the Defense Department approved.

The project would appeal to the Red Cross itself, of course. Aside from being a new frontier, hell would offer the agency its first opportunity to convey mercy to clients in absolutely no position to look gift horses in the mouth. The damned presumably have been convinced by now that they are *not* entitled to sunburn unguents, asbestos seat cushions, iced beverages or any other comforts the Red Cross might dispense. For the first time in its seventy-eight-year history, the Red Cross would encounter no gripes.

Important sections of the American public would view the prospects with relish. Innumerable former servicemen, having promised for years that they would see the Red Cross in hell before giving it a nickel, would now send nickels gleefully. Red Cross headquarters in Washington would get a multitude of anonymous letters urging that the expedition include certain Red Cross girls who spent an undue amount of time with officers during World War II.

In the attendant uproar something that the Red Cross has long suspected would finally be confirmed: few Americans have the foggiest knowledge as to what the Red Cross is. As the boys on Madison Avenue would say, the image is blurred.

Even for me, utterly saturated in Red Cross lore and statistics and other central truths, the image remains skewed. This is because I attach social significance to my recollection of a Red Cross girl we used to pretend to tell time by. She would stroll across the coral of a Pacific island airbase every afternoon at four and disappear into the officers' club. She had a wide rump and the underprivileged used to gaze critically upon it as it passed. Sometimes she would arrive a few minutes late and one of the underprivileged would announce that he needed a new watch. "Gawdam warch is fast again. That old gal is still a-waggin' toward the club and this watch says sixteen-hundred-and-ten hours and everybody knows she's always in there by sixteen hundred." And somebody else would remark that it was a boon to the war effort that the

woman patronized the bar so faithfully: "She couldn't hardly sit on less than two bar stools at a time, right? An' that frees an officer for active duty, right?"

If I had to, I probably could prove now, with all my lore and statistics and central truths, that the girl was not typical, or that she was within her rights, or that she was a great comfort to the enlisted man every day *before* cocktail time. Even so, the memory would remain.

In most of us the words "Red Cross" evoke similar fragments of recollection. To some, the institution is coffee before boarding a troop train; to others, it is the earnest lady who came to the hospital ward to see if you needed anything. To thousands, it is blood transfusions and the saving of lives. And to as many thousands it is an annual fund drive and a pushy one, at that. To some, it is swimming instruction, life-saving in the water, or a handbook on first aid. Or the functionary who came to the flooded town and issued officious instructions on how to run a soup kitchen that the local ladies had been running for days; or an emergency furlough denied or granted; or free packs of cigarettes and the smile of solicitude; or the bureaucrats who gave Jones \$2100 after the hurricanes and gave Smith only \$650. Or the organization that is always asking for money but has millions in the bank. Or is it just another bunch of dogooders—and who needs it?

That is a perfectly good question. In search of a fair answer, one goes sooner or later to Washington, the fountainhead of Red Cross policy. There, a midiron shot from the south grounds of the White House and right next door to the DAR's Constitution Hall stands Red Cross headquarters: three white marble buildings—huge, gorgeous piles of Vermont marble.

One would expect something more Spartan and less Grecian. With what was paid for those Ionic columns and elegant *torchères* the Red Cross could buy enough coffee to float the Atlantic Fleet and enough doughnuts to sink it. The first impression, then, is annoying.

It develops that things are less lamentable than the soaring marble porticoes suggest. Visitors are handed leaflets which explain that the two main buildings are war memorials built with philanthropic endowments; no regular Red Cross funds were diverted. One building celebrates the women who tended the sick and wounded of the Civil War (both sides, thank you). The other is dedicated to the women who served in World War I. The land on which they stand is public. Occupancy is by congressional leave and is intended to breathe life into the memorials by ensuring that the kind of self-sacrifice which they commemorate will be en-

couraged forever. The third structure, an office building without Ionic flourishes, had to be erected when the organization outgrew the adjoining shrines. It, too, is on public land and was paid for partly by Government and partly by found money.

The only shrinelike aspects of the memorial buildings are their architecture and the plaques, busts and relics which one finds dispersed through the halls, bespeaking the institution's long tradition of being in the thick of every war and natural calamity. As to calamities, some of the offices are furnished with pieces that could have been salvaged from the Johnstown flood. The corridor outside the office of the national president, Gen. Alfred M. Gruenther, is jammed with desks and filing cabinets and secretaries hard at work. Nowhere can the thrift-minded visitor discern the aroma of gravy train. Typewriters clatter, telephones ring; people walk briskly through the marble halls with documents in their hands and frowns on their foreheads.

The people who work here, superintending the institution's national program, have their own image of the Red Cross. When one inquires they answer in language such as "The collective tenderness of the nation, efficiently organized," or, "An expression of our concern for one another in time of need." Let us see.

The first thing that needs to be known about the Red Cross is that it is a private organization, and stanchly so. It subsists on voluntary contributions of time, talent and funds. Except for real-estate grants it has never taken a penny from Government and vows it never will. It says that Federal financing would be a step toward Federal regimentation. At the same time the Red Cross is quasi-Governmental, and stanchly so. Regardless of its distate for Federal regimentation it cherishes Federal auspices. The President of the United States is its honorary chairman; the Attorney General is its honorary counselor; the Secretary of the Treasury is its honorary treasurer. The Congress determines its primary responsibilities. The Defense Department audits its books. The Secretaries of Labor and of Health, Education and Welfare are members of its board of governors, along with a Deputy Under Secretary of State, and Under Secretary of the Treasury, a Deputy Secretary and two Assistant Secretaries of Defense and forty-two private citizens, many of whom are persons of considerable political influence.

From this sheltered relationship with authority the Red Cross derives its pre-eminence in the field of organized humanitarianism. Before 1900, when Congress chartered the Red Cross and defined its military and civil responsibilities

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for the first time, the institution led a precarious existence. Nowadays it is firmly entrenched. It has 1700 local chapters, two million volunteers and 13,000 full-time experts in social-welfare, military-comfort and disaster-relief work, facilities at every sizable U. S. military installation on earth, forty-four million subscribing members and an annual budget that hovers around ninety million dollars. It is the busiest and farthest-flung instrument of privately financed mercy in the history of the world. Come high water or hell, the Red Cross is the agency most likely to be in official charge of organized succor.

If the emergency is a natural disaster in United States territory the Red Cross assumes command and can be depended upon to be dispensing food and blankets before the country at large knows an emergency exists. Where nuances of foreign policy are involved, or where national controversy seems likely, as in the hell situation, the Red Cross remains alertly aloof until appropriate branches of Government have been heard from. This tends to make the Red Cross only quasi-private, as well as quasi-Governmental, adding the burdens of expediency to those of mercy and occasionally provoking public confusion.

During the Thirties, for example, its relations with the politically beleaguered administrations of Hoover and Roosevelt caused the Red Cross to vacillate about helping millions of human beings who might otherwise have been considered eligible for American assistance. Among the most numerous of these were the American unemployed. Others were victims of the Sino-Japanese and Spanish Civil wars. Confusion as to Red Cross duties in the three situations was loudly evinced by a peeved public which thought the organization should have done more than it was doing, or less than it was doing, or should have favored one side or the other or no side at all. The Red Cross took a battering, and it does not like batterings. It wants to be loved. Indeed, it needs to be loved because love is where its funds and its volunteer workers come from.

In recent years the institution's ambiguous position has excited no clamor comparable to that of the Thirties, but it has not had an easy time; it never does. Its business is conducted under circumstances which guarantee that it will rub large numbers of human beings the wrong way. In the first place, its most crucial services require official, quasi-Governmental contact with servicemen and other sufferers who often are quick to see blemishes on any arm of authority, whether a helping hand is attached to it or not. In the second place, the Red Cross comes around and asks for money at least once a year. Without saying so it is constrained by financial necessity to imply that the soldier, his comrades, his relatives and his rooters owe the Red Cross a debt of gratitude, payable in cash, check or money order. This does not always sit so well. Most people undoubtedly feel warm and jolly about chipping in a few dollars so that the Red Cross can give free playing cards and candy bars to servicemen; there is something less jolly in the implication that patriots must write checks to the Red Cross lest there be no more blood transfusions for the nation's wounded.

Before any loyal Red Crosser gets an apoplectic fit it must be acknowledged that no private institution with a ninety-six-million-dollar budget and Federal auspices can be described as a pariah. But it is worth noticing that in this, a nation of surpassing generosity, only twenty-four million adults are sufficiently devoted to the Red Cross to give it an annual one dollar or more for membership. If you add the twenty million youngsters of Junior Red Cross you find that the organization has the support of about one quarter of the population, a statistic that would be impressive were the Red Cross not required to be available to the entire population.

The requirements are set forth in the congressional charter, an act of law which announces,

in effect, that there are certain human duties which the United States of America prefers not to discharge on a Governmental basis and dares not leave to chance. Forthwith, the American National Red Cross (the official title) is saddled with those duties.

By law, therefore, the Red Cross is the American public's principal means of administering emergency relief and post-emergency financial rehabilitation to victims of disaster. Also by law, the Red Cross is the public's sole deputy in helping to arrange emergency furloughs for servicemen, rendering social services to their families, bringing a touch of home to their camps and hospitals. Finally, in war the Red Cross is responsible for kindnesses to prisoners we take, and keeps in touch with those Americans who are prisoners of the enemy, thereby meeting the terms of the Geneva Convention.

Other Red Cross activities such as its magnificent blood banking, its instruction in water safety, lifesaving, first aid, home nursing, mother and baby care, its Junior Red Cross and collegiate youth programs, and so forth, occur on an enormous scale, varying from locality to locality according to individual chapters.

The local chapter is the heart of the matter. It may occupy a crusty old mansion complete with sculptured lawns, gingerbread woodwork and parquet floors, renovated plumbing, a paid executive secretary and paid publicist and other paid experts. Or it may be a hole-in-the-wall on the upper floor of a taxpayer, staffed entirely by volunteers. It may look a mess or it may be a model of efficiency, but it is a place of dedication. Its habitués are givers, people who have found meaning in the act of helping the needful. They love Red Cross work so much they can't get over it.

"I've got to do something worth while, for goodness' sake," says a housewife in Westchester county, N. Y., endorsing the idea that Red Cross is a more productive pastime than mah-jongg. "I could join women's clubs or attend art discussion groups, but I'd rather do something and in Red Cross we do."

Indeed they do. Depending on individual tastes and skills, they perform office duties in chapter headquarters, or run errands for patients in military hospitals, or act as nurses' aids or recreation workers or coffee-and-snack dispensers in such hospitals, or drive disabled veterans to ball games, or help out in blood banks, or teach first aid or swimming or canoeing, or make bandages and layettes, or help raise funds. Meanwhile they undergo training so that they will be able to do more than merely wring their hands if a hurricane strikes.

Most of them are women. Some are men and no less enthusiastic. A Pennsylvania restaurateur whose establishment was festooned with Red Cross posters explained happily, "When I came to the United States everybody was good to me. Very helpful. But the Red Cross was the first group that made me feel real at home. Know why? Because the Red Cross was the first to see that I didn't have to take help only but could also give help. See? They asked me to join. They asked me to help. I was proud."

Thousands of Red Cross volunteers are persons with professional skills essential to the agency's work. Physicians, nurses, social-welfare officials, teachers, attorneys and nutritionists contribute time as instructors or supervisors and are available in emergencies. Business leaders direct local fund drives.

The lady who pours coffee at the party in the Veterans' Administration hospital may seem to get a disproportionate amount of satisfaction from that unremarkable chore and make much ado about little. But when five houses burn down in the middle of the night and the head of the canteen committee whistles her up, she stands out there in the wind and pours coffee and makes no more ado about it--nor is her satisfaction at all disproportionate.

"Oh, it's wonderful!" chirrup a grandma who sits in chapter headquarters and telephones

assignments to volunteer drivers of Red Cross vehicles. "We take Gray Ladies to the V.A. hospital; and on a few minutes' notice any time of day or night we take eyes to the eye bank; and blood from hospital to hospital; and veterans and their families to treatment centers." She regards herself as an integral part of the medical team. "You see the progress of the boys," she says of the veterans at the psychiatric hospital. "First we take 'em home for a day, on leave. Then for three or four days. There's the blind boy . . . some of us knew him before he went to war. He knows that Red Cross is back of him! Oh, you get so much out of it!"

This is *esprit de corps*. It is not so ferocious as that of the Marines but is comparably adamant. The man who mocks his wife's Red Cross uniform is not likely to repeat the error. Until he learns to share her dedication, or at least understand it, his life is one moment of truth after another.

"First I had to get used to a burn dinner once a week," confided the man in the bar. "Tuesdays. The day she works in what they call Home Service. She's out counseling the wives of servicemen who are sick or in trouble or have too many wives. Then one evening she came home and told me she was off to the flood country to estimate how much money the Red Cross should give. We're now a Red Cross family for fair. I guess it's a good thing, but gee."

By now it should be plain that if Governmental protection is the secret of Red Cross status, the trained volunteer is the secret of Red Cross performance. The organization has developed apparatus of such magnitude and personnel of such skill (and such willingness to work for free), that neither Government nor any existing private institution could hope to do the same job at the same low cost without simply absorbing the Red Cross and carrying on with the old setup under new colors.

No doubt Government will eventually take over the financing of disaster relief so that persons who suffer through no fault of their own can get help as a human right rather than as a gift, with the bills underwritten by the entire nation rather than by those who donate to the Red Cross. Eventually, however, is a long way off. Although a considerable fraction of the population would probably favor immediate acceptance of this responsibility by Government, there is no organized movement in that direction.

In any case, it is difficult to imagine disaster relief being administered by any agency other than the Red Cross. Although the volunteer organization lacks the total support of our public it has become part of the blood and bone of America and indispensable, and might just as well be accepted as such. And the Red Cross might just as well accept itself as such. For it sometimes seems not to know its own strength. It has a tendency to truckle, becoming more Governmental and less private, and every time it truckles it gets bruised. The most spectacular bruise was incurred during World War II when the War Department became troubled because American troops in Europe had more money than their Allies. This, thought the Department, was harmful to Allied morale. So it was decided to buck up our Allies by inflicting some hardship on Our Boys. But what to do? It would be impractical to take away the soldiers' shoes or ammunition, or cut their pay. The only worthwhile alternative, concluded the Department, was to put a crimp in their leisure. Accordingly, the Red Cross was instructed, over the signature of Secretary of War Henry L. Stimson, to charge fees for the hospitality to off-duty troops in rear-area clubs. Other Allied servicemen paid for what they got in their rear-area clubs. If the Red Cross were to charge our troops the result would be kind of Allied togetherness, or kinship in discontent, certain to make England and France feel better and certain to hasten the unconditional surrender of the Axis.

Brilliant though this gambit seems to the War Department, it was totally at odds with cherished traditions of the Red Cross. The Red Cross principle had always been to give freely to people what other people had given so freely to the Red Cross. In defense of the integrity which had long been its most persuasive claim to popular support the Red Cross might well have told the War Department to go take a cold shower. But it did not. It permitted its traditions to be upended. It charged for bed and board in its hotels and clubs. In sum, it did what was necessary to maintain tranquil relations with the brass.

Hotel charges seldom exceeded fifty cents but came as a blow to our troops. No matter that the service would have been a bargain at four times the price: for generations the Red Cross and its Governmental sponsors had been showing the institution down the American gullet as a paragon of giving and now, at last, with a chance to give unstintingly to a cross-section of the American male public, the Red Cross stuck its hand out for fifty cents. This was the most significant contribution ever made to the gigantic reservoir of ill will which the Red Cross has accumulated through the years.

Shortly after V-J Day a lieutenant ordered our formation to stand at ease and read a canned announcement about how the Red Cross had been putting out for us boys and how we should contribute by way of thanks. This was the only time I heard a formation of troops hoot an officer. The burden of our message to him was that his proposal was one big crock and that them summerwitches wouldn't get a dime, by God. We had spent our war where there were no Red Cross hotels but we had heard of the tariffs and had concluded long since that this was no way to treat soldiers.

In case anyone assumes that there might be no such ill will if there were no Red Cross, it can be pointed out that there was no Red Cross during the Civil War but the volunteer ladies and gentlemen who tried to bring comfort to the sick and wounded were sometimes rewarded with snarls. Their organization was called the United States Sanitary Commission. With Presidential sanction they attempted to supplement the wretched medical services of the Union Army. They provided physicians and nurses. They distributed medical supplies. They often browsed around battlefields under fire. At Antietam there was no sign of Union medical stores for four days, but ten thousand Union and Confederate wounded were given food, drink, clothing and hope by the Sanitary Commission.

A report issued by the Commission in 1864 could have been written this afternoon by the Red Cross. It said, "We meet people every day who ask us, what goes with all this money which the Commission is receiving; whether enormous sums are not paid to employees; whether the Government does not supply everything . . . the soldiers need."

Evidently the reputation of the Commission was blighted and its work obstructed by hostile rumor. The same difficulty hounds the Red Cross. The source of the difficulty, thinks the Red Cross, is human nature. The Sanitary Commission also thought so. "If such an organization as ours had neither enemies nor assailants," says the 1864 document, "it would prove conclusively that human nature had undergone a radical change."

It may be that gratitude is going out of style. This may explain why every Red Cross drive is a crisis and why, if there had been disasters in 1958 comparable to those of 1955-57, the agency would have been hard pressed to carry out its duties. It spent \$26,900,000 on the New England and West Coast floods of 1955, \$3,000,000 on the Puerto Rican hurricane of 1956, \$4,000,000 on the Appalachian floods of 1957. To find \$2,600,000 for the Louisiana hurricane, Audrey, in June of 1957, it had to dip into its general funds. Its disaster reserves were gone.

Anyone who cares to make a career persuading Congress that disaster relief is too important to depend on charity and should be financed nationally, is invited to commence without delay. Meantime, however, disaster relief and all other Red Cross responsibilities will continue to be underwritten by donations. Red Cross ability to help those who need help will increase only to the degree that the public becomes convinced that Red Cross motives are pure and Red Cross performance honorable.

It so happens that the organization is above reproach on both counts, although reports to the contrary have deterred thousands from contributing.

"See if you can find out what they do with all that dough," said a friend who heard I was going to the national headquarters. "Find out how much they keep for themselves," he suggested with a wink. "Those fancy station wagons they drive," he said. "And the salaries!"

Red Cross officials hear this kind of thing frequently and it agonizes them. The highest paid employee is its president, General Gruenther, who gets \$30,000 a year for carrying a workload that might command three times as much in private industry. At all other echelons of Red Cross staff services the salaries are uniformly lower than in most other social-welfare agencies, although the work standards are conceded to be high. If there seems to be something faintly unreal about people who willingly submit to such exploitation, don't blame me. Red Cross headquarters is populated with men and women to whom opportunity for service is a kind of currency.

At national headquarters and in most of the local chapters administrative thrift is carried to absurdity. Rumor insists that overhead expenditures are wildly profligate but they are not. They are wildly frugal. To get a new pencil you have to turn in an old stub. If the budget is lean, as it has been of late, the comptroller fires your secretary and has one of your telephones removed. You become a paper-clip saver and a reclamer of used envelopes. Guests pay for their own lunch.

The station wagon, that lustrous symbol of easy living, is the Red Cross vehicle of choice because it seats more passengers and therefore is most serviceable. It almost always is a new model, looks expensive and arouses mistrust in the heart of the observer, but all is well. It rarely costs the Red Cross a penny. It either is donated by a dealer or is purchased at factory cost for profitable resale after a year of use. The profits, by the way, go to the Red Cross.

By such means, combined with the penurious pay scales mentioned earlier, the costs of managing the national organization are held to thirteen cents for every dollar expended. Fund-raising costs, moreover, consume only four per cent of the money spent by the national headquarters and the 3700 chapters. This is fantastically low, especially when compared with the costs reported by other voluntary charities.

Another long-lived species of anti-Red Cross rumor concerns the sale of services. Now that Red Cross clubs no longer charge for hospitality, it is possible to say the organization never sells anything and, except for that wartime episode, never did—unless you want to count individual derelictions. After Pearl Harbor the Red Cross staff of 2100 swelled to more than 25,000, several dozen of whom are known to have made a dishonest dollar peddling Red Cross supplies. Those who were caught were dismissed. There was a hale soul stationed in Brisbane who didn't sell anything—he simply wanted everybody to be happy. When U. S. troops arrived at his station after the New Guinea campaign he provided hospitality far beyond the call of Red Cross duty: he distributed the addresses and telephone numbers of Brisbane's most compliant women. Word reached the United States and he was fired.

Sometimes Red Cross cigarettes turned up by mistake in post exchanges and were sold, com-

plete with Red Cross label. Sometimes Red Cross supplies were hijacked and sold on the black market. Sometimes a sailor sold his Red Cross sweater to another sailor. A third sailor would admire the garment and ask how much it cost and the owner would say, factually, "A buck," and news would spread that Red Cross sweaters, knitted by loving volunteer hands on the home front, were being sold for a buck.

The most indefatigable enemy of unfounded rumor is General Gruenther, who came to the Red Cross presidency in 1957 after thirty-eight years of Army service. Now sixty, he is an articulate man with a nimble mind, a piercing eye, a tennis player's physique and an organizational talent bordering on genius. During his three years as Supreme Allied Commander in Europe his standing as the Army's leading intellect became common knowledge and it was assumed that he could almost name his own price in private industry. Instead, he went to work for the Red Cross for what many another retired general might regard as coolie wages. "I have spent my life in the military service and I think I should carry on in a closely related service," he once told someone who had asked him why Red Cross.

When he is not attending conferences, banquets and dedication ceremonies, he sits at a replica of George Washington's presidential desk in a twenty-five-foot-square office on the second floor of the Civil War Memorial or "Marble Palace." The room is unmistakably his. On standards are the United States and Red Cross flags, his four-star general's flag and a NATO flag; on a table small flags of all NATO countries. On the mantelpiece are some of his tennis trophies, including a plaque which proclaims him "Claimant to Tennis Championship of the Solar System" and is signed with the initials of the wag who gave it to him, Dwight D. Eisenhower. Above the mantel hangs an oil portrait of Eisenhower in uniform, also inscribed to Gruenther.

The old warrior in Gruenther comes to the surface whenever he is confronted by an offensively inaccurate rumor about the Red Cross. He runs the rumor to earth and knocks it on the head with facts and figures.

Some time ago a Missouri journalist who was interviewing the general by telephone announced, "The Red Cross sold things during the war. I had to pay for candy." Thus, a routine interview touched off a transcontinental man hunt, and Gruenther became the sleuth.

"He said that it had happened just after a landing in the Philippines," recalls Gruenther, "during a typhoon. Said he went to a Red Cross hut, saw some candy he wanted and had to pay for it. He was absolutely unyielding on that point. I got him to tell me the number of his regiment. I found out from the Pentagon who the commanding officer had been. He was retired by now, but I traced him to San Francisco, to Spokane—and finally located him practically next door, right in Arlington, Virginia. He remembered the landing operation clearly. Yes, there had been a typhoon and they had erected a shelter which housed the PX at one end and the Red Cross at the other. The soldier had entered thinking it was entirely Red Cross, but had bought the candy at the PX end. He'd been resenting us ever since."

"I wrote him at once, explaining the circumstances, but he did not answer. I wrote him a second letter which he also did not answer. He still may believe he bought the candy from the Red Cross."

So many people have heard about the Red Cross selling what it is supposed to give away and are so ready to believe it that the rumor invariably bobs up during disaster-relief operations. "After the Connecticut flood of 1955," says Gruenther, "that kind of gossip became such an obstacle to orderly conduct of the rehabilitation work that businessmen had to offer rewards for proof of the rumors. Nobody applied for the rewards." That was a flood in

which the Red Cross disbursed \$1. million to 7000 families, rebuilding 300 homes, repairing 2000 others and enabling 700 small businesses to reopen their doors.

A prime source of rumor and dissatisfaction in disaster areas is Red Cross inability to compensate for all losses. Television sets, Cadillacs and French-Provincial credenzas are not replaced. But whatever the family needs for normal living and cannot buy from its own resources is given by the Red Cross, usually in the form of cash. To make such decisions fairly, the agency relentlessly investigates its clients. Before it is finished it knows at least as much about the family as the family does, and far more than the neighbors do. This assures that relief funds will be distributed equitably.

Even Red Cross blood banking is afflicted with rumor. The organization refuses either to pay for or charge for the blood that it collects from volunteer donors and distributes to hospitals, but the patient who benefits does not always know about this principle. He usually is required to pay doctors and hospitals for services connected with the actual transfusion, and he assumes that part of the money goes for blood.

One entertaining rumor which fails to amuse Gruenther gained currency during the war and is still verdant: that not all Red Cross girls are moral. As illustrated by the Brisbane anecdote, the Red Cross is in favor of chastity. Female applicants for wartime jobs were carefully screened and admonished to be decorous. In most cases the exhortations were unnecessary. The typical Red Cross girl was eminently suited to her assignment. She was so enraptured by her humanitarian work that she was a poor candidate for any less austere variety of rapture, as many an officer could testify. That some of the girls formed romantic alliances and that some of these did not eventuate in marriage is also true. But there are no grounds for the gossip that hundreds of the women were tramps and some hardly better than professional camp followers.

"I have heard people say that the price in Cherbourg was thirty-five dollars," says Gruenther in disgust, "and forty dollars in New Guinea. Rotton."

When Red Cross girls dated they usually dated officers. In some of the more chuckle-headed commands they were forbidden to date enlisted men. In other commands they dated officers anyhow. Some Red Cross officials explain this on grounds of "natural selection." So do I. A woman who has been handing out coffee and motherly advice and wholesome wisecracks all day will naturally select social companions who have transport, a comfortable place to sit, and maybe even liquor. In the wartime armed forces such amenities were rarely available among enlisted men, and the girls gravitated to the officers.



Talk about blurred images! I remember one man weeping and cursing with grief and rage because his mother was dying 4000 miles away and his application for emergency furlough had been rejected after Red Cross investigation of the case. Neither he nor any of the rest of us knew (nor was any officer anxious for us to find out) that the Red Cross has no power to grant furloughs. Its job is to investigate the home situation through its local chapter and communicate the facts to the applicant's

commanding officer. It is the latter who makes his own decision.

There was a period in Red Cross history when the organization had more trouble with itself than with the public. The least spontaneous and most indefensible whispering campaign of all originated in national headquarters at the turn of the century. The target was Clara Barton, the indomitable woman who had founded the agency in 1881 at the age of fifty-nine and subsequently became unpopular with some of the Ladies Bountiful who marched more or less in her wake. They wanted desperately to be rid of her and they almost wrecked the agency in the effort.

Clara had numerous shortcomings. She was an inept administrator and insisted on running everything from under her own hat. But she was the rip-roaringest do-gooder this country has ever known and the public loved her.

Her emotional life seems to have been spent ministering to the stricken, a form of sublimation she discovered during the Civil War. She drove mule teams to the front lines, waded through blood to tend the fallen, brewed soup, seldom slept and took guff from nobody. When the war ended she was forty-three and her nerves were shot, but her life had just begun.

She imported the concept of a Government-protected voluntary relief organization from Europe, where revulsion against the brutalities of war had led to establishment of the Red Cross movement in 1864.

The idea was to commit all nations to the Geneva Convention so that civilians of the various national Red Cross societies could care for the wounded without being shot at and prisoners could be treated as if they were human beings.

In those days the United States feared all foreign entanglements, even humanitarian ones. But Clara was not easily quelled. In 1882 President Arthur signed the Geneva treaty. It took another eighteen years for Clara to win official standing through a congressional charter. She won it by demonstrating that Red Cross was indispensable.

Disaster relief was a Barton innovation. Let there be a forest fire in Michigan, yellow fever in Florida, floods in the Ohio Valley or a famine in Russia and the old lady was there, exalted, flying her Red Cross flag and handing out goods and services as if there were no tomorrow. If she needed more money or material she set up a howl for it and the public responded. There often was no money in the Red Cross treasury and there frequently was bitter dissension in the Red Cross ranks, but Barton was oblivious. She was unchallenged boss of American mercy and that was all she cared about.

Two days before the sinking of the *Maine* she was aboard as a luncheon guest. Immediately after the explosion she cabled home, "I am with the wounded." It was her war. She spent weeks in the lines, this seventy-six-year-old marvel, clattering around in her mule-drawn wagons doling out necessities and comforts. The first American vessel to enter Santiago harbor after the defeat of the Spanish fleet was her relief ship, *State of Texas*, and she was aboard.

After the war Congress thanked her and so did President McKinley, but some of her own followers were fit to be tied. She had treated them as if they were servants. She had refused to have her books audited. She had ignored all advice.

As far as the public could tell, the organization was in zenith but there really was no organization, there was only Clara Barton. The Red Cross had become too important—thanks to Clara—to remain the personal plaything of one headstrong old lady.

She was too enamored of herself to tolerate such notions. Her enemies, led by a glacial specimen named Mable T. Boardman, finally did her in. The poor old girl's informal financial practices were publicized as the misfeasances of an adventuress. Her incapacity for teamwork

was denounced as deliberate sabotage. The ensuing public squabble brought the Red Cross to the brink of dissolution. In 1904 Clara could stand no more and resigned.

The victorious Mable Boardman was no bargain but she transformed the Red Cross into a sound establishment. She oozed *noblesse oblige*. In an era of social ferment she gave the Red Cross an upper-class imprint so formidable as to stigmatize it in many industrial communities. She peopled the local chapters with Junior League volunteers and their mammas, effectively blockading the Red Cross from the kind of community participation on which work of its kind is supposed to depend in a democracy.

On the other hand she was a stickler for results. The sympathetic heart of the post-debutante was not sufficient qualification for Red Cross activity: Lady Bountiful was required to accept training in the skills of social service. To assist in this and to regularize disaster relief and services to the armed forces, the full-time staff was steadily enlarged. New chapters were organized by the thousands and were made to toe the mark.

The Red Cross was still being dominated by one woman, but at least was being allowed to develop some momentum of its own.

Its military nursing (a Barton specialty) improved and expanded to such an extent during World War I that the Government finally had to take over; there no longer was any excuse to pretend that so essential a medical service was a private responsibility. The same sort of thing happened later with another Red Cross development of immense importance—public-health nursing. Stuffer elements in the leadership hated to yield any prerogatives to Government but there was no choice.

Boardman continued to exercise power until her death in 1946, aged eighty-six. By then the democratic pressures of World War II had begun to alter the institution's patrician character.

The postwar leadership has been doing its very best to complete the process. It recognizes that, if disaster relief and other vital public services are to remain on a voluntary, privately financed basis, the Red Cross must become unmistakably an instrument of the public it serves. The national office resonates with phrases such as "group dynamics."

"We have learned," confides a national official, "that when you get a group of people together for a good purpose and let them discuss it, they will come up with something worthwhile."

Doctrine is no longer handed down to the chapters as if from Olympus. Democracy is being introduced at all levels and rank-and-file opinion is being solicited.

Except in a few diehard chapters unpedigreed members of the community are being courted to become active, equal, working members of the organization. The full-time, paid Red Cross expert, who sometimes used to be treated as a barely tolerable necessity, like the tennis pro in a 19th Century country club, is now an acknowledged leader.

The transfiguration of what was once a high-handed charity is being accomplished without any let-up in the pace of Red Cross work. There have been the usual floods and hurricanes and the services in camps and hospitals and households and the establishment of peacetime blood banking and the Korean difficulty and the Lebanon expedition and the Hungarian refugees and the annual enrollment drives. The modern emphasis in these roll calls is not on money alone but on the social necessity of encouraging as many Americans as possible to contribute time and talent to Red Cross projects.

"The Red Cross Is You," says one slogan. It is a good slogan and in time it may come true.

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SFC-ARC-A001859

# Memorandum

**To:** Board of Governors  
**From:** David McLaughlin  
**Date:** December 20, 2002

On January 5, 1905 the American National Red Cross was formally incorporated by an act of the Fifty Eighth Congress of the United States of America. The stated purpose of the organization was:

- To furnish volunteer aid to the sick and wounded armies in time of war in the spirit and conditions of the conference of Geneva.
- To perform all of the duties devolved upon a national society by each nation which has acceded to said treaty.
- To succeed to all of the rights and properties which had previously been held and to all of the duties which had been performed by the American National Red Cross incorporated by an Act of Congress on June 6, 1900.
- To act in matters of voluntary relief and in accord with the military and naval authorities.
- To continue and carry on a system of national and international relief in time of peace for suffering caused by pestilence, famine, fire, floods and other great national calamities and to devise and carry on measures for preventing the same.

As we approach the ninety-eighth anniversary of this event, our mission is essentially the same – broadened in certain areas and altered somewhat in how services are delivered – but it is as it was then, a volunteer-led, humanitarian organization that serves the needs of the country in times of peace and war. It is a charter that has withstood the test of time and never was this more so than in the year that has just passed.

On this occasion, I would like to thank each of you for your service to the country through your role as a Governor of the American Red Cross and for your unstinting support during this year of change. We are a stronger organization because of the

SFC-ARC-A001860

December 24, 2002

challenges that we have faced. As we now look to the New Year with a talented President and a strengthened organization, one senses that we are on the cusp of a period of revitalization and recommitment that will raise the American Red Cross to new levels in terms of its ability to serve the nation and the international community as they confront unprecedented new challenges. In few times in the history of this nation has there been a greater need for a strong American Red Cross.

With great appreciation, I wish each of you a joyous holiday season and a fulfilling New Year.

Regards,

A handwritten signature in black ink, appearing to be the initials 'DE' with a stylized flourish.

cc: Marty Evans

# Memorandum

**To:** Board of Governors  
**From:** David McLaughlin  
**Date:** December 23, 2002  
**Re:** Chapter Visits

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Over the past year we have encouraged Board of Governor members to visit proactively American Red Cross (ARC) chapters, blood regions, service councils and other events. Barbara Henderson has recorded these activities in so far as she has been made aware of them.

Attached is a summary of her chronicle for the last year. For those of you whose forms we have not received, as I know many of you have participated in field visit and activities that are not recorded here, I share this with you for two purposes – to continue to encourage you to make every effort to express the Board of Governors' interest in learning about the concerns of ARC units and to extend our encouragement, and secondly, to let Barbara know when you have done so, so that we have a completed record of Board activity in this record.

Also attached for your use is a tracking form to record your visits.

Many thanks.

cc: Marty Evans

Attachments

SFC-ARC-A001862

**CHAPTER VISITS FOR 2002**  
**DAVID T. MCLAUGHLIN**

<b>Date</b>	<b>Destination</b>	<b>Event</b>	<b>Purpose</b>
2-Jan	Dallas, TX	Disaster Leadership Conference	ARC
8-Jan	India	Indian Red Cross Society	ARC
2-Jan	Boston, MA	Liberty Disaster Relief Fund Donor Reception	ARC
5-Feb	Scottsdale, AZ	The Conference Board	
10-Feb	Albuquerque, NM	PIP	ARC
21-Feb	WDC - RC Square	Nat'l Celebrity Cabinet Inauguration	ARC
7-May	Chicago, IL	Women's Board	
6-Feb	WDC - RC Square	Measles Press Event	ARC
4-Mar	Little Rock, AR	Rotary Club International	ARC
10-Apr	Miami, FL	Burger King Check Presentaiton	ARC
15-Apr	Ft. Myer, VA	Gen. Richard Myer's Dinner	ARC/Personal
14-May	WDC - RC Square	Juan Manuel Suarez del Toro, President/Int'l Fed	ARC
15-May	Philadelphia, PA	SEPA Chapter - Attended Chapter Executive & Committee meetings	ARC
29-May	Phoenix, AZ	ARC Nat'l Convention	ARC
9-Jun	Chicago, IL	Jewish Council	ARC
11-Jun	Atlanta, GA	Atlanta Annual Meeting	ARC
20-Jun	WDC - RC Square	Dr. Mellou, President/Israel's MDA	ARC
28-Jun	WDC	Chapter Chairman Academy	ARC
1-Jul	Springfield, MO	Visit Springfield Chapter	ARC
9-Jul	Denver, CO	Visit ARC Chapter and Aspen fire shelters	ARC
14-Jul	Phoenix, AZ	Pharmabrand-Summit	non-ARC
14-Jul	Phoenix, AZ	Visit Phoenix Fire sites	ARC
15-Jul	Denver, CO	Tour of Wildfire Areas and Tour and Briefing of DR141 Fund Raising Office and attend Colorado Wildfires Special Donor Recognition Event	ARC
25-Jul	Randolph, VT	ARC Central VT/NH Valley Chapter for ceremony for couple with more than 50 years of serviced	ARC
8-Aug	Chicago, IL	Visit Chicago Chapter and Metro Managers Meeting	ARC
27-Aug	Concord, NH	Capital Campaign	ARC
29-Aug	Shelter Island, NY	Lunchon at only ARC Chapter to have ambulatory service	ARC
12-15-Sep	Warrenton, VA	Board Retreat	ARC
23-Sep	Laconia, NH	Northern New England State Service Council	ARC
25-Sep	Los Angeles, CA	Visit LA Chapter - Donor Visits	ARC
26-Sep	Los Angeles, CA	Visit to LA Chapter Annual Meeting; attend donor recognition event at Paramount studios	ARC
28-Sep	Fairbanks, AL	Alaska State Leadership Meeting	ARC
30-Sep	Minneapolis, MN	Visited Minneapolis Chapter	ARC
8-Oct	Syracuse, NY	2002 NY State Conference	ARC

**CHAPTER VISITS FOR 2002  
DAVID T. MCLAUGHLIN**

<b>Date</b>	<b>Destination</b>	<b>Event</b>	<b>Purpose</b>
30-Oct	NY, NY	Attend Board of Trustees of the ARC Greater New York first meeting of the fiscal year	ARC
November 12-22	Mission to Italy, Geneva, Jordan, Palestine, Israel	Sign agreements with Magen David Adom and the Palestinian Red Crescent Society	
5-Dec	Washington, DC	Attend Biomedical Board meeting	
December 10-11	Chicago, IL	To meet with Prospective Donors	ARC

**SFC-ARC-A001864**

**SUMMARY OF  
BOG CHAPTER VISITS  
2002**

<b>Name</b>	<b>Date</b>	<b>Destination</b>	<b>Purpose</b>	<b>Training</b>	<b>Blood</b>
<b>Steve Carr</b>	Sep	Rotary of Sun Valley Idaho	Spoke to Club re ARC		
	Oct	Idaho State Annual Meeting	Keynote speaker		
	Oct	Idaho State Board Meeting	Attended		
	Nov	San Francisco Mountain Pacific Leadership Meeting	Attended		
	Nov	Save the Day Breakfast - Mountain River Valley Ranch	Speaker and Honorary Chair		
<b>Doug Dittrick</b>	30-Oct	Philadelphia	To attend Biomed Board meeting		
		New England-Mid Atlantic Region	Met with Chapter Executive Officer of New England-Mid Atlantic Region while visiting Bergen Crossroads to discuss Hudson County	Completed 5 of 8 required courses for DSHR qualification	
<b>Bill Gagliano</b>	1-Jun	Greater Cleveland Chapter	Annual Red Cross Golf Classic - Firm sponsored a foursome (\$2,500)		
	15-Jul	Greater Cleveland Chapter	As of 7/15/02 BOG member has attended 2-3 Board/Executive Committee meetings, together with an additional 2-3 social functions put on by the chapter		
	15-Jul	Northern Ohio Blood Services Region	As of 7/15/02 BOG member has attended at least 2 meetings of the Board of the Northern Ohio Blood Region		
	15-Jul	Greater Cleveland Chapter and Northern Ohio Blood Region	As of 7/15/02 BOG member has attended a joint meeting of the Board Chairs and Senior Management of the Greater Cleveland Chapter and the Northern Ohio Blood Region with the Blood Services Detroit Area Chair		
	15-Jul			Trained on use of Automatic External Defibrillator	
	23-Jul	Greater Cleveland Chapter	Attended Board meeting of Greater Cleveland Chapter		
	8-Oct	Northern Ohio Blood Services Region	Annual Meeting		
	8-Oct	Summit County (Akron Ohio Chapter)	Annual Meeting		
	1-Nov	Greater Cleveland Chapter	ARC Hero Awards Luncheon -- hosted a \$2,500 table of ten		

**SUMMARY OF  
BOG CHAPTER VISITS  
2002**

<i>Gagliano (cont'd)</i>	17-Dec	Cleveland	Did a 3 minute taped radio interview on WCLV (Cleveland's classical music station) regarding ARC's commitment to Disaster Services. The interview will air on February 8, 2003.		
<i>Sue Hassmiller</i>	19-Aug	Lincoln Nebraska Chapter	Chapter updates		
	20-Aug	Omaha Heartland Chapter	Chapter updates		
	11-Sep	Central New Jersey Chapters	Attended 9/11 Memorial breakfast		
	11-Sep	Liberty State Park New Jersey	Attend 9/11 Memorial Ceremony hosted by J&J and Governor James McGreevy of NJ		
	24-Sep	New Jersey State Council	Updates		
<i>Michael Hawkins</i>	May	Convention			X
	26-Jun	Missoula, Montana Chapter	Visited Chapter		
	3-Sep	Cincinnati Area Chapter	Made a presentation on international services		
	5-Oct	Tulsa Chapter	National Diversity Council's new member orientation and its Strategic Planning Retreat - met with Roger Dahl, Director of Diversity Outreach, Danette McInotsh and Melissa Ramez, Communications Director -- also toured facility which also houses the blood unit		
	9-13 Dec	Ghana	As observer for Ghana Measles Campaign		
<i>Ambassador Jones</i>	22-Jul	Washington D.C.			X
	20-Sep	Tulsa Red Cross Chapter and Blood Region	Met with Roger Dahl, Dr. Lowell Tilzer and Chapter Board Chairman Duff Weddle		
<i>Elaine Lyerly</i>	Aug	Wilmington, NC	Circle of Excellence Awards (Carolina Blood Services Region)		
	Aug	Carolinas Region	Several meetings on blood competition issues in Carolinas Region		
	Sep	Greater Carolinas Chapter	Board Meeting		
	Sep	Carolinas Region	Several meetings on blood competition issues with region and national staff		
	Oct	Carolinas Region	Blood Board meeting		
	Oct	Carolinas Region	Several meetings on blood competition issues		

**SUMMARY OF  
BOG CHAPTER VISITS  
2002**

<i>Ross Ogden</i>	8-Jul	Blood Region	CT Blood Region - HHI		
	9-Jul	Westchester County, NY	Annual meeting and awards presentation		
	16-Jul	ARC Greater NY Meeting	9/11 Relief		
	10-Aug	Blood Region	CT Blood Region - HHI		
	9-Sep	Blood Region	CT Blood Region - HHI		
<i>Pat Powers</i>	20-Jun	Central Ohio Blood Region	BOG member unable to give blood -- attended the Volunteer Services Committee meeting and the Board of Director's meeting		
	18-Jul	Delaware County Chapter, Delaware Ohio	Attended Board meeting		
<i>Anthony Principi</i>	Oct	San Diego Chapter			
<i>Nancy Siebenmann</i>	Apr	Grant Wood Area Chapter			X
	12-Aug	Duluth, MN Northern Chapter	Board Meeting		
	17-Aug			CPR Training recertification	
	20-Aug	Grant Wood Area Chapter	Participated in the Board Orientation to new members		
	7-Sep	Des Moines, IA	Attend SSC meeting		
	5-Sep		Assisted at donor site of Bethany Lutheran Church		
	7-9 Oct	Denver, CO	Attended and presented at Volunteer Administrative Summit		
	21-Oct		Biomed conference call participant		
	30-Oct	Philadelphia	Attended special meeting of Biomed Board in Philadelphia		
			Participated as Red Cross representative in county-wide bioterrorism preparedness meetings		
			Regular attendance as non-voting member Grant Wood Area Chapter		

**SUMMARY OF  
BOG CHAPTER VISITS  
2002**

<i>Gloria White</i>	31-Jul				X
	4-8 Aug		International Services visit to Honduras and El Salvador Hurricane Mitchell Recovery Projects		
	12-Aug	St. Louis Area Chapter	Consultation on corporate board members		
	26-Aug	St. Louis Area Chapter	Introduction of new ARC CEO to Chairman of the Clergy Coalition		
	29-Aug	St. Louis Area Chapter	Consultation with St. Louis Area Chapter regarding closing homeless shelter		
	6-Sep	St. Louis Area Chapter	Introduce new ARC CEO to major donor prospect		
	10-Sep	St. Louis Area Chapter	Introduce new ARC CEO to Edward Jones Managing Partner		
	11-Sep	St. Louis Area Chapter	Solicit Anheuser Busch for specific officer/spouse for St. Louis Area Board		
	26-Sep	St. Louis Area Chapter	BOG Retreat presentation to the St. Louis Area Chapter Board of Directors		
	29-30 Sep	St. Louis Area Chapter	Regional Leadership Committee		
	30-Sep	St. Louis Area Chapter	Midwest/North Central Regional Committee meeting		
	1-Oct	St. Louis Area Chapter	Missouri-Illinois Blood Region Diversity Summit		
	3-Oct				X
	12-Oct	Wichita, Kansas	Kansas State Service Council Meeting		
	17-Oct			Health, Safety and Community Education CPR/Firsts AIDS/HIV Education	
	1-3 Nov	Akron, OH	Ohio State Conference		
	8-11 Nov		Missouri State Conference		

SFC-ARC-A001868

**American Red Cross**  
**BOARD OF GOVERNORS**  
Tracking Voluntary Service, Contributions and Activities

*Please complete and send this form quarterly (Oct. 31<sup>st</sup>, Dec. 31<sup>st</sup>, April 30<sup>th</sup> and June 30<sup>th</sup>) to Barbara Henderson, Office of the Chairman, 430 17<sup>th</sup> St, NW, Washington, DC 20006. Phone: (202)639-3930; Fax: (202) 639-3264; HendersonB@usa.redcross.org*

Name: \_\_\_\_\_

**Visits and Meetings:** List visits to chapters and Blood Services Regions, as well as attendance at State Service Council meetings and conferences.

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**Blood Donations:** List blood and platelet donations.

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**Health, Safety and Community Education:** List participation in or attendance at a CPR, First Aid, AED, Water Safety, HIV/AIDS Education, or other education program.

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**Other Voluntary Activities or Contributions:** List voluntary service through Armed Forces Emergency Services or Disaster Services, or financial contributions you have made locally.

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Thank you for supporting the American Red Cross in so many ways.



Office of the Chairman  
National Headquarters  
Washington, D.C.

*Together, we can save a life*

To: Members of the Board of Governors      Date: December 3, 2002  
From: David T. McLaughlin      Subject: Report on Middle East Trip  
cc: Marsha J. Evans

Recently, Carol Ann Haake (Chair of the International Services Committee) and I represented the American Red Cross during a visit to Europe and the Middle East. We were accompanied by Gerry Jones, Brian Majewski, Francois de la Roche and Malik Jaffer of the International Services Department. We are reporting to you on both the significance of our visits and the observations that I have come away with. While much of what I am reporting to you was either openly expressed to me or is my personal observation, I am conveying it to you with a request that this information be used only for your purposes as a governor. This is not for wider dissemination to the field or media. Also, as Americans traveling in the Middle East, we were continually drawn into discussions of a political nature regarding the potential Iraqi war and the Israeli-Palestinian conflict. I did not attempt to remove all political aspects from this report as I feel to do so would create an imbalance in my impressions and observations. Therefore, references to issues of a political nature are not meant to represent an endorsement of those issues by the American Red Cross or myself, but only to convey challenges to the American Red Cross in the broadest context.

My trip began in Rome at a dinner of a NYSE reinsurance company whose board I formerly chaired. This organization's board includes Dutch, English, Swiss, Italian, German and American CEO representation. While this dinner was not a part of my Red Cross activities, the dinner conversation represented interesting sentiments and a hardening of attitudes that I have experienced and continue to encounter in Europe this past year. Discussions during dinner inevitably fell to U.S.-European relations and the prospects of a war with Iraq. The depth of the differences on policy issues between the US and Europe was sobering. Feelings of Europe's budget-induced inferiority in defense and military leadership and their frustration were openly expressed. On issues of international identity and leadership, there was resentment of the U.S. and our refusal to let the Europeans exert their "rightful role" and to keep them "in the loop." What stunned me was the vehemence on these issues by the European corporate leaders that I have known so well. It cannot augur well for the future of Europe-U.S. relations, on issue of corporate mergers, environmental issues, wartime partnerships and the like; however, it should not impact the American Red Cross.

We then traveled on to Geneva and the headquarters of the International Committee of the Red Cross (ICRC) and the Federation of Red Cross and Crescent Societies (Federation). The ICRC is involved with providing humanitarian relief in combat and conflict situations. The Federation, on the other hand, is composed of 150-plus independent national societies and deals with national society needs in the area of organizational development, community health and natural and manmade disasters.

The ICRC is moving to a war footing to accommodate anticipated population movement inside of and from Iraq, in the event of a conflict there. With 150,000 Egyptian workers and other nationals in Iraq, they are preparing for an influx of up to 50,000 refugees through Jordan. Meetings with Federation and ICRC Presidents and senior staff, as well as the U.S. Ambassador to Switzerland, Rolf Bode Mueller, who is responsible for all U.S. coordination with international organizations, including the ICRC and the Federation, were fascinating. These meetings highlighted the need for International Humanitarian Law guidelines as well as opportunities for the American Red Cross's continued operational support. The American Red Cross needs to build upon our close and productive arrangement with the ICRC. Jacob Kellenberger, President of the ICRC, is a good personal friend and is giving positive leadership to a very talented and motivated staff. ICRC can be our strongest ally.

The Federation is at a critical point. President del Toro has shifted the emphasis from the Federation being an operating entity to one of being a coordinating agency. It is a cultural shift. Declining funding is forcing a 20 percent staff reduction over the next two years. This could result in the American Red Cross becoming a stronger player if we wish to take a leadership role in addressing global health and safety and disaster preparation and response needs in other regions and countries. It would move the American Red Cross from being reactive to proactive. This will always need to be accomplished either through the Federation or through bilateral or multilateral arrangements with other national societies.

Also, while in Geneva, the President of the Palestine Red Crescent Society (PRC), Younis Al-Khatib, and I signed the first Memorandum of Understanding between our organizations. The signing had been initially planned as a joint signing ceremony in Tel Aviv with the Israeli Magen David Adom (MDA). However, President Al-Khatib was concerned that if he left Palestine for Tel Aviv, he would not be permitted to return to Ramallah. I found President Al-Khatib to be a thoughtful leader who has managed the PRC in the most stressful of times. He spends three or four nights a week in his office in Ramallah, as the city is under a dusk to dawn curfew. He related an experience where he was picked up by Israeli police one evening, held in a detention camp, shackled and beaten. It took the full force of the ICRC, several national embassies and the MDA to secure his release. Despite this, President Al-Khatib was seemingly devoid of anger and spoke about the plight of his people with a resigned sorrow. President Al-Khatib condemns the Palestinian suicide bombing and the excess of force by Israel, but points out that they are the consequences of long-term occupation and until the occupation of Palestine ceases, he sees no opportunity for peaceful co-existence.

From Geneva we traveled to Amman, Jordan, where we were hosted by Dr. Mohammed Al-Hadid, President of the Jordan Red Crescent. In addition to discussing regional and international issues of mutual interest to our societies, Dr. Al-Hadid arranged an audience with King Abdulla. The King was gracious and relaxed, but focused on the Iraq situation. During the Gulf War his father sided with Iraq, at a large economic and political penalty to Jordan. Close economic ties with Iraq continue, and

King Abdulla's challenges are no less difficult than his father's as Jordan is now the home to a large portion of the 4.5 million Palestinian refugees.

Princess Scrvath, the wife of King Hussein's brother, hosted a dinner for us and presented to me on behalf of the American Red Cross a gold medal and symbols of Jordan. It was a gracious occasion and the Red Cross museum will be the beneficiary. The Princess was outspoken in her political opinions regarding Israel and we had a spirited discussion about what constitutes terrorism.

We drove from Amman to the Israeli border, traveling through spectacular desert mountain country, past the Dead Sea, the lowest point on earth, and into the lush Jordan Valley. At the King Hussein Bridge checkpoint to cross the Jordan River, I proudly had my picture taken in front of an MDA bus with "donated by the Chicago Chapter of the American Red Cross" painted on its side. The photographer, Brian Majewski, was detained and questioned about the "reason" for the picture, as it was in a high-security area. From this point on, our journey was continually marked by security checkpoint delays. Even with VIP status, it took us two hours of processing, searches and other clearance activity to get across the bridge. For hundreds of others, it took much longer.

Driving from the Jordan Valley to Tel Aviv, you pass numerous examples of Israeli settlements in Palestinian land. Some are small, but many are very large cities. You witness that the investment in creating settlements to establish "rights" in Palestinian territory is huge and, in most cases, these decisions are irreversible.

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#### **Closing Observations**

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I share with you the following strategic observations:

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- The MDA issue looks difficult in terms of a quick resolution. It will require a diplomatic conference to resolve the emblem issue but this will only be possible if there is an easing of tension in the Middle East. In the interim, the MOU's with MDA and PRC provide an opportunity to support both Societies in an even-handed way. With MDA being included in all Federation activities now, the price for their exclusion is more one of optics than substance. We need to continue to be a constructive force in resolving this as it takes too much time and energy to leave it an open issue.
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- Neither the American Red Cross nor the Federation have good external communications to educate and inform our critical audiences – donors, Congress, other NGOs, etc. of the extraordinary contributions that we make. Improved communications need to be combined with a much stronger international development effort. Given the potential for new natural disasters; the prospect of an HIV/AIDS epidemic of enormous proportions in China, India and Russia; and other health and safety needs; the American Red Cross should be prepared to make a greater contribution that will enhance our position both domestically and internationally. It is consistent with being more proactive on the world humanitarian scene. This should be a high priority for the Board and management.

I welcome your feedback on these issues. Throughout the trip, I was reminded that the American Red Cross does a tremendous good in our country as well as internationally. I am appreciative to you for making that possible.



Office of the Chairman  
National Headquarters  
Washington, D.C.

*Together, we can save a life*

**To:** Members of the Board of Governors      **Date:** December 3, 2002  
**From:** David T. McLaughlin      **Subject:** Report on Middle East Trip  
**cc:** Marsha J. Evans

Recently, Carol Ann Haake (Chair of the International Services Committee) and I represented the American Red Cross during a visit to Europe and the Middle East. We were accompanied by Gerry Jones, Brian Majewski, Francois de la Roche and Malik Jaffer of the International Services Department. We are reporting to you on both the significance of our visits and the observations that I have come away with. While much of what I am reporting to you was either openly expressed to me or is my personal observation, I am conveying it to you with a request that this information be used only for your purposes as a governor. This is not for wider dissemination to the field or media. Also, as Americans traveling in the Middle East, we were continually drawn into discussions of a political nature regarding the potential Iraqi war and the Israeli-Palestinian conflict. I did not attempt to remove all political aspects from this report as I feel to do so would create an imbalance in my impressions and observations. Therefore, references to issues of a political nature are not meant to represent an endorsement of those issues by the American Red Cross or myself, but only to convey challenges to the American Red Cross in the broadest context.

My trip began in Rome at a dinner of a NYSE reinsurance company whose board I formerly chaired. This organization's board includes Dutch, English, Swiss, Italian, German and American CEO representation. While this dinner was not a part of my Red Cross activities, the dinner conversation represented interesting sentiments and a hardening of attitudes that I have experienced and continue to encounter in Europe this past year. Discussions during dinner inevitably fell to U.S.-European relations and the prospects of a war with Iraq. The depth of the differences on policy issues between the US and Europe was sobering. Feelings of Europe's budget-induced inferiority in defense and military leadership and their frustration were openly expressed. On issues of international identity and leadership, there was resentment of the U.S. and our refusal to let the Europeans exert their "rightful role" and to keep them "in the loop." What stunned me was the vehemence on these issues by the European corporate leaders that I have known so well. It cannot augur well for the future of Europe-U.S. relations, on issue of corporate mergers, environmental issues, wartime partnerships and the like; however, it should not impact the American Red Cross.

We then traveled on to Geneva and the headquarters of the International Committee of the Red Cross (ICRC) and the Federation of Red Cross and Crescent Societies (Federation). The ICRC is involved with providing humanitarian relief in combat and conflict situations. The Federation, on the other hand, is composed of 150-plus independent national societies and deals with national society needs in the area of organizational development, community health and natural and manmade disasters.

The ICRC is moving to a war footing to accommodate anticipated population movement inside of and from Iraq, in the event of a conflict there. With 150,000 Egyptian workers and other nationals in Iraq, they are preparing for an influx of up to 50,000 refugees through Jordan. Meetings with Federation and ICRC Presidents and senior staff, as well as the U.S. Ambassador to Switzerland, Rolf Bode Mueller, who is responsible for all U.S. coordination with international organizations, including the ICRC and the Federation, were fascinating. These meetings highlighted the need for International Humanitarian Law guidelines as well as opportunities for the American Red Cross's continued operational support. The American Red Cross needs to build upon our close and productive arrangement with the ICRC. Jacob Kellenberger, President of the ICRC, is a good personal friend and is giving positive leadership to a very talented and motivated staff. ICRC can be our strongest ally.

The Federation is at a critical point. President del Toro has shifted the emphasis from the Federation being an operating entity to one of being a coordinating agency. It is a cultural shift. Declining funding is forcing a 20 percent staff reduction over the next two years. This could result in the American Red Cross becoming a stronger player if we wish to take a leadership role in addressing global health and safety and disaster preparation and response needs in other regions and countries. It would move the American Red Cross from being reactive to proactive. This will always need to be accomplished either through the Federation or through bilateral or multilateral arrangements with other national societies.

Also, while in Geneva, the President of the Palestine Red Crescent Society (PRC), Younis Al-Khatib, and I signed the first Memorandum of Understanding between our organizations. The signing had been initially planned as a joint signing ceremony in Tel Aviv with the Israeli Magen David Adom (MDA). However, President Al-Khatib was concerned that if he left Palestine for Tel Aviv, he would not be permitted to return to Ramallah. I found President Al-Khatib to be a thoughtful leader who has managed the PRC in the most stressful of times. He spends three or four nights a week in his office in Ramallah, as the city is under a dusk to dawn curfew. He related an experience where he was picked up by Israeli police one evening, held in a detention camp, shackled and beaten. It took the full force of the ICRC, several national embassies and the MDA to secure his release. Despite this, President Al-Khatib was seemingly devoid of anger and spoke about the plight of his people with a resigned sorrow. President Al-Khatib condemns the Palestinian suicide bombing and the excess of force by Israel, but points out that they are the consequences of long-term occupation and until the occupation of Palestine ceases, he sees no opportunity for peaceful co-existence.

From Geneva we traveled to Amman, Jordan, where we were hosted by Dr. Mohammed Al-Hadid, President of the Jordan Red Crescent. In addition to discussing regional and international issues of mutual interest to our societies, Dr. Al-Hadid arranged an audience with King Abdulla. The King was gracious and relaxed, but focused on the Iraq situation. During the Gulf War his father sided with Iraq, at a large economic and political penalty to Jordan. Close economic ties with Iraq continue, and

King Abdulla's challenges are no less difficult than his father's as Jordan is now the home to a large portion of the 4.5 million Palestinian refugees.

Princess Scrath, the wife of King Hussein's brother, hosted a dinner for us and presented to me on behalf of the American Red Cross a gold medal and symbols of Jordan. It was a gracious occasion and the Red Cross museum will be the beneficiary. The Princess was outspoken in her political opinions regarding Israel and we had a spirited discussion about what constitutes terrorism.

We drove from Amman to the Israeli border, traveling through spectacular desert mountain country, past the Dead Sea, the lowest point on earth, and into the lush Jordan Valley. At the King Hussein Bridge checkpoint to cross the Jordan River, I proudly had my picture taken in front of an MDA bus with "donated by the Chicago Chapter of the American Red Cross" painted on its side. The photographer, Brian Majewski, was detained and questioned about the "reason" for the picture, as it was in a high-security area. From this point on, our journey was continually marked by security checkpoint delays. Even with VIP status, it took us two hours of processing, searches and other clearance activity to get across the bridge. For hundreds of others, it took much longer.

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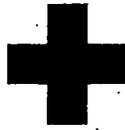
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**American  
Red Cross**

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

David T. McLaughlin  
Chairman

October 28, 2002

Gina F. Adams  
Corporate Vice President,  
Government Affairs  
FedEx Corporation  
101 Constitution Avenue, N.W.  
Suite 801 East  
Washington, D.C 20001

Dear Gina,

I am delighted to advise you that the Executive Committee elected you to the Board of Governors at its meeting last Friday, 25 October 2002. We look forward to working closely with you and I know that Marty plans to schedule a session between you and some of her staff in the near term.

I look forward to working with you and am grateful to you for your willingness to serve the American Red Cross and the nation in this capacity.

Regards,

David T. McLaughlin

cc: Marty Evans  
bcc: Beth Butler  
(Enclosures sent: BOG Corporate Governance Booklet  
and 2002-2003 Governors & Officers of the American  
Red Cross)

*Together, we can save a life*

SFC-ARC-A001880



**American  
Red Cross**

**Office of the General Counsel**  
430 17th Street, N.W.  
Washington, DC 20006-5307

Phone: (202) 639-3268  
Fax: (202) 639-3700

November 19, 2002

Ms. Gina Adams  
Corporate Vice President, Government Affairs  
FedEx Corporation  
101 Constitution Avenue, NW  
Suite 801 East  
Washington, DC 20001-2133

Dear Ms. Adams:

Congratulations on your election to the Board of Governors. I hope the enclosed information will be helpful in acquainting you with the American Red Cross and the Board of Governors.

The Board of Governors meets three times each year. The standing committees of the Board meet in conjunction with these meetings, and several committees have begun to meet between Board meetings, as well. A description of each committee is found in the Board of Governors Corporate Governance Book and their slates are listed in the back of the 2002-2003 Governors and Officers booklet, both of which you received earlier. A calendar of upcoming Board and Committee meetings is enclosed.

Much of the work of the Board is done through committees that review and make recommendations to the Board on policy and related matters falling within its particular field of jurisdiction. At this time you have not been assigned to a committee, however, Mr. McLaughlin and Ms. Evans will be in touch to discuss your committee assignment preference. With the exception of the Executive Committee which is limited to its members, you are welcome to attend any committee meetings.

Upcoming events for the Board are as follows:

Jan 30 – Feb 1, 2003	Board Meeting, Washington, DC
May 29 – June 1, 2003	Board Meeting at Convention, Indianapolis, IN
Sept 12 – 14, 2003	Board Retreat and Meeting

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SFC-ARC-A001881

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November 19, 2002  
Page Two

I have also included a number of administrative forms, and our annual Code of Conduct form, which should be completed and returned to my office. I look forward to meeting you at the January Board meeting. Please do not hesitate to contact me at (202) 639-3262 or my assistant Joan Man at (202) 434-4035 if we can be of any assistance.

Sincerely,

  
Andrea Morisi  
Senior Counsel and Interim  
Corporate Secretary

cc without enclosures:

David T. McLaughlin, Chairman ✓  
Marsha J. Evans, President and CEO

Enclosures:

What to expect at Board meetings  
Contact Information  
2002-2003 Board and Committee Meeting Calendar  
Administrative Information- (Includes form to be returned)  
Code of Conduct  
Personal Information  
American Red Cross Travel Procedures

SFC-ARC-A001882



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**National Headquarters**  
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Chairman

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SFC-ARC-A001883



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SFC-ARC-A001885

**Henderson, Barbara**

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**From:** Henderson, Barbara  
**Sent:** Tuesday, December 03, 2002 10:58 AM  
**To:** 'shassmiller@rwf.org'  
**Cc:** Evans, Marsha; Prevatte, Carolyn  
**Subject:** E-mail from David McLaughlin re NY Meeting  
Sue,

I love it – your support of a NYC Major Disaster Presentation and Preparation Conference in NYC in the fall of 2003 is a potential winner!!! It could showcase the ARC's lead role but also feature our "partners" in NYC and elsewhere.

Marty must make the practical call on the wisdom of this, but my instincts say that it could raise the ARC to a new level of public awareness.

Thanks so much.

Dave

Barbara S. Henderson  
Special Assistant to the Chairman  
American Red Cross  
Phone: 202-639-3930  
Fax: 202-639-3264

12/3/2002

SFC-ARC-A001886

## Henderson, Barbara

---

**From:** David T. McLaughlin [orionsafety@tds.net]  
**Sent:** Tuesday, December 03, 2002 8:07 AM  
**To:** Barbara Henderson  
**Subject:** FW: New York meeting

**Importance:** High

Good Morning:

Fax with response coming.

Linda K. Nicklos

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

**From:** Hassmiller, Susan [mailto:SHASSMILLER@rwjf.org]  
**Sent:** Friday, November 29, 2002 10:51 AM  
**To:** EvansM@usa.redcross.org  
**Cc:** orionsafety@tds.net; ogdenr@optonline.net; amy@earthlink.net  
**Subject:** New York meeting

Marty: Sorry I missed you last week in California. I had already been gone from home too long, picked up the Norwalk virus along the way and needed to get home. I hope you found the meeting informative as you move forward with your strategic plan. While I was in CA I bounced an idea off of a few people who thought it a very good idea. When speaking to Alan McCurry, he recommended I bounce it off of you before proceeding further. So, here is the idea:

The idea is building on 2 ideas; one offered by Peter Loftin to have a meeting (he recommended it be our national convention) in NYC to show our support and brand to the good folks of the city; and the other idea by me, which is to have a national level conference for Fortune 500 companies to help prepare them for the next inevitable attack (s). I know that there are many (most) companies that are very concerned with how to protect their resources, including human, and are desperate to learn of protective, preparedness, and responsive measures. We are piloting a program in Princeton with businesses right now that could serve as a learning laboratory. I would love to explore with you the opportunity to host a conference in NYC to help kick off this effort nationwide (combining both our ideas). I think this would be an exciting and much needed effort and would be very appreciated by the business community who are desperate for answers. I would, of course, encourage us to partner with key organizations to make this a meaningful event all around (FEMA, Homeland Security, etc). Needless to say, this would also present itself as an ideal soft marketing effort. Please let me know how we might continue this discussion by phone or in person, or whatever else you might have in mind. Sue

David T. McLaughlin

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Subject: New York meeting

Marty: Sorry I missed you last week in California. I had already been gone from home too long, picked up the Norwalk virus along the way and needed to get home. I hope you found the meeting informative as you move forward with your strategic plan. While I was in CA I bounced an idea off of a few people who thought it a very good idea. When speaking to Alan McCurry, he recommended I bounce it off of you before proceeding further. So, here is the idea:

The idea is building on 2 ideas; one offered by Peter Loftin to have a meeting (he recommended it be our national convention) in NYC to show our support and brand to the good folks of the city; and the other idea by me, which is to have a national level conference for Fortune 500 companies to help prepare them for the next inevitable attack(s). I know that there are many (most) companies that are very concerned with how to protect their resources, including human, and are desperate to learn of protective, preparedness, and responsive measures. We are piloting a program in Princeton with businesses right now that could serve as a learning laboratory. I would love to explore with you the opportunity to host a conference in NYC to help kick off this effort nation-wide (combining both our ideas). I think this would be an exciting and much needed effort and would be very appreciated by the business community who are desperate for answers. I would, of course, encourage us to partner with key organizations to make this a meaningful event all around (FEMA, Homeland Security, etc). Needless to say, this would also present itself as an ideal soft marketing effort. Please let me know how we might continue this discussion by phone or in person, or whatever else you might have in mind. Sue

E MAIL

cc Marty Evans  
Presentation

Susan

I love it - your support of a NYC major Disaster Preparedness and Preparation Conference in NYC in the fall of 2003 is a potential winner!! It could showcase the ARC lead role but also feature our "partners" in NYC and elsewhere.

Marty must make the practical call on the wisdom of this, but my instincts say that it could raise the ARC to a new level of public awareness —

Thanks so much

DT



American  
Red Cross

10/18

Michael

Many thanks for  
your summary of your  
visit to the Tulsa  
Chapter and for the  
information on the  
National Diversity Council  
Retreat.

Both were very  
helpful - as is your  
willingness to explore  
the issues in the field

Thanks

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

SFC-ARC-A001889

OCT 14 2002

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& SHOHL LLP**  
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Michael W. Hawkins  
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[hawkins@dinslaw.com](mailto:hawkins@dinslaw.com)

Admitted in Ohio and Kentucky

October 9, 2002

OCT 14 2002

Mr. David T. McLaughlin  
Chairman, Board of Governors  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Mrs. Marsha J. Evans  
President and Chief Executive Officer  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Ms. Barbara Henderson  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Re: Visit to Tulsa, Oklahoma Chapter

Dear David, Marty and Barbara:

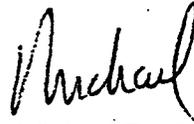
On October 5, 2002 I visited the Tulsa Chapter in conjunction with my attendance at the National Diversity Council's new member orientation and its Strategic Planning Retreat. I met with their Executive Director, Roger Dahl, Director of Diversity Outreach, Danette McInotsh and Melissa Rambez, their Communication Director. I also received a tour of their facility which also houses the blood unit.

I was very impressed with their enthusiasm and the overall condition of the Chapter. In response to questions about what input they would have for me as a Board of Governor, I was told three things to pass along: (1) Chapters want to work together with National in a win/win relationship; (2) Roger mentioned that he is very optimistic after hearing Marty recently speak to Chapter executives about her openness and willingness to listen; and (3) Roger hopes that the future with Marty's leadership style will spill over to other areas within National and that before National implements policies, procedures or programs it will get input from the field on how to make them be successfully implemented and embraced.

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All and all, it was a great trip!

Best Regards,



Michael W. Hawkins

MWH/amm

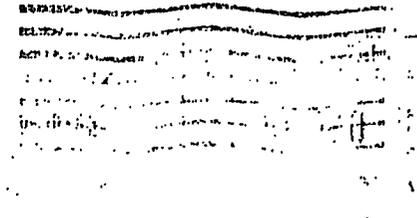
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& SHOFT LLP

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2000643307 63



SFC-ARC-A001892

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m H file

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Admitted in Ohio and Kentucky

October 9, 2002

OCT 14 2002

American Red Cross Board of Governors

Mrs. Marsha J. Evans  
President and Chief Executive Officer  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Re: National Diversity Council Retreat October 3-4, 2002 - Tulsa, Oklahoma

Dear Board of Governors and Marty:

As the Board of Governors Liaison to the National Diversity Council, I recently attended its new Council Member Orientation and Retreat where they worked on the Strategic Diversity Plan for the American Red Cross. Tony Polk and Dee Hayward from National Staff, Jerry Goodwin, Chair of the National Diversity Council, Margaret Sanchez, Vice Chair of the National Diversity Council and the entire Council were well prepared, organized, educated and focused on the need for a renewed and targeted effort to implement a meaningful diversity program within the American Red Cross. We also had input and participation at the meeting from the Tulsa Executive Director, Roger Dahl and its Director of Diversity Outreach, Dannette McIntosh.

Consistent with the purpose of the National Diversity Council, a comprehensive diversity plan will be presented to the American Red Cross Senior Management and the Board of Governors in order to fulfill the corporate expectations for "achieving greater diversity and inclusiveness in Red Cross policies and procedures, programs and services, and its governance, volunteer and employee work force."

The implementation of the final plan developed by Senior Management including recommended action by the Board of Governors will be essential to the American Red Cross' future as the charity of choice, the provider of choice and the employer and volunteer organization of choice. I am attaching an article from the *Directors Monthly Magazine* entitled *Diversity Management: From Strategy to Implementation*. It provides our Board of Governors with a road map on effectively implementing the Diversity Plan that will be presented to us. We must embrace it and be the leaders in making it successful. It will also be our responsibility to

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hold ourselves and management accountable for making it a success. If anyone has questions, I will be glad to address them.

Best Regards,



Michael W. Hawkins

MWH/amm

Enclosure

cc: Mr. Tony Polk  
Ms. Dee Hayward  
Mr. Jerry Goodwin  
Ms. Margaret Sanchez  
National Diversity Council Members

SFC-ARC-A001894

Charleston WV • Cincinnati OH • Columbus OH • Covington KY  
Dayton OH • Lexington KY • Louisville KY • Nashville TN • Pittsburgh PA

## Diversity Management: From Strategy to Implementation

Directors are increasingly being held accountable for the ineffective or inappropriate behavior of the companies they direct. From loose accounting practices to employee discrimination, directors are expected to know what management is doing and how management intends to ensure the continued success of the enterprise.

Effective diversity oversight is just as important as other business strategies that significantly impact the success of the company. Accordingly, creating a culture that supports input, consideration, and respect of others, as well as tolerance of differences in style, work habits, and communication is a mandate for businesses today.

### *Diversity Management Planning*

Diversity management goes beyond race and gender. It addresses the core differences between people, including personalities, levels of management, and functional departments. For any diversity management plan to work, the leaders of the organization must first be educated about its importance, purpose, and pay-off.

It is also essential to understand the basic culture of the organization. That means understanding the way it does things (naturally). Organizations, like people, have a core set of behaviors, values, and beliefs. These elements of culture have been with the company from its early days and are often deeply embedded in its operations. An in-depth culture scan helps tell the story of how a company came to be what it is today.

Consider the culture that allowed Georgia Power to face employee complaints time and again. The utility giant has a very strong bias to action, typical of a utility that has to react quickly in a crisis. Unfortunately, that strong bias to action created a blind spot in employee relations. In the last two decades, the company was charged with discrimination at least three times. In each of the cases, consistent with its previous culture, Georgia Power quickly fixed the

current problem, put it behind them and moved on. Company officials (and board members) never stopped to ask why this pattern of behavior continued to crop up. They missed a learning opportunity.

"The law suit taught us that we had to get more strategic," says Frank McCloskey, vice president of diversity and workplace ethics for Georgia Power based in Atlanta, Georgia. "The very first thing our president did was resist getting defensive. Secondly, we began work on a strategic diversity management plan. We got everyone on the same page with a common language, a shared vision, and a clear understanding of our culture."

### *Probing the Implementation Process*

The beginning of an effective diversity management plan involves completing three key steps: *educating executives, confirming their commitment, and formulating a diversity vision.* Once these

*Company officials (and board members) never stopped to ask why this pattern of behavior continued to crop up. They missed a learning opportunity.*

steps are implemented and understood, four additional phases of implementation should occur. While these steps are not necessarily sequential, each component is very necessary to achieve the desired outcome—a working diversity management plan.

**Phase 1: Research.** This phase includes a culture audit, diversity research, readiness assessment, benchmarking, and an opportunity analysis. These steps help organizations identify where they are currently. This phase pinpoints differences in the people's experiences, determines what works well within the organizational culture, and provides a baseline to measure future progress.

**Phase 2: Priority Setting.** This step includes conducting strategic planning sessions (that tie diversity management

to the other strategies of the company), working on culture synthesis and action planning, establishing a diversity action council, and developing an implementation plan. The diversity council should be made up of employees at all levels who are credible strategic thinkers, and who fully represent all the skills, perspectives, and motivations of all employees at the company.

**Phase 3: Implementation.** The implementation phase defines the plan for achieving the diversity vision. It is not a one-time, quick-hit process. Instead, it involves a comprehensive, systematic series of activities that will move the company toward success. This phase includes learning activities, a communications plan, engagement activities (getting everyone involved), systems reviews/revisions, and best practice emulations. Companies should strive to create an inclusive workplace culture and to train effective diversity managers.

**Phase 4: Assessment.** This phase includes monitoring and measuring results against a diversity scorecard established in the first phase. A mini-survey is used to assess how employees are experiencing the impact of inclusion. Program evaluation is a way to determine if the implementation plan was well executed.

### *Realizing the Vision*

A diversity-conscious workplace is an achievable vision. It is a place where people recognize the value of different perspectives, demonstrate mutual respect, communicate comfortably and candidly, and participate with dignity. If effective diversity management is going to be the next step toward creating equity in the workplace, board of directors must be part of the process. ▀

*James O. Rodgers, CMC (certified management consultant) is president of J.O. Rodgers & Associates, Inc., a diversity management consulting organization based in Decatur, Georgia. Mr. Rodgers can be reached through the company website [www.thediversitycoach.com](http://www.thediversitycoach.com).*

SFC-ARC-A001895

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SFC-ARC-A001896

**Henderson, Barbara**

---

**From:** Henderson, Barbara  
**Sent:** Friday, December 13, 2002 10:14 AM  
**To:** 'pam\_bailey@huntsman.com'  
**Subject:** FW: E-mail from David McLaughlin re Biomed Board  
Jon,

For your information.

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

**From:** Henderson, Barbara  
**Sent:** Friday, December 13, 2002 8:03 AM  
**To:** Evans, Marsha  
**Cc:** Douglas, Cheryl; Prevatte, Carolyn; Kroemer, Kurt  
**Subject:** E-mail from David McLaughlin re Biomed Board

Marty

Somewhat delayed but based on the Biomed Board discussions, I did want to confirm with you my understanding of how we are proceeding with the quality control process audit for Biomed.

- You and Jon will jointly decide on the firm after consultation with Ramesh, Buzz, and others as needed to assure that they "buy in" to the process and the selection. There are some concerns about the firm that Steve Bredehoeft recommended that should be considered i.e. too many former ARC employees involved beyond Steve's wife.
- There was a sentiment that this should be an on-going process and not a one time event. Provision for that possibility should be considered.
- It was felt that no assignment should provide for or expect an assessment as to whether we are in compliance with the FDA mandates.

On another matter, I spent two days this week in Chicago trying to use my contacts there to further their development effort to raise \$14.5 million for a new disaster operating center and headquarters facility. They have around \$8.0 million now based on selling their existing building, a \$2.0 million grant from the State and some other gifts. Hopefully we can leverage this to raise around \$4.0 million from my associations there and I believe that this is possible. It did impress on me how inexperienced and unprepared many of the chapters are to do significant fundraising. Brenda Asare is their development person - she is terrific but feels pretty lonely as the Board and the Chapter Executive, Bill Braden, are not skilled in this area. It emphasized for me the need to strengthen our chapter boards for governance skills and development contacts and support systems. Just an observation but we need to leverage more effectively our national and Governor contacts to help the chapters with major fund raising.

Dave

Barbara S. Henderson  
Special Assistant to the Chairman  
American Red Cross

SFC-ARC-A001897

12/13/2002

**Henderson, Barbara**

---

**From:** Henderson, Barbara  
**Sent:** Wednesday, October 09, 2002 11:49 AM  
**To:** 'ogdenr@optonline.net'  
**Subject:** FW: Follow-up of McLaughlin Meetings in LA and Fairbanks, AL  
David wanted you to have a copy of the e-mail below.

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

**From:** Henderson, Barbara  
**Sent:** Monday, September 30, 2002 9:23 AM  
**To:** Evans, Marsha  
**Cc:** Prevatte, Carolyn; Douglas, Cheryl  
**Subject:** Follow-up of McLaughlin Meetings in LA and Fairbanks, AL

Marty,

A quick review of the meetings I had this week in LA and Fairbanks – Minneapolis/St Paul to come later.

- Sherry Lansing and I had a good visit. She is most anxious to spend an afternoon with you and your new Communications man if you want to discuss the ARC communications plan. Sherry was with Bill O'Reilly recently who she knows professionally. She told him that she had become a Governor of ARC and he said that he was "delighted, never wanted to hurt ARC, wanted to meet with you, me etc and do a positive piece on ARC". It is indicative of how she can be of help so I would urge you to do this at your early convenience if you can and want to do so.
- The LA visit was good. Very positive about our direction. Word of the retreat had gotten there in glowing terms. They agreed not to rush the service delivery system even though there are some good parts of it, etc. Jim Haigwood and I had a long discussion on the volunteer organization which he said makes no sense to him as it is now structured. I subsequently met Roger Dickinson, who drove me to the airport. Roger had been the head of volunteers in Washington but could not get along with Bernadine so went to the LA Chapter as the operating head. He is very thoughtful and promised to send me in writing his thoughts on the volunteer structure which I will share with you.
- The event hosted by Viacom was well attended and positive, as was the Chapter annual meeting and my meeting with the staff. You are getting rave reviews from both sides of the podium.
- The combination of chapters in Alaska is interesting. It took them three years to reach a point of trust and cooperation to consummate the merger. They think they will lose volunteers and money in the short term but will, over time, be a stronger entity. We could go to school on their experiences as you and your team look at the service delivery system of tomorrow.
- The Fairbanks community meeting was very supportive and okay. The chapters of Alaska do not have good financial development folks and are underperforming from the norms in this regard. In terms of service delivery, disaster preparedness, etc they are way ahead of norm. I am sending you under separate cover the materials from this meeting – very impressive with heavy emphasis on excellence and accountability.

Dave

Barbara S. Henderson  
Special Assistant to the Chairman  
American Red Cross  
Telephone: 202-639-3930

10/9/02

SFC-ARC-A001898

Fax: 202-639-3264  
E-mail: hendersonb@usa.redcross.org



**American  
Red Cross**

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

**Marsha Johnson Evans**  
President and Chief Executive Officer

**To:** David McLaughlin, Chairman  
Board of Governors  
Chris Allen  
Doug Dittrick  
Kathryn Forbes  
Fred Grein  
Carol Ann Haake  
Jon Huntsman  
Ross Ogden

**Date:** September 30, 2002

**From:** Marsha J. Evans  
President and CEO

**Subject:** Response to Senator  
Charles Grassley's Letter  
of August 12, 2002

We submitted a response to the August 12, 2002 inquiry letter from Senator Charles Grassley, Ranking Member of the Senate Finance Committee, on September 26, 2002. Enclosed is a copy of our response letter and the attachments.

I expect to meet with Senator Grassley in the near future.

Enclosure

*Together, we can save a life*

SFC-ARC-A001900



**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 16, 2002

**From:** Marty Evans

**Subject:** Board Retreat

Thank you so much for a very productive retreat. I believe we have made very significant progress to develop a vision and strategy for the next five years. The senior management staff are eager to develop the associated plans to move the organization forward. Attached are several slides containing "talking points" which I hope are useful to you in communicating the exciting progress achieved and other items covered in the Board meeting. If you have questions or would like additional information, please be in touch with Carolyn Prevatte or me.

I also appreciate very much the warm welcome you gave me. It is exciting to be a part of this extraordinary organization. And I look forward very much to working with each of you in the coming months and years.

Attachments



# American Red Cross

Office of the General Counsel

National Headquarters  
Washington, DC 20006

To: David T. McLaughlin, Chairman  
Executive Committee

Date: September 16, 2002

From: Marty Evans, CEO *ME*

Subject: Interim Officer Assignments

This Friday, Harold Decker will announce his resignation so that he may fully devote himself to family commitments. I have asked Larry Moore to serve as Interim General Counsel and Andrea Morisi to serve as Interim Corporate Secretary.

Larry Moore joined Red Cross on June 4, 2001 after 24 years with the Pharmacia Corporation. I have worked closely with Larry since my arrival and have great respect for his legal abilities and business acumen. In addition to being an experienced counselor on complex corporate transactions and FDA regulatory affairs, Larry is skilled in risk assessment, crisis management and communications. He is highly successful in building business legal teams, coordinating with top level executives and managers, problem solving, and strategizing business solutions. Prior to joining Pharmacia, Larry worked for the Department of Justice. Since Larry joined Red Cross, he has been working closely with Ramesh Thadani and Gary Dolch on the Consent Decree mediation. He ably served as Interim General Counsel during Harold's tenure as Interim President and CEO.

Andrea Morisi has been with the American Red Cross since 1990 and currently holds the position of Senior Counsel. From March 2000 through May 2001, she served as the Corporate Secretary. She has been instrumental in providing continuity to the legal office and corporate secretary function following numerous personnel changes. Andrea served as Interim Corporate Secretary during the period that Harold served as Interim President and CEO, and she has continued to capably perform the duties of this position since that time.

I have confidence in each of these individuals and ask that you support both through the transition period. Pursuant to the Bylaws Sections 6.4 and 6.6, the CEO appoints these officer positions with approval by the Board of Governors. Please indicate your approval on these interim officer appointments below and return to Carolyn Prevatte's attention.

Name: \_\_\_\_\_

\_\_\_\_\_

Agree with appointments

\_\_\_\_\_

Disagree with appointments

SFC-ARC-A001920

Please return by fax to (202) 783-3432 by September 20, 2001



**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](http://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



*Together, we can save a life*

National Headquarters  
430 17<sup>th</sup> Street, N.W.  
Washington, DC 20006  
[www.redcross.org](http://www.redcross.org)

## NEWS RELEASE

Contact: Phil Zepeda  
Phone: (202) 639-3308  
Pager: (888) 328-5506  
[zepedap@usa.redcross.org](mailto:zepedap@usa.redcross.org)

### AMERICAN RED CROSS OFFERS ADVICE ON PERSONAL PREPAREDNESS FOR NEW NATIONAL THREAT CONDITIONS

*Assembling a disaster supply kit and developing a family communication plan are key*

WASHINGTON, September 10, 2002—With new concerns of possible threats to the country, the American Red Cross offers practical guidance on how families can prepare for unexpected events and reduce the stress that many may feel now and later should an emergency arise.

The Red Cross urges the public to prepare for whatever emergency may bring by sharing these safety tips with their loved ones:

- **Be alert to suspicious activity and report it to proper authorities**
- **Develop emergency communication plan**  
Talk with family/neighbors/friends and ensure that telephone numbers and e-mail addresses are up to date and determine an out-of-town contact your family or household with whom to communicate
- **Establish a family meeting place**  
This will save time and minimize confusion should your home be affected or area evacuated
- **Assemble a disaster supplies kit and ensure it is stocked and ready**  
Should you need to evacuate your home or are asked to "shelter in place," having some essential supplies on hand will make you and your family more comfortable
- **Develop alternate routes to/from work/school and practice them**  
Having alternate routes and plans in place will reduce confusion and risk
- **If a need is announced, donate blood at designated blood collection centers or call 1-800-GIVE-LIFE**
- **Provide volunteer services and take advantage of additional volunteer training opportunities with your local Red Cross chapter**

"Everyday people turn to the Red Cross to offer guidance and support on keeping families safe and now more than ever, families need practical, yet detailed information on what they can do to feel prepared and secure for any type of emergency situation," said Marty Evans, president and CEO of the American Red Cross. "Red Cross chapters and our web site ([www.redcross.org](http://www.redcross.org)) offer a wide variety of information for individuals, families, neighborhoods, schools and businesses to better prepare for events today and always."

The American Red Cross is dedicated to saving lives, easing suffering and restoring hope at home and around the world. Currently operating on a budget of \$3 billion, the Red Cross annually mobilizes relief to the victims of more than 73,000 disasters nationwide and has been the primary supplier of lifesaving blood and blood products in the United States for more than 50 years. In 2000, the Red Cross also trained almost 12 million people in vital lifesaving skills, provided direct health services to nearly 2.6 million people and delivered more than 21 million locally relevant community services. The organization also assisted international disaster and conflict victims in close to 40 locations around the globe, and its emergency communication centers processed 1.2 million calls in support of U.S. military service members and their families.

- End -

SFC-ARC-A001923



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

Marsha Johnson Evans  
President and Chief Executive Officer

September 3, 2002

Mr. David T. McLaughlin  
Chairman, Board of Governors  
American Red Cross  
430 17<sup>th</sup> Street, N.W.  
Washington, DC 20006

Dear David:

Thank you for forwarding me the August 7, 2002 letter you received from Jerry Goodwin, Chair of the National Diversity Advisory Council (NDAC). I think Jerry has some great recommendations, and I strongly endorse them.

During my first week on the job I met with Tony Polk, our Chief Diversity Officer, and discussed our diversity efforts with him. I tasked Tony with preparing a document that outlines all of the current and desired initiatives that would bring more diversity and inclusiveness to the Red Cross. I asked Tony to list specific outcomes for each initiative, and prepare a comprehensive diversity strategy. Tony will share his work with the NDAC at their October meeting, and present his strategy to me by October 31.

During the February, 2003 meeting of the Board of Governors, I will share the work completed by senior management on this important topic. This review will include a recommended strategy for a continued focus on diversity and the road ahead. I will place special emphasis on accountability and measurements of improvement.

I look forward to our involvement in this important topic.

Sincerely,

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

*Together, we can save a life*

SFC-ARC-A001924



**American  
Red Cross**

National Headquarters  
Office of the President and CEO

*Together, we can save a life*

**To:** Chairman McLaughlin and  
Members of the Board of  
Governors  
Non-Governor Biomedical  
Services Board Members

**Date:** September 3, 2002

**From:** Marty Evans

**Subject:** West Nile Virus

Multiple news outlets are reporting that health officials said on Saturday, August 31, that they are investigating the possibility that four organ recipients contracted West Nile Virus from the organ transplants or blood transfusions. It would be the first time such a method of transmission was recorded, according to the National Centers for Disease Control and Prevention (CDC). All cases of West Nile Virus in the United States have come from contact with a mosquito, according to the CDC.

The American Red Cross is collaborating with the Food and Drug Administration (FDA) and the CDC to continue investigating these deaths and to allay unnecessary fears and concerns about the safety of the blood supply. Attached are talking points you can use with key stakeholders, as well as a copy of a recent *Associated Press* article regarding West Nile Virus for information.

If you have questions regarding our strategy, please contact me at (202) 639-3292.

**Attachments**

**Talking Points, West Nile Virus**  
**September 3, 2002**

- The American Red Cross is supporting the FDA and CDC in its investigations into the incident involving the Atlanta organ donor and West Nile Virus. While there are no details at this time, the Red Cross will continue to work collaboratively with the organizations to help inform the public about the safety and efficacy of the blood supply.
- We wish to allay any fears and concerns about the safety of the blood supply for both donors and recipients. While there is no test for West Nile Virus, the many safety layers used to protect our nation's blood supply include carefully screening blood donors who may be experiencing symptoms of West Nile Virus, such as fever and chills, and would therefore be disqualified.
- The Red Cross relies solely on the generosity of the American public to save lives through blood donations. Every two seconds, someone in America needs blood. Labor Day weekend is traditionally a time when fewer people are donating blood, due to increased travel schedules. In addition, usually transfusion rates are higher because of increased motor vehicle accidents and outdoor related activities. Please call 1-800-GIVE-LIFE to schedule a blood donation appointment at a Red Cross blood drive near you. *Together, we can save a life.*

Associated Press Story  
September 3, 2002

**OFFICIALS: BLOOD SUPPLY STILL SAFE**

By Kristen Wyatt The Associated Press  
September 3, 2002

ATLANTA — Public health officials sought Monday to assure Americans the blood supply was safe despite concerns an organ donor who received a transfusion may have transmitted West Nile virus to four transplant recipients.

One of the four died of brain swelling that can be caused by the virus, which until now has been blamed solely on mosquito bites.

The three others were hospitalized with symptoms associated with West Nile, although doctors aren't sure they have the virus or whether they got it from a medical procedure.

The organ donor, a Georgia woman, died in a car crash last month. She may already have been infected or may have gotten West Nile through blood transfusions in the emergency room after the crash, the CDC said.

Samples from the four transplant recipients were sent to the CDC's lab in Fort Collins, Colo. Test results are expected within the week. The organ recipient who died was in the Atlanta area. The heart recipient, a 63-year-old Miami resident, was in serious condition Monday at Jackson Memorial Hospital in Miami. The two others are at hospitals in Jacksonville and in the Atlanta area.

Public health officials spent the weekend assuring people about the national blood supply, despite the lack of a West Nile screening process in donated blood and organs. Any potential blood donor showing symptoms of the virus would be turned away, they said.

"The blood supply is as safe as it's ever been," Trudy Sullivan, an American Red Cross spokeswoman in Washington, said Monday.

The Food and Drug Administration issued an alert to blood banks two weeks ago to exercise extra caution when screening donors.

"We've known for some time there is a theoretical possibility people can get this through blood or organ transplants," said Tom Skinner, a Centers for Disease Control and Prevention spokesman, said Sunday.

This year, 638 people in 27 states and the District of Columbia have tested positive for West Nile virus, and 31 have died, according to the CDC.

At blood donation centers, officials said people weren't panicky about West Nile and transfusions.

At the Aventis Plasma Center, a Tallahassee blood bank, a manager said West Nile hasn't come up in clients' questions.

At Atlanta's Centennial Olympic Park, word of a new West Nile risk didn't go over well.

"It was prevalent before, and now we hear it's more prevalent," sighed Clinton Orlando of Atlanta.

He said if he needed a transfusion, he wouldn't refuse it. "But I'd probably be very choosy about where I'm being treated and ask a whole bunch of questions."



**American Red Cross**

**Norman R. Augustine  
Chairman**

**To:** Board of Governors                      **Date:** September 19, 2000  
**cc:** Bernadine Healy, M.D.  
**From:** Norm Augustine                      **Subject:** October Board of Governors Meeting

The October Board of Governors meeting is rapidly approaching and planning is underway. If you have any particular agenda items you would like to be discussed at the October Board meeting, please contact me or the Board of Governors Office, which will provide me with your ideas. You may call Joan Man in the Board Office at (202) 434-4035.

As Board members, we have an important fiduciary responsibility. It is critical that we ask key questions regarding strategic issues so that we may provide the best possible oversight to American Red Cross and ultimately, the best service to our communities.

Thank you for the work you do on behalf of our organization and I look forward to seeing you in October.

**SFC-ARC-A001928**

**American Red Cross****Norman R. Augustine  
Chairman**

**To:** Board of Governors                      **Date:** June 13, 2000

**From:** Norm Augustine                      **Subject:** BOG Correspondence

**cc:** Bernadine Healy, M.D.

The recent spate of letters many of you received regarding the Magen David Adom matter has prompted me to address the issue of Board correspondence. I know that many of you called or faxed the letters you received to Andrea and Ruth in the Board Office. This was helpful in the instances in which I did not receive the letters directly, which, in a few cases, I did not.

Several of you have asked whether or not you should respond to these letters. My recommendation is that you take the following two steps if you receive letters of this nature (e.g., "Dear Board Member"): (1) Call Andrea or Ruth or fax them the letter so that they can inform me of its receipt; (2) Do not answer the letter unless you feel compelled to do so because you know the sender or have some other special association. I would ask that you allow me to respond to any such letters on behalf of the Board of Governors. This will ensure that the senders receive a consistent message. Should you need advice regarding the content of the letters you do feel warrant your personal response, it would be helpful if you could coordinate with the Board Office.

Please let me know if you have any comments regarding the above approach. I appreciate the work you undertake on behalf of the Red Cross and look forward to working with you this year. A special welcome to the new members, and I hope you all have a great summer.

*Board of Governors Office  
202.434.4057 (fax)  
202.434.4035 (phone)*

SFC-ARC-A001929

**American Red Cross**Norman R. Augustine  
Chairman**To:** Board of Governors  
Members**Subject:** Board Self Assessments  
CEO Evaluation**From:** Norm Augustine**Date:** April 27, 2001

A number of Board self-assessments and CEO evaluations remain outstanding. If you have not yet returned the completed evaluations, please do so as soon as possible. As you are aware, the National Association of Corporate Directors will provide an unattributed compilation of results for the Board's use.

If you need another copy of any of the evaluations, please call Ruth Sorrells at (202) 639-3930. I look forward to seeing you next month.

**American Red Cross**

National Headquarters

**To:** Board of Governors Members      **Date:** April 4, 2001

**From:** Dr. Bernadine Healy,  
President and CEO  
Jennifer Dunlap,  
Senior VP, Development      **Subject:** Disaster Relief Fund Nationwide Campaign

As some of you may recall from our discussions at the March 3 Public Support Committee and Finance Committee meetings, the Disaster Relief Fund has been steadily drained by nearly 300 disasters this past fiscal year. Disaster expenses have exceeded \$27 million, but only \$16 million has been raised. In essence, we have had many "small" disasters adding up to big dollars. This includes almost \$5 million spent out of the Disaster Relief Fund to support local chapter disaster response through the National Disaster Reimbursement Program, increasing the overall drain on the Fund.

Based on the discussions with the Board of Governors, and in a series of conference calls with the Lead Financial Development Network, UIN and Metro Chapters, it was determined that we must launch a fund-raising campaign to raise at least \$20 million by June 30 to replenish the Disaster Relief Fund and provide much-needed disaster funds for local chapters.

Please see the attached memo that will be distributed to the field on April 5, 2001, launching the nationwide campaign. If you require any further information please do not hesitate to contact me directly at (202) 434-4917, or Jennifer Dunlap, senior vice president for Development, at (202) 639-3416.

With everyone's help, I know we will be successful!

Attachments

SFC-ARC-A001931

**American Red Cross**

National Headquarters

**To:** Chapter Chairs and CEOs      **Date:** April 5, 2001

**From:** Dr. Bernadine Healy,  
President and CEO  
Jennifer Dunlap,  
Senior VP, Development      **Subject:** Disaster Relief Fund Nationwide Campaign

The American Red Cross has been challenged to raise money for the Disaster Relief Fund this year due to many small, yet costly disasters and the absence of any highly visible disasters.

The Disaster Relief Fund enables us to provide immediate assistance to disaster victims nationwide and we have made a commitment to the American people to be there when disaster strikes. We can't let them down.

The Disaster Relief Fund has been steadily drained by nearly 300 disasters this past fiscal year. Disaster expenses have exceeded \$27 million, but only \$16 million has been raised. In essence, we have had many "small" disasters adding up to big dollars. This includes almost \$5 million spent out of the Disaster Relief Fund to support local chapter disaster response through the National Disaster Reimbursement Program, increasing the overall drain on the Fund.

This is a precarious situation, which could jeopardize the ability of the Red Cross to meet future relief needs. If a major disaster such as Hurricane Georges were to strike, the Fund could be depleted within days.

Based on discussions with the Board of Governors and conference calls with the Lead Financial Development Network, UIN, and Metro Chapters, it was determined that we must launch a fund-raising campaign to raise at least \$20 million by June 30 to replenish the Disaster Relief Fund. This is the first time a nationwide disaster relief campaign will support both national and local disaster funds.

Further information about the Campaign will be shared with the field over the coming days. In the meantime, please contact Jennifer Dunlap, senior vice president, Development, at (202) 639-3416; [DunlapJ@usa.redcross.org](mailto:DunlapJ@usa.redcross.org), or Maurice Levite, vice president for Field Operations, at (202) 639-3193; [levitem@usa.redcross.org](mailto:levitem@usa.redcross.org), if you have any questions.

With everyone's help, we will be successful. I'd like to thank each of you for your commitment to the American Red Cross. By working together we can save more lives.

cc: Board of Governors  
Regional Executive Officers  
All Development Staff

SFC-ARC-A001932

## Small Disasters, Big Dollars...

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### Rationale for \$20 Million Disaster Relief Fund Campaign

- The American Red Cross is launching a nationwide fund-raising campaign to raise \$20 million by June 30 to replenish the Disaster Relief Fund and provide much-needed fund for local chapters. This decision was reached after much discussion by senior management, the Board of Governors, and conference calls with the lead financial development chapters, Metro 30 and UIN chapters.
- The Disaster Relief Fund has been steadily drained by nearly 300 disasters this fiscal year. Disaster expenses exceed \$27 million to date, including almost \$5 million to support local chapter disaster response through the National Disaster Reimbursement Program.
- The American Red Cross Disaster Relief Fund supports relief for the victims of widespread disasters such as hurricanes and floods, as well as individuals and families in local communities throughout the country hit hard every day by house fires and other disasters.
- The Disaster Relief Fund is the primary reason we can provide immediate assistance to disaster victims and we have made a commitment to the American people to be there when disaster strikes. We can't afford to let them down.
- Even though the nation has been spared in the last year from national disasters such as Hurricane Georges or the Northridge Earthquake, thousands of people have suffered greatly. Just because you don't see the aftermath of a disaster on the nightly news doesn't mean it's not happening. For example, thousands of people across the country are devastated by house and apartment fires every single day.
- Due to these many small, yet costly disasters and the absence of any highly visible disasters, the cost of providing life-saving relief has recently outpaced public contributions, and our financial reserves for disaster relief have fallen to a critical low. In essence, we have had many "small" disasters adding up to big dollars.
- While chapters have been working hard to raise funds for a number of disaster relief operations and with a few notable successes such as the tornado relief operations in Alabama and Xenia, Ohio, this has been an extremely challenging year. On national disaster relief operations we have launched aggressive fund-raising and communication strategies to increase our fund raising efforts and maximize our visibility. From advertising and disaster public affairs to donor research and major gift solicitations, we have utilized many fund-raising and communication strategies to generate public support.
- This is a precarious situation, which, if not corrected, could jeopardize the ability of the Red Cross to meet future relief needs. As we head into the dangerous tornado and hurricane seasons the Red Cross must quickly build its financial strength. Without public support, a single hurricane or other major disaster - or more of the widespread and less visible disasters - could deplete the Disaster Relief Fund virtually overnight.
- This is not the first time the organization has had to launch a campaign to support disaster relief, and it may not be the last. Just three years ago we launched a \$50 million campaign which was one of our most successful ever.
- This is the first time a nationwide disaster relief campaign will support local chapters. Donor intent will be honored for each contribution, but every solicitation will include both local and national components and chapters will receive at least 25 percent of all undesignated gifts.

**American Red Cross****Norman R. Augustine  
Chairman  
Board of Governors**

**To:** Members, Board of Governors      **Date:** April 3, 2001  
**From:** Norm Augustine      **Subject:** Board of Governors  
Meetings at Convention  
**cc:** Bernadine Healy, M.D.

Planning is underway for the Board of Governors meetings in May. If you have any particular agenda items you would like to be discussed or would like to request an executive session, please let me know through the Board of Governors Office.

As Board members, we have an important fiduciary responsibility. It is critical that we ask key questions regarding strategic issues so that we may provide the best possible oversight to American Red Cross and ultimately, the best service to our communities.

Thank you for the work you do on behalf of our organization and I look forward to seeing you in Charlotte.

SFC-ARC-A001934



## BOARD OF GOVERNORS LEADERSHIP

### Leadership Appointments and Committee Assignments

Board of Governors leadership positions are selected by the Board Leadership Subcommittee, which is composed of three members of the Executive Committee. Two of these members are in their final year of Board service, while the third member is available to return to the Subcommittee for a second year, generally as the Subcommittee Chairman.

In May of the prior year, the Board Leadership Subcommittee is appointed by the Chairman, after input from the Executive Committee in April. Between its appointment at the May meeting and the February Board meeting the following calendar year, the Board Leadership Subcommittee sets the process for the coming year and documents the process for each Board member. In order to facilitate the process, Board of Governors members are asked to state their committee and leadership preferences and identify areas of expertise. Committee chairmen are asked to provide input to the Board Leadership Subcommittee.

The Board Leadership Subcommittee makes recommendations for the following leadership positions:

- Chairman & Vice Chairman of each of the eight standing committees (Audit Committee, Biomedical Services Board, Chapter Services Committee, Finance Committee, Human Resources Committee, International Services Committee, Public Support Committee and Strategic Planning Committee).
- Executive Committee At-Large members (2, plus Chair of Subcommittee on Fundraising)
- Board Development Subcommittee (5, typically one from each "class" except the newest)

Other leadership and advisory council appointments are made by committee chairmen upon the recommendation of the Subcommittee.

### Process for Leadership Selection

#### Factors Considered

The Subcommittee considers the following factors in selecting members for leadership positions:

- Members' expertise
- Members' stated preferences
- Members' demonstrated contribution
- Leadership succession
- Committee chairmen's input

- Ethnic and gender diversity
- Other committee needs

With regard to a member's demonstrated contribution, the Subcommittee looks to several indicators:

- Leadership on significant issues before the Board
- Strategic input on issues before the Board
- Influence with leaders and resources of external constituencies the member has brought to bear for Red Cross
- Influence within the Board and with other Red Cross leaders
- Overall leadership qualities

#### Recommendations to the Chairman

The Subcommittee makes recommendations to the Chairman for his appointments, which include the following:

- BoG Members of National Nominating Committee (2)
- Board Liaison to National Nursing Committee (1)
- Board Liaison to Board of Trustees of Life and Health Benefits Plan (1)
- Board Leadership Subcommittee (3)

The Board Leadership Subcommittee may also offer suggestions to the Chairman for his recommendation for Board Vice Chairmen. The full Board votes on the Vice Chairmen.

#### Finalize Leadership Recommendations

The Board Leadership Subcommittee presents its recommendations for committee leadership to the Executive Committee in April. After considering suggestions from the Board Leadership Subcommittee, the Chairman shares with the Executive Committee his intention to appoint certain individuals to the additional positions of leadership noted above.

Following the April Executive Committee meeting, the Board Leadership Subcommittee meets again to incorporate feedback from the Executive Committee and makes appropriate changes to its recommendations.

#### Select Committee Members

The Subcommittee next discusses committee composition, usually after the National Nominating Committee has selected its slate of Board of Governors nominees. Factors that the Subcommittee considers in arriving at committee composition recommendations include:

- Member preferences

- Member expertise, individually and collectively
- Leadership succession
- Committee chairmen's input
- Ethnic and gender diversity
- Continuity of experience (some returning committee members)
- Cross-over with other committees
- Time conflicts with other committee meetings
- Mix of delegate-elected, Board-elected and Presidential appointees
- Other committee needs

#### Communication of Leadership Positions

The Board Leadership Subcommittee members contact certain members directly, or ask each sitting Committee Chairman to do so, to solicit either their willingness to accept a leadership appointment or to inform them of a change in leadership that will affect them.

#### Executive Committee Vote

At its May meeting, the Executive Committee votes to accept or modify the Board Leadership Subcommittee's recommendations for the Chairmen and Vice Chairmen of committees. The Executive Committee's recommendations are voted on by the full Board at the regular annual Board meeting (second Board meeting during Convention weekend). In addition, the Chairmen of any standing committees, except Biomedical Services Board, who wish to nominate non-governor members, present those recommendations at this time for approval by the Executive Committee.

#### Board Vote

The full Board elects the Executive Committee, the Biomedical Services Board (including non-governor members) and the membership (governors only) and leadership of the other standing Board committees. The *Bylaws* prescribe that these elections occur at the regular annual meeting of the Board. The Board traditionally also elects the Vice Chairmen of the Board at this meeting. In order to allow Board members to review proposed assignments, immediately following the Executive Committee vote to recommend the committee slate, assignment information will be available at the Board Office at Convention.

#### **Other Leadership Positions**

The composition of several subcommittees which report to the Executive Committee are defined by position:

- **Executive Compensation Subcommittee**
  - ARC Chairman
  - Chairman of the Biomedical Services Board
  - Chairman of the Finance Committee
  - Chairman of the Human Resources Committee

- **Consent Decree Oversight Subcommittee**
  - First Vice Chairman
  - Chairman, Biomedical Services Board
  - Chairman, Finance Committee
  - Chairman, Audit Committee
  - Additional at-large members may be appointed to this subcommittee
  
- **At-Large Nominating Committee**
  - Chairman
  - Board Leadership Subcommittee
  - President & CEO

Some leadership positions are selected by Committee Chairmen and the Board Leadership Subcommittee may make recommendations to the Chairmen. If the Committee Chairman is returning, he or she typically makes appointments just prior to Convention; if newly appointed, just after Convention. These appointments are as follows:

Leadership Position	Appointed By
BoG Liaisons to: <ul style="list-style-type: none"> <li>▪ National Youth Council (3)</li> <li>▪ Retiree Advisory Council (2)</li> <li>▪ National Diversity Advisory Council (2)</li> </ul>	Chairman, Human Resources Committee
BoG Liaison to the ARC Museum Advisory Council (2)	Chairman, Public Support Committee
BoG Liaison to the National Awards and Recognition Committee (for selection of the International Humanitarian Service Award)	Chairman, International Services Committee
BoG Liaison to the Investment Committee (2)	Chairman, Finance Committee

**AMERICAN RED CROSS  
BOARD OF GOVERNORS**

**STANDING COMMITTEE  
AND LEADERSHIP PREFERENCES**

**I. Please outline your experience, expertise, and contributions to the BoG through February 2001:**

**II. Please indicate if you would like to hold a leadership position or would like to continue in a current leadership position.**

**III. Please indicate your three membership preferences on the chart below. (Your choices may include your current committee assignments). As a reminder, each Board member will receive two (2) committee assignments.**

<b>STANDING COMMITTEE</b>	<b>1<sup>ST</sup> CHOICE</b>	<b>2<sup>ND</sup> CHOICE</b>	<b>3<sup>RD</sup> CHOICE</b>
1. Audit Committee			
2. Biomedical Services Board			
3. Chapter Services Committee			
4. Finance Committee			
5. Human Resources Committee			
6. International Committee			
7. Public Support Committee			
8. Strategic Planning Committee			

**NAME** \_\_\_\_\_

**CONFIDENTIAL**

*Please Return Completed Form to the Board Office  
by February 1, 2001  
Fax - 202.434.4057*

**SFC-ARC-A001940**

III. Please indicate below your areas of expertise. (Example: finance, biomedical, nursing, governance, communications, public relations, medicine, accounting).

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NAME \_\_\_\_\_

**CONFIDENTIAL**  
*Please Return Completed Form to the Board Office  
by February 1, 2001  
Fax - 202.434.4057*

SFC-ARC-A001941



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

Office of the Interim Chief Executive Officer

December 20, 2001

Honorable Bill Archer  
Price Waterhouse Coopers  
Washington Tax Service  
1301 K Street, NW, 800W  
Washington, DC 20005-3333

Dear Congressman Archer:

Thank you for your recent letter. I appreciate your summary of some of the ways your firm might be useful to the American Red Cross, and I assure you that we will keep them in mind.

I also appreciate your kind words about the American Red Cross: I have been here only a short time and find myself continually inspired by the work of this organization.

Let me take this opportunity to wish you a peaceful holiday season and new year.

Sincerely,

A handwritten signature in black ink, appearing to read "Harold J. Decker".

Harold J. Decker  
CEO  
American Red Cross

cc: David T. McLaughlin

*Together, we can save a life*

SFC-ARC-A001942

PRICEWATERHOUSECOOPERS 

DEC 13 2001

December 12, 2001

PricewaterhouseCoopers LLP  
Washington Tax Service  
1301 K Street NW, 800W  
Washington DC 20005-3333  
Telephone (202) 414 1000  
Facsimile (202) 414 1301

Mr. Harold Decker  
Interim CEO  
Mr. David T. McLaughlin  
Chairman  
American Red Cross  
National Headquarters  
430 17<sup>th</sup> Street NW  
Washington DC 20006

Dear Messrs. Decker and McLaughlin:

Jim Jones and I spoke the other day about issues facing the Red Cross. At the conclusion of our discussions, he recommended I contact you. I retired from Congress this year and joined PricewaterhouseCoopers LLP. With the events of September 11, the Red Cross has truly demonstrated a core value of *Helping Others*, but appears to be facing many challenges, as many of us are, in our "New World."

Our Firm has worked with the Red Cross over the years and been very active in volunteering roles. We have also recently had various meetings, with Red Cross management including director of internal audit, director of security and chief information officer.

Following September 11, several of my colleagues identified areas where the Red Cross may have needs for outside assistance. Our initial thoughts focused on assisting with ensuring the integrity of Liberty Fund and other victim relief funds through enhanced controls and procedures, fund oversight and audits. Other needs may include corporate compliance, chapter compliance and auditing, compliance with new HIPAA regulations and internal audit coverage including system security assessment. We also have a substantial consulting practice in the pharmaceutical industry, headed by Bob Bertolini, which may be of assistance to your biomedical operation.

I have watched with growing concern the number of recent press articles raising issues and concerns about the Red Cross and even questioning your core policies and principles with little recognition of your history of outstanding work in disaster relief.

SFC-ARC-A001943



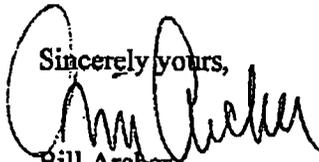
PRICEWATERHOUSECOOPERS 

Our Firm has helped organizations in times of crisis to re-build credibility and enhance their position in the eyes of the public. One technique with which we have assisted clients is the implementation or enhancement of corporate compliance or ethics programs. This often includes the development corrective action plans to address problematic areas, coupled with intensive review and oversight procedures to ensure compliance. These activities are then used as a basis to start the re-building of credibility or integrity with the public or oversight organizations.

While we do not know your own views of specific needs or action steps that are currently under way, one of my colleagues, Mac Henderson, and I would welcome an opportunity to come in and speak with you about our services and how we may be of assistance.

Thank you for your time. Mac and I look forward to a having a chance to meet both of you.

Sincerely yours,



Bill Archer  
PricewaterhouseCoopers LLP



**American  
Red Cross**

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

Office of the Interim Chief Executive Officer

February 11, 2002

Ms. Chey Call  
3243 Deep Water Lane  
Maumee, OH 43537

Dear Ms. Call:

Your recent letter concerning the resignation of Dr. Healy has come to my attention.

Dr. Healy was a strong and visionary leader for the American Red Cross, and I know that she will continue to make outstanding contributions in whatever role she next chooses.

The events that followed September 11 were unprecedented. Our volunteer Board of Governors and Dr. Healy together reached the conclusion that it was an appropriate time for her to leave the Red Cross. Her considerable contributions will be missed, but this organization is so very much larger than any one individual.

I am inspired daily by the hundreds of thousands of Americans who choose to help their communities by becoming American Red Cross volunteers. The real Red Cross—the organization that helps save lives each and every day in virtually every community—exists not here at national headquarters but in Red Cross chapters around the country.

Thank you for writing to me about your concerns.

Sincerely,

Harold J. Decker  
Interim President and CEO  
American Red Cross

cc: David T. McLaughlin

*Together, we can save a life*

SFC-ARC-A001945

Consultant from PWC  
wants to meet w/you &  
Hendel.

How to respond

see DTM's at  
Dino letters from HD

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers LLP  
1301 K Street NW, 800W  
Washington DC 20005-3333

Mr. David T. McLaughlin  
Chairman  
American Red Cross  
National Headquarters  
430 17<sup>th</sup> Street NW  
Washington DC 20006



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

Office of the Interim Chief Executive Officer

February 12, 2002

Richard A. Russo  
Captain, USAF (Retired)  
P. O. Box 291137  
Davie, Florida 33329-1137

Dear Captain Russo:

In response to your concern with the treatment that the Afghanistan detainees are receiving from the United States military at Guantanamo, the American Red Cross does not visit detainees. Visiting detainees is a unique function of the Geneva-based International Committee of the Red Cross. The international community - governments around the world, including the U.S. - view this as a necessary and important function, so much so that they support and fund the ICRC to perform this.

It seems a horror to many Americans that anyone - especially the Red Cross - would be interested in the welfare of the Afghan war detainees being held by the U.S. military in Guantanamo Bay, Cuba. However, it is our very own government that has asked the International Committee of the Red Cross (ICRC) to visit with the detainees. Why?

The ICRC is an independent organization that promotes respect for international humanitarian law and is the guardian of the Geneva Conventions--international treaties that provide protection and assistance to victims of armed conflict worldwide. The United States, along with the other 188 nations signatory to the Geneva Conventions, is committed to meeting the standards of humanitarian treatment described in these treaties.

The Geneva Conventions, which apply to all armed conflicts, require that all captured combatants or prisoners of war (POWs) be visited by the ICRC to help assure the world that their treatment is humane. This is a legal mandate of the Geneva Conventions and is intended to protect captured combatants from all nations, including the United States, "who have fallen into the power of the enemy."

One of the ICRC's unique roles is to meet with prisoners in private to discuss their treatment. For example, the ICRC visited three American service men held in a Serbian prison during the Kosovo conflict and arranged for them to send messages to their families back home. During the Gulf War, the ICRC met with 55 U.S. POWs as well as POWs from the United Kingdom, France, Germany and Italy.

*Together, we can save a life*

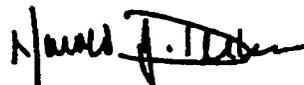
SFC-ARC-A001947

Captain Russo  
Page two

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 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. The ICRC does not publicly discuss its findings, even with other Red Cross organizations.

All members of the International Red Cross and Red Crescent Movement, including the ICRC and the American Red Cross, are bound by certain fundamental principles. These principles include impartiality, neutrality and independence and apply equally in times of war and in times of peace. They enable the Red Cross to carry out its humanitarian work wherever needed, including in Guantanamo Bay.

Sincerely,



Harold J. Decker  
Interim President and CEO  
American Red Cross

cc: David T. McLaughlin

SFC-ARC-A001948

*Forward copy to Julie*

JAN 22 2002

*General response from PIC*

RICHARD A. RUSSO  
P. O. BOX 291137  
DAVIE, FL 33329-1137

January 14, 2002

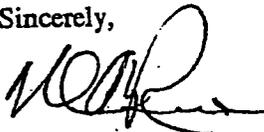
Mr. Harold Decker  
Interim Chief Executive Officer  
and  
Mr. David T. McLaughlin, Chairman  
The American Red Cross National Headquarters  
431 18<sup>th</sup> Street, N.W.  
Washington, DC 20006

Dear Mr. Decker and Mr. McLaughlin:

I am a retired Air Force officer, Vietnam veteran and blood donor who has always defended and supported the "American" (are you really American?) Red Cross.

Well, folks, that is all over. You have a hell of a nerve using one penny of American contributions to "monitor conditions" of these murdering terrorists at Guantanamo. Haven't you learned your lesson from your past errors of judgement from WWII, internal corruption, and the World Trade Center? I stood by and supported you—but no longer! Let the pacifists worry about murderers. You do not have the right to or any business in getting involved. You are not an American human rights organization.

Sincerely,



Richard A. Russo  
Captain USAF (retired)  
U.S. banking executive

P.S. – Why don't you consider removing the word "American" from your name.



**American  
Red Cross**

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

Office of the Interim Chief Executive Officer

January 23, 2002

Mr. Fredric Gould  
60 Cutter Mill Road  
Suite 303  
Great Neck, NY 11021

Dear Mr. Gould:

American Red Cross Chairman David McLaughlin and I have received your letter regarding our organization's support for full membership of the Magen David Adom in the International Federation of Red Cross and Red Crescent Societies.

Throughout our long history with MDA, we have worked closely with them in their pursuit of recognition and membership in the Federation. At their request, we have worked within the system to achieve their desired goal.

Two years ago, we believed we were on the verge of a resolution and membership for MDA. When this did not materialize, as an independent organization, the American Red Cross decided to withhold our dues to the International Federation. This policy continues to be in place today.

The American Red Cross remains steadfastly committed to helping MDA attain her desired goal: membership in the International Federation and international recognition for her humanitarian efforts.

Recently, Avi Zohar, Director General of MDA, visited the American Red Cross to again express his thanks for our efforts on behalf of MDA. In November, Dr. Moshe Melloul, President of MDA, thanked the American Red Cross publicly in Geneva, and encouraged all, including the International Federation, to continue working together toward a resolution. (text enclosed).

Please be assured that the money used to purchase the ad in *The Jewish Week* came from operational budgets. It was not, in any part, funded by donations from the public in response to the September 11 attacks.

***Together, we can save a life***

SFC-ARC-A001950

Red Cross needs and greatly appreciates supports from people like you in our  
full recognition for the MDA.

Sincerely,



Harold J. Decker  
Acting President and CEO  
American Red Cross

David McLaughlin

Enclosure

FREDRIC H. GOULD

December 12, 2001

Mr. David McLaughlin  
Chairman, Board of Governors  
Mr. Harold Decker  
Chief Executive Officer  
American Red Cross  
17<sup>th</sup> and D Sts., N.W.  
Washington, DC 20006

Gentlemen:

I read with dismay the full-page ad (which I trust was paid for with contributions made to your organization by people in anticipation of same being used for relief efforts not self-serving advertising), which was placed in The Jewish Week of December 7, 2001.

As I read same, it reminded me more and more of the fact that appeasement of bullies never works and your indication that "For more than 20 years, the recognition and membership of Israel's Magen David Adom into the International Federation.... has been a policy matter of highest priority" for your organization but yet only for the last 2 years have you even taken the very modest step of withholding dues. You and I both know that merely withholding dues is an unsatisfactory response to this. To paraphrase our President, what you should do is stand up and say, "You are either with the good people or with the bigots", and stop appeasing the bigots by giving them notice that if they don't grant membership to Magen David Adom within the next six months, the American Red Cross will resign from the International Federation and commence a new federation with like minded Red Cross type organizations throughout the world inclusive of Magen David Adom.

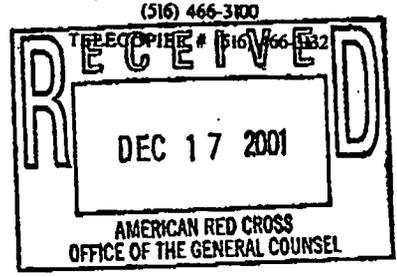
Sincerely,

*[Handwritten signature of Fredric H. Gould]*  
Fredric H. Gould  
FHG:dh

c.c. Gary Rosenblatt, Editor, The Jewish Week, 1501 Broadway, Suite 505,  
New York, NY 10036

*to Brian*  
*Flanner*  
*Burton*

*Frank:*  
*Please prepare*  
*Response for David & me.*  
*ND*  
60 CUTTER MILL ROAD, SUITE 303  
GREAT NECK, NEW YORK 11021





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

Office of the Interim Chief Executive Officer

February 11, 2002

Ms. Chey Call  
3243 Deep Water Lane  
Maumee, OH 43537

Dear Ms. Call:

Your recent letter concerning the resignation of Dr. Healy has come to my attention.

Dr. Healy was a strong and visionary leader for the American Red Cross, and I know that she will continue to make outstanding contributions in whatever role she next chooses.

The events that followed September 11 were unprecedented. Our volunteer Board of Governors and Dr. Healy together reached the conclusion that it was an appropriate time for her to leave the Red Cross. Her considerable contributions will be missed, but this organization is so very much larger than any one individual.

I am inspired daily by the hundreds of thousands of Americans who choose to help their communities by becoming American Red Cross volunteers. The real Red Cross—the organization that helps save lives each and every day in virtually every community—exists not here at national headquarters but in Red Cross chapters around the country.

Thank you for writing to me about your concerns.

Sincerely,

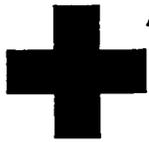
A handwritten signature in black ink, appearing to read "Harold J. Decker".

Harold J. Decker  
Interim President and CEO  
American Red Cross

cc: David T. McLaughlin

*Together, we can save a life*

SFC-ARC-A001953



**American Red Cross**

**To:** Fundraising Policy Task Force Members      **Date:** December 14, 2001  
**From:** Patricia A Kennedy      **Subject:** Task Force Meeting  
**cc:** David T. McLaughlin  
Harold J. Decker  
Larry Moore  
Fred Grein  
Buzz Heidt  
Maurice Worth

Thank you for agreeing to be part of this Task Force to review Board of Governors fundraising policies. As I indicated earlier, I hope to accomplish what we need to do with one meeting. However, I am confident we all agree that we have been given an important job and would be willing to take more time if necessary. The general time line we are working with is as follows:

January 8	Task Force Meeting
January 18	BoG Executive Committee review of preliminary draft of changes
February 7	Finalized changes to be mailed to full Board
February 24	Review of changes by Board of Governors for adoption

Board of Governors fundraising policies can be found in both parts of the Board of Governors Policy Manual. One objective of our work will be to consolidate all policies into one section. The applicable fundraising policies we will be reviewing are enclosed.

The issues we need to address are as follows:

1. Donor Designations

Four sections specifically state that American Red Cross honors donor designations: Part One Sections 3.3.5, 3.4.3 and 3.6.a-f and Part Two Section 3.4.5.a

How do we make this policy clearer?

2. National Disaster Relief Fund

Do we continue this policy of one domestic National Disaster Relief Fund? Are there any circumstances under which a separate fund should/can be authorized? See Part One, Sections 3.3.4 and 3.6.

3. Fundraising for Biomedical Services

Please review Part One, Sections 3.3.3a-c, 3.5.4, 3.5.5, 3.7.1 and 3.7.2; Part Two, Section 3.4.1.

The organization needs to raise funds to support Biomedical Services priorities. Biomedical Services has been reorganized. Are the current sections necessary? What should be substituted?

4. Paid Advertising

See Part One, Section 3.3.2.c.

Corporate management has developed "corporate guidance" that allows for paid advertising as exceptions from the policy. What should this policy realistically say?

5. Resolution III- Planned Giving

2001 Resolution III calls for a review of Part One 3.13 Bequests and Endowments. The resolution is enclosed. This Task Force will discuss this issue.

6. Resolution I- Chapter Financial Development Committee

Since this Task Force represents considerable knowledge and expertise of chapter fundraising, we would like your opinion about 2001 Resolution I, also enclosed. Financial development is a critical committee, focusing a board on their role and responsibilities in raising charitable dollars. However, do chapters need another mandated committee?

If you think there are other fundraising issues that should be discussed, please let me know. I would like this review to be as comprehensive as possible.

Information for travel arrangements and accommodations will be sent to you shortly.

Enclosures: Task Force Membership List  
Referenced policies  
Paid Advertising Guidelines  
2001 Resolutions I and III

**Fundraising Policy Task Force**

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Robert Bender	212/875-2003	212/875-2309	benderr@arcgny.org
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SFC-ARC-A001956

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Biomedical Services

Red Cross employee, volunteer and agent, as appropriate, has agreed to be legally bound by this policy.

(b) Corporate Management, at its discretion, shall determine whether

1. To seek legal protection of any such property through patents, copyrights, trademarks, service marks, registration, secrecy, or otherwise.

2. To permit the use or copying thereof by non American Red Cross entities through exclusive or nonexclusive licenses or assignments, and the amount of royalties or other compensation, if any, to be received by the American Red Cross in consideration of the granting of such permission.

3. To recognize the contribution of the employee, volunteer, or agent through awards, work reviews, compensation or other appropriate means.

(c) The additional policies and procedures governing Biomedical Services inventions are found in the Appendix to this Part of the Manual.

#### 3.2.4 Historical Resources

All historical buildings, documents, general records, letters, diaries, scrapbooks, photographs, films, audio and video tapes, phonograph records, original posters and paintings, books, publications, uniforms, sculptures, plaques and any other such historical resources are valuable to the American Red Cross. All such historical resources of value are the property of the Corporation. Volunteers, paid staff and all Units shall preserve items of value for the historic collections of the Corporation and its Units. Before any unit may modify, sell, destroy or otherwise dispose of historical resources of significant value, the unit shall obtain the approval of the Historical Resources Department at National Headquarters. All historical resources shall be preserved and maintained consistent with Corporate Regulations.

### *Section 3.3—Use of Funds and Property*

#### 3.3.1 Corporate Funds and Property

All funds and property received by or coming into the custody of any Chartered Unit belong to the Corporation and are entrusted to the Chartered Unit to be expended only for the purposes authorized in the Unit's Charter and only in conformity with Corporate Regulations.

### 3.3.2 Limitations on Unit Contributions

a. Units are not authorized to contribute or donate funds or property to any other person or organization except in the conduct of authorized Red Cross activities, consistent with Corporate Regulations.

b. Units are not authorized to expend Red Cross funds for payments in lieu of taxes, to support government services without the written consent of Corporate Management, or to make any material payment the purpose of which is to induce a government entity to make tax-exempt financing available to the Red Cross.

c. Units shall not expend funds for advertising in print or for electronic or display media, except as authorized by Corporate Management.

d. No Unit or Unit official is authorized to commit the funds of or otherwise obligate the Corporation except to the extent of funds available to that Unit for discharging such commitment. Funds owing to any segment of the Corporation other than to that Unit shall not be committed for any other purpose.

### 3.3.3 Separation of Funds and Services

a. All funds accruing to a Blood Services Region, whether from the collection, processing, and distribution of biomedical products and services; from any contributions; from reimbursement for products and services; from interest on invested funds; from contracts and grants; or from any other source, shall be used only for Biomedical Services, except only as otherwise provided in Corporate Regulations.

b. All funds accruing to a Chapter, whether from any contribution, from reimbursement for products and services, from contracts and grants, or from any other source, shall be used only for Chapter Services, except only as otherwise provided in Corporate Regulations.

c. Except only as otherwise provided by the Board of Governors, Corporate Management shall ensure that all funds accruing to Biomedical Services Units shall be used only for Biomedical Services, and all funds accruing to Chapters and other Chapter Services Units shall be used only for Chapter Services.

d. Corporate Management shall approve any loan of funds between a Chapter and a Blood Services Region. Any such loan shall be set forth in a written loan agreement between the Chapter board and the Blood Services Region.

### 3.3.4 Disaster Relief Fund

There shall be an American Red Cross Disaster Relief Fund maintained at National Headquarters and managed by Corporate Management. It shall be used

only to provide and support disaster relief services for victims of disasters. All funds raised in connection with a major disaster, but not used in that operation, shall be retained in the American Red Cross Disaster Relief Fund.

### 3.3.5 International Response Fund

There shall be an American Red Cross International Response Fund maintained at National Headquarters and managed by Corporate Management. It shall be used to provide and support relief and development services for the victims of international crises. The American Red Cross will honor donor designations to specific crises, although donor designations are not encouraged. All funds raised in connection with a major international crisis, but not used in that operation, shall be retained in the American Red Cross International Response Fund.

## *Section 3.4—Charitable Donations*

- 3.4.1 Chartered Units and other designated Units are authorized to accept donations of funds, real property, goods, or services, whether made by outright gift, will, trust, or similar instruments. Such donations may not, however, be received unless they are for purposes within the general scope of the Corporation's powers and purposes.
- 3.4.2 Whenever a Unit is designated to receive funds, real property, or goods by gift, will, trust, or other instrument, the terms of which direct that such gift be retained as a permanent fund, such gift or the proceeds thereof shall be paid into the Endowment Fund, and the income derived therefrom shall be paid to the designated Unit to support authorized Red Cross activities.
- 3.4.3 The American Red Cross shall honor restrictions placed by the donor upon donated funds, real property, goods, and services, provided that such restrictions and donations are consistent with the Mission and Corporate Goals of the American Red Cross, and in conformity with Corporate Regulations.
- 3.4.4 The beneficial use of all donations shall be subject to applicable provisions of the Equal Division Rule, as set forth in Section 3.14.1 below.

## *Section 3.5—Solicitations of Donations*

- 3.5.1 Except as prohibited in Corporate Regulations, a Chartered Unit may solicit donations within its jurisdiction and may do so in the name of the Unit or the American Red Cross.
- 3.5.2 A Unit may, with the approval of Corporate Management and in coordination with any affected Units, solicit funds and may solicit goods and services. Chapters shall accept donations of goods and services as directed by Corporate Management.

- 3.5.3 No Unit or person except an authorized representative of the American Red Cross may solicit donations of funds, property, goods, or services on behalf or in the name of the Red Cross. All Red Cross solicitations shall be consistent with ethical values and standards of professional practice as established by Corporate Management. No solicitation shall be carried out except for authorized Red Cross purposes and in conformity with Corporate Regulations.
- 3.5.4 No Unit may solicit donations within the jurisdiction of another Unit, except as otherwise provided in Corporate Regulations or as specifically authorized by Corporate Management.
- 3.5.5 Except as permitted or directed by Corporate Management, Blood Services Regions may not solicit property, goods, services, bequests, or restricted or unrestricted funds. Blood Services Regions may solicit property, goods, or services only with the prior approval of the Chapter in the jurisdiction of which such solicitation is to be made.

## *Section 3.6—Disaster Relief Fund*

As part of its mission, the American Red Cross responds to the needs of disaster victims. In support of that responsibility, contributions are solicited for the American Red Cross Disaster Relief Fund. However, the American Red Cross will honor designations to specific disasters.

The following guidelines provide further instruction on carrying out the policy:

(a) Donor designation contributions will be used first when funding disaster relief operations.

(b) Contributions to the American Red Cross Disaster Relief Fund, as well as those designated by donors to specific disasters, must be accounted for and reported by chapters and the national sector.

(c) If designated contributions for a specific disaster relief operations exceed the costs of standard American Red Cross relief services for that operation, then the American Red Cross will assist in meeting other disaster related needs and may provide funding for disaster preparedness, future disaster relief and recovery efforts in the affected areas.

(d) When contributions received exceed the cost of a job, contributions designated by donors for the American Red Cross Disaster Relief Fund and not designated for a specific job will be placed in the fund.

(e) The following language must be used on solicitation materials to encourage donations to the relief fund:

"You can help the victims of \_\_\_\_\_ and other disasters by contributing to the American Red Cross Disaster Relief Fund."

The same language should be used in media interviews and in responding to public inquiries. Contributions not designated for a specific disaster are encouraged.

(f) Contributions received by chapters for disaster relief, either designated by donors for a specific disaster or to the American Red Cross Disaster Relief Fund during the course of a disaster campaign, must be remitted promptly to the national sector.

(g) During the course of a fund-raising campaign for a nationally administered disaster operation, income receipts received at national headquarters must be available to the media on a regular, but not less than weekly, basis. Estimated cost information should not be released until an initial, comprehensive damage assessment has been conducted. To the degree possible, cost estimates shall be provided on a regular basis, with the proviso that they are subject to significant changes as further relief information becomes known.

### *Section 3.7—Capital Campaigns*

- 3.7.1 Chapters may, with prior approval of Corporate Management, conduct capital campaigns for funds to be devoted to the purchase of real estate and the erection or major improvement of buildings.
- 3.7.2 Blood Services Regions may not conduct capital campaigns to solicit funds to be devoted to the purchase of real estate or major improvement of buildings, except after consultation with such Chapters as may support or be affected by such capital campaign, and after prior approval of Corporate Management.

### *Section 3.8—Cause-Related Marketing*

Corporate Management may authorize a Unit to permit the use of the name and emblem of the American Red Cross through promotion of a non Red Cross product or service for the benefit of the American Red Cross and its Units, provided such authorization is in writing and in conformity with Corporate Regulations.

### *Section 3.9—Fee for Service*

- 3.9.1 Units may receive payments for providing products or services, consistent with Corporate Regulations.
- 3.9.2 Units may apply for and receive grants from government or private agencies for activities consistent with the Mission and Corporate Goals of the Red Cross and Corporate Regulations. Revenues and expenses from grants shall be accounted

## *Section 3.12—Accounts and Auditing*

- 3.12.1 True and complete financial records of the Corporation, Biomedical Services and each Chapter, including balance sheets and statements of income and expenses, shall be kept in such manner as prescribed by Corporate Regulations for the purpose of showing at all times the financial condition of the Corporation, Biomedical Services, and each Chapter; the source and amount of each of its receipts; the purpose, amount, and recipient of each of its disbursements; and an itemized listing of its assets and liabilities including a description and the amount or value of each.
- 3.12.2 Each Chapter shall establish and maintain adequate financial records and internal controls, as required by generally accepted accounting principles and auditing standards applicable to organizations like the Corporation. Maintenance of financial records and internal controls for Biomedical Services shall be as directed by Corporate Management. Supporting documents for all expenditures of a Unit shall be maintained to facilitate both the applicable annual independent audit, review, or compilation and the audit by the Department of Defense conducted in accordance with the requirements of Corporate Regulations.
- 3.12.3 The financial statements of Biomedical Services and each Chapter shall be audited, reviewed, or compiled each year as of June 30. In addition, Biomedical Services and each Chapter shall supply promptly upon request of Corporate Management any financial or other information with respect to its activities, and the books and records of such Unit may be examined or audited at any time by any authorized agent of the Corporation.
- 3.12.4 The annual financial statements of Biomedical Services and each Chapter subject to audit, shall be audited each year by an independent certified public accountant of recognized standing. Such audits shall be conducted at the direction of Corporate Management in the case of Biomedical Services and at the direction of the Chapter Audit Committee or Board of Directors, as required by Corporate Regulations, in the case of a Chapter. All audits shall be conducted in accordance with Corporate Regulations and generally accepted auditing standards applicable to corporations like the Red Cross. All audited financial statements of Chapters shall be forwarded, annually, following the close of each fiscal year, to Corporate Management, in accordance with Corporate Regulations.

## *Section 3.13—Bequests and Endowment Funds*

- 3.13.1 Chartered Units are authorized to accept gifts made by wills, trusts, or similar instruments for purposes within the general scope of the Corporation's powers and purposes. A Unit will receive the custody and use of such donations when the instrument evidencing the gift specifically designates the Unit as the beneficiary. Similarly, when the instrument evidencing the gift specifically designates the Corporation as the beneficiary, it shall be remitted to National Headquarters. In instances where such instrument does not clearly designate the beneficiary, the net proceeds of such gift will be divided equally between the Chapter within the

jurisdiction of which the donor resides and National Headquarters. The foregoing, known as the "Equal Division Rule," is applicable to donations evidenced by will if the donor died on or after April 8, 1952, and gifts evidenced by trust or other instrument dated on or after April 8, 1952. Gifts evidenced by all other wills, trusts, or similar instruments are payable in full to National Headquarters unless a Chapter is specifically designated in the instrument as the beneficiary.

**3.13.2** Whenever a Chartered Unit is designated to receive a gift by will, trust, or similar instrument, the terms of which direct that such gift be retained as a permanent fund, such gift or the proceeds thereof shall be paid into the Endowment Fund and the income derived therefrom shall be paid to the designated Chartered Unit to support authorized Red Cross activities.

**3.13.3** Whenever a gift made by will, trust, or similar instrument designates a Chapter that no longer exists and the jurisdiction of which is a State Service Delivery Area, or when, under application of the Equal Division Rule, the residence of the donor of such gift is within a State Service Delivery Area, the proceeds of such gift shall be paid to the Unit(s) having service delivery responsibility for that State Service Delivery Area. To the extent such gift is unrestricted as to purpose, it shall be used by such Unit(s) for the purpose of delivering **MUST** and **SHOULD** services in that State Service Delivery Area, at the direction of the State Service Council, consistent with Corporate Regulations.

**3.13.4** If and to the extent that the Board of Governors so directs, any gift or donation, whether by way of bequest, devise, legacy, or otherwise, that is received by any Unit without direction as to its application or purpose shall be forwarded and deposited for investment in the Endowment Fund. The income from such investment shall be paid regularly to the Unit.

## *Section 3.14—Corporate Financial Obligations of Chartered Units*

### **3.14.1** Remittance

All Units shall remit promptly the amount due National Headquarters from campaign receipts, federated campaign payments, contributions to the Disaster Relief Fund, or from Disaster Relief Campaigns, and any other funds received by the Unit required by Corporate Regulations to be remitted to National Headquarters.

### **3.14.2** Chapter Assessments

The Board of Governors shall prescribe the method for determination and an amount to be assigned to each Chapter, as its assessment of the annual national Chapter operations financial requirements.

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## 6. STANDARD FORMS OF CHARTERED UNIT BYLAWS

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<b>Section 6.2</b>	Standard Blood Services Region Bylaws

Blood Services Region, Corporate Management, and the Blood Services Area Councils with respect to operational and financial matters affecting the Blood Services Region; determining local Blood Services Region personnel policies, consistent with Corporate Regulations; reviewing and approving a proposed budget submitted to the Area Vice President; and conducting formal, annual evaluations of the Blood Services Region's performance in meeting local, Area, and National Headquarters Biomedical Services needs. The Blood Services Regional Board Chairs shall also serve as liaisons to their respective Blood Services Areas for receipt of communications of Corporate Management directives and to enhance public perception of and participation in Red Cross Biomedical Services.

## *Section 3.4—Financial Development for Chapter Services*

- 3.4.1 Chapters are the most important fund-raising Units for Chapter Services. Chapters are the most effective Units to recruit volunteers, secure financial resources, and deliver Red Cross services nationwide. State-level Units can coordinate and enhance Chapter fund raising.

Consistent with Board of Governors policies and resolutions, Biomedical Services shall operate on a cost-recovery basis. Units may solicit financial donations for Biomedical Services only as directed by Corporate Management.

- 3.4.2 Chapter Campaigns for Members and Funds

a. Each Chapter shall enroll members and raise funds to finance its budget requirements, build or sustain adequate resources, and satisfy its obligations to the Corporation.

b. Contributions to the American Red Cross from an arrangement with a local federated fund-raising organization may be accepted by Chapters, provided there will be no restriction on segregation into local and national shares. Corporate Management may require that there be written agreements with federated fund-raising organizations and that such agreements contain specified provisions.

c. No such agreement may, however, abridge the Chapter's right to conduct independent supplemental financial development activities, including special events and annual membership campaigns, or its right to conduct special disaster relief campaigns when a disaster occurs, when the Board of Governors authorizes the Chapter quota, or when Corporate Management sets a goal for a national Disaster Relief Campaign.

- 3.4.3 Fund Raising for Disaster Relief

a. Informing the Public

Upon the occurrence of a disaster wholly or partially within its jurisdiction, a Chapter shall immediately inform the public that Red Cross disaster services are being provided to disaster victims and that the American Red Cross is dependent upon voluntary contributions to provide such disaster services, and shall inform the public as to how such contributions may be made.

b. Fund Raising for Disasters Limited to a Single Chapter's Jurisdiction

Each Chapter shall initiate immediate fund raising when a disaster occurs and assume responsibility for fund-raising efforts to meet the cost of disaster relief operations within its jurisdiction. If, in the event of a national disaster, Corporate Management determines that the Chapter is unlikely to be able to fulfill its fund-raising obligations for whatever reason, Corporate Management may authorize a State Consortium, State Service Council, or nearby Chapter(s) to initiate immediate fund raising within the affected area and may, if necessary, initiate immediate fund raising by national staff within the affected area.

c. Fund Raising for Multijurisdictional, State or Multistate Disasters

In the case of disasters that affect areas beyond a single Chapter's jurisdiction, the affected Chapters and State Consortium shall be obligated to initiate immediate and cooperative fund-raising efforts. Corporate Management is authorized, after consulting with the State Service Council(s) or its designee(s), to establish fund-raising goals for particular geographic areas as may be deemed appropriate. When a Chapter or State Consortium is unable to fulfill its fund-raising obligations for whatever reason, or the disaster is such that the Chapter or State Consortium is unable to initiate and sustain such efforts, Corporate Management will authorize a National Headquarters Unit, State Service Council or another Chapter to supplement or, when necessary, initiate immediate fund raising.

After direct and immediate consultation with the State Coordinating Chapter(s), the Lead Financial Development Chapter(s), and the affected Chapter(s), Corporate Management may initiate, organize, or assume leadership and management of any disaster fund-raising operation in cases where fund-raising requirements are not being met or are not projected to be met. Such action may be taken without a specific request from Red Cross Units.

**3.4.4 Multijurisdictional Disaster Relief Campaigns**

The President may authorize a Multijurisdictional Disaster Relief Campaign. In such Disaster Relief Campaigns, all designated Units shall solicit contributions for the American Red Cross Disaster Relief Fund. While the American Red Cross will honor donor designations to specific disasters, Units shall not encourage such

Board Policy Manual 2001?

donor designations. When a Multijurisdictional Disaster Relief Campaign is authorized, affected and non-affected Chapters in the designated area shall be obligated to initiate immediate and cooperative fund-raising efforts, and Corporate Management shall establish an appropriate goal for the campaign and shall, in consultation with the State Service Council(s) or its designee(s), establish fund-raising goals for designated areas.

### 3.4.5 Nationwide Disaster Relief Campaigns

a. The President may authorize a nationwide Disaster Relief Campaign. In such Disaster Relief Campaigns, all Units shall solicit contributions for the American Red Cross Disaster Relief Fund. While the American Red Cross will honor donor designations to specific disasters, Units shall not encourage such donor designations. When a nonquotaed nationwide Disaster Relief Campaign is authorized, affected and non-affected Chapters shall be obligated to initiate immediate and cooperative fund-raising efforts and Corporate Management shall establish an appropriate goal for the campaign and shall, in consultation with each State Service Council or its designee, establish fund-raising goals for each state.

b. With the approval of the Board of Governors, the President may authorize a nationwide Disaster Relief Campaign with Chapter quotas. In the event the President has authorized Chapter quotas in a Disaster Relief Campaign, each Chapter shall conduct a campaign to raise its quota of funds for the nationwide Disaster Relief Campaign, obtain such funding from federated fund-raising organizations, or meet the quota using reserve funds.

c. All Chapters, in partnership with other designated Units in their state, should be prepared to raise the necessary funds immediately when disaster strikes to ensure the funding for Disaster Services. When disaster strikes, State Service Councils, Coordinating Chapters, Chapters and Lead Units for Financial Development shall execute their disaster fund-raising responsibilities consistent with their state plans, Chapter plans, Corporate Regulations, and the direction of Corporate Management.

### 3.4.6 Establishment of Quotas for Selected Chapters

The Executive Committee of the Board of Governors and the President may, after considering information provided by the Chapter and by Corporate Management, jointly establish a quota for a particular chapter whenever Corporate Management has been authorized to establish disaster fund raising goals pursuant to the Board Policy Manual, Part Two, Sections 3.4.3, 3.4.4, or 3.4.5. The establishment of such a quota shall obligate the Chapter to forward the quotaed amount to the Disaster Relief Fund. The Chapter may obtain such funds through fund-raising, from federated fund-raising organizations, or from Chapter reserve funds.

### 3.4.7 Funds for State Disaster Relief

a. When the expenses for MUST disaster relief exceed the resources of affected chapters, the corporate Disaster Relief Fund shall be the principal source of funding for corporate disaster response and relief.

b. State Service Councils or other state-level Units may not establish general state disaster relief funds for MUST disaster service delivery.

c. State Service Councils are encouraged to establish a fund for disaster relief in response to single family disasters (a SHOULD service) in State Service Delivery Areas, areas not in the jurisdiction of a Chapter. State Service Councils may establish a fund for building disaster service delivery capacity in the state, consistent with their approved state service delivery plan. Such funds are to be in the custody of and maintained by the Coordinating Chapter or a Lead Chapter.

### Section 3.5—Communication [to come]

### Section 3.6—Marketing [to come]

### Section 3.7—General Counsel and Legal Services

#### 3.7.1 Purposes

The General Counsel shall ensure that

a. The Corporation operates in compliance with applicable federal, state, and local laws and that all Units operate in compliance with the *Bylaws*.

b. All legal matters concerning the Corporation, whether arising from National Headquarters or any Unit, are resolved in a manner that best protects the interests of the Corporation.

c. The legal affairs of the Corporation are in order in all other regards.

#### 3.7.2 Authority

The General Counsel is authorized and directed to

a. Achieve the resolution, either directly or through use of retained counsel, of all legal matters pertaining to National Headquarters.

b. Supervise the activities of outside counsel representing National Headquarters.

c. Achieve the resolution, either directly or through use of retained counsel, of any legal matters that pertain to a Unit, if in the judgment of the General Counsel involvement of the General Counsel is in the best interests of the



Together, we can save a life

**What We Do**

The Red Cross Brand

**AVAILABLE ADVERTISING**

Coming Soon...

How To Place Advertising

Selling Advertising Space

Stock Footage / B-Roll

National Visibility

Links to Advertising Resources

Contact Us!

# Communication and Marketing Advertising

[HOME](#) | [FEEDBACK](#) | [SEARCH](#) | [SEE MAP](#) | [HELP](#)

## HOW TO PLACE ADVERTISING

Your Advertising Unit at National Headquarters is dedicated to helping field units achieve advertising success at the local level. The American Red Cross relies on public service advertising - meaning, we rely on the generosity and discretion of the media to place our advertising messages. However, we understand that today's competitive marketing arena may require you to reach your audience in a more targeted and strategic way.

This site contains information on our known best practices for securing public service advertising, as well as advertising paid-for/sponsored by your corporate or media partners.

- [How to Secure Public Service Advertising](#)
- [How to Secure Sponsored Advertising](#)
- [How to Secure Brokered Advertising](#)
- [Paid Advertising Policy Update](#)

For more information on these placement strategies, please contact our liaison to the field, Advertising Associate Rachel Bonistalli, at (202) 639-3301 or e-mail [BonistallR@usa.redcross.org](mailto:BonistallR@usa.redcross.org).

*Mission / Vision / Values*

SFC-ARC-A001972



**American  
Red Cross**

*Together, we can save a life*

**What We Do**

**The Red Cross Brand**

**AVAILABLE ADVERTISING**

**How To Place Advertising**

**National Visibility**

**Links to Advertising Resources**

**Contact Us!**

# Communication and Marketing Advertising

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## PAID ADVERTISING POLICY UPDATE

*As of January 15, 2001*

In response to many questions from the field, we are clarifying the policy on paid advertising.

The advertising policy for the American Red Cross was established over 50 years ago and is published as part of the current ARC Board of Governors (BOG) Policy Manual as follows:

*"Units shall not expend funds for advertising in print or for electronic or display media, except as authorized by corporate management."*

*- BOG Policy Manual, Part One, Section 3.3.2c*

Recent American Red Cross paid advertising "pilot" campaigns implemented by NHQ, including the Winter 2000, Summer 2000 and October 2000 Urgent Blood Appeals, have demonstrated the merit of paying for targeted advertising in situations of great need. [Click here](#) for results on the impact of the most recent October 2000 Appeal.

**Field units are permitted to pay for advertising in their local markets.** However, by policy, field units must first inform and obtain clearance from the Advertising Unit of the NHQ Communication and Marketing Department. The Communication and Marketing Department has firmly committed to engage affected field units in advance of any localized buy that we plan to make to ensure that chapter and region input is received. We would appreciate that same courtesy from all field units so that we can ensure a cohesive approach to the media by our organization.

In addition, NHQ can provide the following "added value" benefits for your paid advertising program:

- **Market Research:** We can provide you with existing market research that can help you develop the most effective message.
- **Brand Management - Messaging & Creative Development:** We can review and strengthen your creative materials to ensure consistency with our Red Cross brand image.
- **Media Buying:** We may be able to link field units with media buying agencies, as well as advise on your media plan.

We will do our best to work with you to ensure a rapid turnaround of your paid advertising request. For more information or to discuss paid advertising, please contact Advertising Manager Jessica Mario at (202) 639-3217 or e-mail [MarioJ@usa.redcross.org](mailto:MarioJ@usa.redcross.org).

**SFC-ARC-A001973**

**RESOLUTION I**  
**FINANCIAL DEVELOPMENT COMMITTEE AS A REQUIRED CHAPTER**  
**STANDING COMMITTEE**

**Whereas**, the American Red Cross recognizes the need for greater emphasis and expertise in the field of financial development throughout the organization; and

**Whereas**, traditional sources of chapter funding are changing; and

**Whereas**, chapters that have created Financial Development Committees and charged them with overseeing and directing improved fundraising techniques have increased their financial development success, and thus their ability to respond and provide services; and

**Whereas**, those chapters which have achieved the greatest success in financial development have accorded their Financial Development Committees equal status with chapter standing committees; and

**Whereas**, the Board of Governors has determined that the successful operation of the organization requires a level of consistency in the formation and operation of committee structures by field units.

**Now, Therefore, Be It Resolved** that the Board of Governors recognizes this success and promote its extension throughout the organization by amending the Standard Chapter Bylaws to require a Financial Development Committee as a standing committee.

**RESOLUTION III**  
**FORMATION OF TASK FORCE TO STUDY BOARD OF GOVERNORS**  
**POLICY MANUAL 3.13 BEQUESTS AND ENDOWMENT FUNDS**

**Whereas, fundraising, especially planned giving, is critical to the future of the American Red Cross; and**

**Whereas, national headquarters has identified and recognizes the value of planned giving by employing Planned Giving Officers to work with chapters and other chartered units throughout the country; and**

**Whereas, increasing chapter income through planned giving will further our mission by improving financial stability in chapters and enhancing service delivery in local communities; and**

**Whereas, increasing chapter income through planned giving will also enhance national headquarters' income; and**

**Whereas, success of planned giving depends on the trust and cooperation of chapters and national headquarters; and**

**Whereas, there are chapters that perceive the Board of Governors Policy 3.13.1 ("Equal Division Rule") as competitive and creating barriers to cooperation among units; and**

**Whereas, removing barriers or obstacles to cooperation will enable all units to enjoy the benefits of enhanced levels of planned giving and will permit the American Red Cross to compete more effectively in the non-profit marketplace.**

**Now, Therefore, Be It Removed, that the Board of Governors study the entire subject of planned giving with emphasis on:**

- Improving effectiveness; efficiency and accountability
- Removing barriers and promoting cooperation between national headquarters and chapters
- Developing a coordinated nationwide fundraising program

**VIA FAX: 202-783-3432**

September 18, 2001

Bernadine Healy, MD  
President and CEO  
American Red Cross  
430 17<sup>th</sup> Street, NW  
Washington, DC 20006

Bernadine:

Enclosed is a copy of a fax from Pat Kennedy, expanding on the point that she raised last week in the Executive Committee telephonic meeting. In 1998, Pat was witness to the criticisms to which she refers, so has a valuable perspective on this and one from which we can benefit.

I am planning to get the names of some top-flight PR folks from Mel Karmazin and Marty Franks, this week. I will share these with Kate, but it may be a test of our crisis management capacity if Pat's concerns are realized. In any event, it is best to be prepared.

David T. McLaughlin

DTM:ln

Cc: K. Berry  
H. Decker  
P. Kennedy  
J. Krueger  
J. Seitz

SFC-ARC-A001976

September 17, 2001

TO: DAVID MCLAUGHLIN  
RE: BOG Policy

Several years ago the BoG adopted Policy Manual Part II, 3.4.5 Nationwide Disaster Relief Campaigns. The specific wording that is the subject of this memo is "while the American Red Cross will honor donor designations to specific disasters, Units shall not encourage such donor designations." As a result of this policy adoption it has been "mandatory" for all units to use language in their fund raising materials that reads "for this disaster and other disasters." This has been strictly enforced to the point that we have threatened (and may have) removed Unit Executives that violated the concept and tried to designate money. The BoG carefully considered and adopted this language because it was concerned that efforts to designate would deplete the Disaster Relief Fund. And the recent "Season and Storms" Campaign should illustrate that concern. Money is raised for very high profile disasters. It is very difficult for the less visible disasters we face on an on going basis.

It appears that on Saturday Bernadine and national staff deliberately decided to violate BoG policy and a mandate was issued today that specifically requires designation. Specific wording is "to help provide support for this disaster and emerging needs resulting from this tragedy."

After our discussion today regarding oversubscription my phone has been ringing off the hook with chapters asking when did the BoG change its policy. While I am determined to be supportive of management, my answers have been short. "I did not know we had changed policy. I will get back to you."

In my opinion this is a serious violation of BoG policy. It has enormous long term ramifications. I do not object to changing policy. I object to changing it without an understanding of historical perspective and long term effects.

As we have informally discussed, I am a qualified DSHR volunteer. I have worked on several disasters as the fundraising officer—ranging from small to very large operations. This policy violation is very serious.

As I have stressed on several occasions, I want to work within the governance system. This is unacceptable. I look forward to hearing from you as to how I should proceed—understanding I have no intention of ignoring this.

Thanks -  
Pat

SFC-ARC-A001977

September 18, 2001

Mr. Harold Decker  
Deputy Counsel  
American Red Cross  
430 17<sup>th</sup> Street, NW  
Washington, DC 20006

Harold:

The enclosed fax, from Pat Kennedy, is self-explanatory. My question is – did we change policy here, and whether we did or did not, it appears that we need to clarify the position of the Red Cross and the Board on this matter.

I know that you have your hands full, and particularly Dr. Healy, so if you could advise me how to respond, I would be grateful.

Many thanks,

David T. McLaughlin

DTM:ln

Enclosure

Cc: J. Campbell  
B. Healy, MD  
P. Kennedy  
J. Krueger  
J. Seitz

SFC-ARC-A001978



Office of the General Counsel  
National Headquarters  
Washington, DC 20006

To: David T. McLaughlin, Chairman  
Executive Committee  
Date: September 16, 2002  
From: Marty Evans, CEO *ME*  
Subject: Interim Officer Assignments

This Friday, Harold Decker will announce his resignation so that he may fully devote himself to family commitments. I have asked Larry Moore to serve as Interim General Counsel and Andrea Morisi to serve as Interim Corporate Secretary.

Larry Moore joined Red Cross on June 4, 2001 after 24 years with the Pharmacia Corporation. I have worked closely with Larry since my arrival and have great respect for his legal abilities and business acumen. In addition to being an experienced counselor on complex corporate transactions and FDA regulatory affairs, Larry is skilled in risk assessment, crisis management and communications. He is highly successful in building business legal teams, coordinating with top level executives and managers, problem solving, and strategizing business solutions. Prior to joining Pharmacia, Larry worked for the Department of Justice. Since Larry joined Red Cross, he has been working closely with Ramesh Thadani and Gary Dolch on the Consent Decree mediation. He ably served as Interim General Counsel during Harold's tenure as Interim President and CEO.

Andrea Morisi has been with the American Red Cross since 1990 and currently holds the position of Senior Counsel. From March 2000 through May 2001, she served as the Corporate Secretary. She has been instrumental in providing continuity to the legal office and corporate secretary function following numerous personnel changes. Andrea served as Interim Corporate Secretary during the period that Harold served as Interim President and CEO, and she has continued to capably perform the duties of this position since that time.

I have confidence in each of these individuals and ask that you support both through the transition period. Pursuant to the Bylaws Sections 6.4 and 6.6, the CEO appoints these officer positions with approval by the Board of Governors. Please indicate your approval on these interim officer appointments below and return to Carolyn Prevatte's attention.

Name: \_\_\_\_\_

\_\_\_\_\_

Agree with appointments

\_\_\_\_\_

Disagree with appointments

SFC-ARC-A001920

Please return by fax to (202) 783-3432 by September 20, 2001



**American  
Red Cross**

*Together, we can save a life*

National Headquarters  
Office of the President and CEO

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

**Date:** September 16, 2002

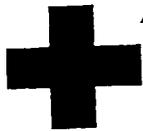
**From:** Marty Evans

**Subject:** Board Retreat

Thank you so much for a very productive retreat. I believe we have made very significant progress to develop a vision and strategy for the next five years. The senior management staff are eager to develop the associated plans to move the organization forward. Attached are several slides containing "talking points" which I hope are useful to you in communicating the exciting progress achieved and other items covered in the Board meeting. If you have questions or would like additional information, please be in touch with Carolyn Prevatte or me.

I also appreciate very much the warm welcome you gave me. It is exciting to be a part of this extraordinary organization. And I look forward very much to working with each of you in the coming months and years.

Attachments

**American Red Cross**

National Headquarters

**To:** Board of Governors Members      **Date:** April 4, 2001

**From:** Dr. Bernadine Healy,  
President and CEO  
Jennifer Dunlap,  
Senior VP, Development      **Subject:** Disaster Relief Fund Nationwide Campaign

As some of you may recall from our discussions at the March 3 Public Support Committee and Finance Committee meetings, the Disaster Relief Fund has been steadily drained by nearly 300 disasters this past fiscal year. Disaster expenses have exceeded \$27 million, but only \$16 million has been raised. In essence, we have had many "small" disasters adding up to big dollars. This includes almost \$5 million spent out of the Disaster Relief Fund to support local chapter disaster response through the National Disaster Reimbursement Program, increasing the overall drain on the Fund.

Based on the discussions with the Board of Governors, and in a series of conference calls with the Lead Financial Development Network, UIN and Metro Chapters, it was determined that we must launch a fund-raising campaign to raise at least \$20 million by June 30 to replenish the Disaster Relief Fund and provide much-needed disaster funds for local chapters.

Please see the attached memo that will be distributed to the field on April 5, 2001, launching the nationwide campaign. If you require any further information please do not hesitate to contact me directly at (202) 434-4917, or Jennifer Dunlap, senior vice president for Development, at (202) 639-3416.

With everyone's help, I know we will be successful!

Attachments

SFC-ARC-A001931

**American Red Cross**

National Headquarters

**To:** Chapter Chairs and CEOs      **Date:** April 5, 2001

**From:** Dr. Bernadine Healy,  
President and CEO  
Jennifer Dunlap,  
Senior VP, Development      **Subject:** Disaster Relief Fund Nationwide Campaign

The American Red Cross has been challenged to raise money for the Disaster Relief Fund this year due to many small, yet costly disasters and the absence of any highly visible disasters.

The Disaster Relief Fund enables us to provide immediate assistance to disaster victims nationwide and we have made a commitment to the American people to be there when disaster strikes. We can't let them down.

The Disaster Relief Fund has been steadily drained by nearly 300 disasters this past fiscal year. Disaster expenses have exceeded \$27 million, but only \$16 million has been raised. In essence, we have had many "small" disasters adding up to big dollars. This includes almost \$5 million spent out of the Disaster Relief Fund to support local chapter disaster response through the National Disaster Reimbursement Program, increasing the overall drain on the Fund.

This is a precarious situation, which could jeopardize the ability of the Red Cross to meet future relief needs. If a major disaster such as Hurricane Georges were to strike, the Fund could be depleted within days.

Based on discussions with the Board of Governors and conference calls with the Lead Financial Development Network, UIN, and Metro Chapters, it was determined that we must launch a fund-raising campaign to raise at least \$20 million by June 30 to replenish the Disaster Relief Fund. This is the first time a nationwide disaster relief campaign will support both national and local disaster funds.

Further information about the Campaign will be shared with the field over the coming days. In the meantime, please contact Jennifer Dunlap, senior vice president, Development, at (202) 639-3416; [DunlapJ@usa.redcross.org](mailto:DunlapJ@usa.redcross.org), or Maurice Levite, vice president for Field Operations, at (202) 639-3193; [levitem@usa.redcross.org](mailto:levitem@usa.redcross.org), if you have any questions.

With everyone's help, we will be successful. I'd like to thank each of you for your commitment to the American Red Cross. By working together we can save more lives.

cc: Board of Governors  
Regional Executive Officers  
All Development Staff

SFC-ARC-A001932

## Small Disasters, Big Dollars...

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### Rationale for \$20 Million Disaster Relief Fund Campaign

- The American Red Cross is launching a nationwide fund-raising campaign to raise \$20 million by June 30 to replenish the Disaster Relief Fund and provide much-needed fund for local chapters. This decision was reached after much discussion by senior management, the Board of Governors, and conference calls with the lead financial development chapters, Metro 30 and UIN chapters.
- The Disaster Relief Fund has been steadily drained by nearly 300 disasters this fiscal year. Disaster expenses exceed \$27 million to date, including almost \$5 million to support local chapter disaster response through the National Disaster Reimbursement Program.
- The American Red Cross Disaster Relief Fund supports relief for the victims of widespread disasters such as hurricanes and floods, as well as individuals and families in local communities throughout the country hit hard every day by house fires and other disasters.
- The Disaster Relief Fund is the primary reason we can provide immediate assistance to disaster victims and we have made a commitment to the American people to be there when disaster strikes. We can't afford to let them down.
- Even though the nation has been spared in the last year from national disasters such as Hurricane Georges or the Northridge Earthquake, thousands of people have suffered greatly. Just because you don't see the aftermath of a disaster on the nightly news doesn't mean it's not happening. For example, thousands of people across the country are devastated by house and apartment fires every single day.
- Due to these many small, yet costly disasters and the absence of any highly visible disasters, the cost of providing life-saving relief has recently outpaced public contributions, and our financial reserves for disaster relief have fallen to a critical low. In essence, we have had many "small" disasters adding up to big dollars.
- While chapters have been working hard to raise funds for a number of disaster relief operations and with a few notable successes such as the tornado relief operations in Alabama and Xenia, Ohio, this has been an extremely challenging year. On national disaster relief operations we have launched aggressive fund-raising and communication strategies to increase our fund raising efforts and maximize our visibility. From advertising and disaster public affairs to donor research and major gift solicitations, we have utilized many fund-raising and communication strategies to generate public support.
- This is a precarious situation, which, if not corrected, could jeopardize the ability of the Red Cross to meet future relief needs. As we head into the dangerous tornado and hurricane seasons the Red Cross must quickly build its financial strength. Without public support, a single hurricane or other major disaster - or more of the widespread and less visible disasters - could deplete the Disaster Relief Fund virtually overnight.
- This is not the first time the organization has had to launch a campaign to support disaster relief, and it may not be the last. Just three years ago we launched a \$50 million campaign which was one of our most successful ever.
- This is the first time a nationwide disaster relief campaign will support local chapters. Donor intent will be honored for each contribution, but every solicitation will include both local and national components and chapters will receive at least 25 percent of all undesignated gifts.

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Blood Services Region, Corporate Management, and the Blood Services Area Councils with respect to operational and financial matters affecting the Blood Services Region; determining local Blood Services Region personnel policies, consistent with Corporate Regulations; reviewing and approving a proposed budget submitted to the Area Vice President; and conducting formal, annual evaluations of the Blood Services Region's performance in meeting local, Area, and National Headquarters Biomedical Services needs. The Blood Services Regional Board Chairs shall also serve as liaisons to their respective Blood Services Areas for receipt of communications of Corporate Management directives and to enhance public perception of and participation in Red Cross Biomedical Services.

## *Section 3.4—Financial Development for Chapter Services*

- 3.4.1 Chapters are the most important fund-raising Units for Chapter Services. Chapters are the most effective Units to recruit volunteers, secure financial resources, and deliver Red Cross services nationwide. State-level Units can coordinate and enhance Chapter fund raising.

Consistent with Board of Governors policies and resolutions, Biomedical Services shall operate on a cost-recovery basis. Units may solicit financial donations for Biomedical Services only as directed by Corporate Management.

- 3.4.2 Chapter Campaigns for Members and Funds

a. Each Chapter shall enroll members and raise funds to finance its budget requirements, build or sustain adequate resources, and satisfy its obligations to the Corporation.

b. Contributions to the American Red Cross from an arrangement with a local federated fund-raising organization may be accepted by Chapters, provided there will be no restriction on segregation into local and national shares. Corporate Management may require that there be written agreements with federated fund-raising organizations and that such agreements contain specified provisions.

c. No such agreement may, however, abridge the Chapter's right to conduct independent supplemental financial development activities, including special events and annual membership campaigns, or its right to conduct special disaster relief campaigns when a disaster occurs, when the Board of Governors authorizes the Chapter quota, or when Corporate Management sets a goal for a national Disaster Relief Campaign.

- 3.4.3 Fund Raising for Disaster Relief

a. Informing the Public

Upon the occurrence of a disaster wholly or partially within its jurisdiction, a Chapter shall immediately inform the public that Red Cross disaster services are being provided to disaster victims and that the American Red Cross is dependent upon voluntary contributions to provide such disaster services, and shall inform the public as to how such contributions may be made.

b. Fund Raising for Disasters Limited to a Single Chapter's Jurisdiction

Each Chapter shall initiate immediate fund raising when a disaster occurs and assume responsibility for fund-raising efforts to meet the cost of disaster relief operations within its jurisdiction. If, in the event of a national disaster, Corporate Management determines that the Chapter is unlikely to be able to fulfill its fund-raising obligations for whatever reason, Corporate Management may authorize a State Consortium, State Service Council, or nearby Chapter(s) to initiate immediate fund raising within the affected area and may, if necessary, initiate immediate fund raising by national staff within the affected area.

c. Fund Raising for Multijurisdictional, State or Multistate Disasters

In the case of disasters that affect areas beyond a single Chapter's jurisdiction, the affected Chapters and State Consortium shall be obligated to initiate immediate and cooperative fund-raising efforts. Corporate Management is authorized, after consulting with the State Service Council(s) or its designee(s), to establish fund-raising goals for particular geographic areas as may be deemed appropriate. When a Chapter or State Consortium is unable to fulfill its fund-raising obligations for whatever reason, or the disaster is such that the Chapter or State Consortium is unable to initiate and sustain such efforts, Corporate Management will authorize a National Headquarters Unit, State Service Council or another Chapter to supplement or, when necessary, initiate immediate fund raising.

After direct and immediate consultation with the State Coordinating Chapter(s), the Lead Financial Development Chapter(s), and the affected Chapter(s), Corporate Management may initiate, organize, or assume leadership and management of any disaster fund-raising operation in cases where fund-raising requirements are not being met or are not projected to be met. Such action may be taken without a specific request from Red Cross Units.

3.4.4 Multijurisdictional Disaster Relief Campaigns

The President may authorize a Multijurisdictional Disaster Relief Campaign. In such Disaster Relief Campaigns, all designated Units shall solicit contributions for the American Red Cross Disaster Relief Fund. While the American Red Cross will honor donor designations to specific disasters, Units shall not encourage such

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donor designations. When a Multijurisdictional Disaster Relief Campaign is authorized, affected and non-affected Chapters in the designated area shall be obligated to initiate immediate and cooperative fund-raising efforts, and Corporate Management shall establish an appropriate goal for the campaign and shall, in consultation with the State Service Council(s) or its designee(s), establish fund-raising goals for designated areas.

#### 3.4.5 Nationwide Disaster Relief Campaigns

a. The President may authorize a nationwide Disaster Relief Campaign. In such Disaster Relief Campaigns, all Units shall solicit contributions for the American Red Cross Disaster Relief Fund. While the American Red Cross will honor donor designations to specific disasters, Units shall not encourage such donor designations. When a nonquotaed nationwide Disaster Relief Campaign is authorized, affected and non-affected Chapters shall be obligated to initiate immediate and cooperative fund-raising efforts and Corporate Management shall establish an appropriate goal for the campaign and shall, in consultation with each State Service Council or its designee, establish fund-raising goals for each state.

b. With the approval of the Board of Governors, the President may authorize a nationwide Disaster Relief Campaign with Chapter quotas. In the event the President has authorized Chapter quotas in a Disaster Relief Campaign, each Chapter shall conduct a campaign to raise its quota of funds for the nationwide Disaster Relief Campaign, obtain such funding from federated fund-raising organizations, or meet the quota using reserve funds.

c. All Chapters, in partnership with other designated Units in their state, should be prepared to raise the necessary funds immediately when disaster strikes to ensure the funding for Disaster Services. When disaster strikes, State Service Councils, Coordinating Chapters, Chapters and Lead Units for Financial Development shall execute their disaster fund-raising responsibilities consistent with their state plans, Chapter plans, Corporate Regulations, and the direction of Corporate Management.

#### 3.4.6 Establishment of Quotas for Selected Chapters

The Executive Committee of the Board of Governors and the President may, after considering information provided by the Chapter and by Corporate Management, jointly establish a quota for a particular chapter whenever Corporate Management has been authorized to establish disaster fund raising goals pursuant to the Board Policy Manual, Part Two, Sections 3.4.3, 3.4.4, or 3.4.5. The establishment of such a quota shall obligate the Chapter to forward the quotaed amount to the Disaster Relief Fund. The Chapter may obtain such funds through fund-raising, from federated fund-raising organizations, or from Chapter reserve funds.

#### 3.4.7 Funds for State Disaster Relief

a. When the expenses for MUST disaster relief exceed the resources of affected chapters, the corporate Disaster Relief Fund shall be the principal source of funding for corporate disaster response and relief.

b. State Service Councils or other state-level Units may not establish general state disaster relief funds for MUST disaster service delivery.

c. State Service Councils are encouraged to establish a fund for disaster relief in response to single family disasters (a SHOULD service) in State Service Delivery Areas, areas not in the jurisdiction of a Chapter. State Service Councils may establish a fund for building disaster service delivery capacity in the state, consistent with their approved state service delivery plan. Such funds are to be in the custody of and maintained by the Coordinating Chapter or a Lead Chapter.

### *Section 3.5—Communication [to come]*

### *Section 3.6—Marketing [to come]*

### *Section 3.7—General Counsel and Legal Services*

#### **3.7.1 Purposes**

The General Counsel shall ensure that

a. The Corporation operates in compliance with applicable federal, state, and local laws and that all Units operate in compliance with the *Bylaws*.

b. All legal matters concerning the Corporation, whether arising from National Headquarters or any Unit, are resolved in a manner that best protects the interests of the Corporation.

c. The legal affairs of the Corporation are in order in all other regards.

#### **3.7.2 Authority**

The General Counsel is authorized and directed to

a. Achieve the resolution, either directly or through use of retained counsel, of all legal matters pertaining to National Headquarters.

b. Supervise the activities of outside counsel representing National Headquarters.

c. Achieve the resolution, either directly or through use of retained counsel, of any legal matters that pertain to a Unit, if in the judgment of the General Counsel involvement of the General Counsel is in the best interests of the

# American Red Cross

National Headquarters  
Office of General Counsel  
and Corporate Secretary

To: Anna Maria Larsen  
Joe Pereles  
Mary DeKuyper  
Ross Ogden

Date: August 8, 2001

From: Eddy Quijano

Subject: Nominations Task Force

cc: David McLaughlin  
Bernadine Healy, M.D.  
Ruth Sorrells

First, thanks to each of you for agreeing to work on this Task Force. The attached background information will provide us a starting point for our conference calls. Enclosed are the following documents:

- Recommendations provided by the Chairman of the Board to this Task Force for consideration.
- Extract from the Executive Committee minutes from May 2000, which outlines recommendations from the Chairman and Vice Chairman of the 2001 Nominations Committee.
- Recommendations from the Chairman and Vice Chairman of the Nominations Committee approved by the Board of Governors, February, 1999.

Please indicate your availability below for teleconferences. I expect each call to last 60-90 minutes and I hope to schedule three calls. I'll confirm the meeting dates/times with you. Thanks very much and I look forward to working with each of you as we formulate our recommendations for the Executive Committee.

\*\*\*\*\*

I am available at the times checked below. *(Please leave the space empty if you are unavailable.)*

_____ Mon., August 13, 11:00 a.m. EDT	_____ Tues., August 14, 3:00 p.m. EDT
_____ Mon., August 20, 3:00 p.m. EDT	_____ Fri., August 24, 11:00 a.m. EDT
_____ Wed., August 29, 11:00 a.m. EDT	_____ Thurs., August 30, 3:00 p.m. EDT

**FAX TO JOAN MAN - (202) 434-4047 BY  
AUGUST 10**

Name \_\_\_\_\_

SFC-ARC-A001979

**Board of Governors Candidates  
Nominations Process/Delegate-Elect**

**Current Nomination Processes**

(a) *First Term Delegate-Elected Nominees.* Chartered units submit nominees through an individual application prepared by the candidate and signed by the unit. The Nominations Committee considers all applications and chooses a slate for delegate vote at Convention.

(b) *Second-Term Delegate-Elected Nominees.* Members who wish to apply for a second term go through the same process as other candidates for the Board of Governors, with the exception of completing a smaller amount of paperwork.

**Proposed New Nomination Processes**

(a) *First Term Delegate-Elected Nominees.* The current process is daunting and does not adequately identify or fill the Board's needs. The perceived benefits of the new approach are that it enlarges the pool of candidates, allowing the strongest members of the ARC volunteer community to be selected for the Board of Governors; it avoids embarrassment to candidates and sponsoring chartered units created by candidates publicly *not* being selected; and, with a larger pool, it diversifies the Board. To that end:

(i) Expertise needed on the Board should be provided to the Nominations Committee. The Secretary's office can provide an analysis of expertise to the Board Leadership Subcommittee chairman for this purpose.

(ii) The Nominations Committee should create a pool of candidates for continuing consideration: The pool should consist of both nominated candidates and a database (currently under development) of all ARC volunteers who have achieved a certain level of volunteerism (e.g., having chaired a local board of directors).

(iii) The current "application" should be simplified and streamlined, with initial nomination forms seeking basic background information (both Red Cross and non-Red Cross) only. Nominations should be submitted by field units, as at present, but could also be submitted by other interested bodies.

(iv) The Nominations Committee will consider all candidates in the pool or nominated, who meet specific criteria. Rules should be established and published to the Red Cross community regarding who is "eligible" to be considered (e.g., the Nominations Committee will not solicit a unit's current chairman prior to his or her last permitted year in office).

**Committee on Nominations**

**Recommendations/Decisions**  
**Re: Enhancing the Nomination Process**

The Committee on Nominations is pleased to provide the following information concerning enhancement of the nomination process.

The information is separated into two parts:

- \* Committee recommendations presented to the Board of Governors for action; and
- \* Committee decisions, which are believed to be effective by the Committee's action alone.

We appreciate your attention to this matter at the February Board meeting.

**Committee members:**

Linda French, Chair  
Anne Sherwood, Vice-Chair  
Diana Bennett  
Ruth Bentley  
Mary Ann Conrad  
Nancy Dean  
Sheila Gordon  
Carlos Hamill  
Michael Jang

Kenneth Keller  
Edwina Moss  
Brendan Ryan  
Gerald Schapiro  
Donald Spanninga  
Woodrow Vaughan  
William Yates  
Deborah Carman – Appointed by National Chairman  
Lynn Swon – Appointed by National Chairman

**Extract from Executive Committee Minutes  
May 17, 2000**

Report of the Chairman

Mr. Augustine introduced Anne Sherwood and Anna Maria Larsen, the Chair and Vice Chair respectively, of this year's Committee on Nominations and asked them to present their reflections upon the nominations process this past year. Ms. Sherwood made recommendations to <sup>(1)</sup>improve the solicitation of nominations, including <sup>(2)</sup>heightening the awareness of the process, refining the process to <sup>(3)</sup>recruit quality candidates and <sup>(4)</sup>developing a shortened application form. She also discussed <sup>(5)</sup>the resource needs of the Committee including travel and maintenance funds to conduct interviews and market the process. Mr. Augustine recommended that a task force work with the incoming Committee Chair and Vice Chair to evaluate the process. The Committee should also continue to work closely with the Board Leadership Subcommittee to evaluate second term candidates and articulate the skills needed for Board membership and leadership. Ms. Sherwood concluded by recommending the process for filling various Council positions be revised. She suggested that nominees for Council positions be evaluated by the Council before being considered by the Committee on Nominations.

## **Nuts & Bolts and Potential Issues.**

- (a) The **Chairman's Letter** should explain the benefits of the enhanced process and remind chartered units that they may continue to submit candidates as they currently do. The letter should also clearly stated expertise needed on the Board. **Guidelines** should be attached to the Chairman's letter elaborating the process and the selection criteria.
- (b) Units may worry that their "best" board members will be plucked. Units may also feel that once the pool is created, they will have less of a voice in who sits on the Board of Governors. However, the process, if determined by field leadership, should have a higher level of buy-in.
- (c) The National Data Base should include all "Beyond the Chapter" committee members and recent past Chapter Chairs. Noteworthy local board members would make it into the pool via chapter nominations.

(v) The Committee will select three candidates per open position. The first candidate will be contacted and, if both the candidate and the Committee agree, that individual will be placed on the slate. If the first candidate is not nominated, the second candidate will be contacted, and so on.

(b) *Second-Term Nominees to the Board of Governors.* Nomination to a second term on the Board should be almost exclusively based on first term performance, determined as follows:

(i) Governors wishing to be re-nominated will complete a brief (one page) form on which they summarize their work on the Board of Governors.

(ii) The Executive Committee, via the Chairman of the Board Leadership Subcommittee, will recommend to the Nominations Chair as to sitting members, a positive, a neutral, or negative recommendation.

(iii) Board liaisons to the Committee will support the recommendation of Board leadership. It is expected that positive and negative recommendations will be accepted by the Nominations Committee. However, the Nominations Committee may make appropriate inquiry of BoG Committee Chairman.

(iv) Should the Executive Committee determine that it doesn't support a particular individual for re-nomination, the Board Leadership Subcommittee chairman will approach that individual privately and ask him or her to consider not submitting themselves for re-nomination.

Committee Recommendations	Rationale
<p>1. Enhance the quality and quantity of information received from the BoG and related to BoG delegate-elected nominations, including:</p> <p>Documentation by Committee Board liaisons of strategic issues and concerns, with liaisons' discussion of the strategic plan for the organization at Nominations Committee May (Annual Convention) meeting, to be provided in May, 2000, and yearly thereafter;</p> <p>Revision and updating of the Board members' job description, which also contains required and preferred qualifications, to be provided by September 1, 2000;</p> <p>Revision and updating of the Board composition and analysis chart, to be provided by September 1, 2000 and yearly thereafter; and</p> <p>Amplification of "blue letter," with detailed background, experience, and expertise needed for future BoG composition of delegate-elected members, to be provided to the Committee by Committee liaisons by September 1, 2000, and yearly thereafter.</p>	<p>The quality and quantity of information received from the BoG directly affects the quality of the Committee's decision-making. A comprehensive understanding of the information listed will identify the "gaps" needing to be filled and greatly assist in evaluating potential candidates.</p>

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Committee Recommendations	Rationale
<p>2. Authorize the establishment of a comprehensive recruitment program to increase the number, geographical dispersion, and diversity of delegate-elected candidates.</p> <p>The following are suggestions and ideas which might become part of the comprehensive program, recommended to be developed in conjunction with the National Chairman of Volunteers and Volunteer Resources, especially including the Chair of Volunteer Diversity, and appropriate others:</p> <p>In advance of the "blue letter," send a unique/noticeable bulletin from the Chairman to chartered units, advising that the "blue letter" is coming and to begin consideration for recommendations. Use various media.</p> <p>Redesign the "blue letter," to be attention-getting, interesting to look at, enticing, and encouraging recommendation of qualified, diverse candidates.</p> <p>Revise the content of the "blue letter," to be easy to read and understand, especially concerning skills/expertise and diversity, and to provide greater specificity and depth regarding desired qualifications.</p> <p>Revise attachments to the "blue letter," to include updated job descriptions for delegate-elected BoG members, Nominating Committee members, and Resolutions Committee members (Committee to develop recommended description for Nominating Committee and to request description from Resolutions Committee).</p> <p>Make an exception to the corporate policy regarding distribution of</p>	<p>There exists an obvious need to generate greater interest in the nominating process: the number of candidates is down; and geographic coverage is poor, as is representation of minority and female candidates.</p> <p>The Committee believes that it could be involved in general actions to encourage an increase in the number of candidates.</p> <p>However, Committee members should not engage in actions to recruit/solicit specific individuals to be candidates. Such action might compromise Committee member impartiality at the time when all candidates are being considered for nomination.</p> <p>Vital communication, such as the "blue letter," should be perceived as important. It is the Committee's understanding that the document is not widely anticipated, read, or acted upon. Using a more interesting format, more informative content, and a variety of media will ensure receipt by all chartered units.</p> <p>Targeted marketing should encourage the recommendation of qualified candidates, including minorities and females. However, the Committee's function should not include recruitment of specific individuals. Doing so might compromise the Committee's objectivity in evaluating all candidates.</p> <p>Presentations, especially at the Convention, will highlight and explain the process, resulting in a more informed electorate.</p>

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the "blue letter," by broadly distributing the "blue letter" to units, unit chairs, state service council members, regional board members, and other leadership volunteers.

Distribute the "blue letter" through a variety of media.

Separately contact Region Chairs, Bio-Medical Area Chairs and State Service Council Chairs by letter, to solicit their involvement in encouraging units to nominate qualified candidates.

Publish a feature story on the nominations process, in an appropriate media (such as former Impact).

Target market certain units for Nominating Committee contact annually, on a rotating basis so all units are contacted within a period of years.

Develop a presentation that selected representatives could make to conferences, meetings, etc. (speak-piece being developed). Modify the presentation for use at a breakout session at the Convention (to include all relevant process enhancements).

Consider advocating the use of Volunteer Resources' databank of leadership volunteers.

**Committee Recommendations**

**Rationale**

3. Revise the nominating process for delegate-elected BoG incumbent (second term) candidates:

a. Initiating the process for re-nomination:

Eliminate the Bylaw requirement that recommendations come from Chartered units. (Note: see b. below, which requires Committee to obtain input from local chartered unit.)

Replace the unit recommendation requirement, as follows:

Incumbents are contacted by BoG liaisons to the Nominations Committee, to determine interest in serving a second term.

If interested, incumbent submits the following to the Nominations Committee:

- 1) An update of personal data, only if different from previous recommendation form (which form will have been provided to the incumbent for review prior to update);
- 2) A list of the BOG committees, task forces, liaison/leadership positions, etc., and other Red Cross activities, during the first term; and
- 3) A brief statement in which the incumbent may express and review accomplishments, contributions, value added during first term.

The current process omits (or inefficiently/ineffectively collects) important information concerning incumbents' performance.

The current process of gathering BoG information about incumbents involves calling BoG Committee Chairs and obtaining liaison perceptions of Board liaisons to Committees. The Nominations Committee activity has been inefficient and unstructured. As a result, the process has not always produced the highest quality information.

Information concerning incumbents' current interests/status and performance as a Board member is the most relevant information the Committee could obtain. The update of personal data will provide recent, relevant information related to the member's involvement outside Red Cross. The list of BoG activities will provide insight concerning involvement on issues of importance, meetings attended, and representation of the Red Cross with media, potential contributors, other organizations, local or state governments. The statement provides a vehicle for the member to express his or her contributions in a way that may not be evident from the list of activities.

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b. Obtaining background information:

BoG liaisons and Nominations Committee Chair/Vice-Chair solicit input from the BoG, provided to Nominations Committee annually in December (*see Attachment A – BoG to decide who provides responses, but Committee recommends BoG Committee Chairs and Leadership Committee or Executive Committee, at a minimum*);

Nominations Committee Chair requests staff input, utilizing a procedure recommended by the national ARC President;

Nominations Committee member solicits input from incumbent's local chartered unit;

Nominations Committee member has conversation with incumbent by telephone (*format and subject matter to be developed*)

c. Utilizing selection criteria as follows:

Assume incumbent has superior qualifications for the position, based on first term experience, unless:

- i) Background information indicates moral or ethical issues exist which negatively impact BoG responsibilities, e.g., substance abuse, conflict of interest; and/or
- ii) Input from BoG (Attachment A) indicates negative assessment of contribution.

It should be noted that this process does not require a recommendation from the local unit. It is the Committee's understanding that the current process of requiring re-nomination by chartered units is believed to create potential conflicts of interest. The potential conflicts have been described as follows: incumbents must represent only the national organization, at all times, and should not be encumbered by the potential need to favor a chartered unit in order to be re-nominated. Nor should chartered units be in a position to influence incumbents during their first term, in exchange for re-nomination.

The Committee recognizes that eliminating local involvement in the BoG nomination process may attenuate the local unit connection/relationship with the BoG and, thus, reinforce any perceived "we/they" attitudes and erode local units' trust in BoG actions.

As a result, the recommendation that chartered unit input be solicited during reference checking is designed to avoid any conflicts of interest which might arise and, at the same time, provide a formal means of input by the local unit.

Assumption: Absent improper conduct or unsatisfactory performance, a member will be re-nominated is based on rationale that prior, 3-year participation provides superior understanding of role and responsibilities. Adopting the assumption will formalize the Committee's past practice.

Ref done?

Committee Recommendations	Rationale
<p>4. Revise the Recommendation form;</p> <p><b>Format:</b> Redesign the form to have an "attention getting," graphic style.</p> <p><b>Content:</b> See Attachment B (for content only).</p> <p><b>Distribution/submission:</b> Provide form through a variety of media, including paper, online, disk, faxback.</p>	<p>The highly qualified people we seek should have the proper image of the organization and the BoG, in every contact.</p> <p>The content should appear to be similar to content in other executive-level applications.</p> <p>The candidate should be able to choose the method of submission most convenient to the applicant.</p> <p>The Recommendation Form, as proposed in Attachment B, will continue to require a recommendation from the unit board for non-incumbents. Requiring the chartered unit also to provide a rationale for its endorsement further ensures serious consideration of the candidate's qualifications.</p>
<p>5. Revise Section 4.4 of Board Policy Manual, Part One to allow all Nominations Committee members to vote for Nominating Committee nominees.</p>	<p>The existing Policy allows only retiring Nominations Committee members to vote for Nominations Committee nominees. The origin and rationale for the existing practice are not known, but it has been suggested that Nominations Committee members, who will be remaining on the Committee for the following year, might be influenced to select their friends as nominees.</p> <p>The Committee believes that all members will exercise the same discretion, objectivity and fairness in selecting the most qualified nominees for these positions as it will use in selecting all other candidates for BoG, Resolutions Committee, and other positions.</p>

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Committee Decisions	Rationale
<p>1. Revise the candidate interview and reference-checking process:</p> <p>Assign candidates to Committee members, who will develop a portfolio of information on each assigned candidate (based on recommendation form, interviews and other relevant information) and, at the Committee's March meeting, will make a thorough, prepared, oral presentation with respect to each assigned candidate.</p> <p>Activities to build the portfolio include:</p> <ul style="list-style-type: none"> <li>• Formally interviewing candidates via telephone, and coordinate to elicit/probe for information critical to success for respective positions (format to be developed).</li> <li>• Formally interviewing minimum of 3 references, coordinated with other information-gathering activities (format to be developed).</li> <li>• Inviting national ARC President to recommend procedures for soliciting staff (e.g., REO) input for candidates.</li> <li>• Soliciting other input, as determined by Nominating Committee member to be appropriate.</li> <li>• Thanking and notifying those not selected, both the individuals and the recommending chartered unit.</li> </ul>	<p>A structured approach, which provides for the collection of a significant amount of consistent and pertinent information, will result in a more effective and efficient process and selection of more highly qualified nominees.</p>
<p>2. Develop orientation and training program for Committee members:</p> <p><i>See Attachment C.</i></p>	<p>The Committee recognizes the need for continuous improvement of our skills, in order to professionally perform our duties.</p>

**Attachment A  
Nominations Committee Request for Information:  
BoG Assessment of Incumbent  
For Second Term**

*current  
incumbent  
Jim*

**Please provide one form per incumbent.**

**CONFIDENTIAL**

**Name:** \_\_\_\_\_

1. How has this person contributed to the Board's efforts to accomplish its goals/objectives?
2. Does this person have sufficient knowledge of the American Red Cross and its mission, strategies, products and services, to fulfill his/her role on the Board? What specific events or instances show that this person can demonstrate this knowledge?
3. How does this person constructively contribute to Board/Committee work?
4. What has been this person's record of attendance at Board and Committee meetings?
5. How has this person made a personal commitment to the organization (e.g., of talent and/or financial resources)?
6. Other comments:
7. Overall assessment:

Candidate's Name: \_\_\_\_\_  
Last First Middle Initial

Title: Mr.  Mrs.  Ms.  Dr.  Other

**American Red Cross**  
**FY 2000 RECOMMENDATION FOR BOARD OF GOVERNORS MEMBER**  
 (Up to ten candidates elected each year.) ARCFAX #7550

**CANDIDATE'S CONTACT INFORMATION**

Home Address: \_\_\_\_\_  
 \_\_\_\_\_

Telephone: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_ E-Mail: \_\_\_\_\_

Business Address: \_\_\_\_\_  
 \_\_\_\_\_

Telephone: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_ E-Mail: \_\_\_\_\_

**NAME AND CONTACT INFORMATION OF RED CROSS UNIT AND PERSON TO CONTACT ABOUT THIS FORM:**

Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Telephone: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_ E-Mail: \_\_\_\_\_

**SIGNATURES/ENDORSEMENT**

The information presented is complete and accurate. I have read the position description following and agree to abide by the conditions specified. I understand that I will be interviewed and references will be contacted for additional information.

\_\_\_\_\_  
 Signature of Candidate Date

Our unit board recommends this candidate for consideration for membership on the Board of Governors. Attached is our rationale for this recommendation.

\_\_\_\_\_  
 Signature of Unit Chairman Date  
 (or Board Secretary if chairman is the candidate)

\_\_\_\_\_  
 Name/Title - Printed Date

Candidate's Name \_\_\_\_\_

## **INSTRUCTIONS**

The information you provide on this form assists the National Committee on Nominations in providing for the best mix of expertise, experience and access to influence and affluence on the Board of Governors. Every candidate is not expected to excel in every category; we are looking for a broad spectrum of backgrounds in our Board members. While space is provided for you to respond to questions, you may provide additional information in response to questions on an attached sheet of paper. If you are a current member of the Board of Governors seeking a second term, you are asked to respond to some questions in a light that highlights your contribution specifically during your term as a Governor.

Thank you for taking the time to fill out this form and for your interest in and commitment to the American Red Cross.

## **PROFESSIONAL WORK HISTORY, EDUCATION, CERTIFICATIONS, HONORS**

Please attach a CV or resume that describes your recent professional employment or volunteer affiliation, major responsibilities, noteworthy accomplishments, education, certification and honors. It can be limited to one or two pages, not to exceed 10 pages.

## **BOARD EXPERIENCE** (Nonprofit and For Profit)

Describe your experience on both nonprofit and for-profit boards of directors, your major contributions in those roles, and how those experiences may be useful to you as a member of the American Red Cross Board of Governors.

SFC-ARC-A001994

Candidate's Name \_\_\_\_\_

**WHAT DO YOU PERCEIVE TO BE YOUR SPHERE OF INFLUENCE?**

Check one or more:

LOCAL

STATE

NATIONAL

INTERNATIONAL

**Describe your access to individuals in leadership positions (influence and affluence) at the level(s) you identified and how this access could benefit the Red Cross. For current Board of Governors members seeking a second term, describe both your access and the ways in which you have used your access as a Board of Governors member to benefit the Board and the organization over the last two years.**

Candidate's Name \_\_\_\_\_

**RED CROSS VOLUNTEER EXPERIENCE**

**Describe your nonprofit volunteer experience for and major contributions to the Red Cross: Chapter, Blood Services Region, Armed Forces Emergency Services Station, State, Regional, Area, National or International. For current Board of Governors members seeking a second term, describe any volunteer activities you have been involved in outside of your official duties on the Board of Governors over the last two years. You do not need to repeat information provided in response to earlier questions.**

**OTHER NONPROFIT VOLUNTEER EXPERIENCE**

**Describe your nonprofit volunteer experience in and major contributions to other nonprofit organizations at the local, regional, national or international levels. For current Board of Governors members seeking a second term, describe any roles in other nonprofit organizations over the last two years. You do not need to repeat information provided in response to earlier questions.**

SFC-ARC-A001996

**CANDIDATE'S NARRATIVE:**

**In your opinion, what are the three or four major challenges you believe the Red Cross will face as a national organization in the next few years? What value will you add to the Board if you are elected? For current Board of Governors members, discuss what value you have added to the Board during your first two years and how you will demonstrate additional value in a second term. Please attach a typed response.**

**DISCLOSURE OF RELATIONSHIPS TO AMERICAN RED CROSS**

**Please indicate any activity or interests that conflict or suggest a potential conflict with the best interests of the American Red Cross.**

**REFERENCES**

**List two external references and two Red Cross references.**

Name	Title, Profession & Relationship	Phone Number
1.		
2.		
3.		
4.		

Candidate's Name \_\_\_\_\_

*This page is detachable from the application.*

**DEMOGRAPHIC INFORMATION**

*Responses to these questions are optional. Data will be used to assist in ensuring greater diversity on the Board.*

**Gender:**     Female                     Male

**Race:**         American Indian     Asian or Pacific Islander     Black, not Hispanic  
                   Hispanic                 White, not Hispanic         Other

**Age:**                    \_\_\_\_\_

Candidate's Name \_\_\_\_\_ SFC-ARC-A001998

**Committee on Nominations  
Orientation for New Members**

**Discussion Agenda for Committee**

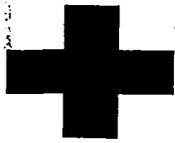
- A. You have been selected (March) -- then what?
  - 1. Respond promptly to notification letter
  - 2. Provide short bio to committee support
  - 3. Provide pertinent addresses, phone numbers, e-mail
  - 4. Receive information regarding other members of committee
  - 5. Chair assigns mentors
  
- B. Convention -- May
  - 1. Provide information to entire committee regarding convention plans -- not just those registered
  - 2. Provide for short get-together with other members to build familiarity
    - a. Separate room -- meet your mentor
    - b. Short description of next steps
  
- C. Provide orientation - Send complete packet of procedures
  - 1. Contents of packet -- Don't assume we know anything
    - a. Roster of committee and support staff
    - b. What is a TA? How do I secure one?
    - c. How do I make travel plans?
    - d. How do I get reimbursed? -- Include form
    - e. Information about present BoG (another acronym?) members
    - f. How much of my time is needed? When?
    - g. Policy and procedure document -- review draft with task force teams -- does it answer questions?
    - h. Recognize that this is different from usual nominating committee functions
  - 2. Mentor contacts new member
    - a. Review interview forms
    - b. Review contact list
    - c. Review guidelines for interviewing
    - d. Review guidelines for analysis of applications
  
- D. Training for all members of committee
  - 1. Enhance recruitment skills
    - a. Provide historical information
    - b. What type of person and what skills are desired
      - 1) Input from BoG
      - 2) Identify desired characteristics for all committee's members
  - 2. Provide guidelines for analysis of applications
  - 3. Provide guidelines for interviewing references

## E. Selection meeting

1. Spend time getting to know each other if this is the first time we are together
2. Provide time to do some team-building – some may know each other, remember we come from large and small chapters and may need some "sensitivity" adjustment
3. Have clear directions for procedure during this selection period
4. Have fun!

## NOMINATING PROCEDURE

<b>Normal Process</b>	<b>Committee on Nominations</b>
Already familiar with nominating committee members	Probably won't know many people on committee
Built-in trust factor with other committee members	No trust factor for interpreting information
Know needs of organization	May not fully understand or know needs of BoG
May or may not know candidates	Know candidates only through nomination form
Knowledge of process	Required to learn and understand process
Unlikely to check references	Interview references
Known goals	Must define goals



**American Red Cross**

**Norman R. Augustine  
Chairman**

**To:** Chapter Chairs/Managers  
Blood Services Region  
Chairs/CEOs

**Date:** September 22, 2000

**From:** Norman R. Augustine  
Chairman

**Subject:** 2000-01 Board of Governors  
and National Committee  
Nominations

**cc:** Bernadine Healy, M.D.  
President and CEO

Each year at this time I ask chartered units to consider exceptional volunteers for leadership positions in the American Red Cross. Chartered units, as the network that provides outstanding services in your communities, states and the nation, play a critical role in this important process. By recommending Red Cross leaders in whom you have confidence, you will ensure that the commitment to outstanding service remains intact.

You will receive complete details about the nominations process next week. The due date for nominations is December 1, 2000. The purpose of this memo is to give you a head-start in your deliberations.

One of the most critical elements of American Red Cross leadership is our governing body, the Board of Governors. The trust placed in the American Red Cross by the public rests on the Board's shoulders, and nominating and selecting these members is pivotal to our future ability to help those in need. Members of the Board of Governors must enter the Board with the background, talent, and skills to effectively govern a \$2.5 billion organization and to enhance the trust placed in our organization. Collectively, the members must possess a variety of skills and come from a broad base of experience and backgrounds. Chapters and Blood Regions have nationally recognized leaders within their communities and on their boards. Those leaders' involvement at the national level, with concomitant ties to their local Red Cross, will benefit the entire organization. I am pleased to ask our chartered units to undertake the important task of recommending such leaders to fill Board of Governors positions.

The Executive Committee of the Board of Governors has asked that you consider the following areas as you identify potential candidates for the Board: expertise in finance, information technology, medical and biomedical products and services, governance, volunteerism and fund raising. In addition to these areas, the Executive Committee indicated that it would be helpful to add individuals who have experience as corporate senior executive

SFC-ARC-A002001

officers, preferably CEO, CFO or COO and as corporate board members. Obviously we must continue to focus on diversity.

We are seeking recommendations for the following Advisory Councils that report to Committees of the Board of Governors: National Youth Council, Retiree Advisory Council and National Diversity Advisory Council. Also of critical importance are recommendations for the National Committee on Nominations, the Committee on Resolutions and the chairman and vice chairman of the year 2002 National Convention.

The complete guide to the volunteer leadership positions will include a brief description of each job, its associated qualifications, and how to access appropriate nomination forms. In many cases there will also be a request for specific areas of expertise, demographics or culture. A special communication will alert you as to when complete details and forms are available on CrossNet and via ARCFAX.

Please keep in mind that the nominations process is ongoing. Continual identification, recruitment, and development of diverse leadership with needed experience are crucial to the stability of each local unit and the entire organization. There are numerous Chapter, State, Regional, Blood Services Region and Area opportunities where one can develop a broader perspective of activities and issues, learn more about and contribute to the Red Cross. These experiences can help prepare our emerging volunteer leaders for national volunteer roles. Volunteer Resources at national headquarters has additional information if your unit is interested in learning more about these opportunities.

Thank you for your careful consideration of candidates for these important leadership positions.

cc: Board of Governors  
Chairman, National Committee on Nominations  
Regional Chairs/REOs  
Area Chairs/VPs  
Station Chairs/Managers  
Senior Management, NHQ



**American  
Red Cross**

National Headquarters

*Together, we can save a life*

***—CONFIDENTIAL—***

**To:** Eddy Quijano  
Fred Grein  
Pat Kennedy

**Date:** February 28, 2002

**From:** David T. McLaughlin  
Chairman

**Subject:** Committee Chairs/Retreat

Eddy, Pat and Fred, [Board Leadership Subcommittee]

Looking ahead beyond May, I would like to work with you now on the Committee Chair appointments for the coming year. As we embark on a new structure for ARC, my sense and strong recommendation is that we make some aggressive steps to infuse the governance structure with new ideas and new leadership.

In preparations for this, I am contemplating holding a small strategic planning retreat in Cambridge to review and critique a planning paper provided to me by the Kennedy Center Faculty who have been coordinating seminars for ARC management for some years. I would hope that David Gergen, a public policy specialist and at the Kennedy Center, and I could coordinate the session and that Joe Nye, the head of the Kennedy Center might keynote the event. Both Joe and David are good friends from my time at the Aspen Institute.

My suggested list of participants parallels what I recommend would become Committee Chairs for the next year. I would be delighted to give you any rationale on each of them:

- Fred Grein (incoming 1<sup>st</sup> Vice Chair)
- Ross Ogden (Chapter Services Chair)
- Ramesh Thadani (Biomedical Services)
- Jim Jones (Presidential Search)
- Peter Loftin (Public Support)
- Jon Huntsman (Governance Co-Chair w/Fred Grein as Co-Chair)
- Carol Ann Haake (International Services Chair)
- Linda French (Disaster Services Volunteer Chair)
- Susan Hassmiller (Disaster Services Chair)
- Kate Forbes (Audit Chair)
- Chris Allen (Vice Chairman, Audit Committee)

SFC-ARC-A002003

In addition to Harold and myself, this is the group that I would propose to convene in April with the Kennedy School faculty to review their report. It presupposes a major change in Board Leadership. It is time to do this. We need fresh thinking and approaches to our opportunities.

I am sharing with Harold and you under separate cover a confidential copy of the Kennedy School faculty report that I received and read just after the retreat on my way to Zurich. It mirrors and reinforces to some extent many of the underlying themes of the retreat.

If you and Harold are in agreement, I would plan to share the report with the full board and advise the Board that I am convening a special meeting of selected Governors to review the report and to report back to the Board on our recommendations.

I would propose that this group would provide pro-active leadership of the Board next year and believe it is important to get a head start on developing this team. I hope that you would agree with this.

I will call you and many thanks for your support.

CC: Harold Decker

SFC-ARC-A002004



**American  
Red Cross**

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

David T. McLaughlin  
Chairman

**-- C O N F I D E N T I A L --**

**To:** Board Leadership Subcommittee  
Eddy Quijano  
Fred Grein  
Pat Kennedy

**From:** David T. McLaughlin  
Chairman

**Subject:** ARC Strategy for the Future

**Date:** February 28, 2002

This is the confidential report I referred to in my fax dated February 28, 2002.

Enclosure

cc: Harold Decker

*Together, we can save a life*

SFC-ARC-A002005

*Fred Grein*

## **American Red Cross**

National Headquarters  
Board of Governors

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**To:** Board of Governors                      **Date:** January 29, 2002  
**From:** Board Leadership Subcommittee      **Subject:** Board Leadership  
          Eddy Quijano, Chair  
          Patricia Kennedy  
          Fred Grein  
**cc:** Harold Decker

The Board Leadership Subcommittee is responsible for recommending Board leadership and committee assignments for the coming year. We need your input to fulfill our responsibility.

Please complete your response form pursuant to the Board leadership guidelines below and return your response form to Andrea Morisi by **February 15, 2002** at fax number (202) 434-4057.

### **Board of Governors Leadership**

The Board Leadership Subcommittee recommends members of the Board of Governors for leadership positions on the Board. The Subcommittee submits its recommendations to the executive Committee. Members of the Board of Governors identify their *areas of expertise* and state their *leadership preferences* as part of the Subcommittee's process.

### **Process for Leadership Selection**

#### *Factors Considered*

The Subcommittee considers the following factors in selecting members for leadership positions:

- Members' expertise
- Members' stated preferences
- Members' demonstrated contributions
- Leadership succession
- Input of Committee Chairs and the Chairman
- Ethnic and gender diversity
- Other committee needs

**SFC-ARC-A002033**

The Subcommittee considers several indicators regarding a member's demonstrated contribution, including:

- Leadership on significant issues before the Board
- Strategic input on issues before the Board
- Influence with leaders and resources of external constituencies the member has provided the American Red Cross
- Influence within the Board and with other Red Cross leaders
- Overall leadership qualities

The Subcommittee will also consider committee composition based upon the following:

- Member preferences
- Member expertise
- Leadership succession
- Committee Chair's input
- Ethnic and gender diversity
- Continuity of experience
- Cross-over with other committees
- Mix of delegate-elected, Board-elected and Presidential appointees
- Other committee needs

# Memorandum

**To:** Marty Evans

**From:** David McLaughlin

**Date:** May 16, 2003

**Re:** Visit to NJ Metro Chapter – May 14, 2003 for Dedication of New Headquarters Building

---

The Chapter serves a critical area of NJ and while it represents 14% of the population, it responds to 30% of the disasters experienced in NJ. I met with their Board and participated in the dedication of their new Chapter facility. The Board is well led, very talented, and the Chapter building is even more impressive.

The building was made possible by a gift of five million dollars by Anthony Mazzone, a young multimillionaire who has personally served as the project manager and is totally dedicated to the Red Cross and the Chapter. It is an extraordinary structure located twenty five miles from NYC, is state of the art in technology and security systems and has an entire third floor vacant.

The Chief Executive officer is Walter Gramm who is very good, a Tiffany Award winner, and well respected. I spent quality time with Mazzone, the Chapter Chair, Keith Lynott, and his predecessor and with twelve of their Board members. Their issues:

- Revenue Challenges
  - Direct mail is down 50%
  - Major Gifts are down 58%
  - United Way is down 70%
  - Bequests are up 514%

On balance their income will be off 13% but if the building and the major gift for that are removed, their operating loss would be \$618,000 – or 60% of their reserves.

SFC-ARC-A002164

July 14, 2003

- There are thirteen chapters in Northern New Jersey. They need to be consolidated for administrative functions, training, development expertise, etc. This would make them all stronger, eliminate costly redundancies and improve services. They have discussed this with the chapters under the guidance of ARC Regional personnel, but small chapters resist this and nothing will happen unless directed by National to make it happen within a defined time frame. It makes sense – they have the skills, the space and the will to make it successful while being sensitive to community needs and quality of service delivery. I would recommend that Alan pay a visit to assess this possibility and if he concurs, use it as a prototype to move this forward as the market will not long tolerate the inefficiency of our system and particularly in a depressed philanthropic environment.
- They have requested consideration as one of the regional disaster centers. Their location, facility, etc. would make this an interesting possibility which Alan could assess as well when he was there.
- Apparently there are three criteria to be met before an assessment adjustment is considered. One of these is the ratio of net assets to revenue (?). The Chapter qualifies on two of these but the asset value of the new building disqualifies them on the third criteria. If I have it right, it makes no sense to me. They cannot sell the building – but under our formula would be better off to let the donor own the building and to lease space in the building which would take it off their balance sheet. This is not practical but it does raise the question about the appropriateness of the criteria. My suggestion is that Bob McDonald look into this and advise you of the appropriateness of the criteria.
- It is an excellent operation. They have come a long way over the past three years. The Board and the management are positive, supportive, and anxious to see ARC do the right things to deliver our services as efficiently as possible.

I would appreciate being kept informed about any actions taken relative to these suggestions. You can be proud of this chapter – they are anxious to show you their stuff.

Thanks.

**AMERICAN RED CROSS  
BOARD OF GOVERNORS  
STANDING COMMITTEE  
AND LEADERSHIP PREFERENCES**

Name: \_\_\_\_\_

If you wish to update your CV or resume, please provide us with an updated copy.

**I. Please summarize your experience, expertise, and contributions to the BoG through February 2002:**

**II. Please indicate if you would like to hold a leadership position or would like to continue in a current leadership position.**

**III. Please rank or indicate your three areas of strength or interest on the chart below.**

Areas of Interest	
1. Chapter services, i.e. disaster, health & safety, AFES	
2. Biomedical services	
3. International services	
4. Public support & fund raising	
5. Finance	
6. Audit	
7. Governance	

Fax to (202) 434-4057

By [Date]

SFC-ARC-A002035



**American Red Cross**

**National Headquarters  
Board of Governors Office**

**TO:** Board of Governors                      **SUBJECT:** Board Leadership  
**FROM:** Board Leadership                      **DATE:** January 22, 2001  
          Subcommittee  
          Catherine Miller, Chairman  
          Eddy Quijano  
          Helen Shores Lee  
**cc:** Bernadine Healy, M.D.

The Board Leadership Subcommittee has the task of making Board leadership recommendations and committee assignments for the coming year. In order to accomplish this, we need input from you. If you have any questions or need further information, please feel free to contact any of us or Andrea or Ruth, in the Board office at 202.639.3262 or 202.639.3930.

**BY FEBRUARY 1, ALL BOARD OF GOVERNORS MEMBERS SHOULD:**

1. Outline contributions to the work of the Board since being elected;
2. Indicate in order of preference three choices for committee assignments;
3. State whether or not they would like to continue with their present committee assignments;
4. Indicate whether they are seeking a new or continuing leadership position, and in what area.

Before addressing the above, Board members are encouraged to carefully review the attached Board leadership overview (Attachment A), which describes the process and leadership positions available. The Subcommittee will make every effort to accommodate members' preferences; however, committee needs will be paramount in making selections. After reviewing the BoG Leadership document attached, please complete the second two-page attachment (Attachment B) and fax it to the Board Office at 202.434.4057.

**SFC-ARC-A002036**

## BOARD OF GOVERNORS LEADERSHIP

### Leadership Appointments and Committee Assignments

Board of Governors leadership positions are selected by the Board Leadership Subcommittee, which is composed of three members of the Executive Committee. Two of these members are in their final year of Board service, while the third member is available to return to the Subcommittee for a second year, generally as the Subcommittee Chairman.

In May of the prior year, the Board Leadership Subcommittee is appointed by the Chairman, after input from the Executive Committee in April. Between its appointment at the May meeting and the February Board meeting the following calendar year, the Board Leadership Subcommittee sets the process for the coming year and documents the process for each Board member. In order to facilitate the process, Board of Governors members are asked to state their committee and leadership preferences and identify areas of expertise. Committee chairmen are asked to provide input to the Board Leadership Subcommittee.

The Board Leadership Subcommittee makes recommendations for the following leadership positions:

- Chairman & Vice Chairman of each of the eight standing committees (Audit Committee, Biomedical Services Board, Chapter Services Committee, Finance Committee, Human Resources Committee, International Services Committee, Public Support Committee and Strategic Planning Committee).
- Executive Committee At-Large members (2, plus Chair of Subcommittee on Fundraising)
- Board Development Subcommittee (5, typically one from each "class" except the newest)

Other leadership and advisory council appointments are made by committee chairmen upon the recommendation of the Subcommittee.

### Process for Leadership Selection

#### Factors Considered

The Subcommittee considers the following factors in selecting members for leadership positions:

- Members' expertise
- Members' stated preferences
- Members' demonstrated contribution
- Leadership succession
- Committee chairmen's input

- Ethnic and gender diversity
- Other committee needs

With regard to a member's demonstrated contribution, the Subcommittee looks to several indicators:

- Leadership on significant issues before the Board
- Strategic input on issues before the Board
- Influence with leaders and resources of external constituencies the member has brought to bear for Red Cross
- Influence within the Board and with other Red Cross leaders
- Overall leadership qualities

#### Recommendations to the Chairman

The Subcommittee makes recommendations to the Chairman for his appointments, which include the following:

- BoG Members of National Nominating Committee (2)
- Board Liaison to National Nursing Committee (1)
- Board Liaison to Board of Trustees of Life and Health Benefits Plan (1)
- Board Leadership Subcommittee (3)

The Board Leadership Subcommittee may also offer suggestions to the Chairman for his recommendation for Board Vice Chairmen. The full Board votes on the Vice Chairmen.

#### Finalize Leadership Recommendations

The Board Leadership Subcommittee presents its recommendations for committee leadership to the Executive Committee in April. After considering suggestions from the Board Leadership Subcommittee, the Chairman shares with the Executive Committee his intention to appoint certain individuals to the additional positions of leadership noted above.

Following the April Executive Committee meeting, the Board Leadership Subcommittee meets again to incorporate feedback from the Executive Committee and makes appropriate changes to its recommendations.

#### Select Committee Members

The Subcommittee next discusses committee composition, usually after the National Nominating Committee has selected its slate of Board of Governors nominees. Factors that the Subcommittee considers in arriving at committee composition recommendations include:

- Member preferences

- Member expertise, individually and collectively
- Leadership succession
- Committee chairmen's input
- Ethnic and gender diversity
- Continuity of experience (some returning committee members)
- Cross-over with other committees
- Time conflicts with other committee meetings
- Mix of delegate-elected, Board-elected and Presidential appointees
- Other committee needs

#### Communication of Leadership Positions

The Board Leadership Subcommittee members contact certain members directly, or ask each sitting Committee Chairman to do so, to solicit either their willingness to accept a leadership appointment or to inform them of a change in leadership that will affect them.

#### Executive Committee Vote

At its May meeting, the Executive Committee votes to accept or modify the Board Leadership Subcommittee's recommendations for the Chairmen and Vice Chairmen of committees. The Executive Committee's recommendations are voted on by the full Board at the regular annual Board meeting (second Board meeting during Convention weekend). In addition, the Chairmen of any standing committees, except Biomedical Services Board, who wish to nominate non-governor members, present those recommendations at this time for approval by the Executive Committee.

#### Board Vote

The full Board elects the Executive Committee, the Biomedical Services Board (including non-governor members) and the membership (governors only) and leadership of the other standing Board committees. The *Bylaws* prescribe that these elections occur at the regular annual meeting of the Board. The Board traditionally also elects the Vice Chairmen of the Board at this meeting. In order to allow Board members to review proposed assignments, immediately following the Executive Committee vote to recommend the committee slate, assignment information will be available at the Board Office at Convention.

#### **Other Leadership Positions**

The composition of several subcommittees which report to the Executive Committee are defined by position:

- **Executive Compensation Subcommittee**
  - ARC Chairman
  - Chairman of the Biomedical Services Board
  - Chairman of the Finance Committee
  - Chairman of the Human Resources Committee

SFC-ARC-A002039

- **Consent Decree Oversight Subcommittee**
  - First Vice Chairman
  - Chairman, Biomedical Services Board
  - Chairman, Finance Committee
  - Chairman, Audit Committee
  - Additional at-large members may be appointed to this subcommittee
  
- **At-Large Nominating Committee**
  - Chairman
  - Board Leadership Subcommittee
  - President & CEO

Some leadership positions are selected by Committee Chairmen and the Board Leadership Subcommittee may make recommendations to the Chairmen. If the Committee Chairman is returning, he or she typically makes appointments just prior to Convention; if newly appointed, just after Convention. These appointments are as follows:

Leadership Position	Appointed By
BoG Liaisons to: <ul style="list-style-type: none"> <li>▪ National Youth Council (3)</li> <li>▪ Retiree Advisory Council (2)</li> <li>▪ National Diversity Advisory Council (2)</li> </ul>	Chairman, Human Resources Committee
BoG Liaison to the ARC Museum Advisory Council (2)	Chairman, Public Support Committee
BoG Liaison to the National Awards and Recognition Committee (for selection of the International Humanitarian Service Award)	Chairman, International Services Committee
BoG Liaison to the Investment Committee (2)	Chairman, Finance Committee

Man, Joan

---

**From:** Morisi, Andrea  
**Sent:** Friday, March 15, 2002 3:00 PM  
**To:** Abe Pollin (E-mail); Allen Mathies Jr. (E-mail); Anthony J. Principi (E-mail); Bill Gagliano (E-mail); Bill George (E-mail); Buzz Heidt (E-mail); Carol Ann Haake (E-mail); Chris Allen (E-mail); David McLaughlin (E-mail); Donald L. Evans (E-mail); Douglas H. Dittrock (E-mail); Eddy Quijano (E-mail); Emma Chappell (E-mail); ER Mitchell (E-mail); Fred Buck (E-mail); Fred Grein (E-mail); Gloria White (E-mail); Gray Harrison (E-mail); James T. Morris (E-mail); Jay Rodriguez (E-mail); Jim Jones (E-mail); Joe M. Allbaugh (E-mail); Jon Huntsman (E-mail); Joyce N. Hoffman (E-mail); Judith Richards Hope (E-mail); Karen Goodman (E-mail); Kate Forbes (E-mail); Kenneth Olden (E-mail); Lee Goldstein (E-mail); Mannie Jackson (E-mail); Maurice Worth (E-mail); Nancylee Siebenmann (E-mail); Pat Powers (E-mail); Patricia A. Kennedy (E-mail); Peter T. Loftin (E-mail); Rex K. Linder (E-mail); Richard Niemiec (E-mail); Rick Grinnan (E-mail); Robert Smolen (E-mail); Roderick R. Paige (E-mail); Ross H. Ogden (E-mail); Steven Bredehoeft (E-mail); Sue Hassmiller (E-mail); Tommy Thompson (E-mail); William V. Lewis Jr. (E-mail)  
**Cc:** Decker, Harold; Moore, Larry  
**Subject:** Governance Report  
**Sensitivity:** Confidential

I apologize for this inconvenience. I neglected to include the final report with my earlier message. Here is the cover memo and the report.



ARC Gov Task Force  
final.doc



arc gov final.DOC

Andrea Morisi  
Senior Counsel and Interim Corporate Secretary  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006  
(202) 639-3262  
(202) 434-4057 or (202) 639-3700  
[MorisiA@usa.redcross.org](mailto:MorisiA@usa.redcross.org)

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SFC-ARC-A002041

**To: Board of Governors**  
**From: Governance Task Force**  
**Date: March 15, 2002**  
**Re: Final Recommendations with respect to Board and Board Committee Structure**

Attached to this Memorandum are the final recommendations of the Governance Task Force. The recommendations reflect the further deliberations of members of the Task Force, taking into account the comments of Board members at our retreat session on February 23.

The retreat comments highlighted several principal areas of concern with the Task Force proposals:

- The exclusion of the Chair of the Audit Committee from the Executive Committee;
- The restricted scope of the Audit Committee charter;
- The elimination of the Human Resources Committee; and
- The need to assure that all Board members were fully informed on issues affecting the organization.

In addition, it was suggested that, in light of the recent separation of disaster services management from chapter services management, a separate Disaster Services Committee might be created.

Upon our further reflection, we continue to believe that reassigning the key governance responsibilities of the HR Committee [those mentioned at the retreat were volunteers in general, youth and nurses in particular, and diversity], elsewhere in the Board structure is appropriate and will more likely assure that those issues will get the more integrated consideration they deserve.

With respect to the other issues:

- We have included the Chair of the Audit Committee on the Executive Committee and expanded the scope of the Audit Committee's charter to include organizational risk assessment and oversight of organizational risk management.
- We have slightly expanded the possible size of a "Disaster and Chapter Services Committee" and called for two subcommittees, a Disaster Services Subcommittee and a Chapter Services Subcommittee. Keeping both lines of service under one umbrella Committee will, we believe, inhibit the creation of silos that is of concern to us.
- Strongly encouraged, but left to Committee Chairs to implement, is the development of Board communication methods to keep all Board members informed.

We note that the Biomedical Services Committee may well be further changed, as appropriate in connection with any restructuring of the Biomedical Services organization.

**SFC-ARC-A002042**

The Board Leadership Subcommittee has already begun its deliberations with respect to Committee Chairs and Committee membership for the coming year. To facilitate the completion by the Subcommittee of its duties, the Task Force has recommended the following implementation plan and timetable:

- Mailing of the proposed final Report to all Board members prior to the meeting of the Executive Committee scheduled for March 25, soliciting further comment from Board members;
- Submission to the Executive Committee for its preliminary approval at the Committee's meeting on March 25, 2002.
- Submission to the Executive Committee by the Board Leadership Subcommittee of the Subcommittee's preliminary recommendations at the Executive Committee's meeting on April 29, 2002.
- Submission of the Governance Task Force Report and any By-Law amendments necessary or appropriate for implementing the proposals to the Board of Governors for its adoption and approval at the Board's meeting on May 10, 2002.
- Further consideration by the Board Leadership Subcommittee of its recommendations, as might be necessitated by the outcome of the May 10 Board meeting.

The final Task Force report only addresses the basic Board structure issues. The Task Force leaves to the Executive Committee the issue of Vice Chairs and their duties. [We note here Jon Huntsman's suggestion of two Vice Chairs, one with a focus on financial development and one with a focus on public relations and publicity.] We also feel that our view of the role of the CEO was well captured in the Search Committee's materials.

Other issues raised in our preliminary report that we feel merit continuing discussion are:

- The need, at least for the foreseeable future, for both a CEO and a COO, with the CEO charged primarily with developing with the Board the strategy and vision of the organization and in the development of external resources and relationships, and with the COO charged with the role of internal coordinator and implementer.
- Consideration to filling the COO position internally, with the position representing a possible career path for strong field leadership personnel.
- Direct contact between Governors and management between meetings should be limited to contact with the Chairman, CEO, COO and a Committee's management liaison. In the latter case, contact should be through the relevant Committee Chair or with his or her knowledge and approval to the extent possible.
- Regardless of the future direction of Biomedical Services, the Biomedical Services Committee, working with senior Biomedical Services management, should undertake an analysis of the proper organizational structure for its field operations.
- The Disaster and Chapter Services Committee, working with senior Chapter Services management, should undertake an analysis of means for strengthening chapters and enhancing chapter responsibility and accountability.

**AMERICAN RED CROSS  
REPORT OF THE GOVERNANCE TASK FORCE  
MARCH 15, 2002**

**I. Summary of Recommendations.**

1. The current Board structure which consists of the ARC Chairman and seven Cabinet-level government officials who are appointed by the President of the United States, twelve At-Large Governors and thirty Chapter-elected Governors, as prescribed in the organization's charter, need not be changed at this time.
2. The role of the full Board of Governors should be focused on strategy, policy, resources, and broad oversight of the organization's affairs.
3. Responsibility on behalf of the Board for ongoing oversight and governance of the organization's operations should rest with the Executive Committee.
4. A new Governance Committee of the Board should be established.
5. The standing committees of the Board should be the Executive, Biomedical Services, Disaster and Chapter Services, Finance, Governance, International Services, Public Support and Audit Committees. As a result,
  - The Human Resources Committee should be disbanded, with oversight of organizational diversity undertaken by the Executive Committee, executive compensation policy duties assigned to the Governance Committee, oversight of volunteer, nursing and other programmatic personnel matters assigned to the Disaster and Chapter Services Committee, and other HR matters left with management;
  - The Executive Compensation Subcommittee should be disbanded, with its role in executive compensation and benefits undertaken by the Governance Committee;
  - The Board Leadership Subcommittee should be disbanded, with its duties undertaken by the Governance Committee;
  - The Strategic Planning Committee should be disbanded, with its activities undertaken by the Executive Committee; and
  - The Consent Decree Oversight Subcommittee should be subsumed into the Biomedical Services Committee (or become a subcommittee of the Biomedical Services Committee).
6. In recruiting persons to the Board, more formal attention must be given to (i) assessing the skills and experience needed by the Board in order to carry out its duties, and (ii) communicating to candidates the commitment that Board service requires.
7. With a new focus on recruiting Board members with relevant skills, the need for non-Governor Committee members should be eliminated, at least over time, with the result that only Governors should serve on Board Committees. This is not intended to preclude Committees from seeking specialized input from non-Governors, as needed from time to time.

**SFC-ARC-A002044**

## II. Committee Structure.

### 1. *Committee Sizes.*

<u>Committee</u>	<u>Number of Members</u>
Executive Committee	11
Biomedical Services Committee	10-14
Disaster and Chapter Services Committee	10-16
• Disaster Services Subcommittee	6-8
• Chapter Services Subcommittee	6-8
Public Support Committee	10-14
International Services Committee	6-8
Finance Committee	4-6
Governance Committee	4-6
Audit Committee	3-5

### 2. *Committee Make-up.*

- The By-Laws currently call for an Executive Committee of not fewer than 11 Governors. The Task Force proposes that the Executive Committee should consist of eleven Governors, including the ARC Chairman (who shall be the Chair of the Executive Committee), the Chairs of the Finance, Audit, Biomedical Services, Disaster and Chapter Services and Governance Committees, and five other Governors recommended by the Governance Committee and approved by the Chairman.
- Members of the Audit Committee should be independent of the Finance and Governance Committees.
- No Governor should serve on more than one of the Biomedical Services, Chapter Services and Public Support Committees.
- No Governor should serve on both the Finance Committee and the Governance Committee [except for the ARC Chairman, as provided in the next bullet].
- No Governor should serve on more than three Committees.
- The ARC Chairman will be an *ex officio* member of each Committee.

### 3. *Committee Charters.*

- The Biomedical Services Committee and the Disaster and Chapter Services Committee shall exercise oversight responsibility for their respective business units.
- The Disaster and Chapter Services Committee shall appoint a Disaster Services subcommittee to oversee disaster preparedness and relief and a Chapter Services subcommittee to oversee product and service development and delivery and field unit compliance and accountability.
- The Biomedical Services Committee and the Disaster and Chapter Services Committee may also appoint other subcommittees.
- As mentioned above, the Executive Committee shall exercise ongoing oversight and governance of the organization's operations.

SFC-ARC-A002045

- The Charters of the Finance, International Services and Public Support Committees shall continue largely as currently defined in the By-Laws. [As previously distributed.]
- The proposed Charter of the newly-established Governance Committee is set forth in Appendix 1.
- The Charter of the Audit Committee should be expanded to include ongoing risk assessment and oversight of organizational risk management.

### III. Meeting Schedules and Agendas.

#### 1. *Board of Governors.*

- Annual off-site retreat to be held August/September;
- A weekend meeting, consisting of Committee reports, updates on issues discussed at the last retreat, and discussion of policy/strategy issues, to be held February/March; and
- As at present, two organizational business meetings to be held coincident with the annual convention.

#### 2. *Executive Committee.*

- Nine meetings per year, including three coincident with full Board meetings, as scheduled by the Chairman.

#### 3. *Finance and Governance Committees.*

- Three meetings per year, coincident with and immediately prior to Executive Committee meetings, scheduling to be as determined by the Chairman and the Committee Chairs.
- Finance Committee also to have a fourth meeting in early Spring to discuss the budget for the upcoming fiscal year.

#### 4. *Biomedical Services, Chapter Services and Public Support Committees.*

- Quarterly meetings at times other than when the full Board is in session.
- Meetings scheduled by Committee Chairs in concert with Chairman, CEO and principal Management liaison, with schedule to reflect annual business cycle of activities subject to each Committee's oversight.
- It is anticipated that these three Committees may well meet on different schedules, but with the understanding that schedules should be coordinated, to the extent possible and that appropriate mechanisms for sharing information among Committees and with all members of the Board will be developed.

#### 5. *Audit Committee.*

- Except as otherwise necessitated by unusual circumstances, two to three meetings per year to discuss with internal and external auditors the scope and results of the annual audit and the Management Letter, and a fourth meeting devoted to risk assessment/management issues.

6. *Meeting Agendas.*

- Agendas should be set collaboratively by the ARC Chairman, the applicable meeting chair, the CEO and the applicable management liaison.
- Agendas should frame issues on which Board input is being sought.
- To facilitate issues discussion where practical, to the maximum extent possible, all reports should (i) be in writing, (ii) be distributed in advance, (iii) not be presented formally at the meeting, and (iv) not require extra staff effort solely for purposes of preparing materials for Board/Committee meetings.
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- Only those members of management whose participation at a meeting is needed for the business of the meeting should be burdened with attendance.
- While opportunities for Governor social and informal interaction are encouraged, the primary role of meeting schedules should be the conduct of the organization's business.

Purpose and Authority of the Governance Committee

- Assess at least annually the effectiveness of the Board of Governors, as a whole, and of individual members of the Board in governing the organization;
- Establish the skills and experience to be sought in new Members of the Board, communicate these criteria to the National Nominating Committee and assist in recruiting new members to the Board;
- Work with the National Nominating Committee in vetting selected candidates for election at the Convention;
- Vet candidates proposed by the Chairman and the Chief Executive Officer for election as At-Large members of the Board of Governors;
- Provide orientation, training and mentoring to Board members, as appropriate;
- Conduct in concert with the ARC Chairman an annual review of the Chief Executive Officer and discuss the review with the Executive Committee and the full Board;
- Review in concert with the ARC Chairman and approve the compensation of the Chief Executive Officer and executive compensation policies generally; and
- Provide oversight and assessment of the relationship between the Board and the Chief Executive Officer and other members of senior management.

**AMERICAN RED CROSS  
REPORT OF THE GOVERNANCE TASK FORCE  
MARCH 15, 2002**

**I. Summary of Recommendations.**

1. The current Board structure which consists of the ARC Chairman and seven Cabinet-level government officials who are appointed by the President of the United States, twelve At-Large Governors and thirty Chapter-elected Governors, as prescribed in the organization's charter, need not be changed at this time.

2. The role of the full Board of Governors should be focused on strategy, policy, resources, and broad oversight of the organization's affairs.

3. Responsibility on behalf of the Board for ongoing oversight and governance of the organization's operations should rest with the Executive Committee.

4. A new Governance Committee of the Board should be established.

5. The standing committees of the Board should be the Executive, Biomedical Services, Disaster and Chapter Services, Finance, Governance, International Services, Public Support and Audit Committees. As a result,

- The Human Resources Committee should be disbanded, with oversight of organizational diversity undertaken by the Executive Committee, executive compensation policy duties assigned to the Governance Committee, oversight of volunteer, nursing and other programmatic personnel matters assigned to the Disaster and Chapter Services Committee, and other HR matters left with management;
- The Executive Compensation Subcommittee should be disbanded, with its role in executive compensation and benefits undertaken by the Governance Committee;
- The Board Leadership Subcommittee should be disbanded, with its duties undertaken by the Governance Committee;
- The Strategic Planning Committee should be disbanded, with its activities undertaken by the Executive Committee; and
- The Consent Decree Oversight Subcommittee should be subsumed into the Biomedical Services Committee (or become a subcommittee of the Biomedical Services Committee).

6. In recruiting persons to the Board, more formal attention must be given to (i) assessing the skills and experience needed by the Board in order to carry out its duties, and (ii) communicating to candidates the commitment that Board service requires.

7. With a new focus on recruiting Board members with relevant skills, the need for non-Governor Committee members should be eliminated, at least over time, with the result that only Governors should serve on Board Committees. This is not intended to preclude Committees from seeking specialized input from non-Governors, as needed from time to time.

**SFC-ARC-A002049**

## II. Committee Structure.

### 1. *Committee Sizes.*

<u>Committee</u>	<u>Number of Members</u>
Executive Committee	11
Biomedical Services Committee	10-14
Disaster and Chapter Services Committee	10-16
• Disaster Services Subcommittee	6-8
• Chapter Services Subcommittee	6-8
Public Support Committee	10-14
International Services Committee	6-8
Finance Committee	4-6
Governance Committee	4-6
Audit Committee	3-5

### 2. *Committee Make-up.*

- The By-Laws currently call for an Executive Committee of not fewer than 11 Governors. The Task Force proposes that the Executive Committee should consist of eleven Governors, including the ARC Chairman (who shall be the Chair of the Executive Committee), the Chairs of the Finance, Audit, Biomedical Services, Disaster and Chapter Services and Governance Committees, and five other Governors recommended by the Governance Committee and approved by the Chairman.
- Members of the Audit Committee should be independent of the Finance and Governance Committees.
- No Governor should serve on more than one of the Biomedical Services, Chapter Services and Public Support Committees.
- No Governor should serve on both the Finance Committee and the Governance Committee [except for the ARC Chairman, as provided in the next bullet].
- No Governor should serve on more than three Committees.
- The ARC Chairman will be an *ex officio* member of each Committee.

### 3. *Committee Charters.*

- The Biomedical Services Committee and the Disaster and Chapter Services Committee shall exercise oversight responsibility for their respective business units.
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- The proposed Charter of the newly-established Governance Committee is set forth in Appendix 1.
- The Charter of the Audit Committee should be expanded to include ongoing risk assessment and oversight of organizational risk management.

### III. Meeting Schedules and Agendas.

#### 1. *Board of Governors.*

- Annual off-site retreat to be held August/September;
- A weekend meeting, consisting of Committee reports, updates on issues discussed at the last retreat, and discussion of policy/strategy issues, to be held February/March; and
- As at present, two organizational business meetings to be held coincident with the annual convention.

#### 2. *Executive Committee.*

- Nine meetings per year, including three coincident with full Board meetings, as scheduled by the Chairman.

#### 3. *Finance and Governance Committees.*

- Three meetings per year, coincident with and immediately prior to Executive Committee meetings, scheduling to be as determined by the Chairman and the Committee Chairs.
- Finance Committee also to have a fourth meeting in early Spring to discuss the budget for the upcoming fiscal year.

#### 4. *Biomedical Services, Chapter Services and Public Support Committees.*

- Quarterly meetings at times other than when the full Board is in session.
- Meetings scheduled by Committee Chairs in concert with Chairman, CEO and principal Management liaison, with schedule to reflect annual business cycle of activities subject to each Committee's oversight.
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#### 5. *Audit Committee.*

- Except as otherwise necessitated by unusual circumstances, two to three meetings per year to discuss with internal and external auditors the scope and results of the annual audit and the Management Letter, and a fourth meeting devoted to risk assessment/management issues.

6. *Meeting Agendas.*

- Agendas should be set collaboratively by the ARC Chairman, the applicable meeting chair, the CEO and the applicable management liaison.
- Agendas should frame issues on which Board input is being sought.
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- Establish the skills and experience to be sought in new Members of the Board, communicate these criteria to the National Nominating Committee and assist in recruiting new members to the Board;
- Work with the National Nominating Committee in vetting selected candidates for election at the Convention;
- Vet candidates proposed by the Chairman and the Chief Executive Officer for election as At-Large members of the Board of Governors;
- Provide orientation, training and mentoring to Board members, as appropriate;
- Conduct in concert with the ARC Chairman an annual review of the Chief Executive Officer and discuss the review with the Executive Committee and the full Board;
- Review in concert with the ARC Chairman and approve the compensation of the Chief Executive Officer and executive compensation policies generally; and
- Provide oversight and assessment of the relationship between the Board and the Chief Executive Officer and other members of senior management.

**Morisi, Andrea**

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**From:** Grein, Frederick [FHG@hutch.com]  
**Sent:** Saturday, December 15, 2001 11:07 AM  
**To:** 'bill.george@medtronic.com'; 'charlottestewart@paulhastings.com';  
'jannie\_spader@huntsman.com'; 'orionsafety@tds.net'; 'ogden@optonline.net';  
'DeckerH@usa.redcross.org'; 'MorisiA@usa.redcross.org'; 'jlorsch@hbs.edu'  
**Subject:** Attached Files--ARC Gov Task Force Report  
**Importance:** High



arc gov rpt.DOC



arc gov rpt(1).DOC

Clean and marked copies of latest draft of the Task Force report are attached.

Comments, if any, by next Thursday, 12/20, would be appreciated.

A joyous holiday season to all!

Fred  
<<arc gov rpt.DOC>> <<arc gov rpt(1).DOC>>

\*\*\*\*\*  
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**AMERICAN RED CROSS**

**To: Executive Committee, Board of Governors**

**From: Governance Task Force**

**Date: January , 2002**

**Re: Recommendations**

**I. Background.**

Following the October 2001 meeting of the Board of Governors, the Chairman appointed a Task Force, consisting of Governors George, Grein (Chair), Hope, Huntsman and Ogden, Mr. Decker and Professor Lorsch of the Harvard Business School. The primary purposes of the Task Force were to consider the following issues:

- Is the current governance structure of the American Red Cross conducive to the proper governance of the organization's affairs;
- Is the organization attracting to its Board of Governors both At-Large and Chapter-elected persons with the necessary skills, experience and commitment; and
- To the extent that the answers to the foregoing questions are negative, what steps should be taken to correct the perceived deficiencies.

The Task Force met on Monday, November 19, 2001 and this report reflects the consensus developed at that meeting.

**II. Summary of Recommendations Regarding Governance Matters.**

The principal conclusions reached by the Task Force, which are discussed in more detail below, were as follows:

1. The current Board structure which consists of the Chairman and seven Cabinet-level government officials who are appointed by the President of the United States, twelve At-Large Governors and thirty Chapter-elected Governors, as prescribed in the organization's charter, need not be changed at this time.
2. The role of the full Board of Governors should be focused on strategy, policy and resources, and broad oversight of the organization's affairs.
3. Responsibility on behalf of the Board for ongoing oversight and governance of the organization's operations should rest with the Executive Committee.
4. A new Governance Committee of the Board should be established.

5. The standing committees of the Board should be the Executive, Biomedical Services, Chapter Services, Finance, Governance, Public Support and the Audit Committees. As a result,

- The Human Resources Committee should be disbanded, with its duties assigned to management;
- The Executive Compensation Subcommittee should be disbanded, with its role in executive compensation and benefits undertaken by the Governance Committee;
- The Board Leadership Subcommittee should be disbanded, with its duties undertaken by the Governance Committee;
- The Strategic Planning Committee should be disbanded, with its activities undertaken by the Executive Committee;
- The International Services Committee should be disbanded, with its activities undertaken by the Chapter Services Committee; and
- The Consent Decree Oversight Subcommittee should be subsumed into the Biomedical Services Committee (or become a subcommittee of the Biomedical Services Committee).

6. In recruiting persons to the Board, more formal attention must be given to (i) assessing the skills and experience needed by the Board in order to carry out its duties, and (ii) communicating to candidates the commitment that Board service requires.

7. With a new focus on recruiting Board members with relevant skills, the need for non-Governor Committee members should be eliminated, with the result that only Governors should serve on Board Committees.

### III. Committee Structure.

#### 1. *Committee Sizes.*

<u>Committee</u>	<u>Number of Members</u>
Executive Committee	11
Biomedical Services Committee	10-14
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Governance Committee	4-6
Audit Committee	3-5

#### 2. *Committee Make-up.*

- The By-Laws currently call for an Executive Committee of not fewer than 11 Governors. The Task Force proposes that the Executive Committee should consist of eleven Governors, including the Chairman and the Chairs of the Finance, Biomedical Services, Chapter Services and Governance Committees.
- At least two members of the Finance Committee should come from the Executive Committee.

- At least two members of the Governance Committee should come from the Executive Committee.
- Members of the Audit Committee should be independent of the Executive, Finance and Governance Committees.
- No Governor should serve on more than one of the Biomedical Services, Chapter Services and Public Support Committees.
- No Governor should serve on both the Finance Committee and the Governance Committee[except for the Chairman, as provided in the next bullet].
- The Chairman will be an *ex officio* member of each Committee.

3. ***Committee Charters.***

- The Biomedical Services Committee and the Chapter Services Committee shall exercise oversight responsibility for their respective business units. Each may appoint subcommittees. For example, Chapter Services may wish to appoint separate subcommittees to oversee (i) domestic and international disaster preparedness and relief, (ii) other product and service development and delivery; and (iii) field unit compliance and accountability.
- The Charters of the Audit, Finance and Public Support Committees shall continue largely as currently defined in the By-Laws (copies of which are attached).
- The Charter of the newly-established Governance Committee should be to:
  - Assess the skills and experience of sitting members of the Board of Governors;
  - Set criteria for new Members of the Board, communicate these criteria to the National Nominating Committee and actively recruit new members to the Board;
  - Work with the National Nominating Committee in vetting selected candidates for election at the Convention;
  - Recommend At-Large members for election by the full Board of Governors;
  - Assess on an ongoing basis the Board and its effectiveness in governing the organization;
  - Conduct a formal Board evaluation on an annual basis;
  - Undertake responsibility for Board education and orientation, including development of a governance handbook;
  - Conduct in concert with the Chairman an annual review of the Chief Executive Officer and discuss the review with the Executive Committee and the full Board;
  - Review in concert with the Chairman and approve the compensation of the Chief Executive Officer and executive compensation policies generally; and
  - Provide oversight and assessment of the relationship between the Board and the Chief Executive Officer and other members of senior management.

IV. **Meeting Schedules and Agendas.**

1. ***Board of Governors.***

- Annual off-site retreat to be held August/September;

- Weekend meeting, consisting of Committee reports, updates on issues discussed at the last retreat, and discussion of policy/strategy issues, to be held February/March; and
- As at present, two organizational/compliance meetings to be held coincident with the annual convention.

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- Except as otherwise necessitated by unusual circumstances, two to three meetings per year to discuss with internal and external auditors the scope and results of the annual audit and the Management Letter.

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## V. Implementation Plan and Timetable.

The Task Force proposes the following implementation plan and timetable:

- Submission to the Executive Committee for its approval at the Committee's meeting on January 18, 2002.
- Submission to the Board of Governors for its adoption and approval at the Board's meetings on February 23-24, 2002.
- Appointment by the Chairman of the initial Governance Committee, as soon as possible following adoption by the Board.
- Prior to the April 26, 2002 Executive Committee meeting, the Governance Committee should:
  - Assess current Board strengths and weaknesses;
  - Meet with the Chair and Vice Chair of the National Nominating Committee to discuss Board needs, current Governors now completing their first terms in office, and the qualifications of the individuals proposed for nomination as Chapter-elected Governors;
  - Prepare with the Corporate Secretary and General Counsel any By-Law amendments necessary or appropriate for implementing the approved proposals;
  - Develop a roster of candidates for election as At-Large Governors.
  - Develop recommendations for Board leadership positions and assignments of Governors to the various Committees.
- Preliminary final approval of implementation by the Executive Committee on April 26, 2002.
- Final approval of implementation, including By-Law amendments, by Board at Convention Board meetings.

## VI. Other Matters Discussed.

While the primary charge to the Task Force was to consider the governance issues discussed above, the Task Force also considered the matters discussed below and offers its conclusions for consideration:

### 1. Management Structure.

(a) The Task Force discussed the issue of whether American Red Cross senior management should consist of a Chief Executive Officer alone or a Chief Executive Officer and a Chief Operating Officer. The consensus was that, at least for the foreseeable future, the management needs of the organization require both a CEO and a COO, with the CEO charged primarily with developing with the Board the strategy and vision of the organization and in the development of external resources and relationships, and with the COO charged with the role of internal coordinator and implementer. The COO would report to the CEO.

(b) The Task Force believes that the charge to the CEO Search Committee should be to seek an individual with the appropriate background, skills and temperament to fill the CEO role described above, with the COO position then filled through a second search conducted collaboratively by the Board and the newly-selected CEO.

(c) The Task Force believes that strong consideration should be given to filling the COO position internally, with the position representing a possible career path for strong field leadership personnel.

(d) Direct contact between Governors and management between meetings should be limited to contact with the CEO, COO and a Committee's management liaison. In the latter case, contact should be through the relevant Committee Chair or with his or her knowledge and approval to the extent possible.

2. **Vice Chairs.** The Task Force believes there is no need for more than one Vice Chairman.

3. **Other Organizational Matters.**

(a) The Biomed Committee, working with senior Biomed management, is encouraged to undertake an analysis of the proper organizational structure for its field operations.

(b) The Chapter Services Committee, working with senior Chapter Services management, is encouraged to undertake an analysis of means for strengthening chapters and enhancing chapter responsibility and accountability.

**AMERICAN RED CROSS**

**To: Executive Committee, Board of Governors**

**From: Governance Task Force**

**Date: ~~December~~, 2001 January, 2002** |

**Re: ~~Recommendations Concerning Governance and Management Issues~~** |

**I. Background.**

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- Is the current governance structure of the American Red Cross conducive to the proper governance of the organization's affairs;
- Is the organization attracting to its Board of Governors both At-Large and Chapter-elected persons with the necessary skills, experience and commitment; and
- To the extent that the answers to the foregoing questions are negative, what steps should be taken to correct the perceived deficiencies.

The Task Force met on Monday, November 19, 2001 and this report reflects the consensus developed at that meeting.

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3. Responsibility on behalf of the Board for ongoing oversight and governance of the organization's operations should rest with the Executive Committee.
4. A new Governance Committee of the Board should be established.

5. The standing committees of the Board should be the Executive, Biomedical Services, Chapter Services, Finance, Governance, Public Support and the Audit Committees. As a result,

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6. In recruiting persons to the Board, more formal attention must be given to (i) assessing the skills and experience needed by the Board in order to carry out its duties, and (ii) communicating to candidates the commitment that Board service requires.

~~7. The management table of the organization should include both a Chief Executive Officer and a Chief Operating Officer.~~

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- ~~Three~~ At least two members of the Finance Committee should ~~also be members of~~ come from the Executive Committee.
- ~~Four~~ At least two members of the Governance Committee should ~~also be members of~~ come from the Executive Committee.
- Members of the Audit Committee should be independent of the Executive, Finance and Governance Committees.
- No Governor should serve on more than one of the Biomedical Services, Chapter Services and Public Support Committees.
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2. ~~*Finance, Governance and Executive Committees.*~~

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~~Finance and Governance Committees to meet nine times per year, coincident with and immediately prior to Executive Committee meetings.~~

3. *Finance and Governance Committees.*

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43. *Biomedical Services, Chapter Services and Public Support Committees.*

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54. *Audit Committee.*

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65. *Meeting Agendas.*

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- While opportunities for Governor social and informal interaction are encouraged, the primary role of meeting schedules should be the conduct of the organization's business.

**V. Management Structure. —**

1. ~~The Task Force discussed the issue of whether American Red Cross senior management should consist of a Chief Executive Officer alone or a Chief Executive Officer and a Chief Operating Officer. The consensus was that, at least for the foreseeable future, the management needs of the organization require both a CEO and a COO, with the CEO charged primarily with developing with the Board the strategy and vision of the organization and in the development of external resources and relationships, and with the COO charged with the role of internal coordinator and implementer. The COO would report to the CEO.~~

2. ~~The Task Force believes that the charge to the CEO Search Committee should be to seek an individual with the appropriate background, skills and temperament to fill the CEO role described above, with the COO position then filled through a second search conducted collaboratively by the Board and the newly selected CEO.~~

3. ~~The Task Force believes that strong consideration should be given to filling the COO position internally, with the position representing a possible career path for strong field leadership personnel.~~

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The Task Force proposes the following implementation plan and timetable:

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- Develop recommendations for Board leadership positions and assignments of Governors to the various Committees.
- Preliminary final approval of implementation by the Executive Committee on April 26, 2002.
- Final approval of implementation, including By-Law amendments, by Board at Convention Board meetings.

**VII. Other Matters Discussed.-While the primary charge to the Task Force was to consider the governance issues discussed above, the Task Force also considered the matters discussed below and offers its conclusions for consideration:**

**1. Management Structure.**

(a) The Task Force discussed the issue of whether American Red Cross senior management should consist of a Chief Executive Officer alone or a Chief Executive Officer and a Chief Operating Officer. The consensus was that, at least for the foreseeable future, the management needs of the organization require both a CEO and a COO, with the CEO charged primarily with developing with the Board the strategy and vision of the organization and in the development of external resources and relationships, and with the COO charged with the role of internal coordinator and implementer. The COO would report to the CEO.

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(d) Direct contact between Governors and management between meetings should be limited to contact with the CEO, COO and a Committee's management liaison. In the latter case, contact should be through the relevant Committee Chair or with his or her knowledge and approval to the extent possible.

**2. Vice Chairs.**—The Task Force believes there is no need for more than one Vice Chairman.

**3. Other Organizational Matters.**

(a) The Biomed Committee, working with senior Biomed management, is encouraged to undertake an analysis of the proper organizational structure for its field operations.

(b) The Chapter Services Committee, working with senior Chapter Services management, is encouraged to undertake an analysis of means for strengthening chapters and enhancing chapter responsibility and accountability.

**Morisi, Andrea**

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**From:** Grein, Frederick [FHG@hutch.com]  
**Sent:** Wednesday, November 28, 2001 1:41 PM  
**To:** 'bill.george@medtronic.com'; 'charlottestewart@paulhastings.com';  
'jannie\_spader@huntsman.com'; 'ogdenr@optonline.net'; 'DeckerH@usa.redcross.org';  
'jlorsch@hbs.edu'; 'orionsafety@tds.net'; 'MorisiA@usa.redcross.org'  
**Subject:** Attached Files



arcgov2.DOC



arcgov2(1).DOC

Attached are copies of the proposed report of the Governance Task Force.

One copy shows changes from the first draft that reflect comments from Jay Lorsch and Andrea Morisi.

If at all possible, I would appreciate comments by close of business next Monday, December 3.

Fred  
<<arcgov2.DOC>> <<arcgov2(1).DOC>>

\*\*\*\*\*  
The information contained in this electronic message is legally privileged and confidential under applicable law, and is intended only for the use of the individual or entity named above. If the recipient of this message is not the above-named intended recipient, you are hereby notified that any dissemination, copy or disclosure of this communication is strictly prohibited. If you have received this communication in error, please notify Hutchins, Wheeler & Dittmar, (617)951-6600, and purge the communication immediately without making any copy or distribution.

This footnote also confirms that this email message has been swept by MIMESweeper for the presence of computer viruses.

*Preliminary Draft For Discussion Purposes Only*

**AMERICAN RED CROSS**

**To: Executive Committee, Board of Governors**

**From: Governance Task Force**

**Date: December \_\_, 2001**

**Re: Recommendations Concerning Governance and Management Issues**

**I. Background.**

Following the October 2001 meeting of the Board of Governors, the Chairman appointed a Task Force, consisting of Governors George, Grein (Chair), Hope, Huntsman and Ogden, Mr. Decker and Professor Lorsch of the Harvard Business School. The primary purposes of the Task Force were to consider the following issues:

- Is the current governance structure of the American Red Cross conducive to the proper governance of the organization's affairs;
- Is the organization attracting to its Board of Governors both At-Large and Chapter-elected persons with the necessary skills, experience and commitment; and
- To the extent that the answers to the foregoing questions are negative, what steps should be taken to correct the perceived deficiencies.

The Task Force met on Monday, November 19, 2001 and this report reflects the consensus developed at that meeting.

**II. Summary of Recommendations.**

The principal conclusions reached by the Task Force, which are discussed in more detail below, were as follows:

1. The current Board structure which consists of the Chairman and seven Cabinet-level government officials who are appointed by the President of the United States, twelve At-Large Governors and thirty Chapter-elected Governors, as prescribed in the organization's charter, need not be changed at this time.
2. The role of the full Board of Governors should be focused on strategy, policy and broad oversight of the organization's affairs.
3. Responsibility for oversight and governance of the organization's ongoing operations should rest with the Executive Committee.

4. A new Governance Committee should be established.

5. The continuing committees of the Board should be the Executive, the Biomedical Services, the Chapter Services, the Finance, the Governance, the Public Support and the Audit Committees. As a result,

- The Human Resources Committee should be disbanded;
- The Executive Compensation Subcommittee should be disbanded, with its role in executive compensation and benefits undertaken by the Governance Committee;
- The Board Leadership Subcommittee should be disbanded, with its duties undertaken by the Governance Committee;
- The Strategic Planning Committee should be disbanded, with its activities undertaken by the Executive Committee;
- The International Services Committee should be subsumed into the Chapter Services Committee; and
- The Consent Decree Oversight Subcommittee should be subsumed into the Biomedical Services Committee (or become a subcommittee of the Biomedical Services Committee).

6. In recruiting persons to the Board, more formal attention must be given to (i) assessing the skills and experience needed on the Board for the Board to carry out its duties, and (ii) communicating the commitment that Board service requires.

7. The organization should have both a Chief Executive Officer and a Chief Operating Officer.

8. With a new focus on recruiting Board members with relevant skills, the need for non-Governor Committee members should be eliminated, with the result that only Governors should serve on Board Committees.

### III. Committee Structure.

#### 1. *Committee Sizes.*

<u>Committee</u>	<u>Number of Members</u>
Executive Committee	11
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#### 2. *Committee Make-up.*

- The By-Laws currently call for an Executive Committee of not fewer than 11 Governors. The Task Force proposes that the Executive Committee should consist of eleven Governors, including the Chairman and the Chairs of the Finance, Biomedical Services, Chapter Services and Governance Committees.

- Three members of the Finance Committee should also be members of the Executive Committee.
- Four members of the Governance Committee should also be members of the Executive Committee.
- Members of the Audit Committee should be independent of the Executive, Finance and Governance Committees.
- No Governor should serve on more than one of the Biomedical Services, Chapter Services and Public Support Committees.
- No Governor should serve on both the Finance Committee and the Governance Committee.

3. ***Committee Charters.***

- The Biomedical Services Committee and the Chapter Services Committee shall exercise oversight responsibility for their respective business units. Each may appoint subcommittees. For example, Chapter Services may wish to appoint separate subcommittees to oversee (i) domestic and international disaster preparedness and relief, (ii) other product and service development and delivery; and (iii) field unit compliance and accountability.
- The Charters of the Audit, Finance and Public Support Committees shall continue largely as currently defined in the By-Laws.
- The Charter of the Governance Committee should be to:
  - Assess the skills and experience of sitting members of the Board of Governors;
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  - Work with the National Nominating Committee in vetting selected candidates for election at the Convention;
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IV. **Meeting Schedules and Agendas.**

1. ***Board of Governors.***

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**From: Governance Task Force**

**Date: December \_\_, 2001**

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- Agendas should be set collaboratively by applicable meeting chair, CEO and management liaison.
- Agendas should frame issues on which Board input is being sought.
- To facilitate issues discussion where practical, to the maximum extent possible, all reports should (i) be in writing, (ii) be distributed in advance, (iii) not be presented formally at the meeting, and (iv) not require extra staff effort solely for purposes of preparing materials for Board/Committee meetings.
- Each Executive Committee meeting will have an executive session that excludes the CEO and other members of management.
- Only those members of management whose participation at a meeting is needed for the business of the meeting should be burdened with attendance.
- While opportunities for Governor social interaction are encouraged, the primary role of meeting schedules should be the conduct of the organization's business.

**V. Management Structure.**

1. The Task Force discussed the issue of whether American Red Cross senior management should consist of a Chief Executive Officer alone or a Chief Executive Officer and a Chief Operating Officer. The consensus was that, at least for the foreseeable future, the

management needs of the organization require both a CEO and a COO, with the CEO charged primarily with developing with the Board the strategy and vision of the organization and in the development of external resources and relationships, and with the COO charged with the role of internal coordinator and implementer. The COO would report to the CEO.

2. The Task Force believes that the charge to the CEO Search Committee should be to seek an individual with the appropriate background, skills and temperament to fill the CEO role described above, with the COO position then filled through a second search conducted collaboratively by the Board and the newly-selected CEO.

3. The Task Force believes that strong consideration should be given to filling the COO position internally, with the position representing a possible career path for strong field leadership personnel.

4. Direct contact between Governors and management between meetings should be limited to contact with the CEO and with a Committee's management liaison. In the latter case, contact should be through the relevant Committee Chair or with his or her knowledge and approval to the extent possible.

#### **VI. Implementation Plan and Timetable.**

The Task Force proposes the following implementation plan and timetable:

- Submission to the Executive Committee for its approval at the Committee's meeting on January 18, 2002.
- Submission to the Board of Governors for its adoption and approval at the Board's meetings on February 23-24, 2002.
- Appointment by the Chairman of the initial Governance Committee, as soon as possible following adoption by the Board.
- Prior to the April 26, 2002 Executive Committee meeting, the Governance Committee should:
  - Assess current Board strengths and weaknesses;
  - Meet with the Chair and Vice Chair of the National Nominating Committee to discuss Board needs, current Governors now completing their first terms in office, and the qualifications of the individuals proposed for nomination as Chapter-elected Governors;
  - Prepare with the Corporate Secretary and General Counsel any By-Law amendments necessary or appropriate for implementing the approved proposals;
  - Develop a roster of candidates for election as At-Large Governors.
  - Develop recommendations for Board leadership positions and assignments of Governors to the various Committees.
- Preliminary final approval of implementation by the Executive Committee on April 26, 2002.
- Final approval of implementation, including By-Law amendments, by Board at Convention Board meetings.

#### **VII. Other.**

The Task Force believes there is no need for more than one Vice Chairman.

**Sorrells, Ruth**

---

**From:** ~~Hope, Judith R.~~ [judithrichardshope@paulhastings.com]  
**Sent:** Monday, October 29, 2001 5:46 PM  
**To:** 'Sorrells, Ruth'; 'Grein, Fred'; 'Huntsman, Jon'; 'George, Bill'; Ogden, Ross; Hope, Judith R.  
**Cc:** Decker, Harold  
**Subject:** RE: Message from David McLaughlin

Dave -- I accept your invitation to join the governance committee. It has become painfully apparent that we need to work on the issues of governance facing us. At the zenith of our public acclaim, we face serious concerns. My time is not easy right now, but I will do my best to re-arrange. Judy

---Original Message---

**From:** Sorrells, Ruth [mailto:SorrellsR@usa.redcross.org]  
**Sent:** Monday, October 29, 2001 3:50 PM  
**To:** 'Grein, Fred'; 'Huntsman, Jon'; 'George, Bill'; Ogden, Ross; 'judithrichardshope@Paulhastings.com'  
**Cc:** Decker, Harold  
**Subject:** Message from David McLaughlin

Harold and I would like to invite you to become members of a task force to examine the governance structure of ARC and to recommend appropriate changes to that structure. While there are some limitations on the extent of change that can be affected due to the difficulty of changing the Charter, there are many areas that can be examined and changes to the Bylaws are entirely possible.

The evident need to examine governance issues has been accentuated by recent events. There are also opportunities for greater productivity and effectiveness relative to the time and effort spent by Governors and management. Ideally, it would be helpful to have these changes identified, recommended, and adopted before we begin to recruit Dr. Healy's successor. This would mean that the Task Force's recommendations would need to be finalized early next year.

I have asked Fred Grein to chair the Task Force and I know that he is sensitive to your schedules so will try to do much of the business through conference calls. We have retained Jay Lorch, an imminent consultant in this field who is at the Harvard Business School to support your analyses and deliberations.

I am grateful to you and am committed to support your recommendations at such time as they go before the Governors or the Convention.

Regards and many thanks,

Dave

"paulhastings.com" made the following annotations on 10/29/01 17:46:06

=====

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For additional information on Paul, Hastings, Janofsky & Walker LLP, please see our website at paulhastings.com. To send an e-mail to our attorneys, in most cases, our address is composed of conventional first name and last name plus @paulhastings.com. Here are two examples: janesmith@paulhastings.com and danjones@paulhastings.com. A directory of our attorneys and a link to their e-mail address is located at the website. If you have any questions, please contact us at info@paulhastings.com.

## Sorrells, Ruth

---

**From:** ~~Ogden, Ross~~  
**Sent:** Thursday, November 01, 2001 2:54 PM  
**To:** Sorrells, Ruth  
**Cc:** Decker, Harold  
**Subject:** RE: Message from David McLaughlin

David,

I would be pleased to be a part of this important effort.

Ross.

—Original Message—

**From:** Sorrells, Ruth  
**To:** 'Grein, Fred'; 'Huntsman, Jon'; 'George, Bill'; Ogden, Ross; 'judithrichardshope@Paulhastings.com'  
**Cc:** Decker, Harold  
**Sent:** 10/29/01 3:50 PM  
**Subject:** Message from David McLaughlin

Harold and I would like to invite you to become members of a task force to examine the governance structure of ARC and to recommend appropriate changes to that structure. While there are some limitations on the extent of change that can be affected due to the difficulty of changing the Charter, there are many areas that can be examined and changes to the Bylaws are entirely possible.

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I have asked Fred Grein to chair the Task Force and I know that he is sensitive to your schedules so will try to do much of the business through conference calls. We have retained Jay Lorch, an imminent consultant in this field who is at the Harvard Business School to support your analyses and deliberations.

I am grateful to you and am committed to support your recommendations at such time as they go before the Governors or the Convention.

Regards and many thanks,

Dave

## Sorrells, Ruth

---

**From:** Bill George [bill.george@medtronic.com]  
**Sent:** Monday, October 29, 2001 4:23 PM  
**To:** jannie\_spader@huntsman.com; FHG@hutch.com; judithrichardshope@Paulhastings.com; OgdenR@usa.redcross.org; SorrellsR@usa.redcross.org  
**Cc:** DeckerH@usa.redcross.org  
**Subject:** Re: Message from David McLaughlin

David,

I accept, at least until I go to Switzerland in late February. By the way I don't think we can wait beyond the February board meeting to get these issues resolved. Otherwise, the organization will drift badly in a time when our country is at war. The publicity surrounding Dr. Healy's departure has injured our reputation with knowledgeable people in our country. That must be addressed, not just by public relations efforts, but by obtaining a clear direction from the board as to our future direction. That direction is unclear at the present to the public and the country's leaders.

I do believe that we have to gain agreement on governance changes before we can specify the kind of person we want as CEO. Based on the unfortunate history of the last three CEOs and the COO, we either need to change the governance structure significantly and hire a strong CEO, or bring in more of 'a facilitator' who will coordinate the board's direction of the management team and the chapter organization. A lot of this depends on what kind of American Red Cross we want to have.

A clear majority of the board at the present time seems to favor a confederation of the chapter representatives and a weak central authority. This structure would gain great support at the chapter level, but would not facilitate the kind of national leadership role we have played since September 11. A facilitator would be best to lead this kind of national organization, someone with many years of experience working on the ground in Red Cross chapters.

The remainder of the board seems to favor a strong central authority capable of running a \$3 billion business, composed of 1200 chapters and led by a strong, experienced executive team in Washington. This structure would not have as enthusiastic support at the chapter level, but would provide much stronger national leadership and visibility in Washington. This approach suggests a strong leader with a well established reputation and experience in running a large organization with significant fiscal and legal consequences.

In any case I do not think the board can continue kidding itself that it wants a strong leader and then not giving that person the authority to lead. We simply cannot have it both ways.

I thought the discussions of the Liberty Fund and the MDA at Saturday's Executive Committee meeting and board meeting, after Bernadine had fully departed, illustrated very well this difference of opinion and showed that the issues were not only about Dr. Healy's leadership style. Actually, her style is quite different than any of her three predecessors, but all four in the end reached the same fate.

In the interim I think Harold is the perfect choice to lead us through these crucial times.

Sincerely,  
Bill

>>> "Sorrells, Ruth" <SorrellsR@usa.redcross.org> 10/29/01 02:50PM >>>

Harold and I would like to invite you to become members of a task force to examine the governance structure of ARC and to recommend appropriate changes to that structure. While there are some limitations on the extent of change that can be affected due to the difficulty of changing the Charter, there are many areas that can be examined and changes to the Bylaws are entirely possible.

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I have asked Fred Grein to chair the Task Force and I know that he is sensitive to your schedules so will try to do much of the business through conference calls. We have retained Jay Lorch, an imminent consultant in this field who is at the Harvard Business School to support your analyses

and deliberations.

I am grateful to you and am committed to support your recommendations at such time as they go before the Governors or the Convention.

Regards and many thanks,

Dave

## Sorrells, Ruth

---

**From:** Bill George [bill.george@medtronic.com]  
**Sent:** Monday, October 29, 2001 4:29 PM  
**To:** SorrellsR@usa.redcross.org  
**Subject:** Re: E-mail from David McLaughlin

Thanks, Dave. I look forward to working with you, and am always available by phone. I sent some thoughts on the matter to the new task force, just to help frame the issue. In my opinion the worst thing we could do is to gloss over the split on the board, make some superficial changes in governance, and see the whole scenario repeated three or four years from now. Tonight's meeting of the chapter heads, of which none of us were aware, brings home just how similar our issues are to the United Way structure. I still think the issue of Sicilia's leaks to the Chronicle of Philanthropy and his decision to go public with his dispute with the national policy needs to be reviewed and his future determined. A classic case of anarchy.

Bill

>>> "Sorrells, Ruth" <SorrellsR@usa.redcross.org> 10/29/01 02:48PM >>>  
Dear Bill,

I appreciated having the opportunity to visit with you by phone today. Your concerns about the governance system and the structure of the organization are proper. As we have discussed, we really need to look at these issues to affect the necessary changes to prevent a recurrence of the Dole/Healy experience.

I plan to appoint a Governance Task Force this week of which you will be a member. At the conclusion of this effort, if we cannot make demonstrable progress, then I would respect your desire to reconsider your role as a Governor, but until then, we really need your help and involvement.

Many thanks,

Dave

## Morisi, Andrea

---

**From:** Decker, Harold  
**Sent:** Thursday, November 01, 2001 4:52 PM  
**To:** 'Grein, Frederick'; 'orionsafety@tds.net'; Decker, Harold; 'bill.george@medtronic.com'  
**Cc:** Sorrells, Ruth  
**Subject:** RE: Governance

Ruth:

When you have a moment, could you come down and see me about Fred's suggestion? We need to act on this and start the meeting planning process.

Harold

Harold J. Decker  
Interim CEO  
The American National Red Cross  
430 17th Street NW  
Washington, DC 20006  
Telephone: 202-639-3340  
Telefax: 202-639-3700

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

**From:** Grein, Frederick [<mailto:FHG@hutch.com>]  
**Sent:** Thursday, November 01, 2001 10:06 AM  
**To:** 'orionsafety@tds.net'; 'DeckerH@usa.redcross.org'; 'bill.george@medtronic.com'  
**Subject:** Governance

Dave and Harold--

I picked up and reread Bill's remarks on corporate governance, made, I believe, at an annual conference of the Nat'l Assoc. of Corporate Directors. Copies were distributed to the full Board [in February?]. I find the remarks quite applicable to our situation and suggest copies be provided to Judith and Ross, if they don't have copies.

I recall that a Board self-evaluation was done in the Spring at the same time as the CEO evaluation, but I don't think we have ever reviewed the results. Might it be helpful for the task force to have access to the results?

Bill--

Your remarks reference Medtronic's 1996 written governance principles. I would be interested in having a copy, even if you think applicability to ARC

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issues is tenuous.

Fred

\*\*\*\*\*  
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\*\*\*\*\*



**American  
Red Cross**

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

David T. McLaughlin  
Chairman

November 28, 2001

Edward P. Scull  
Chairman  
American Red Cross  
Lower Bucks County Chapter  
1909 New Rodgers Road  
Levittown, PA 19056-2501

Dear Mr. Scull:

I received your letter of 9 November 2001 on my return from a trip abroad and regret that I was unable to respond earlier. I understand that Jack Campbell has provided you with the financial data that was requested.

With regard to the public relations issues, I hope that the recent actions taken by Harold Decker and his team have addressed some of these concerns. We have a ways to go before we recover lost credibility but I am confident that we are now headed in the right direction.

I appreciate your expression of concern and would hope to visit you and your chapter in the near future.

Regards,

David T. McLaughlin

DTM:jk

Cc: Harold Decker  
bcc Jim Krueger ✓

*Together, we can save a life*

SFC-ARC-A002093



Office of the General Counsel and  
Corporate Secretary  
National Headquarters

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

**Date:** November 5, 2003

**From:** Mary S. Elcano *MSE*  
General Counsel and  
Corporate Secretary *MS03*

**Subject:** Audited Financial Statements

**cc:** Marsha J. Evans

Enclosed for your information is a copy of the Audit of Federal Awards Performed in Accordance with U.S. Office of Management and Budget Circular A-133 and the American Red Cross Audited Financial Statements June 30, 2003

**Henderson, Barbara**

---

**From:** Forbeska@aol.com  
**Sent:** Monday, September 01, 2003 11:12 PM  
**To:** Henderson, Barbara; Evans, Marsha  
**Cc:** Tisdale, Cathy; Thumma@brownbain.com  
**Subject:** Thai Red Cross

David and Marty, I just spend an interesting morning with Dr., Praphan Phanuphak and Ms. Tantipibulvut RN. of the Thai Red Cross Aids research center. Their responsibilities include HIV education, operation to the anonymous clinic, testing lab, and distribution of medicine for infected individuals. They operate in a converted water tower with a dedicated staff and very limited resources. One of their more innovative programs involves HIV positive pregnant women. The focus of that program is to prevent orphans. They have been successful in reducing the babies of HIV positive women to less than 5% positive due to prenatal care and a robust drug program. The cost of drugs and the willingness to come forward as a n HIV positive pregnant women are the major barriers. I was impressed with what is being accomplished with a limited staff, physical facility and funding.

As a side note some problems remain the same wherever you are in world. The fund raising function of the Thai Red Cross has been consolidated into one department and Dr. Phanuphak expressed concern that it would b effective as a decentralized system.

I also met the head vet for venom snakes research clinic. The Thai Red Cross does research on the 189 poisonous snakes to develop and anti-venom and keep snakes on hand to educate the farmers on how to handle the snakes. I did not sign up for that course!

I was also given a brief tour of the hospital grounds and was shown the separate building that houses the monks when they are ill.

In summary it was an educational tour, reminds one that some problems are universal and what an important role our organization plays internationally.

Kate

9/2/2003

SFC-ARC-A002095

**D.T. McLaughlin**

---

**From:** Hassmiller, Susan [SHASSMILLER@rwjf.org]  
**Sent:** Friday, July 11, 2003 10:36 PM  
**To:** 'orionsafety@tds.net'; 'RhoddM@usa.redcross.org'  
**Cc:** 'hendersonb@usa.redcross.org'; 'ogdenr@optonline.net'; 'bgagliano@ulmer.com';  
'mannj@usa.redcross.org'; 'evansm@usa.redcross.org'  
**Subject:** Committee attendance status

Dave: Well, I guess there is a first time for everything...this upcoming series of committee meetings is in direct conflict with our own board rehearsal schedules at the Foundation and a long standing meeting commitment with a group of state health officers and legislators in Boston that I must keep. I have made the following arrangements to work around the upcoming Red Cross committee meetings:

Governance Committee: Will try to call in for one hour from cell phone from 10 to 11a, if possible. Disaster and Chapter Services Committee: Will call in from Boston airport a bit after 1p. Available for entire meeting  
Executive Committee: I will call in around 11am and remain on the call until meeting end.

I need call in numbers for Governance Committee and Executive Committee and back up number for someone should I have difficulty calling in.

*E Mail*

*Emailed*

**DINSMORE  
& SHOHL LLP**  
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Michael W. Hawkins  
513-977-8270  
[michael.hawkins@dinslaw.com](mailto:michael.hawkins@dinslaw.com)

Admitted in Ohio and Kentucky

July 7, 2003

Mr. David T. McLaughlin  
Chairman, Board of Governors  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

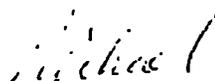
Re: **Federation Letter on the MDA Issue**

Dear David:

Thanks for sending out the letter from del Toro and your great response. It was instructive as to where the Federation is on paper and yet recognizing the importance of the MDA issue. I look forward to working with you and the ARC on finding that "common ground" to move the situation forward. Let me know how I can help. If there is an appropriate opportunity when we are in Geneva in December, I would be glad to participate.

Attached is a mediation checklist I use as a mediator and in negotiations. I am confident the process could be used to develop a road map capable of bringing about a short-term and long-term resolution to this challenging issue. This could avoid the way the issue is now portrayed and it could allow the Federation and ARC to recognize the reality of the situation and provide an agreed-upon path for ultimate resolution. It would allow del Toro to say to others... "we have an agreed-upon process and we are working together toward a mutual resolution." See you in L.A. for the Disaster Fundraiser.

Best Regards,

  
Michael W. Hawkins

MWH/agd  
Enclosure

cc: Maurice Worth  
Marty Evans  
Gerry Jones

SFC-ARC-A002097

Charleston WV • Cincinnati OH • Columbus OH • Covington KY  
Dayton OH • Lexington KY • Louisville KY • Nashville TN • Pittsburgh PA

**PRINCIPLED NEGOTIATION PREPARATION GUIDE**

**INTERESTS**

**YOURS? THEIRS?  
ARE THERE THIRD PARTIES NOT DIRECTLY  
INVOLVED IN THE NEGOTIATIONS WHOSE  
INTERESTS SHOULD BE CONSIDERED?**

**BATNA (BEST ALTERNATIVE TO A NEGOTIATED AGREEMENT)  
YOURS? THEIRS?**

**WATNA (WORST ALTERNATIVE TO A NEGOTIATED AGREEMENT)  
RISK AT TRIAL/COST TO GO TO TRIAL  
IF WIN HOW GET MONEY - IF LOOSE IMPACT AND NON-MONETARY**

**OPTIONS**

**BRAINSTORM (INVENT BEFORE DECIDING) POSSIBLE  
AGREEMENTS TO RECONCILE INTERESTS**

**LEGITIMACY**

**WHAT STANDARDS OR CRITERIA MIGHT BE USED TO  
ESTABLISH A FAIR AGREEMENT?  
WHAT "FAIR" PROCEDURE MIGHT BE USED?**

**RELATIONSHIP**

**WHAT KIND OF RELATIONSHIP WOULD YOU LIKE TO HAVE?  
WHAT CAN YOU DO TO DEVELOP THAT RELATIONSHIP?**

**COMMUNICATION**

**WHAT TONE DO YOU WANT TO SET? SET GROUND RULES  
HOW CAN YOU BE SURE YOU UNDERSTAND  
THE OTHER SIDE?  
HOW CAN YOU BE SURE YOU ARE UNDERSTOOD?  
WE ARE HERE TO SETTLE - NEED TO DECIDE NUMBER AND MEANS  
I WANT TO LISTEN TO WHAT YOU HAVE TO SAY**

**COMMITMENT**

**WHAT IS YOUR GOAL FOR THIS NEGOTIATION SESSION?  
IF THE NEGOTIATION IS CONCLUDED AND IS SUCCESSFUL, WHAT  
SHOULD BE INCLUDED IN  
WELL-CRAFTED COMMITMENTS?**

641961

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**DINSMORE  
& SHOHL LLP**  
Attorneys at Law

CINCINNATI JUN 30 2003  
255 East Fifth Street • Suite 1900  
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Michael W. Hawkins  
513-977-8270  
[michael.hawkins@dinslaw.com](mailto:michael.hawkins@dinslaw.com)

Admitted in Ohio and Kentucky

June 26, 2003

Mr. David T. McLaughlin  
Chairman, Board of Governors  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Mr. Gerald R. Jones  
Vice President, International Services  
American Red Cross  
431 18th Street, NW  
Washington, DC 20006-5304

Mrs. Marsha J. Evans  
President and Chief Executive Officer  
American Red Cross  
430 17th Street, NW  
Washington, DC 20006

Kathleen E. Loehr  
Vice President, Strategic Fundraising  
American Red Cross  
2025 E Street, NW - 7th Floor  
Washington, DC 20006

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

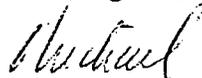
Re: *Giving USA*

Dear Marty, David, Gerry, Kathleen and Doug:

On June 24, 2003 I attended the *Giving USA* program. Attached is a copy of the Agenda and News Release on the status of donor activity. They stated that in the international humanitarian aid area they are seeing increased contributions. If you haven't already seen this material, it is very instructive as we move forward in our fundraising efforts.

I also spoke with Jim Yunker of Smith Beers Yunker & Company. They have worked with the Chicago, Illinois; Cincinnati, Ohio and Lexington, Kentucky Chapters on successful fundraising efforts. In addition, they have done work for the ICRC. Jim would be willing to speak with us about additional ways he can assist in the American Red Cross fundraising efforts. This would be a great opportunity to get some new ideas.

Best Regards,



Michael W. Hawkins

MWH/ame  
Enclosure

SFC-ARC-A002099

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# GIVING USA 2003

AAFRC TRUST FOR PHILANTHROPY

24 June 2003

4 p.m.

Metropolitan Club

Welcome to the Metropolitan Club

Charles Wilfong  
*Club Manager*

Introductions

Dutch Egbers  
*Vice President, Schiff, Kreidler-Shell*

Report on Giving in 2002

Melissa Brown  
*Managing Editor, Giving USA*

Jim Yunker  
*CEO, Smith Beers Yunker & Company*

Highlights of the PGI  
*Philanthropic Giving Index – Summer 2003*

Becky A. Sittason, CFRE  
*Managing Director, Smith Beers Yunker & Co.*

Closing Remarks

Amy L. Cheney, CPA  
*Vice President, Greater Cincinnati Foundation*

*Adjourn to refreshments compliments of the sponsors.*

Tours of the Club available.

---

Sponsored by



Smith  
Beers &  
Yunker Company  
*Helping others make a difference.*



METROPOLITAN CLUB

SFC-ARC-A002100

**DINSMORE  
& SHOHL LLP**

Attorneys at Law

JUN 30 2003

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Michael W. Hawkins  
513-977-8270  
[michael.hawkins@dinslaw.com](mailto:michael.hawkins@dinslaw.com)

Admitted in Ohio and Kentucky

June 25, 2003

Ms. Carol Talbot  
Vice President and Trustee  
The P&G Fund of Procter & Gamble  
One Procter & Gamble Plaza  
Cincinnati, OH 45202

Re: American Red Cross International Services

Dear Carol:

Since we talked last year about your interests in international humanitarian services, I wanted to update you on my activities with the American Red Cross. As a member of the National Board of Governors, I am also serving on the International Services Committee and am currently Vice Chair of this Committee. We are responsible for some 70 programs in 40 plus countries around the world. On many of these projects, we are working in conjunction with the Red Cross/Red Crescent Societies in their country.

During my year, I have traveled to Ghana to observe the Measles Initiative where the American Red Cross is working in cooperation with The World Health Organization, Centers for Disease Control, UNICEF and UN Foundation. The goal is to inoculate 200,000,000 children in Africa over 5 years. In the week I was in Ghana, 8 million children were inoculated. It was social mobilization at its greatest and the collaboration between these organizations and the Ghana Ministry of Health was terrific. This is truly a great humanitarian effort. Some pictures from that trip are enclosed.

I also attended the InterAmerican Conference of all the Red Crosses of the Americas in Santiago, Chile in March of 2003. We were able to share programs, humanitarian needs and projects in which the ARC has collaborated with other Red Crosses of the Americas and others like the Swiss, German and Spanish Red Crosses. The needs and projects primarily involve water, sanitation and hunger.

I will be traveling to Geneva in December to attend the International Conference of the Red Cross/Red Crescent Societies. This is a conference held every 4 years of 180 Societies to discuss the status of humanitarian needs; programs and the Federation of Red Cross/Red Cross Societies Strategic Plan for 2010 which has a focus of assisting vulnerable individuals throughout the world.

I am thoroughly enjoying my experience and am renewed in my spirit of making a difference for the vulnerable. I would be glad to have lunch with you to discuss my interests and personal commitment to the international services area.

Best Regards,



Michael W. Hawkins

MWH/ame

cc: Charlotte Otto (w/enc.)

Charleston WV • Cincinnati OH • Columbus OH • Covington KY  
Dayton OH • Lexington KY • Louisville KY • Nashville TN • Pittsburgh PA

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bcc: Mr. David T. McLaughlin  
Mrs. Marsha J. Evans  
Ms. Kathleen E. Loehr  
Mr. Gerald R. Jones