



Rotary International

29 December 2008

Dear Rotarians:

The current investment climate continues to present challenges to our organization. Since 30 September, Rotary International's General Fund declined another 16.1 percent, resulting in a fiscal year-to-date investment loss of 24 percent, or US\$22 million. The Rotary Foundation's investments (except for the PolioPlus Fund) also have experienced declines in line with the markets, resulting in losses of \$165 million from July through November.

As we previously reported, nearly all losses to date are unrealized (i.e., due to declines in the market prices of the securities held and would be realized only if the securities are sold). Because Rotarians have continued to pay their dues on time and make generous contributions to the Foundation, we have not had to sell any of our investment securities to meet operating expenses.

You have likely read about the securities fraud committed by Bernard Madoff. Through one of its hedge fund managers, the Foundation had minor exposure (less than 0.1 percent of the Foundation's total investments) to one of Madoff's investment vehicles. We are working with our independent investment consultants to minimize this loss and reduce Rotary's risk in this area.

Investment earnings, and if necessary, operating reserves, are used to fund a portion of RI's operating expenses, and all of the Foundation's operating expenses. While RI's reserves remain above the Board's targeted level, the Foundation's reserves have declined significantly below the level required by the Trustees. Therefore, we (your Board of Directors and The Trustees of the Rotary Foundation, and your secretariat staff) have been reducing spending and are taking the following actions:

- Deferring all nonessential activities, including committee meetings
- Canceling all nonessential discretionary spending, including staff and volunteer travel, overtime expenses, temporary help, consultants, and staff development
- Reducing staff and volunteer costs while traveling on Rotary International and Foundation business
- Preparing contingency plans and austerity budgets for 2009-10

As noted in my previous communications, Rotary's senior leaders, the Financial Services staff, Rotary's investment consultants, and I continue to closely monitor the financial markets. We are taking all possible steps to ensure that Rotary remains financially strong in this difficult economic environment.

Sincerely,

Ed Futa
General Secretary