

February 2009:

Dear Rotarians

Year-to-Date Results through 31 December 2008

December 2008 marked the first month of positive investment results for both Rotary International and The Rotary Foundation since August 2008. For the fiscal year through December, RI showed investment losses of US\$19 million and the Foundation had losses of \$159 million, most of which were unrealized and should reverse once the markets recover. Revenues from club dues remain slightly ahead of budget, and Rotarian contributions to the Foundation are up by \$3 million over last year. Operating expenses for both RI and the Foundation remain favorably below budget in most areas, with the majority of these gains projected to remain through the end of the fiscal year.

Global Financial Markets and Their Impact on Rotary

We continue to receive economic and capital market forecasts from our investment managers. Based on these forecasts, we are projecting no additional investment earnings for this fiscal year, and we expect earnings to be volatile throughout these remaining months. Many economists are predicting that the economic recovery may begin in the second half of this calendar year or in early 2010, although any recovery is highly contingent on many factors in economies throughout the world.

We are expecting that the current investment climate will continue to present challenges to our organization for the foreseeable future. Therefore, the general secretary is eliminating all nonessential and discretionary spending in both RI and the Foundation for the remainder of this fiscal year. The RI Board and president recently took actions to suspend several committee meetings and reduce travel for the rest of the fiscal year. The Trustees reduced 2008-09 World Fund expenditures for 3-H Grants, Volunteer Service Grants, and Matching Grants by \$16.3 million. The RI and Rotary Foundation finance committees are preparing contingency plans for consideration in establishing austere budgets for fiscal year 2009-10.

Let me close by sharing a very encouraging development in our battle to eradicate polio worldwide. The Bill & Melinda Gates Foundation has awarded The Rotary Foundation a further \$255 million, in addition to the 2007 grant for \$100 million. Rotary is asked to raise a total of \$200 million in matching funds by 30 June 2012. To date, Rotarians have raised almost \$73 million in cash and commitments towards this challenge. To be more than a third of the way toward our \$200 million goal in this economy speaks volumes about Rotarians' resolve to End Polio Now.

Sincerely,

Ed Futa

General Secretary