

From Kathleen Gwynn, the President & CEO:

November 18, 2004

Dear Colleagues and Friends:

Over the next few months the Steven and Michele Kirsch Foundation will be making substantial changes in its public policy and grantmaking programs. This is the result of significant deliberations by the Foundation's Board and founders and was spurred by our reduced assets. Our goals have been to keep the Foundation in operation and to focus the Foundation's assets, both staffing and grants, on the issues where we could be most valuable.

By way of background, the Foundation currently has about \$9 million in net assets. In order to ensure that the Foundation has sufficient funds to operate for at least six years without additional contributions, we are reducing this year's operating budget from \$2.77M to \$2.15M. With the start of the upcoming fiscal year, which begins on July 1, 2005, we will further reduce our operating budget to \$1.5M annually. The operating budget includes grants, staffing and administrative expenses.

Cutting the budget virtually in half will have a dramatic impact on the scope of our work, but not on our values or our approach as a Foundation. Steve and Michele Kirsch, the Board and I want the Foundation to remain viable, so we are thinking long-term and about impact.

We used the following criteria and values to determine the programs and activities that we would maintain:

- We have a special niche as we have the ability both to lobby and to make grants. Our programs must incorporate both.
- We are most effective when we collaborate with others, both grantmakers and nonprofit organizations, to accomplish significant objectives.
- We honor our commitments.
- Steve and Michele Kirsch established the Foundation; their input and their vision for the future remain at our core.

The program areas that will no longer be active include the following: campaign finance reform, global warming, medical research collaborations, asteroid identification and tracking, and hair loss research. The Foundation will immediately cease to support hair loss research, asteroid identification and tracking, and funding of medical research collaborations. Effective no later than July 1, 2005, the Foundation will eliminate its work on global warming and campaign finance reform.

As of July 2005, we will have two primary program areas:

1. Support of nuclear nonproliferation and disarmament efforts; and
2. Activities to clean up the air in California, particularly throughout the Central Valley.

We will continue our lobbying activities and our grants programs for these programs. The Foundation's staff will also engage modestly in stem cell lobbying as our VP, Public Policy, Susan Frank, has been very active in the national effort. Finally, Steve and Michele Kirsch will continue to make discretionary grants to the organizations in which they believe, including those in Silicon Valley where they reside.

Given our limited program areas, the staff will be cut from five to four. Karen Brunton, our Public Policy Associate, has a short-term position that will end no later than June 30th. Until her departure, however, she remains the point person on our environmental agenda. Susan Frank will keep nuclear issues and will resume environmental lobbying, her first position at the Foundation, after Karen departs. May van Scherrenburg's portfolio will include Environmental Program grants and other, yet undefined, responsibilities. Connie Padre will continue as the

Foundation's Webmaster and provide support to Susan Frank and me. I will continue to work with the Kirsches and the Board, represent the Foundation externally, and develop strategies to enhance the Foundation's effectiveness and contributions to program fields.

I realize that this is a lengthy and substantive email. If you have any questions about the changes, tactical or strategic, please contact any one of the staff. We would be happy to explain our thinking and the changes in more detail.

While these changes reflect a new financial reality for the Foundation, they have not dimmed our determination. We expect to be active participants in the philanthropic and public policy communities and look forward to working with many of you in the months and years to come.

Sincerely,
Kathleen (Kathi) Gwynn
President & CEO