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ENVIRONMENTAL DEFENSE

finding the ways that work

2004 ANNUAL REPORT

AT A GLANCE

Environmental Defense

Originally incorporated as Environmental Defense Fund on October 6, 1967

Headquarters

New York City

Members

More than 400,000

Staff

272 full-time staff

Offices

New York, NY • Washington, DC • Oakland, CA
Boulder, CO • Raleigh, NC • Austin, TX • Boston, MA
Project office: Los Angeles, CA
(Addresses and phone numbers on back cover.)

Web site

www.environmentaldefense.org

Mission

Environmental Defense is dedicated to protecting the environmental rights of all people, including the right to clean air, clean water, healthy food and flourishing ecosystems.

Guided by science, we work to create practical solutions that win lasting economic and social support because they are nonpartisan, cost-effective and fair.

FINDING THE WAYS THAT WORK



N.J. Nicholas, Jr.

Message from the chairman

Four things attracted me to Environmental Defense: its commitment to strong science, its nonpartisan approach, its reputation for harnessing market forces and its track record of success. Employing more Ph.D. scientists and economists than any similar organization, Environmental Defense has shown exceptional ability to engage key players—whether businesspeople, landowners, fishermen or government agencies—and find solutions to environmental problems.

Again this year, some of the environmental policy decisions made in Washington were disappointing. But Environmental Defense continued to make progress by forging bipartisan coalitions and by finding new avenues for success at home and abroad. Here are just some of this year's results:

- **Climate:** When prospects for the Kyoto global warming treaty dimmed, Environmental Defense helped broker a deal between Russia and West European governments, bringing this international market-based system into force. *(See page 4)*
- **Ecosystems:** Recognizing that most endangered species depend on privately owned lands for survival, we expanded our partnerships with farmers and other landowners to restore wildlife habitat, putting threatened species like the bog turtle on the path to recovery. *(See page 6)*
- **Health:** Working with the Environmental Protection Agency, we won strict limits on pollution from diesel-powered tractors, construction equipment and other non-road engines, which had been among the most under-regulated sources of unhealthy air pollution. According to EPA, the new rules could prevent 12,000 premature deaths a year. *(See page 8)*
- **Oceans:** Environmental Defense built a consensus with Pacific Coast commercial fishermen to propose a workable, science-based plan for reviving the Pacific rockfish fishery, declared a federal disaster in 2000. *(See page 10)*

Your contribution to Environmental Defense pays handsome dividends in ensuring a cleaner, healthier world for us to enjoy and pass on to our children. Support this year set a new record. I thank you for making these results possible.

A handwritten signature in black ink that reads "Nick Nicholas".

N.J. Nicholas, Jr.
Chairman of the board



A WORLD OF SYNERGIES

Message from the president

Not long ago, it would have been impossible for a U.S. economist, trained in capitalist theory, to be honored by the People’s Republic of China for designing market incentives. Yet that’s exactly what happened this fall when Environmental Defense chief economist Dr. Daniel J. Dudek received the Friendship Award, the highest honor conferred on foreign experts, for his work to reduce China’s air pollution—pollution that has been found as far away as New England. He is the first member of an environmental group to be honored in the 14-year history of the award.

Dudek adapted a method that he and his colleagues had designed for the 1990 Clean Air Act in the United States. Hailed by *The Economist* as “the greatest green success story of the past decade,” that plan required U.S. power plants to cut sulfur pollution in half, but let plant owners decide how to make the cuts. The flexible incentives spurred innovations that cut the cost by a factor of ten, compared with industry predictions. No wonder China is engaged.

The same market-based approach is at the heart of the Kyoto climate treaty, which Russia’s ratification brings into force, and the McCain-Lieberman Climate Stewardship Act, which we advocate as a first step to cut U.S. global warming pollution. The market approach, which sets a firm cap on emissions but allows flexibility in how the goal is met, automatically finds the least-cost pollution reductions.

For nearly forty years now, when Environmental Defense has seen a problem, we don’t just oppose it—we propose an alternative and work directly with those involved to find answers. Often such solutions require uncommon alliances. Some were skeptical when we first approached McDonald’s a decade ago to join us in a waste-reduction partnership, but the company soon replaced its foam plastic sandwich boxes with less-wasteful packaging and bought more than \$3 billion in recycled materials. We since have partnered with companies as diverse as Bon Appetit, Citibank and FedEx on issues ranging from antibiotic use to global warming. We accept no payments from our corporate partners.

In the heartland, we are helping private landowners lay out the welcome mat for endangered species they once shunned. In the words of one partner, Texas cattle rancher Bob Long, “We’re out to prove that endangered species and cattle and people can all live together.” Nature abounds with such win-win situations—mutually beneficial relationships that make ecosystems more than the sum of their parts. The search for such synergies in human affairs is the essence of “finding the ways that work.”

Thank you for your support that has made this year’s progress possible!

Fred Krupp, *President*



Fred Krupp



“Environmental Defense is a very important organization. The people there know what they’re doing. We rely on them to a great extent, not only for help in lobbying.”

Senator John McCain (R-AZ), speaking about our campaign on global warming

SOME OF OUR HISTORIC ACHIEVEMENTS

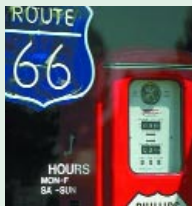


1967 A small group of scientists forms our organization and sets out to win a nationwide ban on DDT, which had been harming wildlife and was found in human mother’s milk. The ban helps bald eagles and other magnificent birds rebound across the country.



1970 Environmental Defense efforts bring all hunted whales onto the U.S. endangered species list.

1974 Our study of Mississippi River water helps pass the Safe Drinking Water Act, establishing the first comprehensive health standards for water nationwide.



1985 We help convince federal regulators to phase out lead from gasoline, leading to a dramatic decline in childhood lead poisoning.

1987 We play a key role in the treaty to phase out the use of CFCs, chemicals that damage the Earth’s ozone layer.



1990 The new Clean Air Act incorporates our innovative market-based methods to cut air pollution and acid rain. The measures reduce sulfur dioxide pollution faster than expected, and at a fraction of the cost.

1995 Our Safe Harbor plan gives landowners new incentives to help endangered species on their property.



2000 Seven of the world’s largest corporations join us in a partnership to address global warming, setting firm targets to reduce their greenhouse gas emissions.

2001 We help create the 1,200-mile-long Northwestern Hawaiian Islands Coral Reef Ecosystem Reserve.



2004 The first FedEx hybrid electric trucks hit the road, the result of our four-year partnership with FedEx to transform truck technology. The new vehicles cut smog-forming pollution by 65%, reduce soot by 96%—and go 57% farther on a gallon of fuel.

“Environmental Defense fought to include emissions trading in Kyoto, thereby lowering the cost of pollution reductions worldwide.”

Frank Loy

Former U.S. Under Secretary of State



CLIMATE

Russia jump starts a climate treaty

Environmental dealmaker: When the Kyoto protocol threatened to unravel, climate program director Peter Goldmark helped broker the deal that brought Russia to the table.



Promoting public policy in Russia is like playing a game of chess. In 2004, the high-stakes match was over the fate of the Kyoto protocol, the world’s first treaty to reduce global warming pollution. Environmental Defense stayed several moves ahead of the opposition and helped lay the groundwork for an agreement between Russia and the European Union to bring the treaty into force.

Rejected three years ago by the United States, the 1997 Kyoto agreement seemed a candidate for oblivion. With time running out, we had to turn elsewhere for leadership. The accord could take effect only if ratified by 55 countries that accounted for 55 percent of the industrialized world’s emissions in 1990. Already, 120 countries had ratified the treaty. But only Russia could switch it on. Moscow, however, was balking. Using flawed studies financed by ExxonMobil, opponents argued that compliance would slow Russia’s economic growth. President Vladimir Putin’s advisor Andrei Illarionov warned that pressure on Moscow to ratify amounted to “an undeclared war.”

To bring Russia on board, we need-

ed powerful allies. We began by recruiting Russian companies, explaining how Kyoto’s innovative emissions trading system—pioneered by Environmental Defense—would give them incentives to clean up operations at a lower cost. Russia’s electric power monopoly, United Energy Systems, worked with our economists to reduce global warming emissions from its 365 power plants; the giant natural gas company Gazprom then followed suit. We also provided key evidence to the Russian parliament showing that cutting global warming pollution would also reduce local air pollution, saving tens of thousands of lives each year.

In the end, Kyoto’s fate lay with President Putin. We worked with the British, French and German governments to help broaden the discussion to include not only Kyoto but also Russia’s accession to the World Trade Organization, energy security and health. An agreement covering those concerns followed and, on November 4, President Putin signed the bill ratifying the Kyoto treaty.

“Kyoto is a market signal heard around the world,” says our climate direc-



tor Peter Goldmark. Although the treaty is a work in progress and has weaknesses we aim to fix, the world is far better off having a system in place that can be improved. "With the market for trading global warming emissions ramping up," says Goldmark, "the United States can no longer afford to stand on the sidelines."

Environmental Defense has teamed up with leading American companies like DuPont and FedEx to reduce their emissions voluntarily. We also are promoting the McCain-Lieberman Climate Stewardship Act as a smart, sensible way to re-engage the United States in the global effort. The legislation calls for an economy-wide cap on heat-trapping gases.

"With Kyoto coming into force, the playing field has shifted," says Goldmark. "Forward-looking American companies now want their government to take action."



A corridor of hope in the Amazon

In Brazil, we are coordinating with grassroots groups, scientists and the government to protect the Maine-sized Terra do Meio, the last large tract of unprotected forest in the eastern Amazon. Safeguarding the region will protect indigenous peoples and wildlife while guarding against deforestation, a major cause of global warming.



Sending a message to Detroit

Working with grassroots groups, we helped pass clean-car legislation in Connecticut and New Jersey. These victories build on our success in California, which this year announced rules requiring a 30% reduction in global warming pollution from new passenger vehicles by 2016. In all, eight states representing 25% of the nation's auto market have adopted pollution limits stricter than the federal standard.



Spreading the word on global warming

Six consumer product companies—Clif Bar, Odwalla, Organic Valley, Silk, Stonyfield Farms and Trinity Springs—have partnered with us to publicize our *Global Warming: Undo It* campaign this year. Our joint efforts have attracted more than 350,000 supporters who contacted their senators urging passage of the McCain-Lieberman Climate Stewardship Act to reduce global warming pollution.



Sowing the seeds for a carbon market

We are working with the Nez Perce tribe in Idaho to restore native forests and with farmers in Kansas and Louisiana to sequester carbon in soils by using no-till agriculture. These projects, part of our nationwide effort to enlist landowners to help curb global warming, will also benefit wildlife and reduce water pollution.

“I’ve raised eight children on this land. Why not a few bog turtles?”

Isaac McGhee
Maryland farmer



ECOSYSTEMS

Bringing species back from the brink

Wildlife scientist Dr. Tim Male finds that the best way to protect rare wildlife is to enlist private landowners as allies. Male works closely with property owners to restore habitat critical to the survival of endangered species.



Perched on a tuft of sedge grass, a tiny bog turtle basks in the sun. It’s a rare sighting; the elusive turtle will spend most of its life half-buried in the muck. What impact could its survival possibly have on the larger world?

Plenty, says our wildlife scientist Dr. Tim Male. Besides occupying an important ecological niche, the turtle provides insight into how to restore vanishing ecosystems.

The bog turtle’s habitat—wet meadows and sunny wetlands—is fast disappearing as farm pastures are swallowed up by development. America’s smallest turtle is also threatened by the illegal pet trade, with bog turtles fetching up to \$2,500 in Tokyo pet shops. Populations in the Northeast have declined by 50% over the past two decades.

Not since an asteroid hit Earth 65 million years ago have so many plant and animal species been at risk. “Biodiversity loss is the one thing for which our descendants are least likely to forgive us,” warns biologist Edward O. Wilson. The

Endangered Species Act has sparked some impressive recoveries, including the bald eagle and gray wolf. But too few of the nation’s 1,300 listed species are improving.

Since most endangered species rely on private lands to survive, Environmental Defense partners with landowners to restore habitat. “Some rare species thrive if we simply set land aside for them,” says Male, “but many, like the bog turtle, require active management.”

Because bog turtles and livestock can live side by side in wet pastures, we’ve teamed up with farmers like Isaac McGhee, one of dozens of landowners we’re working with in New York, Pennsylvania and northern Maryland to improve bog turtle habitat.

McGhee once grazed cows, but his dairy herd is long gone and his pastures have become overgrown. To help the turtle and other rare species like the Baltimore checkerspot butterfly and sedge wren, he’s cutting back invasive plants and may introduce goats to keep the land open. “I’ve raised eight children



on this land," he says. "Why not a few bog turtles?"

The project, part of our *Back from the Brink* campaign, serves as a model for restoring ecosystems. We are focusing on 15 species to demonstrate how property owners can help species recover. Their actions are funded in part by conservation monies we helped secure in the 2002 Farm Bill. All told, our conservation programs now encompass more than three million acres in 25 states.

"The endangered species list should not be a nursing home where species wait out their last days," says Male. "By restoring habitat on farms, ranches and other working lands, we can spur the recovery of America's wildlife."



Extending the welcome mat to wildlife

The San Joaquin kit fox is one of dozens of species to benefit from Safe Harbor, a wildlife program developed by Environmental Defense and adopted by the U.S. Fish and Wildlife Service. Now celebrating its tenth anniversary, Safe Harbor encourages landowners to restore wildlife habitat voluntarily by assuring them that doing so will not lead to new restrictions on their property.



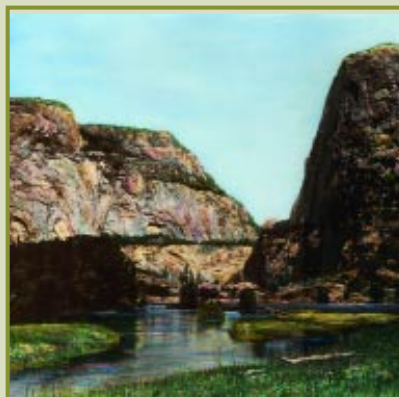
Restoring the Forgotten River

Working with landowners and government officials, Environmental Defense is helping restore the Forgotten River, a 200-mile stretch of the Rio Grande above Big Bend National Park in West Texas. We helped win federal funds to conserve irrigation water, launched an initiative to replace invasive salt cedar with native willow and cottonwood, and established a water trust to protect stream flows.



New Jersey acts to contain sprawl

The 800,000-acre Highlands will have added protection, thanks to a law we helped pass to guide development, protect endangered species and safeguard a vital aquifer. The legislation encourages the use of transferable development rights, an anti-sprawl approach that redirects development away from sensitive habitat and toward appropriate growth areas, without use of public funds.



Discover Hetch Hetchy

Our groundbreaking study *Paradise Regained* has inspired public and legislative support for restoring California's Hetch Hetchy Valley, dammed in the 1920s as a reservoir for San Francisco and submerged under 300 feet of water. As the city upgrades its water system, our study proposes new alternatives to supply the area with high-quality water while returning Yosemite's magnificent twin valley to the American people.

“A child born today should not have to wait until she is an adult before she can breathe healthy air.”

Dr. William S. Lowery
Pulmonologist, Alameda, CA



HEALTH

Taking aim at diesel pollution

Before the issue was on the radar screen of many policymakers, Environmental Defense attorney Janea Scott served as the lone environmentalist on EPA's advisory panel on non-road diesel pollution.



Allison Gobel's dream is to play college tennis. But when the athletic 13-year-old was diagnosed with asthma last year, she was forced to modify her game plan. The Fresno, CA, resident now carries an inhaler and avoids practicing on smoggy days. "I'll just have to live with it," she says bravely. "I know lots of kids worse off than me."

The number of Americans with asthma has more than doubled in the past 15 years to more than 22 million. "It has reached epidemic proportions," says Dr. John Balbus, director of our health program.

Air pollution contributes to many health problems, including respiratory illnesses, heart disease and cancer. Across the nation, 159 million Americans breathe unhealthy air, according to the Environmental Protection Agency (EPA).

"The good news is that we can do something about it," says Balbus. Environmental Defense has set a goal of cutting major sources of unhealthy air pollution by 80% over the next ten years. We're pushing for cleaner power plants,

tougher emissions standards and programs to retrofit existing engines and win immediate reductions.

One major source of harmful air pollution is diesel exhaust, that unmistakable black plume billowing from buses, bulldozers and barges. Diesel exhaust contains more than 40 cancer-causing compounds, ranking it among the most dangerous air pollutants.

Three years ago, we worked with EPA to advance stricter limits on new diesel trucks and buses. Building on that action, the agency issued final rules this year to slash emissions from new diesel tractors, construction equipment and other non-road engines.

The new rules require refineries to produce low-sulfur diesel fuel and engine makers to cut diesel emissions by 90%, a reduction that could prevent 12,000 premature deaths a year. The clean-fuel requirement also covers locomotives and marine transport.

In response to an Environmental Defense lawsuit, EPA also agreed to tighten emissions limits for new diesel-



powered stationary engines and backup generators. Some 350,000 such engines are in use nationwide, many located near schools and homes.

Because diesel engines can remain in use for decades, we are showcasing ways to retrofit existing engines to reduce pollution faster. In New York, for example, we helped shape a citywide ordinance to clean up diesel machinery at city-sponsored construction sites. We also helped pass legislation in Texas and win funding in California for diesel retrofits. Under Texas's \$650 million incentive program, transit buses in Dallas and garbage trucks in Houston already are being equipped with new pollution controls. We're now pressing for a national program.

Says California pulmonologist Dr. William S. Lowery: "A child born today should not have to wait until she is an adult before she can breathe healthy air."



Clearing the air in the Rockies

To prevent worsening air pollution in the Rocky Mountain region, we led a successful effort to get EPA to require cleaner summertime gasoline in the Denver area. We also teamed up with ranchers and local environmental groups to bring legal action to stop uncontrolled natural gas development in Wyoming's million-acre Powder River Basin.



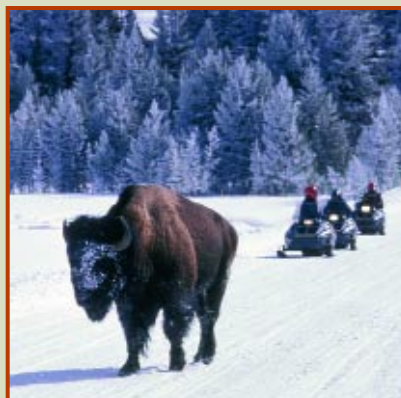
Keeping antibiotics working

Foodservice giant Bon Appetit partnered with us to develop an innovative purchasing policy that requires its suppliers to forego the routine use of medically important antibiotics when raising chickens. The company, which serves 300,000 meals a day, joins McDonald's and our other allies in the effort to keep these wonder drugs working in the treatment of human disease.



Disposing of mercury safely

A federal court upheld a Maine law we helped draft requiring automakers to pay for removing toxic mercury from junked cars. We've advanced similar legislation in New Jersey and Pennsylvania and got automakers to take responsibility for mercury cleanup in Minnesota. We're now negotiating with automakers and EPA for a national solution. Mercury has been linked to neurological problems in children.



Closing the snowmobile loophole

We won a lawsuit that compels EPA to reexamine its proposed snowmobile standards that would exempt one-third of new machines from meeting stricter emission limits. A single snowmobile can pollute as much per hour as 100 cars, but affordable technology for cleaner engines is available today. We're pressing EPA to close the loophole and establish stronger rules to protect health.

“Environmental Defense is the first group to recognize the human dimension to the crisis.”

Rich Young
Commercial fisherman



OCEANS

Hope for a troubled fishery

Our marine ecologist Dr. Rod Fujita, one of the first to document the collapse of Pacific rockfish, has worked closely with fishermen to devise an innovative, workable solution to revive the fishery.



The rockfish passes its life in the slow lane. Living up to 200 years, it likes to hunker down in the deepwater canyons of the Pacific. For years, these ancient fish have been a mainstay of West Coast fishing communities from Canada to Mexico, but in the 1990s, the \$70 million fishery collapsed, the latest casualty of overfishing, pollution and habitat damage.

Fishermen found themselves locked in a frenzied race for the vanishing stocks. In 2002, time ran out. The federal government shut down much of the western continental shelf to trawling. For rockfish fishermen like Rich Young, the ban was devastating. Finding it impossible to stay in business, he made the wrenching decision last year to sell his boats. Many others did the same.

With coastal communities in despair, Environmental Defense saw an opportunity to help the Pacific states revive these fisheries. We knew we needed to bring fishermen on board, and Rich Young became a ready ally. He had seen the disastrous results of old-style fishery management and was ready to embrace

something new: a market-based approach.

We proposed that the regional management council assign each fisherman a percentage share of the total allowable catch, that is, a catch share. As a fishery recovers, the value of each share increases. In dozens of fisheries worldwide, such systems have ended the life-threatening race for fish, rebuilt stocks and ensured year-round profitability.

Accompanied by commercial fishermen, Environmental Defense organized workshops along the Pacific coast to build consensus. “We introduced incentives that enable fishermen to coordinate with each other rather than compete,” says Young. The next step is for the management council to adopt catch shares.

For this initiative to succeed, adequate funding will be needed. California’s budget crisis had impoverished the state’s fishery programs, so this year we helped persuade the legislature to pass the California Ocean Protection Act. The new law features a \$10 million trust fund to improve monitoring and enforcement for



such undersea gems as the Channel Islands Marine Sanctuary. It also establishes an innovative revolving loan program, designed by Environmental Defense, to provide seed money for fisheries restoration.

Our marine ecologist Dr. Rod Fujita is optimistic about the combination of allocated catch shares and money for restoration. "When fishermen are better off economically," he says, "they have an incentive to protect the resource."

"Environmental Defense," adds Young, "is the first group to recognize the human dimension to the crisis in the oceans."



A partnership with fishermen

With 82 major fish species in decline in North American waters, we helped halt legislation in nine states that threatened to undermine states' ability to preserve sensitive habitats. We then found common ground with conservation-minded sport fishing groups. Together, we reduced unnecessary beach dredging in Florida and are preserving habitat for key fishery species.



Preserving a paradise in Cuba

Cuba's most unspoiled coral reef ecosystem, the Gardens of the Queen, is on the verge of national park status, thanks to years of Environmental Defense work under a U.S. government license. A chain of mangrove islands off the southern coast, the Gardens are now better protected from long-net fishing. We also worked to promote sustainable practices at coastal hotels.



A market solution to an oceans crisis

In the Gulf of Mexico, red snapper fishermen voted overwhelmingly for our plan to rebuild severely depleted stocks through the allocation of catch shares. We conducted Congressional briefings on the plan and won the support of the administration. The new program will take effect in January 2006, ending the destructive race for fish.



Sustainable seafood

To reach retail consumers and leading wholesale fish buyers, we built a nationwide campaign to increase the purchase of sustainably harvested seafood. We introduced an expanded version of our popular Seafood Selector, adding information on mercury and other contaminants. Now consumers can get seafood health and environmental information never before available in one place.

WHO'S WHO ON THE PROGRAM STAFF

The work of Environmental Defense is carried out today by more than 270 dedicated staff, including the program staff listed on these pages.

CALIFORNIA

Geographic information system specialist

Peter Black (B.A., Univ. of Oregon)

Research analyst **Kate Bonzon** (M.S., Stanford Univ.)

Marine conservation advocate **Richard Charter** (San Jose State Univ.)

Policy analyst **Luis Flores de Luna** (B.A., Whittier College)

Marine ecologist **Rodney M. Fujita** (Ph.D., Boston Univ., Marine Biological Laboratory)

Regional director **Thomas J. Graff** (LL.B., Harvard Univ.)

Water resource analyst **Ann Hayden** (M.E.S.M., Univ. of Calif., Santa Barbara)

Policy associate **Kate Larsen** (B.A., Stanford Univ.)

Attorney **Jerilyn Lopez Mendoza** (J.D., Univ. of Calif., Los Angeles)

Air quality project manager **Kathryn Phillips** (M.P.P., Univ. of Calif., Los Angeles)

Analyst **Spreck Rosekrans** (B.A., Univ. of Calif., San Diego)

Economist and deputy regional director **Nancy Ryan** (Ph.D., Univ. of Calif., Berkeley)

Project manager **Elizabeth Sturcken** (M.P.P., Harvard Univ.)

Oceans deputy program manager **Johanna Thomas** (M.S., Univ. of Calif., Berkeley)

CONNECTICUT

Marine conservation advocate **Sally McGee** (M.M.A., Univ. of Rhode Island)

FLORIDA

Coastal scientist **Tomas Camarena** (Ph.D., Univ. of West Brittany, France)

Marine scientist **Ken Lindeman** (Ph.D., Univ. of Miami)

HAWAII

Scientist **Stephanie Fried** (Ph.D., Cornell Univ.)

MAINE

Climate change policy specialist **Melissa Carey** (M.P.Aff., Univ. of Texas)

MASSACHUSETTS

Automotive analyst **Freda Fung** (M.S., Lund Univ., Sweden)

Research associate **Tracy Godfrey** (B.S., Johnson State College)

Project manager **Bruce Hammond** (M.F.S., Yale Univ.)

Project manager **Victoria Mills** (M.A., Johns Hopkins Univ.)

■ Alliances program director and regional director **Gwen Ruta** (M.P.A., Harvard Univ.)

Project manager **Patricio Silva** (J.D., Univ. of Arizona)

State policy manager **Karen Thomas** (B.S., Univ. of Houston)

Engineer **Bashar Zeitoun** (M.A., Massachusetts Institute of Technology)

MICHIGAN

Senior fellow **John DeCicco** (Ph.D., Princeton Univ.)

NEW YORK

Vice president for programs **Marcia Aronoff** (B.A., Oberlin College)



California regional director
Tom Graff

Economist
Nancy Ryan

Chief economist
Daniel J. Dudek



North Carolina regional director
Jane Preyer

Policy analyst
Luis Flores de Luna

Project manager **Millie Chu Baird** (M.S., Stanford Univ.)

Coastal ocean coalition director **Benson Chiles** (M.A., New School Univ.)

Program associate **Michelle Bicek** (M.P.A., Syracuse Univ.)

Policy analyst **Ramon J. Cruz** (M.P.A. – U.R.P., Princeton Univ.)

- Regional director **Andrew Darrell** (J.D., Univ. of Virginia)

Program coordinator **Roberta Desmond** (B.A., Plymouth State College)

Chief economist **Daniel J. Dudek** (Ph.D., Univ. of Calif., Davis)

Research associate **Timothy Fitzgerald** (M.S., Univ. of Hawai'i)

Biologist **Rebecca J. Goldberg** (Ph.D., Univ. of Minnesota)

- Climate and air program director **Peter Goldmark** (B.A., Harvard College)

Assistant to the vice president for programs **Allison Gordon** (B.S., Univ. of Illinois)

Program associate **Linda Jantzen** (Baruch College)

Dennis Puleston fellow **Jacob Kritzer** (Ph.D., James Cook Univ., Australia)

Land use analyst **Jason Patrick** (M.E.M., Yale Univ.)

Attorney **Janea Scott** (J.D., Univ. of Colorado)

High Meadows Fund fellow **Stephanie Tatham** (A.B., Princeton Univ.)

General counsel **James T. B. Tripp** (LL.B., Yale Univ.)

Scientist **James S. Wang** (Ph.D., Harvard Univ.)

Research assistant **Ben Zipperer** (B.S., Univ. of Georgia)

NORTH CAROLINA

Lorry Lokey fellow **Judson Boomhower** (M.S., Stanford Univ.)

Marine ecologist **Michelle Duval** (Ph.D., Duke Univ.)

Forestry specialist **William McDow** (M.F., M.E.M., Duke Univ.)

Policy analyst **David McNaught** (Ph.D., Univ. of Florida)

Program associate **Amber Munger** (B.S., Univ. of North Carolina)

Regional director **Jane Preyer** (M.P.A., Univ. of North Carolina)

Biologist **Douglas N. Rader** (Ph.D., Univ. of North Carolina)

Aquatic ecologist **Joseph Rudek** (Ph.D., Univ. of North Carolina)

Policy analyst **Michael J. Shore** (M.C.E., North Carolina State Univ.)

Program associate **Kristen Thornburg** (B.S., North Carolina State Univ.)

Attorney **Daniel J. Whittle** (J.D., Univ. of Colorado)

OREGON

Economist **W. R. Zach Willey** (Ph.D., Univ. of Calif., Berkeley)

ROCKY MOUNTAIN

Program associate **Cindy Copeland** (M.S., Univ. of Colorado)

Atmospheric scientist **Jana Milford** (Ph.D., Carnegie Mellon Univ., J.D., Univ. of Colorado Law School)

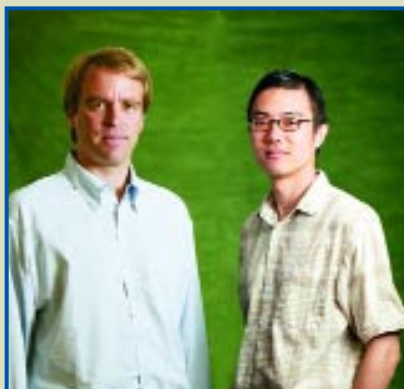
Attorney **Vickie Patton** (J.D., New York Univ.)

Scientist **Jennifer Pitt** (M.E.S., Yale Univ.)

Director of the Rocky Mountain office **Timothy A. Sullivan** (M.E.S., Yale Univ.)

Wildlife ecologist **Theodore P. Toombs** (M.S., Colorado State Univ.)

- Program directors and managers



New York regional director
Andrew Darrell

Scientist
James S. Wang



Marine scientist
Ken Lindeman

Alliances director
Gwen Ruta

TEXAS

Scientist **Ramon Alvarez** (Ph.D., Univ. of Calif., Berkeley)

Program associate **Michele Amador** (B.S., St. Edward's Univ.)

Fisheries biologist **Pamela Baker** (M.A., Univ. of Rhode Island)

Water and wildlife analyst **Karen Chapman** (B.S., Miami Univ.)

Program associate **Tammi Douglas** (Park Univ.)

Economist **Peter M. Emerson** (Ph.D., Purdue Univ.)

Project coordinator **Alicia Isaac-Cura** (M.B.A., San Francisco State Univ.)

Attorney **Mary E. Kelly** (J.D., Univ. of Texas)

Water analyst **Laura Marbury** (M.A.G., Southwest Texas State Univ.)

Scientist **John Maresh** (B.A., Univ. of Texas)

Regional director **Jim Marston** (J.D., New York Univ.)

Scientist **Carlos A. Rincon** (Ph.D., Instituto Tecnológico y de Estudios Superiores de Monterrey)

Research and outreach specialist **Mary Sanger** (M.S.S.W., Univ. of Texas)

Program coordinator **Kim M. Sharp** (Univ. of Maryland)

Program associate **Elaine Smith** (B.S., Texas State Univ.)

Regional managing director **Molly Stevens** (B.A., Olivet College)

■ Ecosystems program director **Melinda E. Taylor** (J.D., Univ. of Texas)

Economist **Kathy Viatella** (M.S., Univ. of Florida)

Ecologist **David Wolfe** (M.S., Univ. of Georgia)

WASHINGTON, DC

Economic analyst **Carol Andress** (B.A., Duke Univ.)

Climate change policy associate **Alina Averchenkova** (M.S., Univ. of Bath, UK)

■ Health program director **John Balbus** (M.D., Univ. of Pennsylvania, M.P.H., Johns Hopkins Univ.)

Attorney **Michael J. Bean** (J.D., Yale Univ.)

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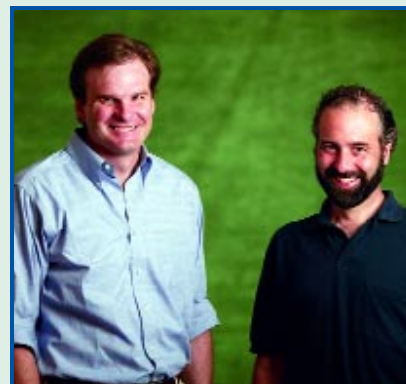
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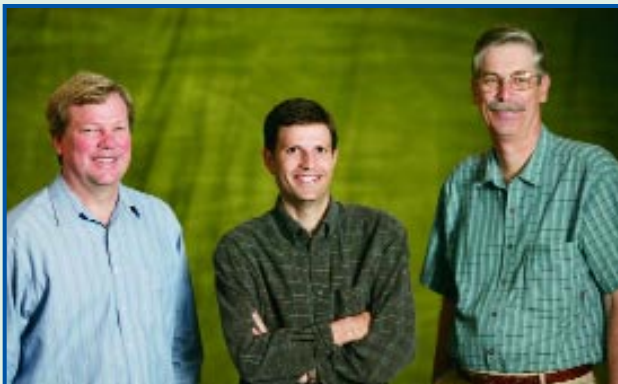
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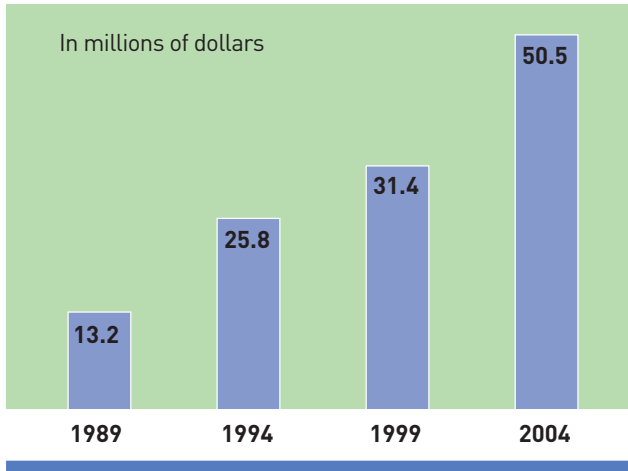
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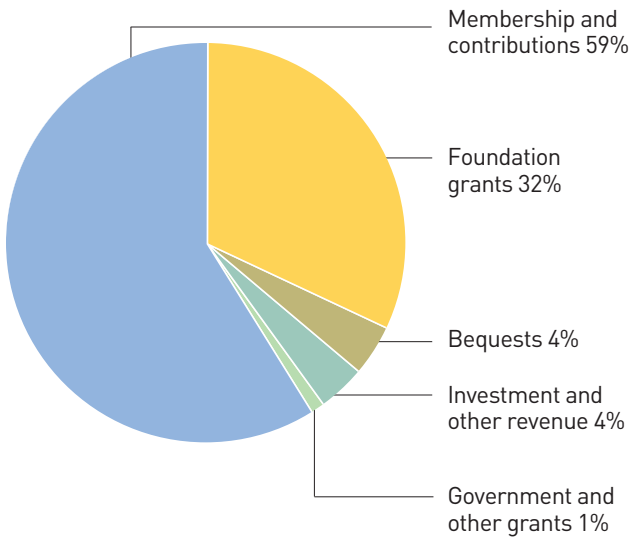
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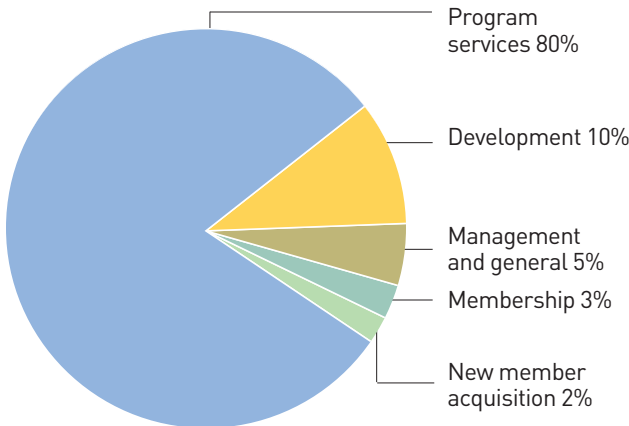
Operating support and revenue



Sources of operating support and revenue



Expenses



Environmental Defense continued to maintain a strong financial position in the fiscal year ended September 30, 2004, thanks to the remarkable generosity and support of our members, trustees, major donors, foundations and other contributors.

Total operating support and revenue reached a record level of \$50.5 million, a 13% increase over the previous year. More than 400,000 members contributed \$29.5 million, representing 59% of the total. Grants from more than 170 foundations reached a record \$16.2 million, or 32% of the total. Bequests of \$2.2 million from members of our Osprey Society accounted for 4% of the total, government and other grants provided 1% and investment income and other revenue accounted for the remaining 4%.

Multi-year grants and pledges have played a substantial role in enabling us to expand our work. The five-year Campaign for Environmental Defense was launched in 1998 to raise \$200 million, a goal that was later increased by \$10 million to provide for an emergency initiative on global warming. Thanks to strong support, we were able to meet and exceed the increased goal, raising a total of \$213.1 million by the campaign's conclusion in December 2003.

Expenditures on program and supporting services totaled \$47.7 million in fiscal 2004. Program services expenditures of \$37.9 million accounted for 80% of total operating expenses, with the large majority devoted to our four priority areas—climate, ecosystems, health and oceans. Five percent of the total was for management and administration, while 13% went toward the fundraising needed to generate current income and support for future years. Two percent was spent on the acquisition of new members.

Total net assets grew to \$54.2 million, of which \$24.5 million is restricted to future years' program activities and \$28.4 million is designated for long-term investment. The remaining \$1.3 million supports operating capital needs.

Note: Under policies established by the Board of Trustees, the amount of unrestricted bequests to be reflected in operating support and revenue is determined by the average of the most recent five years, and up to 90% of total bequests received are to be designated for long-term investment. Accordingly, in fiscal year 2004 Environmental Defense transferred \$1,078,836 to long-term investment.

STATEMENT OF ACTIVITIES

Year ended September 30

	Unrestricted	Restricted	Total 2004	Total 2003
Operating support and revenue				
Support:				
Membership and contributions	\$12,865,769	\$16,647,721	\$29,513,490	\$27,343,273
Foundation grants	189,656	15,975,672	16,165,328	12,883,953
Government and other grants	-	411,667	411,667	341,338
Bequests	2,228,836	-	2,228,836	2,128,232
Total support	15,284,261	33,035,060	48,319,321	42,696,796
Revenue:				
Interest and allocated investment income	1,349,944	232,116	1,582,060	1,161,910
Awarded attorneys' fees	-	-	-	300,000
Fees, royalties and other income	517,969	31,140	549,109	471,696
Total revenue	1,867,913	263,256	2,131,169	1,933,606
Net assets released from restrictions	31,614,270	(31,614,270)	-	-
Total support and revenue	48,766,444	1,684,046	50,450,490	44,630,402
Expenses				
Program services:				
Climate	12,204,361		12,204,361	10,274,692
Ecosystems	10,900,587		10,900,587	9,457,489
Health	5,649,265		5,649,265	5,619,765
Oceans	5,881,035		5,881,035	5,462,129
Education	2,821,601		2,821,601	2,858,302
Membership activities	488,049		488,049	506,579
Total program services	37,944,898		37,944,898	34,178,956
Supporting services:				
Management and general	2,573,014		2,573,014	2,043,957
New member acquisition	776,297		776,297	754,068
Fundraising:				
Membership	1,539,209		1,539,209	1,330,413
Development	4,853,977		4,853,977	4,202,208
Total supporting services	9,742,497		9,742,497	8,330,646
Total operating expenses	47,687,395		47,687,395	42,509,602
Change in net assets from current operations	1,079,049	-	1,079,049	111,885
Transfer to long-term investment	(1,078,836)	-	(1,078,836)	-
Change in restricted net assets	-	1,684,046	1,684,046	2,008,915
Change in net assets from non-operating activities:				
Transfer from operations	1,078,836	-	1,078,836	-
Bequests, contributions and other income	935,232	50,413	985,645	77,682
Investment income, net of allocation to operations	1,182,302	121,678	1,303,980	2,189,151
Net assets released from restrictions	51,273	(51,273)	-	-
Total change in net assets	3,247,856	1,804,864	5,052,720	4,387,633
Net assets, beginning of year	22,767,904	26,392,062	49,159,966	44,772,333
Net assets, end of year	\$26,015,760	\$28,196,926	\$54,212,686	\$49,159,966

This statement represents the consolidated activities of Environmental Defense and Environmental Defense Action Fund. Copies of the complete, audited financial statements from which this information is reported are available upon request.

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