

LOVE CANAL MEDICAL FUND, INC.

ANNUAL REPORT 2003

I. Introduction

This is the report of the Board of Directors for the Love Canal Medical Fund, Inc. (LCMF) for the year 2003. The following two paragraphs describe the creation of the Love Canal Medical Trust Fund and the Love Canal Medical Fund, Inc.

A. Creation of the Love Canal Medical Trust Fund

On December 20, 1983, the Supreme Court, State of New York, County of Niagara, approved a settlement agreement between the plaintiffs and the defendants in the case of ***Urban et al. v. Occidental Chemical Corporation et al.*** The settlement agreement called for the establishment of the Love Canal Medical Trust Fund (LCMTF) for the benefit of the living plaintiffs of the lawsuit. The purpose of the Medical Trust Fund is to provide future benefits to plaintiffs who incur medical expenses related to medical problems which reasonably could have been associated with exposure to toxic chemicals emanating from a former landfill in Niagara Falls, New York, known as the A Love Canal.≡ Individuals who are eligible for benefits from the Love Canal Medical Trust Fund are limited to those thirteen hundred twenty-eight (1,328) plaintiffs who entered into the settlement agreement. The Articles of Incorporation state that the Medical Trust Fund should be in existence until the last eligible recipient is deceased, which is likely to be 80 years from inception.

B. Creation of the Love Canal Medical Fund, Inc.

On January 4, 1985, the same Court ordered the establishment of a not-for-profit corporation to be named the "Love Canal Medical Fund, Inc." (LCMF) to administer the Love Canal Medical Trust Fund, subject to the Court's supervision. The Court ordered that the Fund receive from the settlement the amount of one million (\$1,000,000) dollars and directed that the Fund report to the Court annually concerning its activities, and that all expenditures be approved by the Court. The Fund's Certificate of Incorporation was filed with the Secretary of State, State of New York, on August 5, 1985. All of the Board's actions are subject to Court approval.

II. Background and Administration

The Love Canal Medical Fund applied for and was granted tax-exempt status under Section 501(C) 4 of the Internal Revenue Code in 1989. Federal Form 990 is filed with the Internal Revenue Service annually. A copy is available upon request. LCMF received tax-exempt status from New York State sales tax in 1991. Payment of medical expenses from LCMF to beneficiaries are tax-exempt.

A. Board Members

The initial members of the Board of Directors were appointed by the New York State Supreme Court. Additional Board members have been appointed by the Board and approved by the Court. Half of the Board of Directors consists of one-time residents of Love Canal and half are experts in professions related to administration of the Fund. All Directors volunteer their services. A current list of the Board of Directors is included at the end of this report.

B. Medical Benefits Plan

The Board of Directors of the Love Canal Medical Fund were directed by the Court to develop and submit to the court for approval, a Medical Benefits Plan containing a process for the distribution of benefits to the beneficiaries of the Love Canal Medical Trust Fund. In response, the Medical Benefits Plan was prepared first in 1987 and later updated in 1994, 1996, and 1999. The Plan is not an insurance policy. It should not be relied upon by beneficiaries as their primary or sole source for reimbursement of medical expenses. Nor should it be considered a substitute for health insurance.

The Medical Benefits Plan describes the conditions, provisions, exclusions, and limitations of the coverage provided by the LCMF for medical expenses incurred by beneficiaries for medical conditions which reasonably could be associated with exposure to toxic chemicals found at the Love Canal toxic waste site. The Plan also covers preventive and diagnostic procedures in order to detect early on medical conditions that could reasonably be associated with exposure to toxic chemicals. These medical conditions could have been present at the time of residency in Love Canal, or they may be any of many medical conditions that may have developed since moving away from the area.

The Plan will pay up to a maximum of \$10,000 per beneficiary per year for covered medical expenses subject to a list of exclusions and limitations. Beneficiaries are directed to the Medical Benefits Plan Booklet for a list of these exclusions and limitations. Coverage provides for one annual routine physical examination per beneficiary per year.

C. Submitting and Payment of Claims

A procedure was established to review, approve, and pay claims. Claims are submitted on forms provided by the LCMF and included in the Medical Benefits Plan Booklet. Claims are received and processed by Albert F. Stager, Inc. Each claim is assigned a file number, so that the identity of the claimant is not known to Board members. The processed claims are then sent to the LCMF Board. Claims are reviewed by the full Board, or its authorized Committee between Board meetings, to discuss and vote on each claim. The Board's decisions are then given to Albert F. Stager, Inc., who responds to the beneficiaries and issues payment of claims that are approved. Stager may contact people to clarify questions raised by the Board or to obtain additional information. People whose claims are denied are also contacted by Stager, given the reason for the denial, and a description of the appeals process. Albert F. Stager, Inc. has processed claims for the LCMF since the program was established.

D. Claims for Board Members

Some members of the Board of Directors are beneficiaries of the Fund. The Court ruled that Board members who are beneficiaries are entitled to payment of their medical claims. Procedures were established so that Board Members who have a claim against the Fund do not review or vote on their own claims. They may be excused from that portion of the meeting. Claims paid to Board members are taken from the principal of the fund and not the earnings of the fund, as directed by the New York State Supreme Court.

E. Appeals Board

The Fund established an Appeals Board in 1990. The purpose of the Appeals Board is to review any claim appealed by a beneficiary that has been rejected for payment based on medical reasons. The LCMF Board of Directors reviews appeals of claims rejected for other reasons. The Board decides on all policy and procedural issues. The Appeals Board may also be contacted for expert opinion when required. Members of the Appeals Board are not paid.

F. Financial Matters

Merrill Lynch manages the investments of the Love Canal Medical Fund. The funds of the Love Canal Medical Trust Fund are invested primarily in U.S. Government securities and to a small degree in Mutual Funds and Certificates of Deposit. All financial matters are approved by the Board of Directors and by the NY State Supreme Court. A statement describing the account status is sent by Merrill Lynch to the Treasurer and Chair of the Board each month.

G. Reporting to the New York State Supreme Court

The Love Canal Medical Fund Board reports annually to the Supreme Court of the State of New York concerning its activities and all financial matters. The Court reviews and approves the budget and expenditures annually.

III. Year 2003 Activities

A. Meetings

In the year 2003, the Love Canal Medical Fund Board met in February, June, and November in Niagara Falls, New York.

B. Board of Directors

Board member Virginia Troy resigned in 2003. She was an original non-resident member of the Board.

C. Benefits Paid

The total amount of payments made to beneficiaries in the year 2003 was \$127,362. The total amount of payments paid from the inception of the Fund, including the year

2003, is \$703,732.

D. Financial Statement

Investment income for the year 2003 was \$168,522. Total expenses, including beneficiary payments were \$167,019. Net income was \$1,503. The Total Fund Balance at the end of the year was \$1,749,065. A complete financial statement for 2003 is attached to this report.

An audit of the financial records of Love Canal Medical Fund for the year 2003 was conducted by Donald Litwin, CPA. A copy of the audit is available upon request. The financial records of the LCMF are audited annually.

E. Actuarial Study

The Board has engaged the services of Actuarial Consulting Services, Inc. of Amherst, NY to perform an actuarial study of the Fund's income and benefit payments from the inception of the fund through 2002. This information is necessary to determine the LCMF's ability to modify the Benefits Plan and to be able to

continue

benefit payments in accordance with the provisions established in the Trust. The anticipated completion of the study is spring 2004.

F. Medical Benefits Plan

There were no changes made to the Medical Benefits Plan in 2003.

G. Outreach Activities

- 1) Efforts to contact beneficiaries of LCMTF continued in 2003.
- 2) The Bulletin Health News and Benefits was mailed twice to beneficiaries in 2003. One issue addressed thyroid disease and second issue covered prostate cancer.
- 3) An annual letter was mailed to all beneficiaries that included the telephone number of the Fund (716-773-6578) and a toll free number to contact Albert F. Stager, Inc.(1-800-427-1384). A prepaid post card addressed to the Love Canal Medical Fund was enclosed for beneficiaries to use in the event of an address or name change.
- 4) The Love Canal web site (www.lcmf.org) and email address (lcmf@adelphia.net) were used by beneficiaries to download annual reports, bulletins and claim forms. The web site is linked to the LCMF e-mail address. Beneficiaries also used the email address to notify the Fund of changes in address, and to request claim forms and information.
- 5) A telephone line with voice mail (716-773-6578) was put into service in 2001 for beneficiaries. This continues to be the most used method for reaching the Fund.

- 6) The LCMF continues to track beneficiaries who move or whose mail is returned as non- forwardable.

**LOVE CANAL MEDICAL FUND
BOARD OF DIRECTORS
SERVING IN 2003**

Janice Alexander	- Resident
Joseph Dunmire	- Resident
Lois Gibbs	- Resident
Sheila Graziano, Esq.	- Expert
Jan Hastrup, PhD	- Expert
Luella Kenny	- Resident
Robert Krul	- Resident
Stephen Lester, MS	- Expert
Adeline Levine, PhD	- Expert
Richard Ohrbach, MD	- Expert
Pauline Pilipauskis	- Expert
Barbara Quimby	- Resident
Carol Segal, MD	- Expert
Virginia Troy, RN, MS	- Expert
Sandro Viola	- Resident
Michael Zimmerman	- Resident

LOVE CANAL MEDICAL FUND OFFICERS

Luella Kenny	- Chairperson
Lois Gibbs	- Vice-Chairperson
Sheila Graziano	- Secretary
Joseph Dunmire	- Treasurer