

SUB-COMMITTEE, SPECIAL GROUP MEETING
December 8, 2007

My goal today is to explain to the Special Group of interested Lions the reasons for the proposal to form a separate 501(c)(3) for the Lions Eye Bank of Oregon. I wish to once again emphasize that this proposal **does not and will not be allowed to diminish the Eye Bank's responsibility to the Lions of Oregon.** I have taken this responsibility seriously and have endeavored to "grow" the Eye Bank into a program that would bring not only acclaim but financial stability. I assumed that the Foundation director would endeavor to do likewise with the programs under her direction.

I will attempt to present the problems inherent in the present organization of two separate and somewhat unequal entities under one umbrella:

Problem: Disparate salaries between the Eye Bank staff and the Foundation staff, particularly in the upper management have caused jealousy

Response: As a biotech company, the Eye Bank employs a highly specialized category of employees requiring specific experience and credentials. Their salaries must be commensurate with the industry standard in order to retain the caliber of employee required to continue with the direction and vision for the future in the challenging realm of healthcare and its inherent regulations.

The Foundation is more community-oriented and oversees programs that do not require specialized credentials; salaries inherently are not as high as those in the eye banking industry. The Foundation can offer more days off to compensate, but this is not good practice for the Eye Bank because of the 24-7 nature of the business and the inherent expense of such a move.

Separating the two entities, while still keeping both under the guidance of the Trustees, allows the executive directors to offer different benefits to the staff and would emphasize the organizational differences more effectively to the staff and to other interested Lions. The ability to continue the practice of using shared staff services will not be impacted.

Problem: The Foundation has a substantial risk to its resources, both financial and public good-will, by the operations of the Eye Bank and its everyday activities of obtaining eye tissue from donors under first person consent, by pre-cutting eye tissue for surgeons, and by everyday eye banking functions.

Response: Making the Eye Bank a separate entity would create a legal firewall for the Foundation's assets. It further separates them from the public view as well and affords both the Eye Bank and Foundation to be viewed as different, distinct models. A potential lawsuit directed at the Eye Bank would not automatically encompass the Foundation if it was not linked so completely to the Eye Bank.

Problem: Under the present model, the Eye Bank the Board does not have clear authority to govern a healthcare organization, but they do have the responsibility under the eye of the EBAA, the FDA, the State of Oregon and the general public. How can the Eye Bank attract and sustain a strong Board in the future given the highly litigious climate that exists today, especially within the tissue industry.

Response: Empowering the Eye Bank Board tells them emphatically that they have the obligation of providing responsible oversight. It gives greater purpose to the Lions and engenders a greater involvement that is required by the activities of the Eye Bank.

Problem: Potential funding agencies question the appearance of unused dollars in the organization's statement of revenues. A "giftor" wants some assurance that specific gifts to the Foundation or to the Eye Bank will not be mixed into the pool.

Response: Clear separation of the Foundation and Eye Bank provides the Eye Bank the ability to engage other organizations within the eye bank industry in a way that they can understand who we are. We send tissue to another eye bank, hospital or doctor and yet the bill comes from the Oregon Lions Sight & Hearing Foundation. This creates problems for our clients who have to explain that a bill is indeed for eye tissue. Our checking account and banking activities are under the name of OLSHF. There are continual problems when trying to bill and receive payments from hospitals and surgeons from out of state, not to mention the problem with receipt of funds from out of the country.

Problem: The Eye Bank director has the obligation to oversee an operating budget of over three million dollars but is not able to personally work with the bank of record or with the investment company of record.

Response: Separation would enable the eye bank director to work directly with the bank and allow the designated Board member to weigh in on activities and decisions made on behalf of the Eye Bank with regard to its operating revenue.

Problem: The laws and regulations that govern the Eye Bank can capture the Foundation in an unwanted net and tie them to fines for years to come. Under the current structure, the Foundation is liable to the IRS, to OSHA, to SAIF and all other such regulatory bodies, for any and all errors, omissions, accidents, etc. committed by the Eye Bank. Worker's compensation claims (there are 2 pending in the Eye Bank presently) add cost to the organization for years into the future. By nature of the work we do, the Eye Bank will always have a greater propensity for such events to occur.

Response: The Foundation can be shielded from extra costs from these types of claims in the model of two separate entities under the Trustees.

Problem: The Foundation would not have the buying power to get good rates for insurance coverage for staff and for the Board without combining the greater numbers of staff in the Eye Bank.

Response: Our insurance agent states that moving the Foundation and Eye Bank into two 501(c)(3) organizations would not cause an impact in this realm if the structure remained under the ultimate jurisdiction of the Trustees as proposed.

Problem: Per our longtime Auditor who has gone on record as saying he thinks this separation would be a good idea, “Separating the revenue for the Foundation and Eye Bank would present a problem, since this organization traditionally argues over money.”

Response: The revenue for both entities has been tracked separately since 2000.

Problem: Partners in the eye bank industry, federal regulators, state regulators, eye bank customers (hospitals, surgeons, vendors...), trust that the Eye Bank is entering into legal obligations, contracts, agreements in good faith, e.g., legally binding.

Response: We have done so in good faith but under a name (LEBO) that is not legally entitled to do so. Establishing the Eye Bank into a separate corporation would legitimize our documents.

Problem: Making the Eye Bank into a separate entity would cause the Trustees to lose control of the Eye Bank and could eventually result in the loss of the Eye Bank.

Response: Whatever political issues have transpired in the past should not be conjured up to cast doubt on a proposal that has arisen from the desire to enable the Eye Bank to meet the needs of the future and protect the Foundation from the litigious climate that is inherent in the field of transplantation. This proposal does not relieve the Trustees of their obligation to provide ultimate governance of the Eye Bank.

Problem: The Foundation director fears the loss of the revenue from the Eye Bank.

Response: The Foundation’s key programs are dynamic and attractive to the public. If the Foundation steps out from under the shadow of the Eye Bank and grows the programs through innovative funding campaigns, their potential outweighs the potential of the Eye Bank who is at the mercy of the government and technology (fee capitation from Medicare and artificial corneas grown from stem cells).

Problem: The Lions of Oregon will lose their involvement with the Eye Bank if they are separated from the organization because the Eye Bank would act in their own best interests and not in the interest of the Lions of Oregon.

Response: It is unfortunate that such a notion is suggested. It has the potential to hinder meaningful thought and discussion, something that has enabled the Lions to be innovative leaders in the community.

The Eye Bank has an LCI requirement to have a minimum of 50% Lions on its Board; the Foundation has no such obligation. The Eye Bank needs its Lion volunteers to

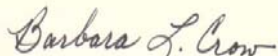
provide governance and depends on their involvement for day to day operations (e.g., Couriers of eye tissue), and this would not change. The Lions are the largest service organization and provide visibility for their Eye Bank. There will likely be more involvement from Lions rather than less. The executive director is charged with management while the Board (Lions) is charged with governance.

Problem: The Eye Bank has “a pile of money” and the Foundation programs have great need.

Response: The Eye Bank has grown its finances with responsibility and under the guidance of its Lions Board of Directors in order to fund its much needed new facilities. Trying to raid these funds can be compared to “robbing Peter to pay Paul”. This may have been thought to be OK in the past, but will not escape the notice of the Eye Bank’s governing powers – not the Lions, but the federal government. Cornea revenue must be reflective of the true cost of providing that cornea or risk non-compliance with the Federal False Claims Act. This will become more obvious in 2008 when the newly designed IRS Form 990 is used for reporting income from non-profits. Again, with innovative funding campaigns that explore untapped resources, the Foundation can prosper.

Consultation with legal experts, insurance agents, banks, etc. have shown that the Foundation will not incur undue extra costs due to the formation of two separate entities.

Respectfully submitted,

A handwritten signature in cursive script that reads "Barbara L. Crow". The signature is written in black ink on a light yellow rectangular background.

Barbara Crow, CEBT
Executive Director