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LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
FINANCE COMMITTEE

OPEN SESSION

Saturday, April 26, 2008
9:44 a.m.

The Marriott Hotel
3233 Northwest Expressway
Oklahoma City, Oklahoma

COMMITTEE MEMBERS PRESENT:

- Michael D. McKay, Chairman
- Lillian R. BeVier, Vice Chairman
- Thomas A. Fuentes (by telephone)
- Herbert S. Garten
- Thomas R. Meites
- Sarah M. Singleton
- Frank B. Strickland, ex officio

OTHER BOARD MEMBERS PRESENT:

- Jonann C. Chiles
- David Hall
- Bernice Phillips

1 STAFF AND PUBLIC PRESENT:

2 Helaine M. Barnett, President

Victor M. Fortuno, Vice President for Legal Affairs,
3 General Counsel, and Corporate Secretary

David L. Richardson, Treasurer and Comptroller,
4 Office of Financial and Administrative Services

Patricia D. Batie, Manager of Board Operations

5 Karen M. Dozier, Executive Assistant to the President

Charles Jeffress, Chief Administrative Officer

6 Karen Sarjeant, Vice President for Programs and
Compliance

7 John Constance, Director, Office of Government
Relations & Public Affairs (GRPA)

8

Linda Perle, Center for Law & Social Policy (CLASP)

9 Don Saunders, National Legal Aid and Defenders
Association (NLADA)

10 Ivette Dominguez, Regional Vice President, Private
Sector Retirement Plans, Nationwide Financial

11 Thomas Gletner, SunTrust Investment Services

Ralph Prisco, President, Long Island Employee
12 Benefits Group

David Frost, Regional Sales Director, American United
13 Life/One America

David Ponder, Financial Advisor, Ponder Financial Group

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1	. Approval of agenda	5
2	. Approval of the minutes of the	
3	committee's meeting of January 26, 2008	6
4	2A. Consideration of adjustment to committee	
	meeting scheduled for September 22, 2008	6
5	. Consider and act on adjustments to the	
6	Consolidated Operating Budget for FY 2008	
7	and recommend Resolution No. 2008-004	
8	to the full Board	9
9	p Presentation by David Richardson,	
10	p Treasurer/Comptro	
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23	.	Presentation on LSC's Financial Reports	
24		for the first six months of FY 2008	20
25	p	Presentation by David Richardson,	
26	p	Treasurer/Comptroller	
27	p	Comments by Charles Jeffress, Chief	
	p	Administrative Officer	
28	.	Report on FY 2009 appropriations process	24

1	p	Presentation by John Constance, Director, Office of Government Relations and Public Affairs	
2	.	Consider and act on Finance Committee charter to propose to the Board of	
3		Directors for adoption	29
4		Adjournment to closed session	33
5	.	Public comment	34
6	.	Consider and act on other business	35
7	.	Consider and act on adjournment of meeting	35

1 P R O C E E D I N G S

2 (9:44 a.m.)

3 CHAIRMAN McKAY: We should get going as
4 quickly as possible to try to get us back on schedule.
5 And we'll do our very best to do that. So we'll give
6 everyone a chance to settle in. But we'll call into
7 session the finance committee.

8 And first item on the agenda is approval of
9 the agenda.

10 M O T I O N

11 MR. MEITES: Move approval of the agenda.

12 CHAIRMAN McKAY: Oh, I actually would like to
13 ask that we add a very small item, and I apologize.
14 Maybe right after the approval of the minutes, we
15 discuss perhaps the adjustment of our meeting that we
16 have currently scheduled for September 22nd.

17 Other than that, are there any other
18 suggestions or comments concerning the agenda?

19 MR. GARTEN: Second.

20 CHAIRMAN McKAY: All those in favor say aye.

21 (A chorus of ayes.)

22 CHAIRMAN McKAY: Opposed?

1 (No response.)

2 CHAIRMAN McKAY: It's approved.

3 Second item is approval of the minutes of our
4 meeting on January 26, 2008.

5 M O T I O N

6 MS. BeVIER: Move approval.

7 MR. FUENTES: Second.

8 CHAIRMAN McKAY: All those in favor say aye.

9 (A chorus of ayes.)

10 CHAIRMAN McKAY: Opposed?

11 (No response.)

12 CHAIRMAN McKAY: It passes. And I'll welcome,
13 by the way, Tom. I heard you. Can you hear us all
14 right?

15 MR. FUENTES: I can hear you well now. Thank
16 you.

17 CHAIRMAN McKAY: You bet. Let us know,
18 please, if any one of us drift away from the
19 microphone.

20 MR. FUENTES: That's very kind. Thank you.

21 CHAIRMAN McKAY: You bet. Thank you.

22 The third item on the -- excuse me. The new

1 item on the agenda is consideration of our meeting date
2 on September 22nd. I have a trial scheduled in federal
3 court beginning on September 22nd, and I asked Helaine
4 if she could look at her staff's schedule and see if,
5 subject to the approval of the committee, we could
6 change the date of the meeting so that I could
7 participate.

8 And I was hoping to push it up a week, but
9 Helaine explained to me that it would be a burden on
10 the staff because they normally don't address this
11 issue until after Labor Day.

12 And so what we are proposing is that we
13 reschedule our meeting October 6th. Helaine explained
14 to me that OMB really doesn't consider our proposal
15 until well after that anyway. And so I was hoping you
16 could all accommodate my trial schedule, and we'd have
17 the meeting on October 6th rather than September 22nd.

18 MR. GARTEN: I have a conflict, but proceed.

19 MS. BeVIER: I do, too. But I don't --

20 CHAIRMAN McKAY: Then if we have two members
21 of the committee having a problem with that, let's keep
22 it on the 22nd. I'd say over 50 percent of my cases

1 don't go to trial, anyway. I'd like to think the
2 opposing counsel knows that I'm involved in the case,
3 but frequently that isn't the case.

4 (Laughter.)

5 MS. SINGLETON: Mike?

6 CHAIRMAN McKAY: Yes?

7 MS. SINGLETON: I'd like to know why we
8 couldn't do it on the 13th because I really believe
9 that we don't need to be that early.

10 CHAIRMAN McKAY: On the 13th of --

11 MS. SINGLETON: Of October.

12 CHAIRMAN McKAY: That would certainly be fine
13 with me. How does the rest of the committee feel about
14 that?

15 MS. BeVIER: It's fine with me.

16 MR. GARTEN: I'm okay.

17 CHAIRMAN McKAY: All right. Do I hear a
18 motion to that effect, then?

19 M O T I O N

20 MS. BeVIER: So moved.

21 CHAIRMAN McKAY: All right. Second?

22 MS. SINGLETON: Second.

1 CHAIRMAN McKAY: All those in favor say aye.

2 (A chorus of ayes.)

3 CHAIRMAN McKAY: Opposed?

4 (No response.)

5 CHAIRMAN McKAY: Thank you very much for
6 accommodating my schedule. I appreciate it.

7 The next item on the agenda is consider and
8 act on adjustments to the consolidated operating budget
9 for fiscal year 2008, and the consideration of a
10 resolution. Mr. Richardson and Mr. Jeffress. Please
11 identify yourselves for the record.

12 MR. RICHARDSON: I am David Richardson. I'm
13 the treasurer of the Corporation.

14 MR. JEFFRESS: Charles Jeffress, the chief
15 administrative officer.

16 CHAIRMAN McKAY: Thank you. Mr. Richardson.

17 MR. RICHARDSON: I'll be referring to page 137
18 of your board book and hope you've had an opportunity
19 to look at the revisions that we are proposing. I've
20 tried to lay out in the first paragraphs the procedures
21 that we're using.

22 MR. FUENTES: Could we try a little closer to

1 the mike, please?

2 MR. RICHARDSON: Sure. The president has
3 authority to make changes in the budget up to \$75,000.
4 We have laid out those particular adjustments in the
5 memo for you. And then any adjustment over 175,000
6 (sic) is presented to the finance committee and then
7 ultimately approved by the board.

8 We do have one adjustment --

9 MR. JEFFRESS: Excuse me. That's actually
10 over 75,000. Right? You said 175.

11 MR. RICHARDSON: Sorry. Over 75,000. Sorry.
12 We actually have one adjustment over 75,000, and this
13 is a result of needing some additional money for our
14 litigation fund. We have reviewed the budgets
15 throughout the different offices, and we have
16 identified some money that could be moved to
17 accommodate this particular need.

18 And the majority of that money, of course,
19 comes from the Office of Program Performance, as
20 identified in the memo. And that money goes to help
21 defray the cost of the outside counsel cost because of
22 the litigation.

1 We have two other adjustments involving funds,
2 approximately \$55,000 moved from the Office of
3 Compliance and Enforcement being moved to the Office of
4 Information Technology to be able to fund a settlement.
5 If you have any particular questions on the litigation
6 fund or the settlement that is being funded in the
7 Office of Information Technology, we'd like for you to
8 ask those questions during the executive session.

9 We have one other adjustment of \$13,000 that
10 is in the Office of Government Affairs to also pay for
11 a settlement. And any questions you have, we'll be
12 glad to answer those in the executive session.

13 There's one other adjustment over 5,000 since
14 we do identify those over 5,000, and that is to make
15 \$9,050 available in the Office of Financial and
16 Administrative Services to fund the upgrade of our
17 financial system, which is scheduled to begin on Monday
18 of this next week.

19 Also during this period we have
20 received -- the memo says that we have been notified
21 that we are going to receive; we actually received -- a
22 check for \$25,000 from a foundation to be provided for

1 the president's use. We have asked that that money be
2 moved to the executive office. We have put it in other
3 funds, other operating expenses, until we get an idea
4 of how the money is to be spent. And then we'll come
5 back to let you know where that occurred.

6 Basically, because of this, we're asking you
7 to approve the \$175,000 (sic) transfer to the Legal
8 Affairs budget from the Office of Program Performance.
9 And we're asking that you approve an increase in their
10 operating budget of \$25,000 for the new money that has
11 been received.

12 CHAIRMAN McKAY: Thank you. Mr. Jeffress, do
13 you have comments before we open it up for questions?

14 MR. JEFFRESS: The only comment I would have
15 is that the manner in which you would approve those two
16 transfers is to approve the new consolidated operating
17 budget. And the resolution in your book provides for
18 the new consolidated operating budget.

19 CHAIRMAN McKAY: And that's at page 142?

20 MR. RICHARDSON: That is correct, sir.

21 CHAIRMAN McKAY: Thank you. First let's start
22 with the highlight. Of course, I don't think we should

1 just blow over this 25 -- and I don't mean to suggest
2 that you were. This \$25,000 which was a gift to LSC
3 really was to honor our president. And we're just
4 really thrilled that this money has come in, and it
5 really is a real testament to our president. And I
6 just think it's important that we recognize this, and
7 then certainly I will wholeheartedly be welcoming these
8 funds into the budget.

9 But I do want to focus on a question that
10 concerns me, and that is the proposal from management
11 that in order to deal with this \$145,000 shortfall,
12 \$55,000 be transferred from OCE. And I know there was
13 considerable discussion on the management side here.

14 But at a time when compliance is really
15 important for us, I do want to ask the question why
16 we're transferring money from OCE? Isn't there some
17 money from some other source that might be more
18 appropriate?

19 And I would suggest, as a suggestion, as a
20 possibility, I understand there's about \$30,000 sitting
21 over in the Government Affairs shop for printing of a
22 report that perhaps is not going to be needed for a

1 while. I'm wondering why we wouldn't be looking at
2 those funds before we'd be going to OCE, which is
3 really an important issue for us for a bunch of
4 reasons.

5 MR. JEFFRESS: Mr. Chairman, the manner in
6 which we identified the funds available was a part of
7 David's quarterly work with office directors to ask
8 them to review their budgets and determine what they've
9 spent thus far, what their plans are for spending for
10 the remainder of the year, and if they need more money
11 or if they have funds that they don't expect to spend.

12 This quarter, as you will recall, in order to
13 complete some reports that were outstanding and had to
14 be finished in order to respond to the GAO mandate to
15 us or recommendations to us in their second report, the
16 Office of Compliance and Enforcement and the Office of
17 Program Performance both canceled their travel plans
18 and their visits for two months and concentrated on
19 working on those reports, on revising their procedures,
20 on writing new manuals, and their work was in
21 Washington.

22 As a result of that change in activity, in

1 their planned activities for the year, when David did
2 his quarterly check with them, both the Office of
3 Compliance and Enforcement and the Office of Program
4 Performance said they expected to spend less than what
5 had originally been budgeted in these categories.

6 I assure you management shares your concern,
7 Mr. Chairman, that we continue to hold compliance as an
8 important activity for us, and actually one we want to
9 do more. As you will recall from our request to
10 Congress for more money, the biggest part of that, the
11 single largest piece of that, would be more money for
12 our Compliance and Enforcement Office.

13 So we did not start this with asking OCE, can
14 we take some money away from you. We started asking
15 all the office directors, what are your plans? What
16 are you planning to spend? What are you at this point
17 not going to spend?

18 And Danilo Cardona, the director of Office of
19 Compliance and Enforcement, said given current staff
20 levels, given the number of folks that go on teams to
21 visits, this was the limit, this was the extent of the
22 visits and the work that he expected to do for the

1 remainder of the year. Therefore, he had \$60,000,
2 essentially, in Office of Compliance and Enforcement
3 that he was not expected to use this year.

4 So we did not seek to cut OCE. We simply
5 asked people, what can you do with the people you have
6 and resources you have? And then what money is
7 available? He identified that, and we transferred or
8 are proposing that you all transfer that to cover other
9 needs of the Corporation.

10 It's not like we can add staff with this money
11 because this is simply money that was available this
12 year because of a change in travel plans. It's not
13 money we could put into long-term expanding the Office
14 of Compliance and Enforcement.

15 CHAIRMAN McKAY: But I would feel comfortable
16 going along with this as long as I could receive a
17 commitment that if Danilo says six weeks from now,
18 jeez, when I said this, I didn't realize that, boy,
19 it's really necessary that I need plane tickets to
20 go -- and this is just hypothetical -- to Nevada, that
21 you would find the money to do that?

22 MR. JEFFRESS: I assure you of that. And as

1 you noted earlier, there is money for the publication
2 of our annual report in the Government Affairs budget.
3 The executive team talked about the potential for
4 sliding that to October 1 into the next fiscal year if
5 we need to come up with another piece of money to
6 support additional --

7 CHAIRMAN McKAY: Thank you. Any other
8 questions? Sarah?

9 MS. SINGLETON: Well, this is along the same
10 line. When I looked at the revised consolidated
11 operating budget on page I don't know what --

12 MS. BeVIER: 140.

13 MS. SINGLETON: Thank you -- if I look at the
14 board of directors budget, I see that we are, if I'm
15 reading it right, almost 33 percent under what we had
16 budgeted for ourselves, which is about \$45,000. Why
17 couldn't we use that rather than taking the money away
18 from OCE?

19 CHAIRMAN McKAY: We'll be walking to Delaware.

20 (Laughter.)

21 MS. SINGLETON: Never mind. You can answer my
22 question, but I won't make my comment about what Mike

1 had to say.

2 (Laughter.)

3 MR. RICHARDSON: Of course, the amount that
4 we're showing under for the board of directors at this
5 point is for two meetings. Now, we have this meeting,
6 and currently we have the Delaware meeting. We have
7 the finance committee meeting scheduled.

8 Anticipating that we needed a regs workshop,
9 we've made sure that there's some money there --

10 MS. SINGLETON: You're prescient.

11 MR. RICHARDSON: -- in case some of you come
12 to that. So we've tried to take into account all the
13 different possibilities that may be needed in the board
14 budget. And when we come back to you in August, there
15 may be a pot of money that we can identify at that
16 point that could be used for other operations. But
17 we've looked at it pretty closely.

18 CHAIRMAN McKAY: Thank you. Any other
19 questions?

20 MS. PHILLIPS: I have a question.

21 CHAIRMAN McKAY: Go ahead, Bernice.

22 MS. PHILLIPS: The donation, the 25,000 that

1 we read about, are we supposed to oversee that or is
2 that just left up to the president to spend as she sees
3 fit?

4 MR. RICHARDSON: It is money that has been
5 donated that is restricted for the president's use. So
6 she would be identifying what costs and expenses would
7 be charged to that \$25,000.

8 MS. PHILLIPS: Now, are we supposed to be
9 notified of that or --

10 MR. RICHARDSON: We will give a separate of
11 that just to -- we hadn't talked about that, but we can
12 give a separate report, if you'd like, as to how that
13 money's being spent.

14 CHAIRMAN MCKAY: Any other questions?

15 (No response.)

16 CHAIRMAN MCKAY: Thank you. Is it time to
17 proceed to the proposed resolution at page 142? Do I
18 hear a motion for the of this resolution to propose to
19 the board for its adoption? And I'm referring to
20 Resolution 2008-004 at page 142 of the board book.

21 M O T I O N

22 MR. GARTEN: So move.

1 CHAIRMAN McKAY: Second?

2 MS. BeVIER: Second.

3 CHAIRMAN McKAY: Discussion?

4 (No response.)

5 CHAIRMAN McKAY: All those in favor say aye.

6 (A chorus of ayes.)

7 CHAIRMAN McKAY: Opposed?

8 (No response.)

9 CHAIRMAN McKAY: Thank you.

10 Item No. 4 on the agenda is the presentation
11 on the financial reports for the first six months of
12 this fiscal year. Gentlemen.

13 MR. RICHARDSON: Since this report was
14 prepared prior to your approving the resolution that
15 you just approved to present to the board, I have taken
16 the liberty of presenting the monthly comparisons, the
17 expenses versus the budget that you've just approved,
18 on page -- it was actually e-mailed to you. Sorry.

19 MS. SINGLETON: The revised one doesn't have
20 page numbers.

21 MR. RICHARDSON: Right.

22 MS. SINGLETON: That's why I had trouble

1 before.

2 MR. RICHARDSON: There's actually a memo that
3 lays this particular report out.

4 CHAIRMAN McKAY: And this is a memorandum
5 dated April 22, 2008, a two-page
6 memorandum -- three-page memorandum, with the financial
7 documents attached.

8 MR. RICHARDSON: And I would ask that it be
9 inserted at page 144.

10 CHAIRMAN McKAY: Does everyone have a copy of
11 that?

12 MS. SINGLETON: Yes.

13 CHAIRMAN McKAY: Thank you.

14 MR. GARTEN: It's attachment A of the schedule
15 you're referring to?

16 MR. RICHARDSON: That's correct, sir.

17 Basically, to walk through it with the revisions that
18 we have made, all the budgets are within the half-year
19 amount. There's no budget line that is over expenses.
20 It basically has reported what we have stated to you in
21 the last few months, basically that the basic field
22 program has not changed.

1 We have four programs that are on short-term
2 funding pending additional compliance work and
3 decisions about annual funding. The U.S. Court of
4 Veterans Appeals money has -- the money that's left is
5 just for the administrative purposes of the Corporation
6 in administering the grant funds.

7 There's been no special emergency funds
8 awarded this year. And the technology grant, we hope
9 to have all those awarded in September. They're in the
10 middle of the competition process at this point.

11 Within management and administration, I would
12 direct you to attachment B, 1 of 2, and just highlight
13 that you see that none of the office budgets overspent.
14 We have actually \$680,000 as a variance under -- the
15 amount of money under budget. I was asked prior, when
16 I was looking at this, do we have any thoughts of this
17 money going down, the variance going down? And we do.

18 Certainly there's the national conference;
19 that money will be spent in June. We had raises,
20 salary increases, that occurred in January. We had
21 increases to our benefits programs that happened in
22 January. So we anticipate that the carryover will be

1 somewhat less than the 680,000 that is shown currently.

2 When you also look at page 2, I've given you a
3 comparison not only of the offices' budget to show that
4 they're under budget. You'll see each of the budget
5 categories that we have. Of course, no compensation
6 through the capital expenditures. All are under budget
7 at this time.

8 Page 3 of 3 shows the amount of money that has
9 been spent in each category. Not much that you can
10 glean from that, just to show where the money totals up
11 for the amount in each budget. You'll see the board
12 and executive office goes back to attachment 1, and
13 then the totals of the budget categories will match
14 back to attachment 2 for a breakdown of what has been
15 spent by office in each budget category.

16 And then attachment C has the Inspector
17 General, and all the Inspector General budget lines are
18 also under budget, and plans for the year are
19 continuing with their new Inspector General. And
20 everything seems to be under budget, and projections
21 appear to be under budget for the remainder of the
22 year.

1 CHAIRMAN McKAY: Thank you. Mr. Jeffress?

2 MR. JEFFRESS: No further comment.

3 CHAIRMAN McKAY: Questions or comments from
4 the committee?

5 (No response.)

6 CHAIRMAN McKAY: Gentlemen, thank you very
7 much.

8 Next item on the agenda is a report on fiscal
9 year 2009 appropriations process. Mr. Constance.

10 MR. CONSTANCE: Thank you, Mr. Chairman. I'm
11 John Constance, director of Government Relations and
12 Public Affairs for LSC.

13 Our 2009 budget request approved by this
14 committee and the board was submitted to Congress one
15 week prior to the President's budget this year, as is
16 our habit. My staff and I briefed both the House and
17 Senate subcommittee staffs and the staffs of all
18 members of both subcommittees in February and early
19 March of this year, answering all questions that they
20 had regarding our submission.

21 And on April 2, 2008, Chairman Strickland and
22 President Barnett testified before the House

1 Appropriations Subcommittee on Commerce, Justice,
2 Science, and Related Agencies to present the case for
3 LSC's FY 2009 budget request of \$471 million.

4 Members in attendance at that hearing included
5 Chairman Mollohan, Congressman Frelinghuysen, and
6 Congressman Fattah of Pennsylvania. In preparation for
7 the hearing, President Barnett also met with and
8 answered questions from Congressman Ruppertsberger,
9 Schiff, Honda, and Latham.

10 At the hearing itself, Chairman Strickland
11 updated the committee on LSC's progress with respect to
12 the two GAO reports, and President Barnett concentrated
13 her testimony on the necessity for increased funding
14 due to the findings of the justice gap and the
15 increased demand for services due to the housing
16 foreclosure crisis and impact of natural disasters.

17 Initial questioning from both the chairman and
18 Mr. Frelinghuysen centered on the GAO reports and
19 recommendations. Chairman Mollohan stated that he was
20 impressed that even with all of these reviews, he
21 didn't see any bombshells, in his words, and commended
22 the board and management for their responsiveness to

1 these recommendations.

2 Though the questioning was more detailed from
3 Mr. Frelinghuysen, his conclusion seemed to be the
4 same. At one point he stated that the hearing provided
5 a good opportunity to take many of these concerns
6 head-on, and he thought that we had done just that.

7 We also made the case at that hearing, as
8 discussed in one of the previous reports here,
9 Mr. Chairman, that oversight is not free, and that the
10 request for 2009 includes a significant increase for
11 management and administration, and a significant
12 portion of that would go to more oversight staff for
13 the Corporation.

14 In addition to the GAO report recommendations,
15 other topics covered included the justice gap; the
16 number of clients served; technology grants; LRAP;
17 oversight roles of OPP, OCE, and the OIG; the impact of
18 funding at the president's level; foreclosure impact on
19 LSC programs; and the ongoing need for locality pay
20 waiver language, which seemed to, incidentally, be
21 supporting by both sides in the subcommittee
22 deliberations.

1 The overall atmosphere was very supportive.
2 Quotable quotes included Congressman Fattah's thanks
3 for our assistance to "thousands of his constituents."
4 Chairman Mollohan said on several occasions that, "We
5 appreciate your efforts," and Mr. Frelinghuysen added
6 he certainly recognized the good job that was being
7 done by LSC.

8 Everyone at this point in the process,
9 Mr. Chairman, expects that the 2009 budget
10 deliberations in the Congress will come up to a certain
11 point and probably stop, awaiting the election in
12 November. I don't think there's an expectation of
13 final action on the 2009 budget until January or
14 February, so everyone is anticipating a long period of
15 a continuation resolution for the operations of the
16 Corporation.

17 We fully intend to make every effort to
18 identify ourselves in the language of the process as an
19 anomaly, and one that may need special consideration in
20 terms of bridge funding, and also funding to address
21 the oversight issue.

22 Finally, I would be remiss if I didn't thank

1 our colleagues from NLADA and the American Bar
2 Association for their support in the process this year.
3 They are always very supportive, and we are never
4 cavalier about their support.

5 Fifty state bar associations have,
6 incidentally, signed on to a letter to the House of
7 Representatives supporting a \$400 million figure for
8 LSC for the 2009 budget year, and a number of Senators,
9 and an increasing number, are signing on to a "Dear
10 Colleague" letter on the Senate side featuring that
11 same dollar amount.

12 That's where we are, Mr. Chairman. We remain
13 hopeful of a good increase this year, but one we're
14 probably going to have to wait some time to see the
15 results of.

16 CHAIRMAN MCKAY: Thanks so much for your good
17 work and for your report. Are there any questions or
18 comments from the committee or anyone else on the
19 board?

20 (No response.)

21 CHAIRMAN MCKAY: Thank you very much.

22 MR. CONSTANCE: Thank you.

1 CHAIRMAN McKAY: Next item on the agenda is to
2 consider and act on a charter for this committee. And
3 you'll find a draft at page 145 of the board book.

4 You will recall that I circulated a draft
5 several weeks ago. You will note that it is different
6 from the document that you will find at page 145. And
7 you will see that the document at page 145 is a little
8 more consistent with the format of the audit committee
9 charter that's been adopted, and those charters are
10 being considered by the other committees, such as ops
11 and regs, provisions, and so forth. So unless I hear
12 an objection from the committee, I propose that we work
13 from the draft that's in the board book and go from
14 there. So we'll open discussion.

15 And I'll just begin by inviting your attention
16 to page 3 of the proposed charter, page 147 in the
17 board book. Under Other Responsibilities, item
18 No. (9), you will see that that provision really
19 mirrors the same provision in the audit committee
20 charter, and that essentially these two committees
21 would share the same responsibility for identifying and
22 managing financial and other risk exposures.

1 I spoke with the esteemed chair of the audit
2 committee, who feels comfortable with the fact that
3 both charters, as currently -- one adopted and one
4 proposed, have the same provision, but would invite
5 your attention to that as one issue we might want to
6 discuss. I personally feel comfortable with it, but I
7 can already sense a movement in the force and that we
8 might hear some discussions about that.

9 But we now have our General Counsel at the
10 table. If you could please identify yourself, and
11 maybe you could add some other comments before we open
12 it up to the committee.

13 MR. FORTUNO: For the record, Victor Fortunato,
14 General Counsel for the Corporation.

15 Really nothing to add at this point. More
16 just here to answer questions. This follows the same
17 format as the other drafts, which have all been based,
18 to some extent, on the audit committee charter that was
19 adopted recently.

20 Much of it is consistency across drafts. I
21 think one comment that was made yesterday had to do
22 with what is Article IV or No. IV in this draft,

1 Resources. I think that once we're farther along, they
2 will all be harmonized, that section along with the
3 others.

4 But the core of what you have here is No. (7),
5 the duties and responsibilities, which is broken down
6 into appropriations budget and other responsibilities.

7 CHAIRMAN McKAY: Questions or comments from
8 the committee?

9 MS. SINGLETON: Mr. Chairman?

10 CHAIRMAN McKAY: Yes, Sarah.

11 MS. SINGLETON: Yesterday when we were looking
12 at the provisions committee one, there was an issue
13 made about the word "shall." Now, I've looked at this
14 one, and the word "shall" seems appropriate as to this
15 one. Maybe it's because finances are less fuzzy than
16 provisions. I don't know.

17 But "shall," with the possible exception of
18 that audit committee one, seems to be the appropriate
19 word here. So I know we're going to try to make
20 everything uniform, but I'm not sure that consistency
21 wouldn't be the hobgoblin of small minds in that
22 instance.

1 CHAIRMAN McKAY: Any other questions or
2 comments?

3 MS. BeVIER: I think that's right. I think
4 consistency doesn't make any sense when it doesn't make
5 any sense.

6 (Laughter.)

7 CHAIRMAN McKAY: Could you type up that
8 portion of the transcript for me, please?

9 MS. BeVIER: I have a lot of other brilliant
10 insights, too, which I'll share with you if you ask me.

11 MR. FORTUNO: And so we will not necessarily
12 make consistent, but we will harmonize.

13 CHAIRMAN McKAY: Questions or comments?

14 (No response.)

15 CHAIRMAN McKAY: Do I hear a motion?

16 MR. FORTUNO: A round of applause.

17 (Laughter.)

18 M O T I O N

19 MR. GARTEN: I so move.

20 CHAIRMAN McKAY: Second?

21 MS. BeVIER: Second.

22 CHAIRMAN McKAY: And the motion is to

1 recommend to the full board -- actually, would we be
2 adopting the charter? The full board would be adopting
3 the charter. So we're recommending to the full board
4 the adoption of the charter as drafted, beginning at
5 page 145.

6 MS. SINGLETON: Subject to looking to make
7 sure that the language in part IV is uniform, and that
8 the rest of it is in harmony.

9 CHAIRMAN McKAY: Correct. Any other
10 amendments?

11 (No response.)

12 CHAIRMAN McKAY: All those in favor say aye.

13 (A chorus of ayes.)

14 CHAIRMAN McKAY: Opposed?

15 (No response.)

16 CHAIRMAN McKAY: It passes.

17 I believe we now go into closed session, that
18 that vote was taken by the board and approved, so we're
19 going to into closed session to consider proposals for
20 our new plan administrator for the 403(b) Thrift Plan.
21 And so if we can -- since we are on a tight schedule,
22 we want to be as cordial as possible. But please leave

1 the room as quickly as possible. And that would
2 include our two candidates. And we'll invite you in
3 separately.

4 (Whereupon, at 10:18 a.m., the committee
5 adjourned to executive session.)

6 CHAIRMAN McKAY: Call the finance committee
7 back into session. We're in open session again.

8 We have a quick question for Charles. We
9 received this ahead of time, very good materials from
10 the two applicants. And I guess the question is, I
11 don't think any of us are going to need the materials
12 in the future, or should ask the Corporation to go to
13 the expense of shipping them back to us. I'm wondering
14 if we could get someone, Part or someone, to collect
15 them and then shred them.

16 MR. JEFFRESS: We can collect them and destroy
17 them, yes.

18 CHAIRMAN McKAY: Do something to preserve --

19 MR. JEFFRESS: If you'll just leave them on
20 the tables, we'll collect them.

21 CHAIRMAN McKAY: Thank you.

22 MR. JEFFRESS: And we will keep a copy for the

1 corporate records, of course.

2 CHAIRMAN McKAY: Of course. Yes. Thank you.

3 The next item, I want to revert back to item
4 2A of the agenda. You'll recall that we agreed to
5 change the date of our September meeting from
6 September 22nd to October 13th. We subsequently
7 discovered that's Columbus Day, which is a holiday
8 honored by LSC. And it's been suggested that perhaps
9 we have it on October 14th, which would be Tuesday.

10 Is that satisfactory to the committee?

11 (No response.)

12 CHAIRMAN McKAY: Hearing no objection, then
13 the meeting will be on the 14th. Again, thank you very
14 much for accommodating my trial schedule. I do
15 appreciate it.

16 The next item on the agenda is public comment.
17 Is there any public comment from the public?

18 (No response.)

19 CHAIRMAN McKAY: Hearing none, we'll move on
20 to item No. 9, consider and act on other business. Is
21 there any other business?

22 (No response.)

