

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

Saturday, April 30, 2005

9:37 a.m.

The Caribe Hilton Hotel
Los Rosales Street
San Geronimo Grounds
San Juan, Puerto Rico

COMMITTEE MEMBERS PRESENT:

Robert J. Dieter, Chairman
Herbert S. Garten
Florentino A. Subia
Frank B. Strickland, *ex officio*

OTHER MEMBERS PRESENT:

David Hall
Michael D. McKay
Maria Luisa Mercado
Ernestine Watlington (by telephone)

OTHERS PRESENT:

Helaine Barnett, President LSC
Jonathan Asher, Acting Special Counsel to Pres., LSC
Victor Fortuno, V.P. Legal Affairs, Gen. Counsel, LSC
David Richardson, Treasurer & Comptroller
Richard "Kirt" West, Inspector General, LSC
Laurie Tarantowicz, Asst. Inspector General, LSC
Patricia Batie, Manager of Board Operations, LSC
Julie Clark, NLADA
Mattie Condray, Sr. Asst. General Counsel, LSC
Karen M. Dozier, Executive Asst. to President, LSC
Thomas A. Fuentes, Nominee, LSC Board of Directors
Michael Genz, Director, Office Program Performance, LSC
Luis E. Maldonado-Guzman, Executive Director, PRLS
Linda Perle, CLASP
Bernice Phillips, Nominee, LSC Board of Directors
Tom Polgar, Acting Director, Gov. Relations, LSC

Filiberto Santiago, Board of Directors, PRLS
Hadassa Santini Colberg, PRLS
Don Saunders, National Legal Aid and Defender
Association (NLADA)
JoAnn Wallace, Senior Vice President for Programs,
NLADA

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Motions: 3, 4, 23, 28

P R O C E E D I N G S

CHAIRMAN DIETER: It is after 9:30 so I am going to go ahead and call the meeting of the Finance Committee to order. I don't think we are going to take the full allotted time. Anyway, so the committee members are Herb Garten is present and Lico Subia is present.

A P P R O V A L O F A G E N D A

CHAIRMAN DIETER: And at this time I would move to approve the agenda, which appears at page 64 of the Board book.

M O T I O N

MR. GARTEN: So moved.

MR. SUBIA: Second.

CHAIRMAN DIETER: Second. And all in favor?

(Chorus of ayes.)

CHAIRMAN DIETER: Okay. It passes unanimously.

A P P R O V A L O F T H E M I N U T E S O F T H E C O M M I T T E E ' S

M E E T I N G O F F E B R U A R Y 4 , 2 0 0 5

CHAIRMAN DIETER: The second item is approval of the minutes of the Committee meeting of February 4,

2005, which appear in the Board book. Is there a motion to approve the minutes?

M O T I O N

MR. GARTEN: So moved.

MR. SUBIA: Second.

CHAIRMAN DIETER: All in favor?

(Chorus of ayes.)

CHAIRMAN DIETER: It passes unanimously. And now item 3 is presentation by the Inspector General of the fiscal year 2004 annual financial audit. So Kirt West, would you make your presentation.

PRESENTATION BY LSC'S INSPECTOR GENERAL OF THE
FY 2004 ANNUAL FINANCIAL AUDIT

MR. WEST: Good morning, Mr. Chairman and members of the Committee. About a week, I guess week, week and a half ago, I submitted to the -- each of the Board members a copy of the independent public accountant's audit of LSC's financial statement. I wanted to go through a couple of things to describe sort of differences in process from previous years.

We changed the reporting format slightly this year because last year we may have given the impression

■ that we did more work than was actually done. And I
■ had -- I am reporting this because I had an internal
■ review done when I took over the office in September
■ and wanted to make sure we are in compliance with
■ federal audit standards.

■ This year's transmittal letter comes with
■ negative assurance. And what that means is that we did
■ not conduct the audit. The independent public
■ accountant firm did. So therefore we are not claiming
■ that it is our opinion or that we concur with the
■ opinion. We did review the CPA firm's report and
■ related documentation and made a number of inquiries to
■ the representatives and did some testing of their work,
■ but we didn't look at it all. And the negative
■ assurance is during the course of this, we found no
■ instances that the -- where the CPA firm did not comply
■ with all government auditing standards. So it is a
■ negative assurance. Nothing came to our attention.

■ Oppenheim, who is the independent public
■ accountant, rendered an unqualified opinion in the
■ audit. Specifically what that means is that they
■ rendered an opinion that the financial statements

■ present fairly, in all material respects, the financial
■ positions of the Legal Services Corporation as of
■ September 30, 2004, as well as in 2003. The
■ independent public accountant did not find any matters
■ involving any material weaknesses in internal controls.

■ The one thing I would note is that the funds
■ of Legal Services Corporation is still presented as a
■ component of LSC and there are accounting reasons why
■ that needs to be done and it is reported in the -- one
■ of the notes to the financial statement. And it is
■ done as a result of Statement Number 39 of the
■ Government Accounting Standards Board. There are
■ certain things they have to do and that is why it was
■ reported.

■ Unlike the last couple of years, management
■ did not issue -- Oppenheim did not issue a management
■ letter; although the timely receipt of information from
■ Friends continued to be a problem. Had the information
■ been presented timely, the financial statement work
■ would have been presented at the annual meeting in
■ February, but there was a delay in getting the
■ information.

■ And that is it. It is a good new's story.

■ You know, an unqualified opinion is what you want and
■ that is what you have and I just want to let you know.

■ Do you have any questions?

■ CHAIRMAN DIETER: Well, the only thing is I
■ guess going forward, I assume you have been in
■ communication with Friends in terms of them trying to
■ get their information to us sooner in the years.

■ MR. WEST: Well, actually, that is something
■ that the -- Dave Richardson is actually the one that is
■ in touch with them trying to get the information.

■ CHAIRMAN DIETER: Okay.

■ MR. WEST: Because the financial statement is
■ actually prepared by management.

■ CHAIRMAN DIETER: All right.

■ MR. WEST: And, you know, we take a look at
■ what they have prepared.

■ CHAIRMAN DIETER: Okay. Any questions?

■ MR. GARTEN: Your review was sufficient enough
■ so that you found nothing that troubled you with
■ respect to this report.

■ MR. WEST: Well, the negative assurance says

■ that in what we did, nothing came to our attention. We
■ did not -- I mean, we did not review everything that
■ the IPA did, but what we did review, nothing came to
■ our attention that would cause us to question any of
■ their work. And that is a pretty standard technique in
■ the audit world.

■ MR. GARTEN: Thank you.

■ CHAIRMAN DIETER: Any other questions?

■ (No response.)

■ CHAIRMAN DIETER: Okay. Thank you, Kirt.

■ Items 4, 5 and -- 4 and 5, then, are reports
■ by David Richardson. Item 4 is a report on the
■ Financial Results through February 28, 2005, which
■ appear in the Board Book 74-80. And there is -- the
■ Board was provided with an update, which I don't think
■ is available. This was provided -- it is dated
■ April 19th for the six months ending March 31st.

■ MS. MERCADO: Mine is dated March 30th in the
■ Board book.

■ CHAIRMAN DIETER: Well, the Board book, there
■ is --

■ MS. MERCADO: There is another one?

CHAIRMAN DIETER: There is another one that was sent to us, it is dated -- the fax transmission was April 21st and it is through the six months ending March 31st. So David, I guess if anybody wants a copy of the most recent transmission, they can use mine to follow the numbers because the numbers aren't going to match the report that is in the Board book materials.

MS. MERCADO: Was that faxed to all the Board members or just the Finance Committee?

CHAIRMAN DIETER: I guess just the Finance Committee. It shows a copy to me, Herb Garten and Florentino Subia.

Okay, David, do you want to go ahead and present your report?

MR. RICHARDSON: Okay. For the record, my name is David Richardson, I am the treasurer of the Corporation. And you are asking that I go through February or would you like to go through March at this point?

CHAIRMAN DIETER: Well, I guess if there is no objection from the floor, go through the March one even though --

MR. RICHARDSON: Okay.

CHAIRMAN DIETER: -- that is not going to match the information that people have, but that is the most current information presented to the Board.

MR. RICHARDSON: Maybe if we could reverse order, I could get some copies made. And if I can, Mr. Chairman, the reason I would say reverse the order is because February's review is based on the consolidated operating budget that you passed in February. The March review is based on the proposed revisions that is in the Board book. So beginning page 81 and then the comparisons will be on that revised -- this revised budget that we are asking that you approve today.

CHAIRMAN DIETER: Okay. So your presentation is item 5, pages 81 through 85 of the Board book?

MR. RICHARDSON: That is correct.

CHAIRMAN DIETER: Okay. Why don't you proceed with that and we will make copies of the other document.

REPORT ON FY 2005 INTERNAL BUDGETARY ADJUSTMENTS AS
RECOMMENDED BY THE PRESIDENT AND INSPECTOR GENERAL AS

■ A RESULT OF THE REVIEW OF EXPENDITURES THROUGH
■ FEBRUARY 28, 2005 AND PROJECTED OPERATING
■ EXPENDITURES FOR THE REMAINDER OF THE FISCAL YEAR

■ MR. RICHARDSON: Okay. Each year we try to do
■ quarterly reviews and we normally do those at the end
■ of March and at the end of June, but because of the
■ timing of this meeting, we backed it up a month. We
■ closed February, we had each of the vice presidents and
■ directors review the spending for the first five months
■ and then they prepared projections of the activities
■ that they are planning for the next seven months and
■ then how much those activities would cost and then we
■ determined what type of internal budgetary adjustments
■ will be needed.

■ We will need to do the same thing basically in
■ July. We will back up one month, instead of doing a
■ nine month review, we will do an eight month review,
■ just to give the directors enough opportunity, enough
■ time to review their materials and then provide good
■ projections for you based on the final four months
■ instead of final three.

■ I have laid it out much like I did at the

■ previous meeting. I have identified, on page 82, the
■ positions that continue to remain open in the
■ Corporation and we have put in the dates that -- in the
■ consolidated operating budget that we had projected
■ their hire. And now I have got new projected hire
■ dates. That money, then, that has not been used has
■ been used to support the activities of that office and
■ additional areas.

■ You will see that there is a special assistant
■ to the president that was originally to be hired
■ April 1. That is now delayed until June 1st. An
■ administrative assistant, the FOIA administrator, that
■ was delayed from March 1 to May 1st and since May 1st
■ is this weekend, we have not yet decided on that hire.

■ So that is going to be delayed a bit further.

■ The director of government affairs, we have
■ got July 1. Now we have got a decision to be made by
■ June 1st. There is another staff member in our
■ government affairs that was projected originally for
■ April 1st. That is now delayed until July 1st. And
■ then the vice president of programs we have got -- has
■ been delayed from March 1st to May 15th and then

■ additionally, we have a program analyst in our Office
■ of Compliance. That has not changed. The position was
■ earlier in the year delayed to provide additional money
■ for other activities and that is still being projected
■ to begin July 1.

■ We have reviewed the information very
■ carefully. You will note, when we look at February,
■ that there was still money that was unexpended for
■ management in the amount of 900,000 being spent under
■ the current budget. This projection actually shows
■ that there is going to be some increased spending in
■ the next few months and during the summer months, that
■ sort of always happens. We pick up spending things
■ such as the competition initiative.

■ The technology initiative and additional
■ visits that are needed to undergo that process usually
■ happen June to September. So those activities while
■ they -- we do an annual budget, are not even projected
■ to be done until later in the year.

■ The president has a number of initiatives
■ going on to include the justice gap, which we will need
■ to have the input of that to determine our budget

request for 2007, there is the performance criteria and then mentoring project, which you heard about, and then additionally, the president has had what she terms a couple of conversations regarding quality of our programs and their legal work.

Based on all of that, we have come up with these particular adjustments that are identified in the memo. I would be glad to go through each and every one of them if you would like. I have identified all of the adjustments over \$5,000. There is one adjustment that does need to be made that we have moved \$33,000 from the budget of government affairs and moved that into the executive office to accommodate additional spending there. At the pleasure of the Board, I would be glad to go through each one of those or let the memo stand as it is written.

CHAIRMAN DIETER: Okay. Unless there are questions, I don't think we need to go through the memo item by item. I guess I was a little confused. The resolution that we are going to act on today only includes the figures through February so that the additional March figures that you provided to us, I

■ guess, are just for informational purposes only.

■ MR. RICHARDSON: That is correct. The
■ spending and the budget is based on February.

■ CHAIRMAN DIETER: All right. One question I
■ had on page I think it is 78 where it shows the loan
■ repayment assistance program shows a zero line item
■ there. Is that -- where is that million dollars?

■ MR. RICHARDSON: The million dollars is there.
■ The reason that we don't include it in the budget at
■ this point is we have not anticipated spending any
■ money at this point nor the prior five months. The
■ activities of the LRAP program being handled internally
■ by a group that has been set up to gather information,
■ we have had a number of telephone calls with a group of
■ stakeholders that are helping with the --

■ CHAIRMAN DIETER: But where is the money?

■ MR. RICHARDSON: -- beginning of it. It is
■ just -- it is in the budget, but since we are doing a
■ five month budget, this money is not projected to be
■ spent until August and September when we start making
■ awards.

■ CHAIRMAN DIETER: Okay.

MR. RICHARDSON: Much like we do with the --

CHAIRMAN DIETER: But it is not in the IG's budget anymore.

MR. RICHARDSON: It is not in the IG's budget.

CHAIRMAN DIETER: Okay.

MR. RICHARDSON: It has been pulled out.

CHAIRMAN DIETER: Okay.

MR. RICHARDSON: When we look at the resolution that is shown --

CHAIRMAN DIETER: That is page 86.

MR. RICHARDSON: 86. It shows that the money is broken out at this point.

MR. WEST: Mr. Chairman, if I may.

CHAIRMAN DIETER: Yes.

MR. WEST: Regarding page 78, I think it does not actually -- I know how it is reported, but I don't think it really reflects the amount of spending my office is actually engaged in. If we were to add in outstanding accruals and open encumbrances, we would have spent about 41 percent of our budget through the end of February and February represents about 41.7 percent. So I just wanted to let you know we are not

■ at 24.97 variance, but it is probably closer to .7
■ percent.

■ CHAIRMAN DIETER: So that is money that is
■ obligated to be paid.

■ MR. WEST: It is either we haven't gotten --
■ we have the bills and they haven't been paid or we have
■ things that we are certain will -- you know, that are
■ coming in.

■ MR. GARTEN: This has been prepared consistent
■ with how you have done it in the past?

■ MR. RICHARDSON: Our statements are prepared
■ consistent with general accounting -- accepted
■ accounting principles. What Kirt is used to is the
■ government accounting, which is an obligation type of
■ accounting system. When you write a contract, it is
■ expensed. We don't do that. A contract is an
■ encumbrance, but until they fulfill the requirements of
■ the contract, there is no obligation to pay it.

■ MR. WEST: I mean, I think we are both -- I
■ mean, David and I have talked about this. I just want
■ to point out it would look like we haven't -- we are way
■ under budget and we really project we are right on

■ budget.

■ MR. GARTEN: Well, certainly this information
■ is helpful. Thank you.

■ MR. WEST: Thank you.

■ CHAIRMAN DIETER: Well, I guess in terms of
■ our own accounting, then, if we have outstanding
■ contracts that we are waiting for full performance
■ before we actually pay the contract amount, that is not
■ shown in any of these figures?

■ MR. RICHARDSON: It is not. I will give you a
■ for instance. We have a contract with the firm doing a
■ migrant study. That contract is \$45,000. They don't
■ project to get that project completed until sometime in
■ 2006, but there is a contract for it. I would not
■ count that as spent money at this point.

■ CHAIRMAN DIETER: But is there a way to, I
■ guess, just indicate, through a footnote or something,
■ of what those outstanding, you know, encumbrances are
■ or whatever you want -- however you want to
■ characterize them?

■ MR. RICHARDSON: Sure, I can do that.

■ CHAIRMAN DIETER: So that we are --

MR. RICHARDSON: In the future, I can provide the information.

MR. GARTEN: Why don't you do it by a single schedule.

MR. RICHARDSON: Okay. Okay.

CHAIRMAN DIETER: Is the aggregate amount -- what would you say the aggregate amount of that was?

MR. RICHARDSON: It is less than a hundred thousand on --

CHAIRMAN DIETER: A hundred thousand dollars? Okay. Well, just -- I guess just do a simple categorization if you can.

MR. RICHARDSON: Okay. I will do that.

CHAIRMAN DIETER: Okay. Well, then, getting back to the agenda. Let's see. Then on item 4, do you have any other information to present on the financial results through February 28th? That is pages 74 through 80?

REPORT ON LSC'S FINANCIAL RESULTS

THROUGH FEBRUARY 28, 2005

MR. RICHARDSON: No, sir. I think once we go through April, everything will be incorporated there

■ and -- actually April will give you a little better
■ picture of actually where we stand, it gives you
■ another month of spending, and then we have realigned
■ the budget based on the activities we anticipate
■ completing in the next number of months.

■ CHAIRMAN DIETER: Okay. Any other questions
■ for David?

■ MS. MERCADO: So right now we are going to
■ cover April expenditures.

■ MR. RICHARDSON: Mm-hmm.

■ CHAIRMAN DIETER: There is one question that I
■ would like to raise with regard to an item in the audit
■ report, the 2004 audit report, on pages 21 and 22. It
■ has to do with the -- what are identified as category
■ three funds, which are uninsured and uncollateralized
■ funds. And on page 22, that category shows a figure of
■ 12 million -- approximately \$12.1 million. We asked
■ David, just before the meeting, about that.

■ So David, I guess, if you could just briefly
■ indicate what you understand that to be and I guess we
■ would like you to report back to us at the next board
■ meeting why we have such a large amount of money

■ identified as uninsured and uncollateralized.

■ MR. RICHARDSON: Sure. We have two bank
■ accounts and our account at the treasury. The treasury
■ account is like \$34 million at the end of the year. We
■ have \$30 million in the two banks that we use. We have
■ a target balance of \$95,000 per account and I forgot,
■ we have a \$2,000 petty cash that we have. So there is
■ actually two accounts at one of the banks and one at
■ the other.

■ We try to do that so that we are always on an
■ insured basis. The banks require us, when we get
■ ready, to transmit our money to our grantees to have
■ the money two to three days in the bank prior to doing
■ direct deposits. That is the reason that we can get a
■ little interest on our money because currently of our
■ 143 grantees, we only have about 10 or 12 of them that
■ actually continue to receive a check. The rest of them
■ get the money deposited in their account the first day
■ of each month.

■ One bank, and it is Wachovia that we deal
■ with, they -- we have what is called a sweep account.
■ We deposit \$18 million for the grants that come out of

■ the Wachovia Bank; 95,000 of it is maintained in the
■ checking. The remaining amount has been swept to the
■ trust department and then is invested in T-bills,
■ government backed securities, so that we are totally
■ insured with the full faith and credit of the
■ government.

■ Bank of America has a little different
■ instrument. It is called the reserve account, but that
■ reserve account purchases T-bills for us. So it
■ appears that in their classification, since the reserve
■ account is not technically a T-bill backed
■ government-based fund, they have listed it as
■ uninsured. I will double-check with the bank and get
■ that cleared up. If we have to change funds, we will
■ do that, but it is my understanding, even at this
■ point, they are insured, but I will verify that with
■ the bank.

■ MR. GARTEN: I suggest you consult with the
■ auditors also --

■ MR. RICHARDSON: Absolutely.

■ MR. GARTEN: -- with regard to the
■ classification and perhaps when they find what the full

facts are, they might put that in a category too.

MR. RICHARDSON: Okay. Will do.

MR. GARTEN: If you find that sooner, I think you ought to advise the chair of the Committee.

MR. RICHARDSON: I will do that.

CHAIRMAN DIETER: Okay. Are there any other questions for David?

(No response.)

CHAIRMAN DIETER: Thank you, David.

CONSIDER AND ACT ON ANY FY 2005 COB REALLOCATIONS AS RECOMMENDED BY THE PRESIDENT AND/OR INSPECTOR GENERAL

CHAIRMAN DIETER: I guess the next item is agenda item 6, which is to consider and act on the resolution that appears on page 86 for the fiscal year 2005 consolidated operating budget.

M O T I O N

CHAIRMAN DIETER: So I move that we present resolution -- it is not numbered -- the resolution that appears on page 86 to the full board. Oh, I am sorry, down at the bottom. Resolution number 2005-005. Is there a second?

MR. GARTEN: Second.

CHAIRMAN DIETER: Okay. All in favor.

(Chorus of ayes.)

CHAIRMAN DIETER: It passes unanimously. Then Tom Polgar is going to make a brief presentation on the appropriations process just for the record.

REPORT ON THE STATUS OF THE FY 2006

APPROPRIATIONS PROCESS

MR. POLGAR: Good morning, everyone. The status of the FY '06 appropriations process is as follows. At the last time the Board met, the House and the Senate were in the throes of a dispute over how to organize the committee and they finally each reorganized. Unfortunately, they reorganized somewhat differently, which at the end of the day, may delay the resolution of appropriations issues until well into the fall.

We also have two new subcommittees with two new names and slightly different jurisdictions. One is the science-based justice and commerce subcommittee, the other is the commerce justice -- sorry, state science justice commerce subcommittee; the other one is the commerce justice science subcommittee.

■ On the other front, for the first time in four
■ fiscal years, the House and Senate agreed on a budget
■ resolution and the budget resolution conference report
■ was passed on Thursday. The budget resolution provides
■ \$404 billion for non-defense discretionary spending,
■ which is the same amount as was appropriated in fiscal
■ year '05. That, of course, creates a zero sum gain of
■ anything -- for everything that goes up, something
■ comes down.

■ The next step is for the two appropriations
■ committees each to divide up that \$404 billion pot
■ among their respective subcommittees. The House, I
■ would expect, is going to go this week, this coming
■ week and do it. The Senate is in recess so we don't
■ know when they are going to do it.

■ And then we go to markups. I think the House
■ leadership is committed that they are going to have all
■ the bills passed, appropriations bills passed through
■ the House before the July 4th recess. We are not sure
■ they will achieve it, but that is their public
■ position, and there have been grumblings about a
■ tentative markup date for the state and science justice

■ and commerce subcommittee on May 24th and we will see
■ what happens. That is my report.

■ CHAIRMAN DIETER: Okay. Any questions for
■ Tom?

■ (No response.)

■ CHAIRMAN DIETER: All right. Thank you, Tom.

■ MR. POLGAR: Sure.

■ CHAIRMAN DIETER: That takes us to item 8,
■ consider and act on other business.

■ CONSIDER AND ACT ON OTHER BUSINESS

■ CHAIRMAN DIETER: I have one item to just, I
■ guess, alert the Committee on. It is my understanding
■ the next meeting of the Board is at the end of July and
■ then the meeting after that is at the end of October,
■ which would -- the July meeting would be a little too
■ early and the October meeting would be too late for us
■ to consider the budget mark for '07.

■ So in the budget planning, I know that David
■ had budgeted money for a meeting of the Finance
■ Committee and it looks like we should probably have --
■ think about having a meeting sometime in early
■ September because we have got to get the information to

■ OMB before we meet in October. Is that right, David?

■ MR. RICHARDSON: The date that it normally
■ goes to OMB is October 15th.

■ CHAIRMAN DIETER: Okay. Tom, did you have
■ something to add?

■ MR. POLGAR: No, but I thought I better be up
■ here just in case.

■ CHAIRMAN DIETER: Okay. So that I guess we
■ should be thinking about having sort of a working group
■ budget meeting in Washington or at some other
■ convenient place sometime in early September. So I
■ just want to let people know that is probably in the
■ mix.

■ MR. RICHARDSON: If I can also add, if we do
■ have a committee meeting and the Committee reports out
■ a budget mark, then we will have to have a telephonic
■ meeting to have the full board approval to move forward
■ and present that budget mark to OMB.

■ CHAIRMAN DIETER: And that needs to go to OMB
■ by October 15th you said?

■ MR. RICHARDSON: That is correct, sir.

■ CHAIRMAN DIETER: Okay. Well, we can discuss

■ that in -- at the next board meeting at the end of July
■ and set the date.

■ PUBLIC COMMENT

■ CHAIRMAN DIETER: All right. Then is there any
■ public comment?

■ (No response.)

■ CHAIRMAN DIETER: Everybody awake?

■ (Laughter.)

■ CONSIDER AND ACT ON ADJOURNMENT OF MEETING

■ M O T I O N

■ CHAIRMAN DIETER: If there is not any other
■ business for the Committee to take up, then I will move
■ that the Committee adjourn.

■ MR. MCKAY: I thought you were going to go
■ over April.

■ CHAIRMAN DIETER: Well, the April figures
■ don't have anything to do with the resolution. So I
■ thought -- unless you want to go through it. Is that
■ okay? We can take -- we will get the new updated
■ information in Monterey. There wasn't anything in there
■ that appeared to be problematic in just looking at it.

■ It is my understanding that even though we are

■ adjourning early, that we are not able to reconvene
■ until -- is that --

■ MS. BARNETT: No.

■ MR. STRICKLAND: No, we got a different
■ opinion on that.

■ CHAIRMAN DIETER: Opinion on that?

■ CHAIRMAN STRICKLAND: Yes.

■ CHAIRMAN DIETER: Well, we need, I guess, to
■ adjourn.

■ MR. STRICKLAND: Yes.

■ MR. GARTEN: I will second.

■ CHAIRMAN DIETER: Second. Everybody in favor?
■ (Chorus of ayes.)

■ CHAIRMAN DIETER: It passes unanimously.

■ MR. STRICKLAND: What we intend to do here and
■ our general counsel has advised us that the way that
■ our meeting notice was published in the Federal
■ Register, the usual rule is we can't start earlier than
■ the published time, but just to put it on the record,
■ Vic, would you step up and put in the record the --
■ your advice on whether we could, after about a five
■ minute break here, commence the board meeting.

MR. FORTUNO: Yes. For the record, Victor Fortuno, I am general counsel. The Federal Register notice was worded such that the series of meetings for the day started at 9:30. We did not publish a separate start time for the Board meeting. If we had, then we would have to wait until that time and could not start any sooner.

Since we published only the one start time, 9:30 to start with Finance and then go into Board, you are free to, once you have adjourned this meeting, move on to the Board meeting.

MR. STRICKLAND: Okay. Well, that is our intention and of course, some of our board members, who are not at the table at the moment, may have relied on the notion that it was going to start a little bit later for whatever reason, but --

MR. FORTUNO: I think that you have a schedule in your board books, which is an informal document --

MR. STRICKLAND: Yes.

MR. FORTUNO: -- intended as a guide as to times that things are likely to end and start, but what governs is what is published in the Federal Register

■ public notice.

■ MR. STRICKLAND: Right. I was speaking,
■ though, just of the fact that a couple of board members
■ may be relying on the informal schedule to put it --

■ CHAIRMAN DIETER: We could call them.

■ MR. STRICKLAND: We could ask Karen or Pat if
■ you could assist us in trying to round up our other
■ board members and let them know that we want to start
■ the Board meeting sooner than we expected and ask them
■ to join us so we can do that. Thanks.

■ CHAIRMAN DIETER: The Finance Committee, in
■ the last three meetings, has taken a lot more time than
■ was allotted so we asked for additional time and then
■ our agenda got cut. So we apologize for what appears
■ to be a hogging agenda.

■ (Whereupon at 10:10 a.m., the meeting was
■ concluded.)

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