

LEGAL SERVICES CORPORATION

TELEPHONIC OPEN MEETING OF THE BOARD OF DIRECTORS

Monday, March 24, 2008

5:15 p.m.

3333 K Street, N.W.
Washington, D.C.

3rd Floor Conference Center

BOARD MEMBERS PRESENT:

Frank B. Strickland, Ex Officio, Chairman
Lillian R. BeVier, Vice Chairperson
Jonann C. Chiles
Thomas A. Fuentes
Herbert S. Garten
David Hall
Michael D. McKay
Thomas R. Meites
Bernice Phillips
Sarah Singleton

STAFF AND PUBLIC PRESENT:

Helaine Barnett, Ex Officio, President, LSC
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel & Corporate Secretary
Karen Sarjeant, LSC VP of Programs & Compliance
John Constance, LSC Office of Government Relations

& Public Affairs

Charles Jeffress, LSC Chief Administrative Officer

Patricia Batie, Manager Board Operations

Jeff Schanz, Inspector General

Matthew Glover, LSC Office of Inspector General

Terry Brooks, ABA

Treefa Aziz, LSC

Lynn Bulan, Sr. Assistant, GC, LSC

Alice Dickerson, Director, OHR, LSC

John C. Meyer, Director, OIM

Katherine Ward, LSC Office of Legal Affairs

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

2 CHAIRMAN STRICKLAND: All right. Thank you,
3 Ad Hoc Committee. I will call to order a meeting of
4 the Board of Directors of the Legal Services
5 Corporation for March 24, 2008. All pursuant to
6 notice, published in the Federal Register. And I
7 believe our reporter probably already has before him a
8 list of those that are on the call and present in the
9 conference room in Washington. Is that correct, Mr.
10 Reporter?

11 THE REPORTER: Yes, it is, Mr. Chairman.

12 CHAIRMAN STRICKLAND: All right.

13 I guess we should first approve the agenda
14 that has been presented to you. Is there any objection
15 to following the agenda as presented?

16 MS. CHILES: No.

17 MS. SINGLETON: No.

18 CHAIRMAN STRICKLAND: Hearing none, we will
19 follow that agenda, and the first item is to receive a
20 report of the 2008 Ad Hoc Committee. Before we receive
21 that report, let me know for the record my own
22 appreciation and I'm sure I speak for other members of

1 the Board, all of the member of the Board in thanking
2 Sarah, Jonann, and Herb for first accepting appointment
3 to the Ad Hoc Committee, and second for getting on with
4 it. They just grabbed the ball and ran with it
5 immediately, and you can tell from what you heard
6 during the previous meeting of that committee that
7 they've done a lot of work in a short period of time,
8 and I wanted to in particular note that for the record.

9 MS. SINGLETON: Well, thank you, Mr.
10 Choiniere.

11 CHAIRMAN STRICKLAND: Sarah, go ahead and
12 present your report.

13 MS. SINGLETON: Mr. Chairman, the Ad Hoc
14 Committee is in the process of responding to the second
15 GAO report. We hope to have some material to recommend
16 to the Board at its April meeting in Oklahoma City
17 dealing with fiscal oversight roles and
18 responsibilities of the various components of LSC.
19 This is an ongoing process, however, and it will
20 continue after our April meeting.

21 Ultimately we hope it will lead to a
22 memorandum of understanding, which will be the subject

1 of a Board resolution.

2 The other aspect that was assigned to the Ad
3 Hoc Committee deals with the audit committee. If
4 you're ready for part 2 of the agenda, the Ad Hoc
5 Committee has voted to recommend to the Board that it
6 adopt a separate audit committee that will operate
7 under the charter that was set out as a draft charter
8 with the date of March 13, 2008, which if adopted by
9 the Board will become the charter with today's date on
10 it.

11 CHAIRMAN STRICKLAND: Is that -- I'm sorry, I
12 didn't hear -- the full content of your statement
13 there? Was that in the form of a motion?

14 M O T I O N

15 MS. SINGLETON: Yes. I would move that the
16 Board adopt the recommendation of the Ad Hoc Committee
17 regarding the audit committee and its charter.

18 CHAIRMAN STRICKLAND: Is it both to establish
19 the audit committee and adopt the charter?

20 MS. SINGLETON: Yes.

21 CHAIRMAN STRICKLAND: All right. Is there a
22 second to that motion?

1 MS. CHILES: Second.

2 CHAIRMAN STRICKLAND: Any discussion on the
3 motion?

4 MR. FUENTES: Frank, it's Tom.

5 CHAIRMAN STRICKLAND: Yes sir.

6 MR. FUENTES: I was asleep at the switch. I
7 actually had a question for Sarah about the first part
8 of her report.

9 MS. SINGLETON: Okay.

10 MR. FUENTES: Shall we do that now, or do you
11 want to vote on the audit committee matter first?

12 CHAIRMAN STRICKLAND: Go ahead with your
13 question.

14 MR. FUENTES: Can you tell me a bit about
15 when we can expect material from your committee? Will
16 we receive it at the Oklahoma City Board meeting, or
17 before that? To state it another way, do you
18 anticipate another special board meeting before
19 Oklahoma City, or will we consider this matter again at
20 the Oklahoma City Board meeting?

21 MS. SINGLETON: Oh, well that's an earlier
22 question to answer than the one I thought you were

1 asking. I do not anticipate that there will be another
2 board meeting before the April meeting in Oklahoma
3 City. I hope to get you something in writing to look
4 at prior to the April board meeting, but I do not as
5 yet know when.

6 MR. FUENTES: So that what we will receive
7 before, or be asked to do at the board meeting is to
8 review this memorandum of understanding, is that it?

9 MS. SINGLETON: I'm not certain that the full
10 memorandum will be ready. I am looking more towards a
11 statement as to roles and responsibilities which the
12 board can familiarize itself with and which may or may
13 not take board action.

14 MR. FUENTES: Thank you very much.

15 CHAIRMAN STRICKLAND: All right. Let's
16 proceed, then. I think the last thing I asked of the
17 board members was whether there was any discussion on
18 Sarah's motion, which has been moved and seconded. Is
19 there any such discussion?

20 (No response.)

21 M O T I O N

22 CHAIRMAN STRICKLAND: All right, hearing

1 none, let's proceed to a vote on Sarah's motion, that
2 is whether or not to establish an audit committee of
3 the Board, and to adopt the audit committee charter as
4 presented. Let's proceed to a vote. All those in
5 favor please say "Aye".

6 (Chorus of "Aye".)

7 CHAIRMAN STRICKLAND: Those opposed, Nay?

8 (No response.)

9 CHAIRMAN STRICKLAND: The unanimous vote, and
10 the audit committee is hereby established and the
11 charter is hereby adopted.

12 The charter authorizes me to appoint at least
13 three directors to the audit committee. I will do that
14 pretty quickly, but not right this minute.

15 The next agenda item is to consider an act on
16 the LSC ethics and compliance code and designation of
17 ethics officers. Before we take that up, I will remind
18 everyone that we circulated earlier today by e-mail a
19 proposed resolution to adopt -- code of ethics -- to
20 designate the ethics officers. I hope all of you saw
21 that in your e-mail and have had a chance to review it.

22 But it summarizes what would be an appropriate motion,

1 and we could accept a motion to adopt that resolution.

2 But I'd be glad to entertain a motion.

3 M O T I O N

4 MR. GARTEN: I so move. Herb Garten here.

5 CHAIRMAN STRICKLAND: All right. Is there a
6 second?

7 MS. CHILES: Second. Jonann Chiles.

8 CHAIRMAN STRICKLAND: All right. I take that
9 to mean you're moving

10 MR. GARTEN: Yes.

11 MS. CHILES: Yes.

12 CHAIRMAN STRICKLAND: Okay. Moved and
13 seconded. Is there any discussion on that motion?

14 MR. FUENTES: Yeah. Frank, this is Tom.

15 CHAIRMAN STRICKLAND: Yes, sir.

16 MR. FUENTES: I am looking at a March 13,
17 2008 draft. Is that the draft we're discussing?

18 CHAIRMAN STRICKLAND: It is correct.

19 MS. SINGLETON: Where is the ethics code that
20 goes with it?

21 CHAIRMAN STRICKLAND: It's all in one code.

22 The code of ethics and --

1 MS. SINGLETON: I understand that. I mean
2 where's that code that goes with the resolution?

3 CHAIRMAN STRICKLAND: (Phone rings) March
4 13th draft.

5 MS. CHILES: It was sent by e-mail on March
6 14 to all the directors.

7 CHAIRMAN STRICKLAND: And you may remember,
8 Sarah, that we --

9 MS. SINGLETON: I have it. I'm just looking
10 for it.

11 CHAIRMAN STRICKLAND: Okay.

12 MS. SINGLETON: I got it.

13 CHAIRMAN STRICKLAND: You may remember that
14 we spent a good bit of time on this at our previous
15 conference call meeting, and we made, I believe we have
16 made -- correct me if I'm wrong on this, Helaine, if
17 you're the right person on this that as a result of
18 that extensive discussion at our last conference call
19 meeting incorporated -- we only had changes to make on
20 one item, I think. I forgot which one it was, but I
21 believe we've done that. Is that correct?

22 MS. BARNETT: I'm going to ask Charles to

1 lead the discussion on that, Mr. Chairman.

2 MR. JEFFRESS: Mr. Chairman, you're correct.

3 It was only one issue remaining at the last discussion
4 of the Board, and that had to do with the conflicts of
5 interest members of the Board that might arise after
6 they had been appointed to the Board. It's in Section
7 4 of the Code of Ethics and Conduct.

8 In way of background, you asked that more
9 information be provided to the members on the
10 Corporation for Public Broadcasting process, and that
11 was attached to the e-mail that President Barnett
12 referred to that was sent to members on March 14th.
13 They have a very elaborate process; they have a code of
14 ethics, they have a policy on conflict of is that
15 right?, and then they have an annual questionnaire that
16 each board members fills and discloses their conflicts.

17 In addition, every board meeting of the
18 Corporation for Public Broadcasting board opens with an
19 agenda item where members with conflicts disclose them
20 at the beginning of the meeting such that the board
21 members are aware of them, should they affect any
22 business that comes before that board.

1 So it is an elaborate and involved process.
2 It turned out not to be something easy to incorporate
3 into this code of ethics and conduct as it has been
4 drafted here. The one before you for LSC covers
5 employees and directors, and the Corporation for Public
6 Broadcasting has chosen to have a completely separate
7 code of ethics and a policy on conflict of interest for
8 their board of directors.

9 So that information is there and provided for
10 you, but it is an elaborate process that seemed more
11 elaborate than what the board had expressed interest in
12 previously.

13 The task force was also asked to do more
14 research on conflict of interest and private interest
15 definitions, and in the memorandum sent to you on March
16 14th there is a discussion of those two concepts. We
17 provided definitions used by the New York Stock
18 Exchange, by the Code of Conduct for Judicial
19 Employees of the United States, the Executive order on
20 principles of ethical conduct. In each case, the
21 conflict of interest definition is broad.
22 Intentionally it does not set clear parameters in order

1 to cover the appearance of conflicts of interest as
2 well as actual conflicts of interest.

3 Similarly, the term "private interest" is
4 defined very broadly, and we give you some examples of
5 how it's defined by various corporations and
6 organizations in the U.S. I'd be happy to discuss any
7 of those in detail, if the board members want to
8 discuss either of those.

9 But in terms of putting the choice back
10 before the Board, the original recommendation that the
11 task force made was that board members shall refrain
12 from conflicts of interest. Just as in any case
13 determination by an attorney, there's a determination
14 made whether there's a conflict of interest before they
15 accept the case, similar kind of concept seemed
16 appropriate to apply to members of the board, directors
17 of LSC; before they enter into other relationships,
18 they considered whether that presents a conflict of
19 interest within their service on the LSC board.

20 Should the Board choose not to apply that
21 concept of avoiding conflicts of interest for future
22 relationships, an alternative that the task force puts

1 before you is simply to delete the coverage for
2 directors for future conflicts of interest, let that
3 Section IV continue to apply to officers and employees,
4 but with respect to directors, simply leave in place
5 the statutory provision that if a board member has a
6 conflict, whether it's a prior conflict or whether it's
7 one that crops up after they are appointed, that it be
8 handled simply by disclosure and recusal from any
9 business before the board relating to that conflict.

10 CHAIRMAN STRICKLAND: And under that
11 alternative, I take it you mean that the second
12 paragraph under No. 4 would be deleted? Or just the
13 reference to directors?

14 MR. JEFFRESS: Just the Board of Directors
15 would be deleted from that paragraph, and then you
16 would have --

17 CHAIRMAN STRICKLAND: The directors would
18 then be covered by the statutory provision.

19 MR. JEFFRESS: That's correct. If you
20 adopted as written "directors shall refrain from future
21 conflicts of interest," if you choose not to apply that
22 directors, just delete the word, "directors," and

1 directors are covered only the statutory provisions for
2 disclosure and recusal.

3 CHAIRMAN STRICKLAND: What is the pleasure of
4 the Board?

5 MR. MEITES: Frank, this is Tom. I have a
6 question.

7 CHAIRMAN STRICKLAND: Yes, sir?

8 MR. MEITES: It might help me if you could
9 just walk through the procedure. Let's say that Mike
10 has for some years been in a co-counsel relationship
11 with our grantee in Seattle in a case in which he has
12 volunteered his time and does not expect to receive any
13 fee. What should Mike do if the code is adopted,
14 including the second paragraph of paragraph 4?

15 MR. JEFFRESS: Tom, for that case to be a
16 conflict of interest on appearance of a conflict of an
17 interest, Mike would need to make the initial
18 determination, is this case in any way a conflict with
19 any of my board duties? Michael has a fiduciary duty
20 to the Board and to LSC, and if the case doesn't
21 otherwise affect that, then there would be no conflict;
22 he needs to do nothing.

1 MR. MEITES: Okay. Say that Mike, perhaps
2 not in excess of course, but Mike wants to explore this
3 question further. What is the next step? What is the
4 first step he would take if he decides to go ahead
5 under these procedure?

6 MR. JEFFRESS: First step would be to consult
7 with the corporation ethics officer, whom this
8 resolution designates to be the general Counsel, and
9 discuss that with the general Counsel and get advice.
10 If Mike either believes it is a potential conflict, or
11 at least he wants board members to be aware he has
12 looked at it and decided it's not, he might then share
13 the same information with the Board.

14 If it is a case that existed prior to his
15 service on the Board, then he would simply recuse
16 himself, announce the conflict and recuse himself. If
17 it was a case that he did not believe presented a
18 conflict at the time that he took that case, he would
19 follow that same policy. He would simply disclose it
20 and recuse himself because it did not appear to be a
21 conflict at the time that he took the case.

22 If it appeared to be a conflict at the time

1 he took the case with his duties as a Board member, he
2 shouldn't have taken the case.

3 MR. MEITES: Let's say that it is not an
4 existing case but Mike's phone rings the day after we
5 adopt this. What would he do then?

6 MR. JEFFRESS: He would do a conflicts check
7 just like he would for any other case; in this case the
8 conflict would be with his fiduciary duty to the
9 organization.

10 MR. MEITES: And he would go through the same
11 process with the ethics officer and perhaps with the
12 Board, is that correct?

13 MR. JEFFRESS: If he determined that there
14 was a potential of the appearance of conflict, yes.

15 MR. MEITES: All right. After that
16 discussion, is the pleasure of the board to leave in
17 the word, "directors" in the 2nd paragraph under Roman
18 IV, or to delete it?

19 MR. MCKAY: So moved. Mike McKay.

20 M O T I O N

21 MS. SINGLETON: Don't we have a motion
22 already?

1 CHAIRMAN STRICKLAND: We do have a motion.

2 MS. PHILLIPS: I'm asking whether someone
3 wants to amend it. The motion is to adopt the
4 resolution, which includes this draft verbatim. Since
5 the discussion, I'm now asking whether someone wants to
6 amend the motion to delete the word, "directors" in
7 paragraph 2, or not as the case may be.

8 (No response.)

9 CHAIRMAN STRICKLAND: Are you satisfied to
10 leave "directors" in, in Roman IV and proceed with the
11 draft as presented?

12 MR. MEITES: Frank, this is Tom. I will so
13 move to delete it, and if my motion fails for lack of a
14 second, I think that will be an indication.

15 CHAIRMAN STRICKLAND: All right. I'll second
16 the motion just to discuss it.

17 (Laughter.)

18 CHAIRMAN STRICKLAND: Is there any further
19 discussion on that subject?

20 MS. PHILLIPS: Frank, this is Bernice
21 Phillips.

22 CHAIRMAN STRICKLAND: Yes.

1 MS. PHILLIPS: I have a question. I'm not
2 sure where it will fit in at, but we discussed last
3 meeting soliciting contributions. I just believe that
4 there should be something in the code to say something
5 about that, that would probably eliminate conflict.

6 CHAIRMAN STRICKLAND: I think the code is
7 intended to be self-policing on different kinds of
8 matters that come up, and, you know, I think I answered
9 your question. I don't think we need to amend the code
10 in order to deal with that subject. I think the code
11 would, based on the present language be able to deal
12 with it, if it in fact is a conflict.

13 MS. PHILLIPS: Okay. I just thought it might
14 help with conflict.

15 CHAIRMAN STRICKLAND: Okay.

16 Let's proceed. Is there any further
17 discussion on Tom's motion?

18 MR. GARTEN: Could you repeat what -- I heard
19 Mike's, but I didn't hear Tom's.

20 CHAIRMAN STRICKLAND: Tom's motion was , the
21 effect of which would be that directors are governed by
22 the statutory provision on conflicts, in terms of how

1 to disclose them and deal with them, et cetera

2 MR. GARTEN: Well, on the next page 3 is a
3 reference to the LSC Act under Directors.

4 MS. SINGLETON: Yes. Wouldn't that part stay
5 in, the part by directors on page 3?

6 CHAIRMAN STRICKLAND: Yes. Okay. His motion
7 is only to remove the word "directors" from the 2nd
8 paragraph under Roman Number IV.

9 MR. GARTEN: Do you mind telling us why you
10 want to delete it?

11 MR. MEITES: No, I made the motion. I
12 planned to vote against it. I made the motion so that
13 the clear record that in fact we are not adopting that
14 alternative.

15 MR. GARTEN: Well, then, Mike, do you want to
16 explain why you wanted to delete it?

17 MR. MCKAY: I don't, and I'm sorry I didn't
18 make that clear. I would like to keep it in.

19 CHAIRMAN STRICKLAND: Okay.

20 MR. MCKAY: I embrace the reasoning set forth
21 in Charles' memo dated March 13th.

22 CHAIRMAN STRICKLAND: All right. Let's

1 proceed then to a vote on the motion, please say "Aye."

2 CHAIRMAN STRICKLAND: Aye. That was Sarah.

3 CHAIRMAN STRICKLAND: Okay. One vote for.

4 Those opposed, Nay?

5 (Chorus of "Nays.")

6 M O T I O N

7 CHAIRMAN STRICKLAND: All right. It's
8 defeated by -- well, there's one dissenting vote, I'm
9 not sure how many affirmative votes. But the motion
10 fails.

11 All right. Let's proceed then to a vote on
12 the main motion, which is to adopt Resolution 2008-005
13 adopting code of ethics and conduct and designating the
14 ethics officers. And by the way, those are the general
15 counsel for the corporation and the assistant inspector
16 general and legal counsel for the Office of Inspector
17 General. Those are the ethics officers for our
18 organization under this resolution.

19 All those in favor of adopting the
20 resolution, please say "Aye."

21 (Chorus of "Ayes".)

22 CHAIRMAN STRICKLAND: Those opposed, "Nay".

1 (No response.)

2 CHAIRMAN STRICKLAND: All right, and that
3 resolution is adopted.

4 The next item is to consider --

5 MR. FUENTES: So moved.

6 CHAIRMAN STRICKLAND: Is there a second?

7 MS. SINGLETON: I second. This was Sarah.

8 CHAIRMAN STRICKLAND: All right. Is there
9 any discussion on the motion?

10 (No response.)

11 CHAIRMAN STRICKLAND: Hearing, let's proceed
12 to a vote. All those in favor please say "Aye."

13 (Chorus of "Ayes".)

14 CHAIRMAN STRICKLAND: Opposed "Nay".

15 (No response.)

16 CHAIRMAN STRICKLAND: The Ayes have it, and
17 that committee is dissolved.

18 Next is to consider an act on other
19 businesses or any other business to come before the
20 meeting.

21 (No response.)

22 M O T I O N

1 CHAIRMAN STRICKLAND: Hearing none, we will
2 consider and act on a motion to adjourn the meeting.
3 Is there such a motion?

4 MR. FUENTES: So moved.

5 CHAIRMAN STRICKLAND: A second?

6 MS. BEVIER: Second.

7 CHAIRMAN STRICKLAND: All right.

8 MR. HALL: Before adjourning, Frank, this is
9 David Hall. I joined the call late, and I would at
10 least like to be noted that I was present for the
11 discussion and the votes.

12 CHAIRMAN STRICKLAND: All of them?

13 MR. HALL: Yes, I was here for all of them.

14 CHAIRMAN STRICKLAND: Okay. Well, we
15 appreciate you're speaking up, because we did not know
16 you were on the call. We heard a couple of folks
17 joining, but we weren't sure whether it Jonann going in
18 and out as she has had to do on a couple of occasions.

19 Thank you for noting that for the record, David.

20 MR. HALL: You're welcome.

21 CHAIRMAN STRICKLAND: All right, everyone,
22 we'll consider the meeting adjourned. Thank you very

1 much for your participation. See you in April.

2 MS. SINGLETON: Thank you. Bye bye.

3 (Whereupon, at 5:43 p.m., the meeting in the
4 above-entitled matter was adjourned.)

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