

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

BOARD OF DIRECTORS MEETING
OPEN SESSION

Saturday, May 1, 2004
2:20 P.M.

University of Maryland
School of Law
500 West Baltimore Street
Baltimore, Maryland
Moot Court Room

BOARD MEMBERS PRESENT:

Frank B. Strickland, Chair
Lillian R. BeVier
Robert J. Dieter
David Hall
Herbert S. Garten
Thomas R. Meites
Michael D. McKay
Maria Luisa Mercado
Florentino Subia
Thomas Fuentes
Ernestine Watlington

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, President
Victor M. Fortuno, Vice-President for Legal Affairs
John Eidleman, Acting Vice-President for Compliance
and Administration
Lynn A. Bulan, Senior Assistant General Counsel
Mattie Condray, Senior Assistant General Counsel
Leonard Koczur, Acting Inspector General
Laurie Tarantowicz, Counsel & Assistant Inspector General
David Maddox, Assistant Inspector General for Resource
Management
Karen Dozier, Executive Assistant to the President
Patricia Batie, Manager of Board Operations
David Richardson, Treasurer/Comptroller
Lisa Rosenberg, Congressional Liaison
Bernice Phillips (Nominee)
William Whitehurst, Jr. (Advisory Member)
Don Saunders, National Legal Aid & Defender Association
Hannah Lieberman, Legal Aid Bureau

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P R O C E E D I N G S

MR. STRICKLAND: Let me call to order the meeting of the Board of Directors of Legal Services Corporation scheduled for May 1st, 2004. This is the open session of the meeting. And, again, I want to state for the record our appreciation to Dean Rothenberg and the University of Maryland Law School for their hospitality and during our visit in providing their facilities. It's been a great experience for us, and we'll just have to figure out a way to repeat it either here or at another location.

All right. The first item is to approve the Agenda. Is there a Motion to Approve the Agenda?

M O T I O N

MS. MERCADO: So moved

MR. STRICKLAND: Is there a second?

MS. BeVIER: Second.

MR. STRICKLAND: Any discussion? Those in favor of a proving the Agenda, please signify by saying aye --

(A chorus of ayes.)

MR. STRICKLAND: -- as opposed to nay. The ayes have it. The Agenda's approved.

Next let's approve the Minutes of the Board's Meeting of January 30th, 2004. The Draft Minutes are found on Page 55 in your Minute Book, or Board Book.

MS. BeVIEW: Mr. Chairman, I sort of think we

should maybe admit all these minutes at once

MR. STRICKLAND: That's a great idea. Why don't we take a look, then, at all the minutes, Items Two through Six, and do those in an omnibus motion. If there are any changes, corrections and the like, someone can speak up and bring those to our attention. I scanned these briefly and didn't see any, but if anyone else sees a mistake, please let us know.

Hearing no suggestions for changes or corrections, amendments and so on, I would entertain a motion, then, to approve Items Two through Six which, for the record, are the Minutes of the Board's Meeting of January 30, 2004, the Board's Meeting of January the 31st, 2004, the Executive Session of the Board's Meeting of January 31, 2004, Executive Session of the Board's Meeting of November 22nd and of November 23rd, 2003. Is there a Motion to Approve those minutes?

M O T I O N

. MR. GARTEN: I so move.

MR. STRICKLAND: Is there a second?

MS. MERCADO: Second.

MR. STRICKLAND: All those approved say aye.

(A chorus of ayes.)

MR. STRICKLAND: And those opposed say nay.

And those minutes are approved.

Now, that moment you've all been waiting for is
The Chairman's Report.

I made a few notes on things that I've been
involved in over the past few months to bring to your
attention. First, as you may have heard me say at -- no,
maybe it was last night. I attended the Technology
Conference in Austin, Texas in February and enjoyed
wonderful hospitality there extended by Bill Whitehurst
and I now know a lot about Austin, Texas that I didn't
know before. We paid a call on the Dean of the law
school, and we were warmly received there.

Sometime after that we decided that with regard
to our then forthcoming congressional appearances that we
should, particularly for the oversight hearings, that both
Helaine and I should get prepared for that so we had a
moot court-style preparation for the oversight hearing,
and a number of people participated in that. I think I
know Don Saunders was there. And, Julie, were you there,
too?

MRS. SAUNDERS: (Nodding head yes.)

MR. STRICKLAND: And a number of other people
were there: Bob Evans from the ABA and people from the
staff who grilled us and helped us get prepared for, and
also prepared a very extensive briefing book to get us
prepared for the oversight hearing.

And subsequently we had a -- I think we did this by telephone conference. I don't recall traveling to Washington again for a preparation for the budget hearing as well. But we got ourselves pretty well briefed on those, and I know that Helaine is going to include a more detailed report about those two hearings, so I will not. Well, I'll just give you some personal experiences relative to the hearing. And both Helaine and I had visited with Congressman Chris Cannon from Utah -- in my case it was last fall; in Helaine's more recently -- just to establish a relationship with him since he does chair the, our Oversight Committee. And I had also visited with Congressman Mel Watt of North Carolina last summer and fall. And before the hearing commenced the, on March 31st, Congressman Cannon came around to greet us and said this will be a friendly hearing, and the hearing commenced. And, Helaine, as you going to go into the details of it -- but I think that's a fair summary of the way that hearing went. And we were very pleased on that.

And then on April 1st, we had -- I did not testify then -- we tried to get John McKay as a witness. But -- or, or the Minority Ranking Member Mel Watt wanted John McKay, but we weren't able to work that out. Then the next day, on April 1st, we had our budget hearing before Congressman Wolf and Serrano, Wolf from Virginia

and Ranking Member Serrano from New York, which also went well.

Then, most recently, from April 8th to the 10th in Atlanta, the Access to Justice Conference was held and I made some remarks to the State Access to Justice Chairs who were convened in their own meeting. I also attended a luncheon organized by the two Lillians, Lillian Johnson and Lillian Moy to discuss a combination of issues -- mentoring, leadership succession and diversity in the leadership of our Grantee Program. So we gave a preliminary -- and Helaine was also at that luncheon -- and we gave preliminary approval to the two Lillians, and others, who are assembled there, including Wilhelm Joseph, to begin studying that issue, or those issues, and with the idea that they would bring a report to us at our next meeting. And that's it.

I think in terms of the activities that I've been involved in over the past several months, I will also say that with Helaine's arrival, I can tell that someone has taken the reins. And I mean that in a positive way. She and I communicate on a regular basis, and we've had a great working relationship and I'm sure that will continue.

So unless there any questions, that concludes The Chairman's Report. Yes, sir.

MR. MCKAY: Mr. Chairman, I'm sure you didn't intend, but with regard to my brother John's contemplated testimony, as I understand it, he was most willing --

MR. STRICKLAND: Yes.

MR. MCKAY: -- to help in any way. But there were some technical problems at the Department of Justice --

MR. STRICKLAND: Correct.

MR. MCKAY: -- that prevented him from doing that.

MR. STRICKLAND: Thank you for filling in those explanations. Yeah, we did talk directly, Helaine and I did talk to John, and he was eager to help us if he could be ^8their ^ there. But as Mike pointed out, the Department of Justice concluded that they did not -- I don't think they understood our request. But by the time we could clear it up, we did not want him there in his role as a U.S. Attorney --

MR. MCKAY: No.

MR. STRICKLAND: -- but as a former President of is LSC. And just a, I think that was just a technical glitch.

MR. MCKAY: Yeah.

MR. STRICKLAND: And thank you for filling in that gap.

Do any members have any reports they'd like to make?

MR. DIETER: Just briefly --

MR. STRICKLAND: Yes, Frank (sic).

MR. DIETER: The, I just wanted to report that the Colorado Bar Association is taking up the, a proposal for an LRAP Program, and we're going to be presenting the sort of rough draft on May 5th to the Board of Governors, see how it can be financed. And that the Committee that's working on the criteria are -- that the money go to lawyers working for programs that provide assistance to low-income individuals.

And also at the University of Colorado, we're, on Monday I'm meeting with the Dean to finalize our Loan Assistance Repayment Program, and that'll probably have a much broader definition of public service. And then I attended the Boulder County Bar Pro Bono luncheon last week, and the awards were given out to people who participate, starting with a 25-hour award up to a 250 hour award and, also, to law firms in terms of the 100 percent participation of the members of the firm in taking pro bono cases. And in our County there were 800 clients served for 6,000 hours of pro bono service. And they do a follow-up with the clients, and 93 percent of those who responded reported that their experience with the lawyers

had a significant impact on their lives.

And, so, that's my report.

MR. STRICKLAND: Any other members have reports?

Yes, Maria Luisa?

MS. MERCADO: Yes -- no, I had the pleasure of being at the ABA Mid-Year Meeting but, more importantly, there for Helaine who was being honored by the Access to Justice Commission from Texas, as well as all the programs from Texas. And I thought it was a very fruitful meeting, and ^everyone ^ every one was bowled over by Helaine as our new President and, you know, we're very confident that she's going to do a great job. But, even more importantly, that your new job is going to do some great work with her.

MR. STRICKLAND: You filled in a gap may left out. I also went to the ABA Mid-Year Meeting, and I just didn't have that on my list of activities. But our paths didn't cross. I don't remember seeing you ^10their ^ there. But we must have been there on different days. I was there just for a short visit. But I agree that Helaine was very well-received there. I concur in that.

MS. MERCADO: Mm-hmm.

MR. STRICKLAND: Any other reports from Members?

All right. Then we'll turn next to President's Report. And, Helaine, please proceed.

MS. BARNETT: Thank you. I'm pleased to have the

opportunity to share with the Board my activities at the end of what is now my first three months as President of the Legal Services Corporation. It has been a whirlwind of activity, to say the least. But at the outset I would like to say the Chairman, Frank Strickland, and I have appeared together on quite a few occasions, and I would like to say publicly that I am most appreciative of his availability, his counsel and his sport -- and his support. It has been truly a wonderful working relationship.

I will begin with report on LSC's Congressional hearings. As you know, two House subcommittees held back-to-back hearings on LSC last month. I'm pleased to report the hearings were largely successful and demonstrated that there continues to be significant bipartisan support for LSC and our mission.

On March 31st, the House Judiciary Subcommittee on Commercial and Administrative Law held an oversight hearing to address the merits of a possible system of copayments for LSC-eligible clients, and to discuss issues raised by the recent Office of Inspector General report on California Rural Legal Assistance. Chairman Chris Cannon from Utah opened the hearing by praising LSC's transformation from a controversial organization to one for which there was a great deal of support in Congress.

He went on to question whether a copay system would lead to increased professionalism amongst legal services attorneys, and if such system would stabilize funding for legal services by providing an additional revenue stream. Jeanne Charn of the Hale and Dorr Legal Services Center at Harvard Law School was called to testify about the role copay plays in her organization. She testify that the purpose of the Center's client copay system was to increase resources for the Center, empower clients, help clients decide whether they really want to bring a case, and to give students a sense of the business aspects of the practice of law and to provide them with cases of educational value. Her program, I want to point out, serves clients whose income is at least up to 300 percent of the Federal poverty guidelines as contrasted with LSC Grantees serving those with incomes up to a 125 percent of the Federal poverty guidelines. And the ranges of cases a program handles include real estate and business matters that are not the type of problems LSC Grantee clients have.

She said that the impact of copays would have to be thoroughly studied before determining whether such a system would be appropriate for LSC-eligible clients. Ranking Member Mel Watt of North Carolina voiced his absolute opposition to even a voluntary copay system,

saying that it would be the end of a comprehensive program of free legal services for the poor.

On the issue of the Inspector General's Report on CRLA, Jose Padilla, the Executive Director of CRLA, testified about the history of his organization's work and addressed the issues raised in the report. He stated that where CRLA agreed with the Office of the Inspector General's findings, it had changed its policies and practices to insure full compliance in the future. But where CRLA disagreed with the Office of Inspector General's conclusions, CRLA would look to LSC management to resolve the issues. Ranking Member Watt and Congressman Delahunt from Massachusetts, who also attended the hearing, stated they felt it had been inappropriate to have called Mr. Padilla to testify while LSC was still in the process of reviewing the Office of Inspector General's Report.

On April 1, Frank and I testified before the Commerce, Justice, State Subcommittee of the House Appropriations Committee, which held a hearing on LSC's Fiscal 2005 Budget Request. Chairman Frank Wolf of Virginia stated that he felt very comfortable with LSC, noting the fine work of his former colleague and former LSC President, John Erlenborn. He said that there is less criticism of LSC Grantees now than there has been in a

long time.

Chairman Wolf then proceeded to ask a series of questions, including how LSC monitors compliance, if there is any complication of effort between the Office of Inspector General and the Office of Compliance and Enforcement. Congressman Wolf also expressed his opinion that legal services attorneys may provide better services than private attorneys because of their commitment to their job and to their clients. He also expressed, as you have heard earlier, a great deal of interest in providing loan repayment assistance for legal services lawyers.

Ranking Member Jose Serrano from New York agreed that loan repayment assistance would help recruit legal services attorneys, especially bilingual ones. He also asked about the status of the *Dobbins* litigation, expressed concern that faith-based organizations and legal services programs were held to different standards with regard to separation of facilities, and questioned whether there was more Congress could do to help LSC-funded programs address domestic violence.

After the hearing, Congressman Wolf submitted a list of supplemental questions to which we provided responses that concerned LSC's carryover, the prior use of a census adjustment, how LSC could implement a law school loan repayment program, and what telecommuting options LSC

offered.

Overall, both hearings demonstrated that there is solid support for the work of LSC and our Grantees on both sides of the aisle. This positive attitude is most likely a result of the outstanding work of our Grantees, careful monitoring to insure compliance with Congressional restrictions, and the successful efforts of my predecessors to cultivate lasting relationship with key players on Capitol Hill.

Prior to the hearings I had courtesy call meetings with Congressmen Cannon, Watts, Delahunt, Nadler and Wolf, as well as with Senator Tom Harkin of Iowa. They all expressed support for LSC and the work we do, but warned that this will be one of the most difficult appropriations cycles in terms of domestic spending. We will, of course, work hard to secure an increase in funding, but even securing level funding for fiscal year 2005 may be difficult.

I want to state that I received invaluable assistance from the LSC staff. They prepared a Briefing Book that included comprehensive background memos and materials on all possible subjects and questions that could be posted. It was a collaborative effort, and I owe a great deal of thanks to the staff, to the Vice-Presidents and, in particular, to Lisa Rosenberg for

coordinating all the testimony and materials and for scripting answers to all possible questions. It was a true team effort. And I would like to also acknowledge assistance from Julie Clark, and Don Saunders and Bob Evans in helping to frame our answers during the moot court session, as well.

Now, to turn briefly to some of the events I attended -- some with Frank; others that I made visits with Grantees, and meeting with bar leaders -- during the ABA Mid-Year Meeting in San Antonio, as you've heard, Frank and I attended a reception, as well as Maria Luisa Mercado, given in my honor at the Office of the Texas Rural Legal Aid, with program staff leaders of the private bar and distinguished members of the judiciary. We toured the office, which was transformed from a deserted car dealership, into efficient, attractive legal services offices. And, as a result, we are planning to feature the office in the next issue of the Equal Justice magazine.

In addition, Frank and I attended the meeting of, chaired by Bill Whitehurst, and committed ourselves to be a partner in going forward, as I mentioned yesterday, in their Standards Project and to, committed to attend the other meetings of SCLAID as LSC representatives.

I also attended the Equal Justice Conference in Atlanta, Georgia which is sponsored by the NLADA and the

ABA. I was on a program panel and gave a presentation on updates on the Legal Services Corporation. ^17their ^ there were approximately 100 attendees, the vast majority of whom were from LSC-funded programs, and I received a very warm welcome from all. The following day, Frank Strickland and I made a presentation, as he mentioned, on LSC to the State Access to Justice Commission Chairs. The audience also included state bar leaders and members of the judiciary and, once again, our remarks and presence were very well-received.

While I was in Atlanta I visited both LSC Grantees -- Georgia Legal Services and the Atlanta Legal Aid Society -- and met, in particular, with the migrant staff at Georgia Legal Services and met with the staff that represents AIDS and cancer victims and the elderly at Atlanta Legal Aid. I also visited the Gainesville office of the Georgia Legal Services Program, which is an isolated rural office with seven staff serving 24 counties in North Georgia, which has no public transportation, which was about an hour and a half drive from Atlanta.

Also while in Atlanta , you heard from Frank that we both had a meeting with representatives of the Legal Services Corporation Leadership and Diversity Advisory Committee where we discussed possible approaches to create an LSC mentoring project to develop new leaders capable of

carrying on the legacy of federally-funded legal services. We invited the Committee to flesh out their proposal and to make a presentation to the Provisions Committee of the Board at it's June meeting.

I also spoke at the Maryland State Bar Association Board of Governors Meeting and at a meeting of the ABA Fellows in New York.

I was invited by the pro bono partner at Wilmer, Cutler & Pickering to attend the Servant of Justice dinner of the Legal Aid Society of Washington, D.C. which honored Sargent Shriver, who was the founding Director of the OEO, and Clint Bamberger, who was the first director of the OEO Legal Services, which was the predecessor to the LSC. I was very pleased to have an opportunity to spend time with both of these icons in the history of federally-funded civil legal assistance to the poor.

I had a meeting at the White House with Harriet Miers, who is the Assistant to the President and Chief of Staff with whom I had worked at the ABA. And we discussed, among other issues, LSC's 30th anniversary celebration.

Some comments on LSC events in-house. In, excuse me, in observance of Black History Month, LSC celebrated the contributions of African Americans to equal justice on February 6th. It was a wonderful sharing of the different

cultures and diversity of our staff. Our own Board Member, David Hall, was the keynote speaker. He gave such an impressive and eloquent address that we have included copies in your Board Book and have extra copies available here today. We have also posted it on our website and on our internal LSC intranet site. Clint Lyons also the head of NLABA, appeared and made wonderful remarks, and they are also included on our website.

On next Friday, May 7th, we will celebrate the contributions of Asian Pacific Americans to equal justice in observance of Asian American heritage month. Our keynote speaker will be Karen Narasaki, Executive Director of the National Asian Pacific American Legal Consortium, and it promises, also, to be an inspiring event.

Last week, in honor of "Take A Child To Work Day," on April 22nd, we had a wonderful day-long program for the children of LSC staff. In addition to explaining to the children what LSC does, it culminated in a mock trial involving Goldie Locks and the Three Bears where the children were the jurors.

I also attended and participated in the February monthly meeting of the Veterans Consortium Pro Bono Program's Executive Board. LSC administers this program which provides high quality representation to all appellants before the U.S. Court of Veterans Appeals who

cannot afford an attorney. Staff reported that this was the first time an LSC President participated in substantive discussions during an Executive Board meeting.

As I explained to the Provisions Committee yesterday, as you may be aware, in the past, LSC's Office of Program Performance has made program visits to Grantees and the Office of Compliance and Enforcement has made its own visit to Grantees. And I have initiated a pilot project and, at my request, a joint team of OPP and OCE staff are working to determine how both offices can work together combining talents and resources to conduct one LSC visit to an LSC Grantee. And I think I explained my thoughts on that yesterday to you.

The Office of Compliance and Enforcement has engaged in many tasks since the last Board meeting to insure programs fully comply with congressionally mandated restrictions and all other applicable rules and regulations.

Also included in your Board Book you will have an update on LSC's effort to recover real property from some of our former Grantees.

Insofar as the overall structure organization and operation of LSC, I have begun to focus my attention there. I have held weekly meetings with the Executive team consisting of the existing three Vice-Presidents. I

am interviewing candidates for the position of Vice-President of Government Relations and Public Affairs. I have set up monthly meetings with the office Directors and I've asked them, that I would like to attend their regular staff meetings, which I have begun doing. I have been working with the Comptroller's Office on a review of the way we present our financial reports, and I have been working with our HR department on proposed changes to our Personnel Manual and policies, and I'm working on changes to our Administrative Manual and policies. I meet every other week with Len Koczur, the Acting Inspector General.

In conclusion, I have been impressed, generally, by the overall dedication, commitment and quality of our staff and, at the same time, do see possible areas of opportunity for improvement. So, as you can see, it has been a busy 90 days. A lot has been accomplished and, of course, there's still a lot more for me to learn and to do. Thank you.

MR. STRICKLAND: Thanks for that report. Does anyone have any questions for Helaine?

All right. ^let's ^ lets move to the next item on the Agenda, then, which is the Acting Inspector General's Report.

MR. KOCZUR: Thank you, Mr. Chairman. Since our last meeting, we issued the Corporate Financial Audit

Report. In fact, we did this last Monday, the 26th. It was unqualified opinion. We presented the report to the Finance Committee yesterday.

We've continued our program integrity audits. We issued the final report on the Legal Aid of Southeastern Pennsylvania. We reported no program integrity violations, but there were some minor problems with reporting with, under the 1644 regulation. This regulation requires that any cases where the Grantee staff files in court are to be reported to the corporation. And we found a number of cases that were not reported, but none of them were restricted or prohibited and, basically, the problem occurred because of a breakdown in collection of information from the individual attorneys.

We have an audit in process, Program Integrity Audit in process, at the Boston Volunteer Lawyers Program and we expect to issue a draft report by the middle of the month, middle of May.

On the audit follow-up, as the President reported, CRLA did not agree with all our recommendation, didn't -- our Program Integrity Report that we issued in December. We reviewed their, the, their response to the report and referred the report to LSC management for follow-up on the recommendation that they didn't agree with us.

The private attorney involved the audit that we started is now moving ahead. We have audits in process at Central California Legal Services and Legal Services of North, Northern Carolina , or -- Northern California. We expect to have reports on both these programs by the end of May.

This , since the last Board meeting began our technology initiative grants. We plan to conduct a series of audits of these grants. Our objectives are to determine whether the Grantees spend funds in accordance with the grant, whether the deliverables specified in the grant have been completed and to try to assess the impact on the delivery of services to clients. Now, this last objective is very difficult where that's certainly going into new area. And we're not sure that we can accomplish it, but we think it's something that we need to at least take a look at.

We've started work at Headquarters, and we expect to select a Grantee for the first audit by the 10th of May. And our plan is to select one Grantee, do an audit, review our process and then go on and do concurrent grant -- concurrent audits at several other Grantees.

Our mapping evaluation project continued as we moved into Phase II. We're working now in southern California. Five Grantees are participating and their

service area have about 4 million income-eligible persons. And these people live in extreme poverty in both urban areas and rural areas. We're producing detailed neighborhood maps and documenting the use of mapping in evaluating the degree of access to legal services in southern California. The Grantees in southern California are really enthusiastic about this project. Some of the of the folks out there have been leaders in technology in the past and they see this as an extremely useful management tool.

And we are also continuing to work in Georgia. If you recall, Georgia was the first place we started the project. And basically we had to use the 1990 census data because the 2000 data wasn't available. And now we're going to update the maps with the 2000 census data. Recently, the IOLTA Mapping Team gave a presentation at the Equal Justice Conference in Atlanta that was very well-received by primarily the staffs of the various Grantees. We expect to issue a report on the Phase II of the Mapping Evaluation in late September.

And that concludes my report.

MR. STRICKLAND: All right. Any Board members have questions for Len Koczur?

MS. MERCADO: I just had sort of a -- are you, one of the things that you going to do --

MR. STRICKLAND: I --

MS. MERCADO: -- I think that you're doing the 1990 census versus the 2000 census in Georgia. I wonder if it would be helpful -- it just happens that you have it in that particular program -- to see whether or not there's any particular trends as far as the poverty population, you know, the ethnicity of the population, has this changed within a 10-year period of time in a particular locality, since you have that available to you --

MR. KOCZUR: Yeah --

MS. MERCADO: -- the mapping --

MR. KOCZUR: -- that's one of the things we have in consideration that we could do when we finish the first phase of the project. ^it's ^ its very clear that there have been significant population shifts and that Georgia, both Georgia Grantees are interested in doing something like that.

MS. MERCADO: Right. So that may mean relocation of resources, or offices or --

MR. KOCZUR: Yeah.

MS. MERCADO: -- either one? Okay.

MR. STRICKLAND: Okay. Any other question for Len? Thank you, Len.

MR. KOCZUR: You're welcome.

MR. STRICKLAND: Before we proceed further, it was our intent to have at least one and, perhaps, two of our Board Members participate by conference call. Do we have any participants on the call?

MR. FUENTES: Mr. Chairman, Tom Fuentes. I've been on since the beginning of the meeting but didn't want to interrupt you.

MR. STRICKLAND: Well, we appreciate the fact that you're there. We were concerned. Helaine reminded me here that we had not attended to that at the beginning of the meeting, and we apologize for that.

MR. FUENTES: No problem. I was ^26their ^ there before you started.

MR. STRICKLAND: All right. Good. And how about Ernestine Watlington, is she on the line? Pat, do you know whether or not Ernestine intends to join us?

MS. BATIE: She did intend to join us, if she was up to it. She has the call-in information.

MR. STRICKLAND: All right. So if she calls in, it'll -- she'll be automatically --

MS. BATIE: That is correct.

MR. STRICKLAND: -- joining us? All right.

Fine.

Next is to consider and act on the report of the Board's Committee on Provision for the Delivery of Legal

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Fine.

Next is to consider and act on the report of the Board's Committee on Provision for the Delivery of Legal

Services. Now, I understand that Maria Luisa will make that report.

MS. MERCADO: Yes, I will, Mr. Chairman. And I believe , I think everyone, every member of the Board, including -- I'm not sure whether Mr. Fuentes was on conference call.

MS. BeVIER: No.

MS. MERCADO: I remember the Board was present for most of the presentation, so I won't take a lot of time from the Board since all of you were here to personally hear the reports and presentations. But this Committee always has the pleasure of having presentations from the fields and from the community, as well as the bar, on various issues that we are looking at, and we did have the pleasure of being addressed by Hannah Lieberman, who is a Director of Advocacy from the Legal Aid Bureau of Maryland, as well as Susan Erlichman, the Executive Director of the Legal Services Corporation, IOLTA. And Ayn Crawley, who's the Director of the American Legal System Network Program. And, basically, they were preparing comments to us -- and I'm sure that some of them had written materials -- as well, as to how to improve the quality of the delivery of legal services. And, again, no need to reiterate other than to say that all of that is information that we will take as we look and develop in

how to make our delivery of legal services high quality effective legal services.

And we also, of course, had comments by our own President, Helaine Barnett, regarding the same issue of how to promote quality in the delivery of legal services with LSC-funded entities and some reiterated again this morning, or I should say this afternoon, looking at different ways that we, as the LSC corporation, can evaluate and, at the same time, improve the quality of Grantees in the Departments that we had in our oversight responsibilities with the Office of the Program and Performance and the office of Compliance and Enforcement as a dual, sort of a holistic approach, if you will, review of the program, and doing a pilot program, to begin with, and as well as looking at working with the ABA in reviewing the standards that were done back in 1986.

In the, also looking at the issue of peer review of Grantees, again, Kentucky, I believe, was a state that had volunteered to be one of the first pilots if they were going to be using that area. All in all there was not any number that we had for action to be presented to the Board. We also did have our staff with the Office of Program Performance that told us, basically, what the technology initiative grants, what the status of that was, how they were enhancing the delivery of legal services and

improving access to legal services by a broader number of clients out there in the community.

And, other than that, Mr. Chairman, we did not, as a Provisions Committee, have any items or action for the Board.

MR. STRICKLAND: Any questions of Maria Luisa regarding that report?

(No response.)

MR. STRICKLAND: All right. Let's next take a, consider an act on the Report of the Board's Finance Committee. Rob Dieter?

MR. DIETER: Yeah. Mr. Chairman, we -- first item was the receipt of the Inspector General's Fiscal Year 2003 Financial Audit which Len also has already reported on. It was an unqualified report, and Len is going to look into how he can prompt the Friends to report their figures, and earlier, so that we can present our -- conduct our audit in a more timely manner and noted that last year it was reported in June; this year it's reported in April and, so, hopefully we're moving in the right direction on that.

The next items were the reports by David Richardson regarding the temporary operating budget through March 31, 2004 and this, and the presentation of the consolidated operating budget which requires Board

action with respect to the resolution that's on Page 26 of the Board Book.

In reviewing the, the spending to date, it appears that the corporation is well within its budget parameters and is spending close to its appropriation level, rather than the total budget level that we have. That includes the carry-forward and that -- the President's going to be meeting with the Vice-Presidents here shortly to get an idea of the spending expectations for the next six months, so hopefully when we meet in Omaha we'll have a good picture for the ^31if you will ^ full year at that point in time.

And the Committee recommendation was to present this resolution to the Board for its approval. It's Resolution No. 2004-004.

M O T I O N

MR. DIETER: So, this time, move that the --

MR. STRICKLAND: You move the adoption of that resolution?

MR. DIETER: -- adoption of of this resolution.

MR. STRICKLAND: Is there a second to that motion?

MR. GARTEN: Second.

MR. STRICKLAND: Any discussion on the adoption of the resolution?

(No response.)

MR. STRICKLAND: All right. Hearing none, all those in favor of the adoption of Resolution No. 2004-004, please say aye.

(A chorus of ayes.)

MR. STRICKLAND: Those opposed?

(No response.)

MR. STRICKLAND: Resolution is adopted.

MR. DIETER: The next item that we discussed was the development and implementation of a pilot project on the Loan Repayment Assistance Program for LSC Grantees. That was broadly outlined in a letter from Len Koczur dated April 27th to me, which I believe all Board Members have already reviewed, and it presented two options. And the recommendation of the Finance Committee was to proceed with Plan One, which would be an effort to seek Congressional authorization to transfer the money from the Office of Inspector General to the Legal Services Corporation for purposes of setting it up and pilot project on student loan repayment assistance.

We inquired of Len to be sure that this would not materially affect the ability of his office to carry forward their statutory responsibilities and would not jeopardize his future funding requests, and he assured us that he felt that neither of those considerations were a

reason to not proceed with the proposal.

And I would note that the proposal, as I understand it, did originate, you know, from the Office of the Inspector General, and was a very generous gesture to the corporation and dealing with an issue that I know is important to a lot of Board Members and should provide us with the financial wherewithal to actually implement a meaningful student loan repayment assistance program.

The -- I think recommendation of the Committee is that the, this matter be turned over to the President for the appointment of a Task Force to seek ways and to, I guess, further study how this pilot program is to be implemented.

There were, there was no other business brought up and no other public comment, and we adjourned, I think, right around 5:30.

So that's my report.

MR. STRICKLAND: No action I am -- requiring a vote at this point?

MR. DIETER: No.

MR. STRICKLAND: Just the report. All right.

Any questions of Rob Dieter?

(No response.)

MR. STRICKLAND: Thank you, Rob.

And let's now move to the, consider and act on

the report of the Board's Operations and Regulations Committee. Tomorrow Meites?

MR. MEITES: Mr. Chairman, our Committee met this morning. We had three items that we were going to consider:

The first was a discussion on issues relating to the present regulation on retainer agreements; the second a discussion on issues relating to our present regulation and group representation, and the third was to consider a proposal from management that we consider a new rule-making with regard to developing procedures for the imposition of a reduction of recipient funding by less than 5 percent as a sanction.

We did not reach either the second or third item. We devoted all our time to a discussion of the issues relating to the present regulation on retainer agreements and a management proposal that that provision be amended, certain respects.

There was substantial discussion from -- with management as to the reason as to why it believed the rule-making should be amended at this time, as well as the specific areas where it was recommending amendment.

It was noted that our predecessors, as a Committee and as a Board, had determined that the retainer agreement provision be deleted and that management was

proposing that instead it be retained with a, certain changes.

We also heard from, comments from the public, from three persons representing the field who disagreed with the recommendations of management and, indeed, raised the question as to whether this was an appropriate subject for a rule at all.

Given the wide areas of inquiry from both our Committee and Members of the Board, the issues raised by the public comments and, indeed, raised by management in its discussions, our Committee determined not to make any recommendation to the Board at this time but to ask management to consider the comments made and, both by the Board Members and the public, and to further report on the retainer agreement area at our next Board meeting, at this next meeting of our Committee.

In addition, our Committee determined that it would defer a discussion of group representation issues and the 5 percent sanction also to the next meeting.

Finally, our Committee noted that we had asked our President when she believed it appropriate to inform us as of, as her new organizational arrangement for the staff and let us know if any action was required by the Board. She informed me that she was not getting ready to make the report, and we deferred that matter, as well.

So, Mr. Chair, there is no action that our Committee at this time recommends that the Board take.

MR. STRICKLAND: All right. Any questions of Tom Meites?

Thank you for that report, Tom.

And next we'll move to the report of the Board's Search Committee for -- it's actually called LSC President-Inspector General, but at the moment it's just for the IG position.

The report of that Committee is that we have posted on the LSC website and IG net and, also, we'll post on the ABA net a vacancy announcement for the position of the LSC Inspector General. And we'll be conducting that search internally with application to be sent to Vic Fortuno by May 31, 2004. I believe we agreed at the Committee meeting to add to modify the posting to state that the position is located in Washington, D.C. and I think all the members of the Board were present for the Committee meeting and heard the discussion, but that is, in essence, the report of the Search Committee that we have posted that notice, and that process is underway.

Any other questions on that particular item?

All right. ^let's ^ lets move to the next item, which is consider an act on a proposal concerning space at 3333 K Street, N.W. in Washington. Helaine, are you going to

give us a report on that? And then we have a Memoranda of Understanding.

MS. BARNETT: A resolution. That went first to the memorandum.

MR. STRICKLAND: I beg your pardon. We have a resolution. Where is that in the book?

MS. BARNETT: It's Page 70.

MS. BeVIER: It's Page 70.

MR. MEITES: I'm sorry. What page?

MS. BeVIER: 70.

MS. BARNETT: 70.

MR. MEITES: Thank you.

MR. STRICKLAND: Are you going to give us a report before we come to the resolution?

MS. BARNETT: Right. On Page 68 of the Board Book is a memorandum on the discussions that we had outlined at the direction of the Board to have with the Board of Friends. I can report that the Friends Board met on Thursday, the 28th of April, and Lynn Bulan, who's ^here ^ hear, was designated by Tom Smegal and their representative, having sat in on the Board meeting to review what I am going to says -- which I have obviously reviewed with her beforehand.

What you have before you is a resolution that would authorize me to negotiate and enter into an

amendment to the current lease with Friends which is based on a memorandum of understanding. I don't think you all have copies of that, but the Chairman does, right?

MR. STRICKLAND: Yes. I'm sorry. I don't know why we don't have copies for everyone on this, but --

MS. BARNETT: Should I just briefly summarize it?

MR. STRICKLAND: Why don't you summarize that and, perhaps, people will, the Board Members will recall the previous discussion about swapping space within the building to get more space on the fourth floor of the building and give up some space on the first floor. And this memorandum of understanding summarizes that, and I think Helaine can cover that adequately. But I'll be glad to pass around the memoranda, if anybody would like to see the verbatim language of that. And go ahead with the summary.

MS. BARNETT: Well, that's exactly right. We have been wanting to swap space that we have on the first floor of the building, which is on the side, and move up some of our staff to the fourth floor, which is very desirable space facing the river. We weren't sure, exactly, if it was a, an exact swap or not. And it actually is pretty close to that, although we're backing up just a little bit more space.

We also had to determine how much square footage

we actually had under our lease based on the Washington Board of Realtors standards measure, method of measurement. And when that was completed, it turned out that LSC has been occupying 42,852 square feet, approximately 2,147 fewer square feet than the 45,000 for which LSC has been paying rents since it occupied the premises on June 2nd, 2003. And what we ended up discussing with Friends was as follows:

We would vacate what is approximately 1,971 square feet on the first floor and acquire the currently available 2,294 square feet on the front of the side of the fourth floor at an annual rental, rent of \$38 per square foot. And that, we had asked that the, Friends either will pay the cost of the tenant improvement in the new space up to a maximum of \$82,500. Or, if they're not able to do that -- and this will be discussed with them -- LSC will initially pay the cost of the built-out and its rent will be reduced at an equal amount each month for a fixed period of 60 months until it's been fully reimbursed for the construction cost. So the bottom line is LSC is not paying for the build-out cost, but Friends is.

In addition, we had asked for an option to renew the current lease, as modified by the swap, the space swap, from the first floor to the fourth floor for an additional 10 years and at an annual rent, the same annual

rent of \$1,700,000, which we're paying. And Friends indicated that at the point that we we renew, at the conclusion of our first 10-year lease, they might have to adjust the rent for some pass-throughs. And, so, the parties intend to specify any amendments to the lease, any pass-throughs that would apply to a renewal.

In addition, we asked for a right of first refusal with respect to any new space that becomes available during the term of the current lease at a rent not to exceed the \$38 per square foot, and that the built-out costs and the tenant improvements are on any space acquired by LSC under this provision will be paid by Friends, and they agreed to do that during the term of the current lease.

So I think we would recommend that -- we asked for the right to extend our lease, which we have been given. The response that they might have to, in 10 years, add some pass-throughs seemed reasonable to us, although we'll quantify what they will be in the final lease amendment agreement. We asked for right of first refusal of additional space at the \$38 a square foot. They have agreed to that for the term of this 10-year lease, which also seemed reasonable to us and, so, we would recommend to the Board favorable action.

MS. MERCADO: So, Mr. Chairman, are we asking to

move Resolution No. 2004-005?

MR. STRICKLAND: Yes.

MS. MERCADO: So move.

MR. STRICKLAND: All right.

MR. GARTEN: I have a question.

MR. STRICKLAND: All right. I want to get a second and then we'll take it. Is there a second ?

MS. BeVIER: Second.

MR. STRICKLAND: All right. Herb?

MR. GARTEN: How much less space did it wind up that you're, that you were occupying and what you were paying rent for?

MS. BARNETT: It was 2,147 fewer square feet.

MR. STRICKLAND: I'll tell you what, in the commercial market, this is about as good a deal --

MR. GARTEN: Right.

MR. STRICKLAND: -- as a tenant could get.

MR. GARTEN: Well, as it turns out, that's about the dollar amount that they're going to spend on improvements. ^it's ^ its about \$825,000.

MR. STRICKLAND: Yes.

MS. BARNETT: Mm-hmm.

MR. GARTEN: Just a factor that I'm sure they considered.

MR. STRICKLAND: Is there any further comment on

that? I've forgot what the discussion was on that particular point about the --

MS. BARNETT: This was actually what we were using for consideration to get the addition benefits that we asked for.

MR. STRICKLAND: All right. Any further discussion?

All right. Let's proceed, then, to a vote on the resolution 2004-005. All those in favor of adopting the resolution, please say aye --

(A chorus of ayes.)

MR. STRICKLAND: -- as opposed to nay. And that resolution is adopted.

Let me get back to that page here. We need to consider an act on locations of the Board's locations for the calendar year. In terms of a comment on that we've set one location and, and dates for that meeting the June meeting would be in Omaha. And we've set dates for the September meeting, but we have not at the moment settled on a location other than, generally speaking, we're looking at somewhere in the west -- either in California, Idaho or Oregon. So when that location is determined we'll certainly pass that word as quickly as we can. But we're just looking, or Helaine and the staff are looking at those possible locations, and we just haven't firmed it

up.

I don't know whether that requires any further action in the sense that ^we've ^ we've ^ we've already set the dates at at least one of the locations. So that would just be the ^subject ^ suggest of a -- it won't be an action item today. We'll just pass around the location as soon as we know it.

Now, is there any other business? Beg your pardon.

(Off-record discussion between the Chairman and the President.)

MS. BARNETT: I just like to bring to the Board's attention that there will be two telephone meetings. The previously scheduled dates are being proposed to be changed, so if I could give you those dates:

Monday, May 24th, 1:30 Eastern Standard Time.

MR. McKAY: Daylight.

MR. STRICKLAND: Eastern Daylight Time.

MR. GARTEN: What she say, 1:30?

MS. BARNETT: And November 22, 1:30 --

MR. STRICKLAND: By then, Eastern Standard Time.

MS. BARNETT: -- Eastern Standard Time.

MR. STRICKLAND: Right.

MR. MEITES: Mr. Chairman --

MR. STRICKLAND: Yes.

MR. MEITES: -- would you remind me, or -- I

assume it's my inattention that I don't know the answer to this question -- is what the ^subject ^ suggest of the May phone conference will be?

MR. STRICKLAND: I'll ask the President to remind you, 'cause I can't remember.

MS. BARNETT: I believe the Board has to take a position on the Semi-Annual Report by the Office of Inspector General to Congress.

MR. MEITES: Okay. Thank you.

MR. STRICKLAND: And it's a similar purpose for the November meeting, as well.

MS. MERCADO: November 24th.

MR. STRICKLAND: Is there any other business to come before the meeting? Is there any public comment before we go into , yes, before we go into our -- or before I ask for a resolution to go into Executive Session?

So while we're still convening in public session, I want to make some acknowledgements. And if I leave anybody out, it's certainly not intentional. But I do want to express the appreciation of the Board, again, for the hospitality extended to us by the Legal Aid Bureau, in particular, Warren Oliveri, Andy Graham and, of course, the Executive Director, Wilhelm Joseph. We very much appreciated the opportunity to visit the Legal Aid Bureau, and we were very favorably impressed with your operation

and your facility.

And, of course, we also thank the local bar for rolling out the red carpet for us. The University of Baltimore, Dean Gilbert Holmes, and our host today, the University of Maryland Law School Dean, Karen Rothenberg, and her colleagues and the various law law firm sponsors who hosted us for dinner last night, the law schools and the entire group.

But, in particular, we could not adjourn the public portion of the meeting without expressing our great appreciation to Herb Garten for arranging our meeting in Baltimore. And I think we owe him a round of applause.

(Applause.)

MR. GARTEN: Thank you.

MR. STRICKLAND: ^it's ^ its been everything you said it would be, Herb, and more.

MS. MERCADO: Good. Well, we hope you come back. The Maryland Legal Services Corporation, of course, was one of the sponsorees, as well as --

MR. STRICKLAND: Yes. I didn't mean to leave them out. I'm sorry. I left them off the list. And thank you for filling that in.

MR. GARTEN: They all enjoyed this visit a great deal. It meant especially much to both Deans of the law schools. And you could see the faculty and those that

were here, as well as Legal Aid and our other hosts.

So it was great that you finally came through,
Frank -- old boy -- and anytime you want to ^46comeback ^ come back,
there's lots to do ^here ^ hear.

MR. STRICKLAND: Well, it's a great City, and
it's a it's a wonderful place to visit, so maybe we'll
just do that. All right.

MS. MERCADO: Mr. Chairman, you know, before I
forget . I was speaking with the Dean --

MR. STRICKLAND: Yes.

MS. MERCADO: -- actually, this morning, when the
Dean addressed us in -- Professor of the Clinical Program,
one of the things that we actually mention as they were
leaving that was not on the record and they wanted to make
sure that I remembered to bring it before the Board on the
record was that, as to the issue of their call to the
Board to sort of help, or support, sort of, a national
drive for the loan repayment of student loan services.
That they forgot to mention that the American Association
of Law Schools, along with American Bar Association, have
a joint commission that is specifically launching that, as
well . And, of course, and the legal services and other
stakeholders , to work with them, as well. But just wanted
you to know that they were doing something toward that
effect, and we -- thanked our support in pursuing that

forward before Congress.

MR. STRICKLAND: Well, thank you for putting that in the record.

I would then entertain a motion to authorize an Executive Session of the Board to address the items listed under our Closed Session. I reminded our other attendees that we're going to adjourn after the Closed Session. So this will end the open portion of our meeting. We will not reconvene after the Closed Session. So just take a moment here to shift.

And let me get the motion.

M O T I O N

. MS. MERCADO: So moved.

MR. STRICKLAND: Is there second?

MS. BeVIER: Second.

MR. STRICKLAND: Those in favor say aye?

(A chorus of ayes.)

MR. STRICKLAND: All right. That motion is now adopted, and we'll now move into Closed Session.

MS. MERCADO: Can we have a five-minute break?

MR. STRICKLAND: Five-minute break.

(At 3:25 p.m., proceedings were concluded.)

