

1997 Board of Directors Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

September 22, 1997

MINUTES

The initial meeting of the Board of Directors of the Universal Service Administrative Company (USAC) (the Corporation) was held at the Federal Communications Commission (FCC) - Room 856, 1919 M Street, NW, Washington, D.C., on the above date. The meeting was called to order at 10:00 AM by David F. Hoyle, the Sole Incorporator.

Sixteen Board members were present, representing a quorum, as follows:	
S&L	RHC
David Abramson	James Jackson
Anne L. Bryant	Donald Lynch
John Anthony Butler	Dr. Henry Marockie
Edwin H. Eichler	Kathleen G. Ouye
Heather Burnett Gold	Dr. Jay Sanders
Frank Gumper	Lisa Rosenblum
Kevin Hess	Allan Thoms
Martha Hogerty	Tom Wheeler
One member was absent as follows:	
Brian Talbott	

ACTION ITEMS:

Others present for various parts of the open meeting are included in the list attached to these minutes as Attachment I.

1. Mr. Hoyle opened the meeting by welcoming the assembly and explaining the agenda. He also introduced representatives from the National Exchange Carrier Association, Inc.(NECA): William E. Stern, Vice President; Kenneth A. Levy, General Counsel, and Edward R. English, Director, Finance. Mr. English was designated Secretary for the meeting.
2. Mr. Hoyle requested that the members of the Board introduce themselves. At the conclusion of Board introductions, Mr. Hoyle introduced Commission Chairman Reed Hundt, who addressed the Board. Following the presentation, Mr. Hoyle introduced Commissioner Susan Ness, who also addressed the Board.

3. Mr. Hoyle read to the Board a document entitled "Consent of Shareholder in Lieu of First Meeting of Shareholder," which he had filed with the State of Delaware on September 17, 1997, as the Sole Incorporator, which is attached as Attachment II.
4. Mr. Hoyle introduced Resolutions for Board approval to organize and initiate the Corporation. On motions duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, that the original Certificate of Incorporation of this Corporation, filed in the office of the Secretary of State of the State of Delaware on September 17, 1997, is hereby ratified and approved. The Secretary is instructed to cause a certified copy of the Certificate of Incorporation to be inserted in the Minute Book.

RESOLVED, that all of the actions taken by the incorporator of this Corporation to effect the incorporation of this Corporation are hereby approved, ratified, confirmed and adopted by and on behalf of this Corporation.

RESOLVED, that creation of a seal, bearing the inscription of "Universal Service Administrative Company, Delaware, 1997" is authorized and shall be the official corporate seal of the Corporation.

RESOLVED, that the form of stock certificate representing shares of Stock, having a par value \$0.01 per share, at a price per share of one and no/100 dollars (\$1.00), is adopted as the form of stock certificate for the Stock of the Corporation.

RESOLVED, that the Corporation issue one hundred (100) shares of its common stock, par value one cent (\$0.01) per share and sell such shares to the National Exchange Carrier Association, Inc. at a price of One and no/100 Dollars (\$1.00) per share.

The Certificate of Incorporation is attached as Attachment III.

5. The Board considered electing Board officers and officers of the Corporation, but postponed any resolution until after presentation of operational matters by Mr. Stern.
6. The Board considered adopting eighteen resolutions for accomplishing the fiscal duties of the Corporation, but also postponed the decision until after presentation of operational matters by Mr. Stern.
7. Mr. Hoyle requested a motion for the Board to accept the By-Laws of the Corporation. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, that the By-Laws for the regulation of the affairs of this Corporation, as approved by the Federal Communications Commission in a Public Notice dated September 15, 1997, attached hereto and incorporated herein by reference, are hereby ratified, adopted and approved as the By-Laws of this Corporation and shall be filed with the Minutes of the Corporation. The By-Laws are attached as Attachment IV.

8. Upon recommendation that the Corporation obtain adequate insurance coverage, on a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, that the Corporation provide for directors' and officers' insurance, property, casualty and fiduciary insurance, as well as such other insurance as the officers of the Corporation deem necessary or advisable.

9. Mr. Stern, Vice President, NECA discussed functions to be performed by NECA, USAC, Schools and Libraries Corporation (S&L), and Rural Health Care Corporation (RHC), the resources required and possible arrangements with NECA to continue to support the developmental effort. The Board discussed the issue of short timelines, creation of application forms, websites and processes, along with the resources required to accomplish the tasks.
10. Mr. Hundt, Chairman of the FCC, introduced The Honorable Jay Rockefeller, Senator from West Virginia, who addressed the Board.
11. At the conclusion of the address, the Board resumed discussion of operational matters until 12:42 P.M., when a recess was called for lunch.
12. Mr. Hoyle reconvened the meeting at 2:10 P.M., and the Board conducted the following elections:
 - a. On a motion duly made and seconded, the Board elected, by secret ballot, Frank Gumper as the Service Provider representative to the S&L Corporation.
 - b. On a motion duly made and seconded, the Board elected, by secret ballot, Kevin Hess as the Service Provider representative to the RHC Corporation.
13. On a motion duly made and seconded, the Board passed the following resolution:

RESOLVED, that the full Board shall select the Chairman of the High Cost and Low Income Committee.

14. On a motion duly made and seconded, the Board unanimously elected Heather Burnett Gold as Chairman of the High Cost and Low Income Committee. At 2:35 P.M., Tom Wheeler excused himself from the meeting.
15. The Board discussed operational matters related to using the services of NECA to further assist the operational start-up and on-going operations of the Corporation. On a motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that USAC will enter into a one-year contract with NECA to perform specified duties to carry out USAC functions.

RESOLVED, that all services provided by NECA through today's meeting which were authorized by the FCC dated July 18 and August 15, 1997 are accepted and authorized for payment to NECA under the requirements of the NECA Cost Manual. NECA is hereby authorized to continue the services described in the FCC Orders through provision of its staff and other resources on a fully compensatory basis and to provide such additional services as the Board deems necessary to meet the regulatory deadlines until such time that a written contract is executed between the parties.

RESOLVED, that at the next Board meeting, NECA will report to the Board its plan for carrying out the specified USAC functions.

RESOLVED, that USAC will oversee and direct NECA in the performance of USAC work.

16. The Board next addressed the need for electing a Chairman and Vice Chairman. After some deliberation, it was decided to appoint a Committee of Chairman to oversee operations until a Chairman and Vice Chairman were elected.

The following Board members agreed to serve on the Committee of Chairman:	
Donald Lynch	Dr. Henry Marockie
Lisa Rosenblum	

17. The Board next addressed the need for electing officers of the Corporation. On motion duly made and seconded, the following resolutions were adopted unanimously:

RESOLVED, that William E. Stern be elected as Acting Chief Executive Officer of the Universal Service Administrative Company (USAC).

RESOLVED, that Edward R. English be elected as Acting Secretary/Treasurer of the Universal Service Administrative Company (USAC).

18. The Board next addressed the eighteen fiscal resolutions authorizing the officers of the Corporation to establish bank accounts, pay all expenses, procure proper books, etc. Upon a motion duly made and seconded, the following resolutions were adopted unanimously:

RESOLVED, that the Chairman of the Board of Directors, the Chief Executive Officer and the Treasurer of the Corporation (the "Designated Officers") be and each of them hereby is authorized for and on behalf of the Corporation to designate from time to time one or more banks, trust companies or other banking institutions (any thereof being hereinafter referred to as a "bank") to act as depository or depositories for the funds of the Corporation for and during such period as he may from time to time deem necessary or desirable in the interests of the Corporation and to open or close out from time to time accounts in any such depository so selected or reselected.

RESOLVED, that the Designated Officers of the Corporation be and each of them hereby is authorized and directed, in the name and on behalf of the Corporation, to take any and all action that they may deem necessary or advisable in order to establish bank accounts from time to time for the efficient conduct of the Corporation's business.

RESOLVED, that the CEO of the Corporation be and he or she hereby is authorized to designate those officers or agents of the Corporation who may be authorized from time to time to sign checks on any of such bank accounts.

RESOLVED, that the CEO, any Vice President, Secretary and Treasurer be, and each of them hereby is, authorized and directed, for and on behalf of the Corporation, to pay all charges and expenses incident to or arising out of the

incorporation of the Corporation and to reimburse the persons who have made any disbursements therefore.

RESOLVED, that the officers of the Corporation be and each of them hereby is authorized and empowered on behalf of the Corporation to pay any other such fees and expenses and to do such other acts and things as they may deem necessary or advisable in connection with the carrying out of any of the matters or purposes set forth in the foregoing resolutions.

RESOLVED, that the Secretary and the Treasurer of this Corporation be and hereby are authorized and directed to procure all appropriate corporate books, books of account and stock books that may be deemed necessary or appropriate in connection with the business of this Corporation.

RESOLVED, that the fiscal year of the Corporation shall commence on the first day of January and shall end on the last day of December of each year.

RESOLVED, that the Treasurer or any employee designated by the Chief Executive Officer or the Treasurer be authorized to deposit for safekeeping any temporary cash investment securities with such banks or trust companies approved as depositories of funds of USAC or such other bank or trust company as deemed appropriate.

RESOLVED, that the Treasurer is authorized to sell any security purchased for temporary investment purposes; to agree at the time of purchase of any temporary investment to resell all or any part thereof on terms fixed at the time of purchase; and to agree at the time of sale of any temporary investment to repurchase all or any part thereof on terms fixed at the time of sale.

RESOLVED, that for corporate purposes of the Corporation, the Treasurer, be, and hereby is, authorized to borrow such amounts as may from time to time be approved by the Chief Executive Officer. Said borrowings to be made as follows:

- a. from such banks, insurance companies, or other financial institutions on such terms and at such rates of interest as the Treasurer shall deem advisable, and in connection therewith, there may be executed and delivered unsecured promissory notes on behalf of the Corporation evidencing such forms as the officer executing the same approve, each such note to be signed by the Treasurer.

RESOLVED, that the holder may rely on any unsecured promissory note of the Corporation signed as provided for in these resolutions as constituting a valid and binding obligation of the Corporation.

RESOLVED, that in connection with borrowings by the Corporation to be made from the issuance and sale from time to time of unsecured promissory notes (commercial paper) authorized pursuant to the foregoing resolutions, the signature of any officer authorized to execute any such note (commercial paper) on behalf of the Corporation may, but need not be a facsimile signature imprinted or otherwise reproduced on such note, the Corporation

hereby adopting as binding upon it the facsimile signature of the present and any future Chief Executive Officer, or, Treasurer provided however, that the countersignature on such notes may not be a facsimile signature.

RESOLVED, that the Chief Executive Officer has the responsibility to ensure the preparation and submission to the Board of Directors of a quarterly expense budget and an annual capital expenditure budget, each of which describes in reasonable detail the programs and projects contemplated.

RESOLVED, that the Chief Executive Officer will periodically submit to the Board of Directors a comparison of the budgets with actual results of operations.

RESOLVED, that the Chief Executive Officer shall have full power to enter into contracts, purchase material, and approve employee expenses on behalf of the Corporation for all contracts in amounts prescribed by the attached schedule of authorizations and that the attached schedule of authorizations is approved. See Attachment V.

RESOLVED, that the Chief Executive Officer may at his or her option delegate the power to enter into contracts, purchase material, and approve employee expenses for all contracts or amounts valued at or below the amounts prescribed in the approved schedule of authorizations.

RESOLVED, that the Chief Executive Officer shall have the full authority to approve the disbursement of support funds and may delegate this authority to the Treasurer.

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized and directed to execute any and all stock certificates and other instruments or documents, and to take any and all other actions, as such officer may consider appropriate in order to carry out the foregoing resolution.

19. Acknowledging the requirement to establish appropriate office space, operating facilities and personnel for the Corporation, upon a motion duly made and seconded, the following resolution was adopted unanimously:

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized and directed to make such arrangements as are deemed necessary and appropriate with respect to office space, operating facilities and personnel, in order to conduct the business of the Corporation efficiently and properly.

20. Mr. Levy presented a discussion of authorizations to do business in various states and the importance of securing the service mark of the Corporation. On motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that for the purpose of authorizing the Corporation to do business in any jurisdiction in which it is necessary or expedient for the Corporation to transact business, the officers of the Corporation be and each of them hereby is authorized to appoint and substitute all necessary agents or

attorneys for service of process, to designate and change the location of all necessary statutory offices and under the corporate seal if required, to make and file all necessary certificates, reports, powers of attorney and other instruments as may be required by the laws of such jurisdiction to authorize the Corporation to transact business therein, and whenever it is expedient for the Corporation to cease doing business therein and withdraw therefrom, to revoke any appointment of agent or attorney for service of process and to file such certificates, reports, revocations of appointment, or surrenders of authority as may be necessary to terminate the authority of the Corporation to do business in any such jurisdiction.

RESOLVED, that the Corporation should review the feasibility of registering its name as a service mark and/or a logo identifying the company. This review shall include attorney review of comparable service marks and design of the actual service mark. If it is determined that the registration is prudent and legally defensible, the Corporation is authorized to register the service mark(s) in a timely manner.

21. Mr. Stern recommended that the Board consider the formation of standing committees such as Compensation, Budget and Finance, Audit, etc. The Board decided to postpone the selection of standing committees to a subsequent meeting.
22. Mr. Levy reviewed the status of regulatory matters affecting the Corporation's activities.
23. Mr. Stern discussed with the Board the requirement to submit a projected First Quarter 1998 budget to the FCC by November 1 for USAC, S&L, and RHC. He indicated to the USAC Board that he would prepare a budget which would be included in the premeeting materials for the next Board meeting.
24. Mr. Stern explained the procedure for obtaining reimbursement for Board expenses and established the schedule for upcoming meetings. See Attachment VI. At 3:47 P.M., Lisa Rosenblum excused herself from the meeting.
25. Mr. Stern explained that FCC rules require that all meetings be held in Washington, D.C. and be open to the public.

There being no further business to come before the Board, on a motion duly made and seconded, Mr. Hoyle adjourned the meeting at 4:06 P.M.

Edward R. English
Secretary

- [Attachment I](#) - Attendees
- [Attachment II](#) - Consent of Shareholder
- [Attachment III](#) - Certificate of Incorporation
- [Attachment IV](#) - By-Laws (*follow link for Corporate Bylaws PDF file*)
- [Attachment V](#) - Schedule of Authorizations
- [Attachment VI](#) - Proposed Meeting Schedule

Attachment I - Attendees

Name	Organization
Robert Haga	NECA
Randall S, Coleman	CTIA
Elliot Maxwell	FCC
Andrew Megpuntay	American Library Association
Linda Emery	MCI
Jim Rodda	MCI
Natascha von Blumencron	MCI
Angela E. Giancarlo	PCIA
Bretton Himsworth	Tel/Logic
Ben Jazaskinski	USCC
Jeff Burnett	NAIS
Carolyn Breedlove	NEA
Jon Bernstein	NEA
Michelle Richards	NSBA
Tom Snedeker	Winstar Communications
Steve Witter	ESD 101
Orin Heend	Funds for Learning, LLC
Norina Moy	Sprint
Warren Hannah	Sprint
Bernice McJntyre	B. McIntyre & Assoc.
Bruce Baldwin	NECA
J Maurice Trawlian	Chief Officers of State Library Agencies
William R. Sonnett	SBC Communication
Melinda Mullet	Andersen Worldwide
Jay Bennett	SBC
Dennis Bybee	ITS Partnership
Len Sawicki	MCI Communications
Sean Corcoran	Lockheed Martin
Michael Jankowski	Rini, Coran & Lancellotta
Jack Richards	Keller and Heckman

Jim McConnaughey	NTIA
Rebecca Reed	--
Robert Morse	Wilkinson Barker
Lisa Zaina	OPASTCO
Jennifer Williams	Mintz Levin
Arlen Sheldrake	Multnomah E.S.D.
Scott Reiter	NTCA
Melanie Hatter	TPG
Jackie Lamb	CA Dept, Of Education
Debra Kriete	Pennsylvania PUC
Lisa Boehley	FCC
Teresa A. Pitts	NCTA
John Ricker	NECA

Attachment II - Consent of Shareholder in Lieu of First Meeting of Shareholder

The undersigned, being the sole Shareholder of Universal Service Administrative Company, a Corporation organized and existing under the laws of the State of Delaware (the "Corporation"), acting pursuant to Section 228 of the Delaware General Corporation Law, does hereby consent to the following actions:

RESOLVED, that the certificate of incorporation of said Corporation was filed with the Secretary of State of Delaware on September 17, 1997.

RESOLVED, that the following persons are hereby elected directors of the Corporation to serve until the next annual meeting and until their respective successors are duly elected and qualified, or until their prior death, resignation or removal:

Frank Gumper	Kevin Hess	Edwin Eichler
Donald Lynch	James Jackson	Tom Wheeler
Heather Burnett Gold	Lisa Rosenbloom	David Abramson
Anne Bryant	Henry Marockie	Brian Talbott
Kathleen Ouye	Jay Sanders	John Anthony Butler
Martha Hogerty	Allan Thoms	

RESOLVED, that the directors and officers of the corporation be, and each of them hereby is, authorized and directed to execute and deliver any and all certificates, documents, papers or instruments and to do or cause to be done any and all acts and things. as such director or officer may deem necessary or desirable in order to carry out the organization of the Corporation and to commence and conduct the business thereof.

IN WITNESS WHEREOF, this Consent is executed this 18th day of September, 1997.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

By: David F. Hoyle, Secretary

[Attachment III - Certificate of Incorporation](#)

CERTIFICATE OF INCORPORATION

OF

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

1. The name of the Corporation is UNIVERSAL SERVICE ADMINISTRATIVE COMPANY.
2. The Registered Office of the Corporation in the State of Delaware is to be located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The Registered Agent in charge thereof is CORPORATION TRUST COMPANY.
3. The purpose of the Corporation is to engage in any lawful act or activity, consistent with Federal Communications Commission ("FCC") Orders and Rules, for which corporations may be organized under the General Corporation Law of Delaware. The Corporation does not contemplate pecuniary gain or profit and is organized for nonprofit purposes.
4. The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) and all such shares shall be common stock with a par value of \$0.01 per share. The National Exchange Carrier Association, Inc. shall be the sole stockholder of the Corporation and shall act in compliance with the FCC Rules and Orders when exercising its stockholder duties and powers. The Corporation shall not have members.
5. The name and mailing address of the sole incorporator is David F. Hoyle, Secretary of National Exchange Carrier Association, Inc., 100 South Jefferson Road, Whippany, NJ 07981.
6. After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, after the Corporation has received any payment for any of its common stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised, consistent with FCC Rules and Orders, either by the stockholder or the Board of Directors of the Corporation.
7. No director of the Corporation shall be personally liable to the Corporation or its stockholder for monetary damages for breaches of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (i)

for any breach of the director's duty of loyalty to the Corporation or its stockholder; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the General Corporation Law of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or amendment of this Article SEVEN shall adversely affect any rights or any person pursuant to this Article SEVEN with respect to acts or omissions occurring prior to such repeal or amendment.

8. The Corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, under which the Corporation is organized or in any amendment thereto, in the manner now or hereafter prescribed by law and all rights conferred upon stockholder in said Certificate of Incorporation or any amendment thereto are granted subject to the aforementioned reservation.

I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this seventeenth day of September, 1997.

David F.
Hoyle, Sole Incorporator

Attachment V - Schedule of Authorizations for Approval of Obligations, Expenditures, and Other Transactions

Dollar Limitation of Approving Authority

	Manager	Director	Special Approval	CEO	Board of Directors
1. Capital Expenditures Leases & Contracts	\$5,000	\$50,000	-	\$100,000	Over \$100,000
2. Expense Reports & Sundry Disbursements	\$1,000	\$10,000	-	\$100,000	Over \$100,000
3. Recurring Payroll, Tax Payments, Fund Disbursements, Intercompany Transfers	-	-	Treasurer CFO All Amounts		
4. Investments & Borrowings	-	-	Treasurer CFO	-	As Authorized

Attachment VI - Proposed USA, SLC, and RHC Board Meeting Schedules

Planned future meeting dates for 1997 and 1998 are:

USAC

Monday, October 20, 1997
High Cost/Low Income Committee
A.M.
Full Board P.M.

Monday, November 17, 1997
(tentative)
High Cost/Low Income Committee
A.M.
Full Board P.M.

Monday, January 26, 1998
High Cost/Low Income Committee
A.M.
Full Board P.M.

Monday, April 20, 1998
High Cost/Low Income Committee
A.M.
Full Board P.M.

Monday, July 20, 1998
High Cost/Low Income Committee
A.M.
Full Board P.M.

Monday, October 19, 1998
High Cost/Low Income Committee
A.M.
Full Board P.M.

SLC/RHC

Tuesday, October 21, 1997
Full Boards A.M.

None planned

Tuesday, January 27, 1998
Full Boards A.M.

Tuesday, April 21, 1998
Full Boards A.M.

Tuesday, July 21, 1998
Full Boards A.M.

Tuesday, October 20, 1998
Full Boards A.M.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

October 20, 1997

MINUTES

The regular meeting of the Board of Directors of the Universal Service Administrative Company (USAC) (the Corporation) was held at the Doubletree Hotel Park Terrace, 1515 Rhode Island Avenue, NW, Washington, D.C., on the above date. The meeting was called to order at 1:30 P.M. by Dr. Henry Marockie (representing the Committee of the Chair).

Seventeen Board members were present, representing a quorum, as follows:	
David Abramson	James Jackson
Anne L. Bryant	Donald Lynch
John Anthony Butler	Dr. Henry Marockie
Edwin H. Eichler	Kathleen G. Ouye
Heather Burnett Gold	Dr. Jay Sanders
Frank Gumper	Lisa Rosenblum
Kevin Hess	Brian Talbott
Martha Hogerty	Allan Thoms
Tom Wheeler	
Four representatives from the National Exchange Carrier Association (NECA) were present as follows:	
Bill Stern	Acting CEO, USAC; Vice President, NECA
Ed English	Acting Secretary Treasurer, USAC; Director, Finance, NECA
Ken Levy	General Counsel, NECA
John Ricker	Director, USF & Support Programs, NECA
Others present for various parts of the open meeting:	
Name	Organization
Maryanne McCormick	FCC
Robert Haga	NECA
Stacey Chaney	Bell Atlantic

Jim Rodda	MCI
Edie Heima	Comms. Daily
Elena Lucini	Wash. Telecom Newswire
Lisa Zaina	OPASTCO
T. Marie Guillory	NTCA
William Sonnett	SBC
Randy Coleman	CTIA
Teresa A. Pitts	NCTA
M. Matten	Telecom Publishing Group
Jackie Lamb	CA. Dept. Of Education
John Ricker	NECA
Cherie R. Kiser	Mintz, Levin
Lee Palagy	Cablevision Systems Corp.
Sally Shake	Education Legislative Services
Sharon Logan	D.C. Public Service Commission
Ramesh Chandra	ITFS
Jon Bernstein	NEA
Teresa A. Pitts	NCTA
Kari Arfstrom	AASA
Kathryn Falk	VCTA
Aleck Johnson	ACA
Andrew Magpartay	ACA

ACTION ITEMS:

1. Dr. Marockie welcomed the assembly and requested that members of the Board and NECA introduce themselves. Following introductions, Dr. Marockie rearranged the agenda with the concurrence of the Board. He then presented the Minutes of the September 22, 1997 Board of Directors meeting. Upon a motion duly made and seconded, the Minutes were approved unanimously.
2. Mr. Lynch presented a Report of the Committee of the Chair with respect to its work developing and reviewing a contract between USAC and NECA. He explained that the proposed contract had the following attributes: one-year term, flexibility for the CEO, a defined level of effort, and a reasonable estimated budget. The Committee's recommendation was that the full Board allow the Committee to execute the contract with NECA.

Ms. Rosenblum added that the contract had also received review by outside counsel:

Cherie R. Kiser, Esq. of Mintz, Levin, whose comments were incorporated therein. Mr. Stern indicated that one of the responsibilities of the USAC Board was to approve an estimate of USAC administrative costs for submission to the FCC in an October 31, 1997 filing. By allowing the Committee of the Chair to execute the proposed contract, the Board would also be approving the proposed USAC budget for the First Quarter of 1998.

The Board discussed staffing levels, cost allocation between funds, and the estimated nature of the budget attachment to the contract. Mr. English explained the methodology used to arrive at the estimated expense budget. On motion duly made and seconded, the Board unanimously adopted the following Resolution:

RESOLVED, that the Committee of the Chair is authorized to execute the contract with NECA on behalf of USAC, and that the estimated budget attached thereto act as the basis for the First Quarter 1998 projection of USAC administrative expenses.

The Board thanked Sandy Fain, on the staff of MCI, for his assistance in reviewing the contract on behalf of USAC.

3. Ms. Gold reported on the meeting of the High Cost/Low Income Committee by summarizing the Minutes of the meeting and resolutions adopted by the Committee, which are attached as Attachment II. She asked that the full USAC Board consider the question of monthly versus quarterly billing for contributors. After discussion and motion duly made and seconded, the Board unanimously adopted the following Resolution:

RESOLVED, that the USAC Board directs staff to petition the FCC for a waiver to permit monthly billing of USF contributions.

4. Mr. Ricker presented a report on the status of the Form 457 collection and compilation process. On motion duly made and seconded, the Board unanimously adopted the following Resolution:

RESOLVED, that the USAC Board of Directors, having reviewed a summary of the results of data collection of telecommunication service provider revenues for the first six months of 1997 at its meeting on October 20, 1997, hereby directs the NECA staff to proceed with the required October 31, 1997 filing on behalf of USAC. NECA staff may make adjustments if additional data becomes available or errors are discovered, and to reflect changes required as a result of FCC orders.

5. Ms. Rosenblum reported that the Committee of the Chair had done some preliminary work on the selection of a Chief Executive Officer. The Board discussed some of the desired qualifications and whether or not the CEO would be full or part-time.

On motion duly made and seconded, the following Resolution was adopted:

RESOLVED, that the Committee of the Chair employ a search firm for the purpose of selecting a CEO for USAC. Prior to engaging the firm, the compensation level will be established by the Committee of the Chair.

6. Mr. English informed the Board that the Directors and Officers of USAC were automatically covered under the NECA D&O insurance policies. Upon assessment of additional risk, the carriers may adjust the premiums for the 1998 coverage year. Mr. Wheeler led a discussion concerning the responsibilities and potential exposure of Directors in performing their duties for the Corporation. On a motion duly made and seconded, the Board unanimously approved the following Resolution:

RESOLVED, that outside counsel Mintz, Levin prepare an opinion letter to the Board on its interpretation of the potential liabilities to directors and officers of USAC, and that counsel work with the respective insurance carriers to ensure their understanding of the level of exposure.

7. Mr. Jackson requested a regulatory update on any pending actions or challenges to the USAC programs. Mr. Levy indicated he would update the chronology included in the September pre-Board materials.
8. Mr. English presented the Temporary Investment Guidelines for USAC. After discussion and upon a motion duly made and seconded, the Board unanimously adopted the following Resolution:

RESOLVED, that the Temporary Investment Guidelines, as presented in the pre-meeting materials, are adopted and should be used by the Treasurer to manage the funds of the Corporation. The Treasurer is hereby authorized to utilize existing agreements and relationships established through NECA with Primary Dealers until such time as agreements are executed by the Corporation.

9. Mr. Stern reviewed audit requirements contained in the Order. A related report was included in the pre-meeting materials. The Board accepted his report.
10. Dr. Marockie indicated that the organization needed a permanent Chair. On a motion duly made and seconded, the Board unanimously elected Lisa Rosenblum as Chair of USAC and Dr. Henry Marockie and Don Lynch as Co-Vice Chair.
11. The next meeting was tentatively scheduled for November 17.

There being no further business to come before the Board, on a motion duly made and seconded, Dr. Marockie adjourned the meeting at 4:00 PM.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**BOARD OF DIRECTORS MEETING**

November 17, 1997

MINUTES

The regular meeting of the Board of Directors of the Universal Service Administrative Company (USAC) (the Corporation) was held via conference call on the above date. The meeting was called to order at 11:00 AM by Lisa Rosenblum, Chair.

Thirteen Board members were present, representing a quorum, as follows:	
David Abramson	Donald Lynch
Anne L. Bryant	Dr. Henry Marockie
John Anthony Butler	Kathleen G. Ouye
Edwin H. Eichler	Lisa Rosenblum
Heather Burnett Gold	Brian Talbott
Kevin Hess	Allan Thoms
Tom Wheeler	
Four members were absent as follows:	
Frank Gumper	James Jackson
Martha Hogerty	Dr. Jay Sanders
Four representatives from the National Exchange Carrier Association (NECA) were present as follows:	
Bill Stern	Acting CEO, USAC; Vice President, NECA
Ed English	Acting Secretary/Treasurer, USAC; Director, Finance, NECA
Ken Levy	General Counsel, NECA
John Ricker	Director, USF & Support Programs, NECA
Others present for various parts of the conference call were:	
Lee Palagi	Randy Coleman
Cherie Kiser	

1. Ms. Rosenblum welcomed the Board and suggested that, in the future and with time permitting, the Board would permit members of the public to listen in on Board meeting conference calls. A process needs to be developed to notify the public of the date, time and phone number of the conference call. She then presented the Minutes of the October 20, 1997 Board of Directors meeting. On a motion duly made and seconded, the Minutes were unanimously approved. Ms. Rosenblum requested that both Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) report their activities to the USAC Board.
2. Ms. Ouye presented a report on the activities of SLC. She indicated SLC was meeting at 4:00 PM under the direction of Ira Fishman as Chief Executive Officer. Mr. Fishman was appointed as of November 1, 1997 and planned to add staff in Washington. Application forms for SLC were at the Office of Management and Budget awaiting approval. SLC was reviewing its options for office space, staffing and the continued use of the existing contractor to develop the websites and application processes. The Board discussed the finalization of the forms, and it was decided that the USAC Board members would receive a special mailing of the approved forms and instructions as soon as they are available.
3. Mr. Hess presented a report on the activities of the RHCC. He explained that the RHCC Board was meeting regularly via conference call on Fridays. RHCC has appointed Covington & Burling to serve as interim legal counsel, and Korn Ferry has been selected to search for a CEO and General Counsel. RHCC was attempting to secure its trademark and obtain an audit firm. Mr. Lineberry and Mr. Hess were involved in outreach efforts. Mr. Hess indicated that Mr. Greenberg, Mr. Fishman and NECA were working closely on all services where collaboration could hold down costs for SLC and RHCC.

The Board thanked Ms. Ouye and Mr. Hess for their reports and requested that SLC and RHCC Minutes be included in the USAC pre-Board materials. Mr. Stern pointed out that all Minutes were also posted on the NECA website (NECA.org) as soon as they are available.

4. Ms. Rosenblum requested that, upon Board approval, Heidrick & Struggles (H&S) would be selected to assist USAC in the search for a CEO. The Board was instructed to send any recommendations for CEO to H&S for its evaluation. Ms. Kiser gave her opinion that there were no federal restrictions on the process to select a CEO. Upon a motion duly made and seconded, the Board unanimously passed the following Resolution:

RESOLVED, that Heidrick & Struggles (H&S) be appointed to search for a CEO candidate for USAC.

5. Ms. Kiser presented a report on the status of the contract between NECA and USAC. She indicated that Sandy Fain, herself, Bill Stern and Ken Levy had collaborated to work out the details and that the contract was in its final form. She then reviewed some of the provisions of the contract. Mr. English indicated that, at the current budgeted headcount, the annual cost was just over \$5 million, but the contract price was governed by the ultimate activity requested by the permanent CEO. Ms. Rosenblum indicated that the Board had authorized the Committee of the Chair to execute the contract with NECA at the October 20th meeting and that she would be executing the contract shortly.
6. Ms. Gold gave a report on the issues being addressed by the High Cost/Low Income Committee. Ms. Gold, Bill Stern and Robert Haga met with FCC staff, Richard Metzger, Tim Peterson and Lisa Gelb. The FCC representatives indicated that they do

not have the flexibility to interpret rules to allow for quarterly billing for USF programs and a monthly collection process. Changes could be made through a separate order. They understood the concerns expressed by the contributors and indicated no further paperwork would be required. USAC will not bill contributors until the payment issue is resolved by the FCC. Ms. Gold encouraged ex parte submissions by MCI and others in support of monthly contributions.

On the subject of carrier eligibility, Ms. Gold reported that the FCC will be certifying telephone companies operated by co-ops and Indian tribes, and the FCC was not planning on any fail-safe mechanisms for states that do not act by December 31. It is USAC's expectation that the FCC will address a true-up mechanism for LTS and DEM in the upcoming Reconsideration Order. The issue of treating Lifeline on a current basis rather than historical is still open.

Mr. Thoms reported that NARUC members had been notified of the eligibility issue, and no states foresaw a problem with meeting the reporting requirements.

7. Mr. Levy reported on the status of current regulatory and legal issues. He said a Reconsideration Order would be issued before the end of the year. The audit division was requesting information on USAC costs allocation and expense levels. He mentioned Senator Burns' inquiry about the USAC/SLC/RHCC corporation structure. The Board requested that copies of the Senator's inquiry be faxed to all members.
8. Ms. Rosenblum informed the Board that, by way of introduction, 4 or 5 Board members will be meeting with Commission Chairman William E. Kennard. She requested that Board members who wish to participate in the meeting let her know off-line.
9. Under Financial Matters, the Board considered the need to establish credit lines to ensure the uninterrupted flow of funds to service providers. Mr. English informed the Board that it may take 4-6 weeks to obtain committed lines of credit of \$75,000,000, and a fee of .0005 of the principal amount. After some discussion, the Board decided to wait until a subsequent Board meeting to consider the Resolution.
10. Ms. Kiser reported on her efforts to review the D&O policy and the potential exposure of the USAC Board members. She indicated that she would be sending an opinion letter to the Board members shortly. Any Board member with specific concerns were invited to contact her directly.
11. The next meeting was scheduled for January 26, 1998. There being no further business to come before the Board, upon a motion duly made and seconded, Ms. Rosenblum adjourned the meeting at 11:55 AM.

Edward R. English
Secretary