

# 1998 Board of Directors Meetings Minutes

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

January 26, 1998

**MINUTES**

The regular meeting of the Board of Directors of the Universal Service Administrative Company (USAC) (the Corporation) was held at the Washington Marriott, 1221 22nd Street, NW, Washington, D.C., on the above date. The meeting was called to order at 1:30 P.M. by Lisa Rosenblum, Chair.

<b>Fourteen Board members were present, representing a quorum, as follows:</b>	
David Abramson	Donald Lynch
John Anthony Butler	Dr. Henry Marockie
Edwin H. Eichler	Kathleen G. Ouye
Heather Burnett Gold	Lisa Rosenblum
Frank Gumper	Dr. Jay Sanders
Kevin Hess	Brian Talbott
James Jackson	Tom Wheeler
<b>Three members were absent as follows:</b>	
Anne Bryant	Martha Hogerty
Allan Thoms	
<b>Others present were as follows:</b>	
<b>Name</b>	<b>Company</b>
Kenneth Levy	NECA
Edward English	NECA
John Ricker	NECA
Jim Rodda	MCI
Lee Palagyi	CableVision
Lisa Zaina	OPASTCO
Kevin Martin	FCC
Jim Frame	NECA
Dick Lavery	GTE

Cherie Kiser	Mintz Levin
Robert Haga	NECA

**ACTION ITEMS:**

1. **Ms. Rosenblum welcomed the Board and presented the Minutes of the November 17, 1997 Board of Directors meeting.** Ms. Rosenblum requested that the words, "with time permitting," be deleted from item one. On a motion duly made and seconded, the Minutes were unanimously approved with the requested change. Ms. Rosenblum then requested reports on the activities of the High Cost/Low Income Committee, the Schools and Libraries Corporation, and the Rural Health Care Corporation.
2. **Ms. Gold, Chair of the High Cost/Low Income Committee, reported on the meeting held that morning of the High Cost/Low Income Committee.** She reported on the status of carrier eligibility. Only 10 study areas have not been designated as eligible carriers by the state commissions out of approximately 1,500. USAC's outreach efforts to exchange carriers and state commissions contributed to the favorable result. Ms. Gold reported on resolutions adopted by the Committee concerning: obtaining credit lines to address potential shortfalls in either the high cost or low income fund, recommending that the USAC Board explore the idea of interfund borrowing at the FCC (See item 7 below for further USAC Board discussion), engaging NECA to derive an average schedule local switching support formula for USAC, authorizing staff to seek clarification from the FCC on what incremental costs were eligible for support due to voluntary toll limitation, and voting on the second quarter funding levels. Refer to the Minutes of the High Cost/Low Income Committee at Attachment II.
3. **Ms. Ouye, Chair of the Schools and Libraries Corporation, reported that they were making progress on the website with an expected opening on Friday, January 30, 1998.** She reported that the call-in centers were receiving 600-700 calls per day. Outreach was proceeding through daily training sessions and distribution of informational bulletins and fact sheets. Ms. Ouye encouraged the joint use of facilities between the corporations.
4. **Dr. Sanders, on behalf of the Rural Health Care Corporation, reported that they were seeking approval from the FCC on the appointment of a CEO.** He reported that the independent audit of processes at NECA was completed and that a Request for Proposal had been circulated for continued process development and implementation. Issues were discussed concerning potential shortfalls due to the reduction in fund size ordered by the FCC. He reported on successful outreach workshops at George Mason University and various other locations. Dr. Sanders also encouraged the joint use of facilities between the corporations.
5. **Ms. Rosenblum requested that Mr. Kenneth Levy of NECA give the Regulatory Report.** Mr. Levy reported on the Third and Fourth Orders on Reconsideration. He also reported on Senator Stevens' inquiry through the GAO wherein the GAO requested NECA to provide an explanation as to why NECA and USAC were not subject to various federal statutes. He reported that the FCC was directed to report to Congress on the implementation of universal service by April 10, 1998 under H.R. 2267. He reviewed several pending court cases and the status of the Universal Service Advisory Committee. Ms. Rosenblum reported that she was arranging an appointment with Commission Chairman Kennard and requested that 4 or 5 Board members who would like to attend contact her off-line.

6. **Ms. Rosenblum requested that Mr. Edward English, Acting Secretary/Treasurer of USAC, review several financial matters.** Mr. English presented the cost of operations for USAC from inception to December 31, 1997 and noted that the corporation was \$293,000 under budget due to deferral of systems development costs into the first quarter of 1998. Mr. English then presented the proposed 1998 Budget summary and highlighted factors affecting the budget. The Board requested that additional detail be provided. Discussion ensued as to the best way to manage the budget process, and upon a motion duly made and seconded, it was unanimously decided that the Board would form a Budget and Finance Committee. The following members were appointed to the Budget and Finance Committee: Donald Lynch, Frank Gumper, Tom Wheeler and Martha Hogerty. The first task assigned to the Committee was to examine the details contained in the budget, make any modifications deemed necessary, and recommend adoption by the full Board.
7. **Mr. English then reported on the desirability to obtain credit lines to allow for the uninterrupted flow of funds to service providers due to a funding shortfall.** The Board discussed the recommendations of the High Cost and Low Income Committee. The Board discussed the pros and cons of interfund borrowing. On a motion duly made and seconded, the Board decided to authorize USAC staff to approach the FCC for further clarification on the borrowing provisions contained in the Order. The newly formed Budget and Finance Committee was asked to focus on the level of committed and uncommitted credit lines deemed necessary and prepare a recommendation for adoption by the full Board.
8. **Mr. English informed the Board that he was executing paperwork to authorize NECA Treasury staff to act as signatories on USAC bank accounts and as agents for USAC for the purpose of investing fund balances.** Mr. English then led a discussion on the complexities of systems development facing USAC and the requirement for a database system to handle offsets/netting. The Board requested a write-up on the proposed systems development and alternatives for discussion at the next meeting. The meeting was recessed at 3:30 for 10 minutes.
9. **Mr. John Ricker of NECA led a discussion on the funding base, billing processes and process schedule.** Mr. Gumper presented charts depicting a reduction in reported revenues in the All Other category between 1996 and 1997. A discussion ensued as to the responsibility of USAC to verify and analyze data submissions on both a gross and company-specific basis. Concern was expressed about the confidentiality of the data in USAC's possession, particularly in the new era of competition. Mr. Ricker noted that the FCC was already analyzing the data for anomalies. On a motion duly made and seconded, the Board decided that the USAC staff should request that the FCC allow USAC to review the TRS database history to verify the accuracy of data submitted to USAC (See item 12 for reconsideration of this motion).
10. Mr. Ricker explained changes in the Revenue Base Status **Report. On a motion duly made and seconded, the Board unanimously passed the following Resolution:**

**RESOLVED**, that the USAC Board of Directors, having reviewed a summary of current status of telecommunications service provider revenues for the first six months of 1997 at its meeting on January 26, 1998, hereby directs the NECA staff to proceed with the required January 30 FCC 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.

11. Ms. Rosenblum requested that, in the future, all materials to be discussed at the Board meeting be submitted in advance to the Secretary for distribution to the full Board, so that members can prepare for the discussion. From 4:20 - 4:36 P.M. the Board went into Executive Session to discuss organizational matters.
12. Ms. Rosenblum reconvened the public meeting at 4:36 P.M. Further discussion ensued concerning the Resolution to utilize the 1996 TRS database to verify 1997 submissions to USAC. The Board acknowledged that there was pending before the FCC a ruling which would address USAC's ability to verify information. On a motion duly made and seconded, the Board resolved to reconsider the vote on the prior motion. On a motion duly made and seconded, the Board resolved to rescind the prior motion pending further action by the FCC.

There being no further business to come before the Board, upon a motion duly made and seconded, Ms. Rosenblum adjourned the meeting at 4:50 P.M.

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Edward R. English  
Secretary

#### **ACTION ITEMS:**

Ms. Rosenblum welcomed the Board and presented the Minutes of the January 26, 1998 Board of Directors meeting. On a motion duly made and seconded, the Minutes were unanimously approved. Ms. Rosenblum then requested that Mr. Lynch report on the activities of the Budget and Finance Committee.

1. Mr. Lynch reported that the Budget and Finance Committee had reviewed the proposed 1998 budget. The consensus of the Committee was that the budget was fair and reasonable and would permit the National Exchange Carrier Association (NECA) to get the programs up and running under contract to USAC. The Board discussed proposed NECA staffing, the inclusion of consultant expenditures in the amounts for systems development and the use of the FCC-approved cost allocation manual to distribute program costs to USAC. On a motion duly made and seconded the Board unanimously adopted the following resolution:

**RESOLVED**, that the USAC Board accepts the recommendation made by the Budget and Finance Committee to adopt a budget for USAC of \$4,924,000 for calendar year 1998, as presented at its meeting of February 17, 1998.

2. Mr. English then reported that the following resolution by circulation had been passed by the Board:

**RESOLVED** that, effective February 2, 1998, the Acting Secretary and Treasurer is delegated the authority to approve expenditures for USAC at the level designated for the CEO in the USAC Schedule of Authorizations. This delegation will remain in force until rescinded by the Board or until such time as a CEO is appointed.

3. Jim Frame, NECA, reviewed systems implementation work underway to support USAC program initiatives and addressed questions from the Board. He explained that NECA was utilizing a combination of internal and external resources to design, build and maintain the systems. He added that personnel involved in the USAC systems

were also familiar with the systems developed for the Schools and Libraries Corporation. The Board accepted Mr. Frame's report and requested that they be kept updated on a regular basis with progress reports.

4. Ms. Rosenblum requested that Ken Levy, NECA's General Counsel, explain the latest developments concerning the GAO's inquiry into the FCC's authority to establish the Schools and Libraries Corporation and the Rural Health Care Corporation. The Board requested that materials be distributed about the GAO inquiry along with a schedule of upcoming congressional hearings on universal service. Ms. Rosenblum requested that any Board members who required further explanation contact Ken Levy or Cherie Kiser off-line.
5. Ms. Rosenblum provided an update on the CEO search and the procedure to be followed interviewing prospective candidates.
6. Ms. Rosenblum reported that a meeting had been arranged for later in the day with Chairman Kennard of the FCC. The following Board members in Washington were asked to attend: Dr. Marockie, Ms. Bryant, Ms. Gold and Mr. Lynch. The purpose of the meeting was to provide an overview of what USAC had accomplished and to discuss areas of mutual interest.

There being no further business to attend to, on a motion duly made and seconded, the meeting was adjourned at 1:53P.M. EST.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

February 17, 1998

**MINUTES**

A meeting via conference call of the Board of Directors of the Universal Service Administrative Company (USAC) was held on the above date. The meeting was called to order at 1:00 P.M. EST by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Twelve members were present, representing a quorum , as follows:</b>	
Anne Bryant	James Jackson
John Anthony Butler	Donald Lynch
Edwin H. Eichler	Dr. Henry Marockie
Heather Burnett Gold	Lisa Rosenblum
Frank Gumper	Dr. Jay Sanders
Martha Hogerty	Allan Thoms
<b>Five members were absent as follows:</b>	
David Abramson	Kevin Hess
Kathleen G. Ouye	Brian Talbott
Tom Wheeler	
<b>Others were present for various parts of the meeting, which was open to the public via a toll-free conference call.</b>	

**ACTION ITEMS:**

Ms. Rosenblum welcomed the Board and presented the Minutes of the January 26, 1998 Board of Directors meeting. On a motion duly made and seconded, the Minutes were unanimously approved. Ms. Rosenblum then requested that Mr. Lynch report on the activities of the Budget and Finance Committee.

1. Mr. Lynch reported that the Budget and Finance Committee had reviewed the proposed 1998 budget. The consensus of the Committee was that the budget was fair and reasonable and would permit the National Exchange Carrier Association (NECA) to get the programs up and running under contract to USAC. The Board discussed proposed NECA staffing, the inclusion of consultant expenditures in the amounts for systems development and the use of the FCC-approved cost allocation

manual to distribute program costs to USAC. On a motion duly made and seconded the Board unanimously adopted the following resolution:

**RESOLVED**, that the USAC Board accepts the recommendation made by the Budget and Finance Committee to adopt a budget for USAC of \$4,924,000 for calendar year 1998, as presented at its meeting of February 17, 1998.

2. Mr. English then reported that the following resolution by circulation had been passed by the Board:

**RESOLVED** that, effective February 2, 1998, the Acting Secretary and Treasurer is delegated the authority to approve expenditures for USAC at the level designated for the CEO in the USAC Schedule of Authorizations. This delegation will remain in force until rescinded by the Board or until such time as a CEO is appointed.

3. Jim Frame, NECA, reviewed systems implementation work underway to support USAC program initiatives and addressed questions from the Board. He explained that NECA was utilizing a combination of internal and external resources to design, build and maintain the systems. He added that personnel involved in the USAC systems were also familiar with the systems developed for the Schools and Libraries Corporation. The Board accepted Mr. Frame's report and requested that they be kept updated on a regular basis with progress reports.
4. Ms. Rosenblum requested that Ken Levy, NECA's General Counsel, explain the latest developments concerning the GAO's inquiry into the FCC's authority to establish the Schools and Libraries Corporation and the Rural Health Care Corporation. The Board requested that materials be distributed about the GAO inquiry along with a schedule of upcoming congressional hearings on universal service. Ms. Rosenblum requested that any Board members who required further explanation contact Ken Levy or Cherie Kiser off-line.
5. Ms. Rosenblum provided an update on the CEO search and the procedure to be followed interviewing prospective candidates.
6. Ms. Rosenblum reported that a meeting had been arranged for later in the day with Chairman Kennard of the FCC. The following Board members in Washington were asked to attend: Dr. Marockie, Ms. Bryant, Ms. Gold and Mr. Lynch. The purpose of the meeting was to provide an overview of what USAC had accomplished and to discuss areas of mutual interest.

There being no further business to attend to, on a motion duly made and seconded, the meeting was adjourned at 1:53P.M. EST.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

February 27, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 10:00 A.M. EST by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Ten members were present, representing a quorum, as follows:</b>	
Anne Bryant	Edwin H. Eichler
Frank Gumper	Frank Gumper
Martha Hogerty	Donald Lynch
Kathleen G. Ouye	Lisa Rosenblum
Brian Talbott	Tom Wheeler
<b>Seven members were absent as follows:</b>	
David Abramson	John Anthony Butler
Heather Burnett Gold	James Jackson
Dr. Henry Marockie	Dr. Jay Sanders
Allan Thoms	

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board and stated that the purpose of the meeting was to discuss the content of FCC Commissioner Harold Furchtgott-Roth's February 26, 1998 correspondence to the Board and form a consensus on the Board's response. The Commissioner's letter had expressed concern on the steps the Board was taking to fund contribution shortfalls without formal FCC authority. Ms. Rosenblum told the Board that she had personally spoken to the Commissioner about his concerns and added that it was not his intent to delay today's distribution to recipients of the high cost fund.
2. The Board discussed the content of the Commissioner's letter and questioned the accuracy of some of the facts and interpretations included therein. Ms. Rosenblum retraced the steps that had been taken up to today's meeting which led to the decision to use an interfund transfer to cover the shortfall in the high cost fund. She explained that USAC was working under tight time constraints. When it became apparent that non-payment by certain fund contributors would result in a shortfall, USAC obtained informal direction from the Common Carrier Bureau that the use of

an interfund transfer on an interim basis was appropriate. Members of the Budget and Finance Committee were immediately informed of the situation and had concluded that use of an interfund transfer was an acceptable approach. USAC also obtained guidance from outside counsel that an interfund transfer was not prohibited by the orders or rules. The full Board was notified of the approach on Tuesday, February 24, 1998 and no objections were made.

3. The Board deliberated further and on a motion duly made and seconded unanimously adopted the following resolution:

**RESOLVED** that a letter be sent to FCC Commissioner Harold Furchtgott-Roth explaining USAC's rationale for using an interfund transfer to meet its February 27, 1998 obligation to recipients of the high cost fund and another letter be sent to the FCC General Counsel requesting clarification on USAC's authority to manage cash flows using an interfund transfer.

4. The Board concluded that no additional motion was required to effect the interfund transfer. Mr. English informed the Board that a formal request had been made to the FCC on February 25, 1998 requesting authority to borrow funds commercially to meet universal service obligations. The Board also discussed the need to formulate a process to enforce collection from non-payers.

There being no further business to attend to on a motion duly made and seconded the meeting was adjourned at 10:32 A.M. EST.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**March 10, 1998**

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 5:00 P.M. EST by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Eleven members were present, representing a quorum, as follows:</b>	
David Abramson	Martha Hogerty
Anne Bryant	James Jackson
Edwin H. Eichler	Kathleen G. Ouye
Heather Burnett Gold	Lisa Rosenblum
Frank Gumper	Dr. Jay Sanders
Kevin Hess	
<b>The following members were absent:</b>	
John Anthony Butler	Brian Talbott
Donald Lynch	Alan Thoms
Dr. Henry Marockie	Tom Wheeler

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board. The announced purpose of the meeting was to decide on the disposition of the letters to the Commission discussed at the February 27, 1998 meeting, decide how to deal with the anticipated funding shortfall in March due to non-payment and decide on the merits of requesting additional contributions to make up the shortfall.
2. Mr. English briefed the Board on the status of February collections. Ms. Rosenblum briefed the Board on the proposed content of the letters to the Commission. The letters would describe the rationale behind the steps taken by USAC to meet the February shortfall and additional steps being pursued by USAC, such as obtaining credit lines and borrowing authority. The letters would also request that the Commission support USAC in conducting a vigorous collection effort. It was decided that the Budget and Finance Committee would perform an analysis of the elements contributing to the funding shortfall before requesting that the contribution factors be adjusted. The Board discussed the appropriate signatory on the letter to Commissioner Furchtgott-Roth and on a motion duly made and seconded the Board

designated Ms. Rosenblum, as the USAC Chair, sign the letter on behalf of the full Board. It was also decided as a matter of form that the request for clarification of the use of interfund transfers be addressed to the Secretary. The Board instructed Mr. English to continue to employ interfund transfers to meet the anticipated March shortfall.

3. Ms. Rosenblum announced that progress had been made by Mr. Donald Biskin from Heidrick and Struggles in the search for a USAC CEO. She requested an Executive Session of the USAC Board be convened on Friday, March 13, 1998 to discuss the merits of the primary candidate.

There being no further business to attend to, on a motion duly made and seconded the meeting was adjourned at 5:39 P.M.

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**March 13, 1998**

**MINUTES**

An Executive Session of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 4:00 P.M. EST by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Ten members were present, representing a quorum, as follows:</b>	
John Anthony Butler	Kevin Hess
Anne Bryant	Martha Hogerty
Edwin H. Eichler	Donald Lynch
Heather Burnett Gold	Lisa Rosenblum
Frank Gumper	Dr. Jay Sanders
<b>Seven members were absent as follows:</b>	
David Abramson	Brian Talbott
James Jackson	Allan Thoms
Dr. Henry Marockie	Tom Wheeler
Kathleen G. Ouye	

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board. The announced purpose of the meeting was to discuss the selection of a CEO for USAC.
2. Mr. Donald Biskin from the Executive Search firm of Heidrick and Struggles described the selection process. All candidates had been measured against the following expectations for the position: a. recommendations on how the universal service programs will be administered currently; b. concern for and a thorough understanding of the rules and regulations; c. ability to develop effective working relationships with key stakeholders; and d. the ability to properly staff and manage the corporation on a going forward basis. Mr. Biskin presented his recommendation to the Board along with his reasons for supporting the candidate.
3. The Board discussed the candidate's qualifications. Those who had interviewed the candidate presented their impressions. The Board also discussed issues concerning compensation and term of office. On a motion duly made and seconded the Board unanimously resolved to offer the position of CEO of USAC to the recommended candidate.

There being no further business to attend to, on a motion duly made and seconded the meeting was adjourned at 4:38 P.M. EST.

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**March 13, 1998**

**MINUTES**

An Executive Session of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 4:00 P.M. EST by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Ten members were present, representing a quorum, as follows:</b>	
John Anthony Butler	Kevin Hess
Anne Bryant	Martha Hogerty
Edwin H. Eichler	Donald Lynch
Heather Burnett Gold	Lisa Rosenblum
Frank Gumper	Dr. Jay Sanders
<b>Seven members were absent as follows:</b>	
David Abramson	Brian Talbott
James Jackson	Allan Thoms
Dr. Henry Marockie	Tom Wheeler
Kathleen G. Ouye	

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board. The announced purpose of the meeting was to discuss the selection of a CEO for USAC.
2. Mr. Donald Biskin from the Executive Search firm of Heidrick and Struggles described the selection process. All candidates had been measured against the following expectations for the position: a. recommendations on how the universal service programs will be administered currently; b. concern for and a thorough understanding of the rules and regulations; c. ability to develop effective working relationships with key stakeholders; and d. the ability to properly staff and manage the corporation on a going forward basis. Mr. Biskin presented his recommendation to the Board along with his reasons for supporting the candidate.
3. The Board discussed the candidate's qualifications. Those who had interviewed the candidate presented their impressions. The Board also discussed issues concerning compensation and term of office. On a motion duly made and seconded the Board unanimously resolved to offer the position of CEO of USAC to the recommended candidate.

There being no further business to attend to, on a motion duly made and seconded the meeting was adjourned at 4:38 P.M. EST.

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Edward R. English  
Secretary

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

April 20, 1998

**MINUTES**

The regular meeting of the Board of Directors of the Universal Service Administrative Company (USAC) (the Corporation) was held at the Omni Shoreham Hotel, 2500 Calvert Street, NW, Washington, D.C., on the above date. The meeting was called to order at 1:30 P.M. by Lisa Rosenblum, Chair.

<b>Sixteen Board members were present, representing a quorum, as follows:</b>	
David Abramson	Donald Lynch
Anne Bryant	Dr. Henry Marockie
John Anthony Butler	Kathleen G. Ouye
Edwin H. Eichler	Lisa Rosenblum
Heather Burnett Gold	Dr. Jay Sanders
Frank Gumper	Brian Talbott
Martha Hogerty	Alan Thoms
James Jackson	Tom Wheeler
<b>One member was absent as follows:</b>	
Kevin Hess	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Edward English	NECA
John Ricker	NECA
Jim Rodda	MCI
Lee Palagyi	CableVision
Lisa Zaina	OPASTCO
Dick Lavery	GTE
Cherie Kiser	Mintz Levin
Robert Haga	NECA
Rich Rhyner	NECA

Joe Keyes (for Kevin Hess)	TDS
Greg Woddell	SLC
Bruce Baldwin	NECA
Julie Tritt	PA Dept. of Education
Rick Cimerman	NCTA
Andre Bruns	NCTA
Aleck Johnson	ALA
Lee Bailey	RHCC
Kathie Leirtz	Bell South
Frances Downey	FCC - Universal Service Accounting Policy Division

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board and presented the Minutes of the February 17, February 27, March 10 and March 13, 1998 Board of Directors meetings. On a motion duly made and seconded, the Minutes were unanimously approved. Ms. Rosenblum reported that the CEO selection process was progressing with the existing candidate. Ms. Rosenblum then requested reports on the activities of the High Cost and Low Income Committee, the Schools and Libraries Corporation, and the Rural Health Care Corporation.
2. Ms. Gold, Chair of the High Cost and Low Income Committee, reported on the meeting held that morning of the High Cost and Low Income Committee. She reported on the status of carrier eligibility. Only 3 study areas have not been designated as eligible carriers. Ms. Gold reported on the variances between first quarter projections and actuals and the resolution to adopt the third quarter funding levels. Refer to the Minutes of the High Cost and Low Income Committee at Attachment II.
3. Ms. Ouye, Chair of the Schools and Libraries Corporation(SLC), reported that all staff were very busy now that the 75 day window had closed. SLC has received in excess of 46,000 applications. Additional staff have been added to handle the volume.
4. Mr. Lee Bailey, on behalf of the Rural Health Care Corporation (RHCC), reported RHCC had engaged Price Waterhouse to design its processes and that an informational website ([www.rhccfund.org](http://www.rhccfund.org)) had opened on April 1, 1998 to provide guidance on application procedures. RHCC was working with phone company representatives and expected the 75 day window for its applications would open on May 1, 1998. Approximately 18,000 rural health care facilities have been contacted and 2,000 have responded. It is too early to gauge demand on the program. RHCC has established a Q & A line at 1-800-229-5476.
5. Mr. Eichler reported that the Planning Committee is awaiting the appointment of a CEO for USAC and further amendments from FCC Chair, William Kennard, on the 1998 organization of SLC and RHCC.
6. Mr. Levy updated the Board on recent regulatory events:
  - a. TRS data can now be utilized by USAC staff to verify Form 457 submissions.
  - b. The USAC authority to borrow is still pending at the FCC.

- c. The FCC has also been asked to clarify the amounts which are reimbursable from the Low Income fund to implement toll limitation services.
  - d. A nonpayment list for January (approximately 86 companies) along with supporting documentation has been forwarded to the FCC for collection.
  - e. Mr. Levy's view is that the GAO's inquiry into the legality of SLC and RHCC does not affect NECA and USAC. The factors are different.
7. Mr. Lynch reviewed the April 6 meeting of the Budget and Finance Committee.
- a. Mr. Lynch has been elected Chair.
  - b. An outside auditor for USAC will be chosen by competitive bid. Staff is issuing an RFP for disposition at the next regular meeting of the Board.
  - c. The Committee recommended that the following budget for the 3rd Quarter 1998 be adopted by the full Board. On a motion duly made and seconded the motion was passed unanimously.

**RESOLVED** that USAC Board accepts the recommendation made by the Budget and Finance Committee to adopt a 3rd Quarter budget for USAC of \$1,231,000.

8. Mr. Ricker explained in detail the 1Q98 Schedule of USF Billing and Disbursements. The Board discussed making an allowance for known non payment due to bankruptcies, disputed amounts and/or a 'safety margin' for uncollectibles. The Board concluded that there was not enough history to make an informed decision on the level of any allowance for nonpayment. Better data will result in better policy. On a motion duly made and seconded the Board passed the following resolution:

**RESOLVED** that the decisions to include an allowance for bankruptcies, disputed amounts and noncollectibles will be deferred until the 4th Quarter filing and any shortfall due the high cost fund will be funded by an entry and transfer from the low income fund.

The Board recessed at 2:53 p.m. and reconvened at 3:10 p.m.

9. Mr. Ricker presented the background resolution authorizing staff to proceed with the May 1, 1998 filing for the third quarter. On a motion duly made and seconded, the Board passed the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed a summary of current status of telecommunications service provider revenues for calendar year 1997 at its meeting on April 20, 1998, hereby directs the staff to proceed with the required May 1, 1998 filing on behalf of USAC. Staff may make adjustments if additional data becomes available or errors are discovered, and to reflect changes required as a result of FCC orders.

10. Mr. Ricker reported the USAC system development was on target and under budget. The Board was appreciative and expected that the CEO would do a thorough review of operation being performed by NECA. Mr. Ricker then presented the options available to USAC to process SLC invoices. SLC & RHCC face the timing problem of matching monthly collections with annual fund commitments and the need to ensure cash is available to meet the required payment obligations. Mr. Rhyner explained the details and differences contained in the option effecting netters and nonnetters. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, that USAC staff should implement Option 2 as described in Tab 5 of the April 20, 1998 pre-meeting materials.

11. Ms. Rosenblum announced that the next regularly scheduled meeting of the Board will take place on July 20, 1998 at the Washington Marriott.

There being no further business to come before the Board, upon a motion duly made and seconded, Ms. Rosenblum adjourned the meeting at 4:50 P.M.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING****May 28, 1998****MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 11:00 A. M. EDT by Lisa Rosenblum, Chair. Edward English, Secretary and Treasurer called the roll.

<b>Ten members were present, representing a quorum, as follows:</b>	
John Anthony Butler	Dr. Henry Marockie
Edwin H. Eichler	Kathleen G. Ouye
Heather Burnett Gold	Lisa Rosenblum
Kevin Hess	Brian Talbott
James Jackson	Allan Thoms
<b>Seven members were absent as follows:</b>	
David Abramson	Donald Lynch
Anne Bryant	Dr. Jay Sanders
Frank Gumper	Tom Wheeler
Martha Hogerty	
<b>Other participants identified on the call were as follows:</b>	
Cherie Kiser	Cheryl Parrino
Ken Levy	John Ricker
Lee Palagyi	Emily Williams

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the Board and took this opportunity to welcome Ms. Cheryl Parrino as the CEO of USAC effective June 1, 1998. The announced purpose of the meeting was to determine a course of action to respond with a plan of reorganization for USAC, SLC and RHCC requested by the Report in Response to Senate Bill 1768 and Conference Report on H.R. 3579.
2. Mr. Levy briefed the Board on the May 8 Report to Congress by the FCC and the subsequent May 15 request of A. Richard Metzger, Jr., Chief, Common Bureau. USAC has been requested to respond by July 1 with a plan of reorganization which would

combine USAC, SLC and RHCC effective January 1, 1999. The new organization would become the permanent administrator of the federal universal service programs. Subsequent to January 1, 1999, the new organization would divest from NECA, but still be permitted to contract with NECA for on-going services.

3. Mr. Eichler, as Chair of the Long Range Planning Committee, addressed the need to create a subset of the Board to work closely with Ms. Parrino to respond to the FCC in a timely fashion. Towards this end, the following Board members were appointed: Ed Eichler, Lisa Rosenblum, Jim Jackson, Dr. Henry Marockie, John Anthony Butler, K.G. Ouye, Dr. Jay Sanders and/or Kevin Hess.
4. Ms. Parrino set the end of the following week to have an outline of the significant issues and a working time line. She will be meeting personally with Ira Fishman, CEO of SLC, and Lee Bailey, President of RHCC as well as various stakeholders in government and industry. She welcomed participation by interested Board members in the meetings she was scheduling in Washington. A tentative plan to have an in-person USAC Board meeting the week of June 22-26 was established. Mr. English was asked to canvass the Board for the best date.

There being no further business to attend to, on a motion duly made and seconded, the meeting was adjourned.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****BOARD OF DIRECTORS MEETING****May 28, 1998****MINUTES**

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David Abramson	Donald Lynch
Anne Bryant	Dr. Jay Sanders
Frank Gumper	Tom Wheeler
Martha Hogerty	
<b>Other participants identified on the call were as follows:</b>	
Cherie Kiser	Cheryl Parrino
Ken Levy	John Ricker
Lee Palagyi	Emily Williams

**ACTION ITEMS:**

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There being no further business to attend to, on a motion duly made and seconded, the meeting was adjourned.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**June 26, 1998** (Board, SLC, RHC Joint Minutes)

**MINUTES**

A joint meeting of the Boards of Directors of the Universal Service Administrative Company (USAC), the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) (collectively the Corporations) was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue, Washington, D.C. On the above date. The meeting was called to order at 10:00 A.M. EDT by Lisa Rosenblum, Edward English, USAC Secretary and Treasurer called the roll. Members were present as follows:

	<b>USAC</b>	<b>SLC</b>	<b>RHCC</b>
David Abramson	Donald Lynch	Ken Brody	Kevin Hess
Anne Bryant	Dr. Henry Marockie	Anne Bryant	Isiah Lineberry
Edwin H. Eichler	Kathleen G. Ouye	Iran Fishman	Dr. Jay Sanders
Heather Burnett Gold	Lisa Rosenblum	Frank Gumper	
Frank Gumper	Dr. Jay Sanders	Dr. Henry Marockie	
Kevin Hess	Allan Thoms	Kathleen G. Ouye	
Martha Hogerty	Tom Wheeler		
James Jackson			

The following members were absent:

<b>USAC</b>	<b>SLC</b>	<b>RHCC</b>
John Anthony Butler	Brian Talbott	Sanford Greenberg
Brian Talbott		

Others present for portions of the meeting:

Cherie R. Kiser	Mintz, Levin et al
Jon Blake	RHCC (Covington & Burling)
Mark Weiss	RHCC (Covington & Burling)
Dick Lavery	GTE
John Ricker	NECA
Matthew Vitale	FCC
Sharon Webber	FCC
Pam Gallant	FCC

William England	RHCC
Mel Blackwell	RHCC
Donna Faunce	RHCC
Rick Cimerman	NCTA
Andrea Bruns	NCTA
Kate Moore	SCL
Debra Kriete	SCL
Robert Anderson	NECA
Ken Levy	NECA
Lisa Zaina	OPASTCO

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the members of the USAC, SLC and RHCC Boards. Mr. Lee Bailey, President of RHCC, was asked to join the meeting. The announced purpose of the meeting was to finalize the content of the Report and plan of Reorganization (the Report) to be submitted to the FCC. Mr. Eichler gave a brief introduction describing the efforts of the USAC Long Range Planning Committee working with the heads of the Corporations to come up with the draft Report before the joint meeting.
2. The floor was then turned over to Cheryl Parrino, CEO of *USAC*, who summarized contents of the Report. She outlined the various Chapters of the Report, described the efficiencies of a combined organization and depicted some of the common and unique characteristics of the universal service programs. Mr. Fishman and Mr. Bailey supplemented her presentation. Ms. Parrino indicated that the universal service programs were under intense scrutiny by members in Congress. The Corporations were being asked to streamline and unify the administration of the funds so that there would be one point of responsibility for all programs. The agenda for this meeting was set to discuss remaining issues as a group, break into separate Board meetings for adoption and then to reconvene in the afternoon to arrive at a consensus. Ms. Parrino emphasized there were four issues which required further deliberation by the Boards:
  - a. The size of the Board of Directors of a combined USAC/SLC/RHCC.
  - b. The autonomy of the committees formed to oversee the unique operations of school/libraries, rural health care and the high cost/low -income funds
  - c. The composition and structure of the committees, and
  - d. The option to merge verses maintain separate subsidiaries.

Size of the Board of Directors of a combined USAC/SLC/RHCC

The draft before the joint Board meeting included a recommendation to expand the USAC Board to 22 from 17. The five additional board members included two representatives from the schools and libraries, two representatives from rural health care and the CEO of the combined entity. The Boards discussed the desire to obtain meaningful representation for beneficiaries of the universal service programs on the combined Board while maintaining the

perception that the entity was streamlined. Mr. Bailey indicated that RHCC was in favor of expanding the Board to include more representation for rural health care. Others commented that representation should be in proportion to relative fund size which would indicate no increase in representation for the rural health care and low income funds. After much discussion, the sense of the meeting was to recommend that each Board consider that the combined Board be increased to 18 *by* adding the CEO of the combined entity.

#### Committee Autonomy

Under the merger option, separate subsidiaries would be merged into divisions within USAC. The unique operations of these funds would be controlled by committees comprised of subsets of the full Board. The discussion revolved around the ability of the committees to bind the full Board and the authority vested in the CEO to control the budgets and spending decisions. The sense of the meeting was that the CEO must control the budgets and hire/fire decisions for all staff. The group differentiated between budget and programmatic issues and the ability of the USAC Board to override programmatic decisions made by the committees. A compromise was suggested. If there were a conflict between the objectives of the combined entity and one or more of the committees, it would require a 2/3 vote of the full USAC Board to override a committee decision. It was recommended that each Board consider this proposal.

#### Committee Composition and Subsidiary versus Merger Option

The separate Boards were asked to make recommendations as to these issues during their separate sessions.

Ms. Rosenblum adjourned the joint meeting at 12:25 P.M.

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Edward R. English  
Secretary

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

June 26, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue, Washington, D.C. on the above date. The meeting was called to order at 1:05 P.M. EDT by Lisa Rosenblum. Edward English, USAC Secretary and Treasurer called the roll.

<b>Thirteen members were present as follows:</b>	
David Abramson	Donald Lynch
Edwin H. Eichler	Dr. Henry Marockie
Heather Burnett Gold	Kathleen G. Ouye
Frank Gumper	Lisa Rosenblum
Kevin Hess	Allan Thoms
Martha Hogerty	Tom Wheeler
James Jackson	
<b>Three members were absent as follows:</b>	
Anne Bryant	John Anthony Butler
Brian Talbott	
<b>The following member joined the meeting in progress:</b>	
Dr. Jay Sanders	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Cherie R. Kiser	Mintz, Levin et al
Jon Blake	RHCC (Covington & Burling)
Mark Weiss	RHCC (Covington & Burling)
Dick Lavery	GTE
John Ricker	NECA
Matthew Vitale	FCC
Sharon Webber	FCC

Pam Gallant	FCC
William England	RHCC
Mel Blackwell	RHCC
Donna Faunce	RHCC
Rick Cimerman	NCTA
Andrea Bruns	NCTA
Kate Moore	SCL
Debra Kriete	SCL
Robert Anderson	NECA
Ken Levy	NECA
Lisa Zaina	OPASTCO

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the members of the Board. Ms. Cheryl Parrino, CEO of USAC, Mr. Ira Fishman, CEO of SLC and Mr. Lee Bailey, President of RHCC, were asked to join the meeting. The announced purpose of the meeting was to finalize the content of the Report and Plan of Reorganization (the Report) to be submitted to the FCC. Ms. Rosenblum summarized the issues discussed in the morning meeting of the joint Boards of USAC, SLC and RHCC. Refer to Attachment B: Minutes of the Joint Meeting.
2. The floor was then turned over to Mr. Bailey, who summarized the results of the Executive session of the Board of the Rural Health Care Corporation which had taken place between 12:25 and 1:00 P.M. The RHCC Board agreed to the following:
  - a. RHCC agreed to go along with the committee structure and merger if all the conditions below are met.
  - b. RHCC agreed to the CEO ability to hire and fire the Division head only.
  - c. RHCC agreed to the USAC Board 2/3 override for Budget items only. This would exclude programmatic items or policy issues.
  - d. The above was conditional on the USAC Board being expanded by 3 rural health care representatives.
3. Ms. Rosenblum then turned the floor over to Ms. Ouye, Chair of the SLC Corporation. Although the SLC Board had not formally voted, she reported out the latest views of the SLC Board.
  - a. SLC agreed to go along with the committee structure and merger;
  - b. SLC agreed to the CEO's ability to hire and fire all staff;
  - c. SLC agreed to the USAC Board 2/3 override for all items on an exception basis;
  - d. SLC requested another service provider representative from the existing Board be added to the schools and libraries committee and Mr. Abramson volunteered.
4. There followed a discussion of the operational mechanics of a 2/3 USAC Board override, and the desirability of creating an Executive Committee of the USAC Board

empowered to fast track decisions for the CEO. The sense of the Board was that an Executive Committee would streamline decision making for the organization.

5. Ms. Rosenblum asked Lee Bailey if RHCC was willing to concede to the majority points of view. Lee said he was not empowered to amend the decisions of the RHCC Board. In general, the desires of the RHCC Board were not included in the current proposals. He was particularly concerned with the failure to increase the rural health care representation on the combined Board. He felt strongly that special expertise was needed and that merely assigning USAC Board members to the rural health care committee was not sufficient.
6. Ms. Ouye polled the members of the schools board in attendance and on a motion duly made and seconded the SLC Board adopted the following resolution:

**RESOLVED** that, the Board of Directors of the Schools and Libraries Corporation votes to adopt the proposed Report and Plan of Reorganization as modified by discussion and that the SLC CEO is authorized to utilize editorial privilege to arrive at a final draft.

7. Dr. Jay Sanders joined the meeting and RHCC met again in Executive session to see if the members desired to amend their position. The USAC meeting was recessed from 2:15 P.M. until 2:35 P.M.
8. When the full board reconvened, Mr. Bailey reported that the RHCC Board decided not to amend its positions and will draft a separate response to the Report and Plan of Reorganization.
9. Ms. Parrino indicated that the report as modified would be filed on Wednesday. The USAC Long Range Planning Committee would work with the three corporations to meet this objective. A discussion ensued as to the proposed composition of the committees. The consensus was that the schools and libraries committee should consist of seven members: 4 schools and libraries reps, 2 service providers and the USAC CEO. The high cost/low income committee should consist of eight members: 1 low income, 1 ILEC, 1 IXC, 2 public, 1 wireless, 1 clec and the USAC CEO. The rural health care committee should consist of five members: 1 service provider, 1 public, 1 rural health, 1 at large, and the USAC CEO.
10. On a motion duly made and seconded the USAC Board adopted the following resolution:

**RESOLVED** that, the Board of Directors of the Universal Service Administrative Company votes to adopt the proposed Report and Plan of Reorganization as modified by discussion and that the USAC CEO is authorized to utilize editorial privilege to arrive at a final draft.

11. Under other business Mr. Wheeler expressed a desire to have face-to-face Board meetings rather than via conference. Ms. Parrino was asked to report out recommendations at the July meeting on potential video conferencing capabilities.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 3:00 PM.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**June 30, 1998**

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held via conference call on the above date. The meeting was called to order at 1:00 PM EDT by Lisa Rosenblum. Edward English, USAC Secretary and Treasurer called the roll.

<b>Eleven members were present as follows:</b>	
Lisa Rosenblum - Chair	Edwin H. Eichler
Heather Burnett Gold	Frank Gumper
Kevin Hess	Martha Hogerty
James Jackson	Donald Lynch
Dr. Henry Marockie	Kathleen G. Ouye
Dr. Jay Sanders	
<b>Others participating in the call included Jonathan Blake, Ira Fishman, Ken Levy and Cheryl Parrino</b>	

**ACTION ITEMS:**

1. Ms. Rosenblum welcomed the members of the Board. The purpose of the meeting was to determine if any further modification should be made to the Report and Plan of Reorganization (the Plan).
2. The floor was turned over to Mr. Jonathan Blake, representing the Rural Health Care Corporation (RHCC), who reported on the results of the RHCC meeting earlier in the day. The RHCC was fully supportive of the Plan if it would include the following provisions:
  - a. two additional rural health care members to be added to the USAC Board would be specified in the merger agreement;
  - b. the two-thirds override authority of the USAC Board would only apply to budget items, not programmatic items which would be controlled by the Rural Health Care Committee;
  - c. the CEO of USAC could hire and fire the division heads, but the division heads would control staff within their respective organizations, and
  - d. the Rural Health Care Committee would be expanded to seven members and be comprised of the four existing directors, two at-large USAC directors and the USAC CEO.

3. Ms. Ouye reported that the SLC Board had met earlier to discuss the RHCC issues and had taken no additional action. However, her sense of the SLC Board was that it would not go along with the RHCC recommendation.
4. The USAC Board discussed the issues, and on a motion duly made and seconded, the Board elected not to reconsider the resolution adopted on June 26, 1998.
5. The Board then discussed the composition of the Rural Health Care Committee and a recommendation was made to have seven members comprised of the following representatives: one rural health care, one industry, two at-large, 2 state, and the USAC CEO. On a motion duly made and seconded, the Committee's composition was unanimously approved as recommended.
6. Ms. Parrino discussed the logistics of filing the Plan with the FCC and indicated that an Executive Summary and press release would be forthcoming. It was decided that the RHCC would file in conjunction with USAC and SLC indicating agreement, with the exception of the four issues noted by Mr. Blake.

There being no further business to attend to, Ms. Rosenblum thanked all parties for the joint effort in the preparation of the Plan, and the meeting was adjourned at 1:36 PM.

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Edward R. English  
Secretary

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

July 20, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Washington Marriott, 1221 22nd Street, NW, Washington, D.C. on the above date. The meeting was called to order at 1:30 P.M. EST by Donald Lynch, Vice Chair. Edward English, Secretary and Treasurer called the roll.

<b>Fourteen members were present, representing a quorum, as follows:</b>	
David Abramson	Martha Hogerty
Anne Bryant	James Jackson
John Anthony Butler	Donald Lynch
Edwin H. Eichler	Kathleen G. Ouye
Frank Gumper	Dr. Jay Sanders
Kevin Hess	Brian Talbott
Allan Thoms	Tom Wheeler
<b>Three members were absent as follows:</b>	
Gold, Heather	Marockie, Dr. Hank
Jackson, Jimmy	Rosenblum, Lisa - Chair
<b>Officers of the Corporation present:</b>	
Haga, Robert - Secretary/Treasurer	Parrino, Cheryl - CEO
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Organization</b>
Robert Haga	NECA
Marvin Bailey	Ameritech
Thomas Kemp	FCC
Lisa Zaina	OPASTCO
Sally Shake	Education Legislative Services, Inc.
Dick Lavery	GTE
Sharon Webber	FCC

Andrea Bruns	NCTA
Bob Anderson	NECA
Jim Rodda	MCI
Sharon Logan	DC PSC
Sara Fitzgerald	E-Rate Insider
Lee Palagyi	Cablevision

**ACTION ITEMS:**

1. Mr. Lynch welcomed the Board and presented the Minutes of the April 20, May 28, June 26 and June 30, 1998 Board of Directors meetings. On a motion duly made and seconded, the Minutes were unanimously approved with minor typographic changes.
2. Ms. Parrino gave a status report on the plan of reorganization for USAC, SLC and RHC submitted to the FCC. On July 15, the FCC had released a Public Notice requesting comments by August 5 and reply comments by August 12. Ms. Parrino established tentative conference calls of the USAC Long Range Planning Committee on August 7 and 11 to assess the initial round of comments and determine whether USAC would file any reply. She also asked the Board if it would like to form an Executive Committee to handle policy questions put before the full Board. The Board requested that Ms. Parrino present a plan for the role of an Executive Committee of the Board at the next regularly scheduled meeting.
3. Mr. Gumper gave a status report of the meetings held by the High Cost and Low-income Committee since the last regularly scheduled Board meeting. Details are included in the Committee Minutes displayed on the High Cost/Low Income section of the USAC webpage on the Internet. He pointed out that the fund collections were ahead of fund demand and that funding levels had been reduced in the Third and Fourth Quarters to compensate. He also indicated that adoption of a forward-looking cost model for non-rural carriers had been postponed until June 30, 1999. However, there are significant implementation issues depending on the role USAC will play in the role out of the new program. Ms. Parrino was asked to work with the FCC to discuss implementation timing issues and determine what role USAC would be filling in the implementation of the new model.
4. Ms. Ouye presented a status report on the latest issues facing the SLC. She reported that Mr. Fishman had appeared before the Senate Commerce Committee to address the audit which had been performed by the GAO. The GAO audit had requested modifications in the way SLC was determining discount size, reviewing applications for commitment letters and screening applications for eligible services. SLC had agreed to all of the adjustments requested by the GAO.
5. Dr. Sanders had nothing to report for RHC due to the fact that the RHC Board was meeting on July 21. The Board discussed the feasibility of moving the USAC Board meeting to Tuesday and allowing SLC, RHC and the Committees to meet on the preceding Monday. Ms. Parrino was asked to coordinate the new schedule for the October meeting with SLC and RHC and the Committees.
6. Mr. Levy presented a status report on regulatory matters since the last regularly scheduled meeting. He focused on a brief prepared by NECA on the inapplicability of the Government Corporation Control Act to the operations of USAC and NECA. He

then reviewed the highlights of the Fifth Order on Reconsideration and its effects on the universal service programs.

7. Mr. Lynch presented a status report on the meeting of the Budget and Finance Committee. He indicated that there was nothing unusual in the results of operation for the January - June period. The projected expense budget had been reallocated to support additional systems work, but was still within the original budget submitted to the FCC. On a motion duly made and seconded, the Board unanimously approved the following resolution:

**RESOLVED**, that the USAC Board accepts the recommendation made by the Budget and Finance Committee to adopt a 4th Quarter budget for USAC of \$1,231,000.

8. Mr. Lynch then explained that the FCC was not as proactive as USAC desired on enforcing collections of overdue balances. Ms. Parrino was asked to seek further support from the Commission.
9. Mr. Ricker explained the policy issues reviewed with the Budget and Finance Committee in the morning session.
  - a. The first issue concerned non-netting contributors that owed monies to the funds and were also due money from the funds. The Committee agreed with the staff recommendation that these entities be forced to net contributions with payments until their accounts were in good standing for three months. The Budget and Finance Committee decided to recommend that the full Board request that the FCC approve this treatment.
  - b. The second issue addressed the determination of De minimus status. The Committee concluded that a six month test using a \$5,000 threshold was the most reasonable approach to provide funding certainty and that there should be no retroactive treatment during a calendar year for any entity whose status changed during the year. The Budget and Finance Committee decided to recommend that the full Board request that the FCC approve this treatment.
10. On motions duly made and seconded, the Board unanimously agreed to seek clarification of the rules from the FCC following the recommendations of the Budget & Finance Committee.
11. Mr. Ricker presented a summary of the current status of telecommunications service provider revenues and an operations report concerning the funding levels for the universal service programs. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, that the USAC Board of Directors, having reviewed a summary of current status of telecommunications service provider revenues for calendar year 1997 at its meeting on July 20, 1998, hereby directs the staff to proceed with the required July 31, 1998 filing on behalf of USAC. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders.

12. Ms. Parrino reviewed the USAC Systems Development Report. She explained that revised estimates resulted from modifications made necessary by program changes, additional requirements and functional enhancements to the processes. Ms. Parrino reviewed the feasibility of employing videoconferencing of future Board meetings and indicated further investigation into the technology and prospective vendors was necessary before making a recommendation to the Board.

On a motion duly made and seconded, the Board unanimously decided to go into Executive Session to discuss the disposition of the contract between USAC and NECA. When the Board reconvened in public session, on a motion duly made and seconded, the Board unanimously approved the following resolution:

**RESOLVED**, that the USAC CEO is authorized to enter into negotiations to extend the contract with NECA for a period of 90 days. The CEO is also requested to meet with the officers of SLC and RHC and report back to the Board on a further plan of operation.

There being no further business to attend to, on a motion duly made and seconded the meeting was adjourned at 3:00 P.M.

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Edward R. English  
Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**August 26, 1998**

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held by conference call on August 26, 1998. The meeting was called to order at 2:00 p.m. Central Time by Lisa Rosenblum, Chair. Cathy Howard, Executive Assistant to Cheryl L. Parrino, called roll.

<b>Four members were present as follows:</b>	
Lisa Rosenblum	Frank Gumper
Kevin Hess	Edwin Eichler
Ed English was also present	

**ACTION ITEMS:**

1. The Budget and Finance Committee of the USAC Board recommended to the Board that the Board authorize USAC's CEO to enter into a lease agreement for the proposed office building space at 2120 L Street, N.W., Washington, D.C., which will house USAC, Schools and Libraries Corporation, and Rural Health Care Corporation staff beginning on January 1, 1999. Since a quorum was not established at this meeting, a vote on this issue could not be taken. Considering the urgency of settling this issue due to timeframe constraints, it was suggested that a ballot be sent out to all members not on the call to solicit their vote on the following resolution:

**RESOLVED**, that the USAC Board authorizes USAC's CEO to enter into a five-year lease with the Gelman Building Limited Partnership for the premises located at 2120 L Street, N.W., Washington, D.C., beginning on January 1, 1999.

The four members present agreed to this procedure.

2. The four members present discussed terms of the lease agreement. All four members voted affirmatively for the above resolution.

There being no further business to attend to, on a motion duly made and seconded, the meeting was adjourned at 2:23 p.m.

Ballots were sent out by fax (see attached) on August 26, 1998, to the 13 members of the Board not present for the conference call meeting.

<b>Votes were received from the following eight members (see attached):</b>	
Anne Bryant	John Anthony Butler
James Jackson	Donald Lynch
Henry Marockie	K.G. Ouye
Jay Sanders	Brian Talbott

Out of 17 Board members, there were 12 votes. All votes were affirmative.

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Edward English  
Secretary & Treasurer

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

October 20, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/The International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Tuesday, October 20, 1998. The meeting was called to order at 9:05 a.m. EDT by Lisa Rosenblum, Chair. Ms. Cathy Howard, Executive Assistant to Cheryl Parrino (CEO of USAC), acting as Secretary to the Board, called the roll.

<b>Eleven members were present, representing a quorum, as follows:</b>	
Eichler, Edwin	Rosenblum, Lisa
Gumper, Frank	Sanders, Dr. Jay
Hess, Kevin	Talbott, Brian
Jackson, James	Thoms, Allan
Lynch, Donald	Wheeler, Tom
Marockie, Dr. Henry	
<b>Four members joined in progress:</b>	
Abramson, David	Hogerty, Martha
Burnett Gold, Heather	Ouye, Kathleen G.
<b>Officers of the Corporation present:</b>	
Parrino, Cheryl --CEO	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Anderson, Bob	NECA
English, Ed	NECA
Haga, Robert	USAC
Harrison, Gina	NECA
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Ricker, John	NECA
Webber, Sharon	FCC

## ACTION ITEMS:

1. **Approval of minutes of Monday, July 20, 1998, and Wednesday, August 26, 1998** – On a motion duly made and seconded, the Board unanimously approved the minutes, as distributed, of the July 20, 1998, and August 26, 1998, USAC Board of Directors' meetings.
2. **Draft USAC By-Laws** – Several concerns with the By-Laws were brought to the table: (1) grammatical and punctuation errors; (2) how to use telecommunications and video conferencing for the Board meetings in light of the fact that all Board meetings are considered public meetings; and (3) rotating or staggered terms of office. Ms. Parrino addressed each concern: (1) Before the draft By-Laws go to the FCC, grammatical errors, punctuation, and redlining will be cleaned up and removed from the draft document so that it is more consistent with the format of the USAC Reorganization Plan; (2) Video conferencing is just one of many telecommunications options to use in place of face-to-face meetings and these options are covered in general terms under Item #6 in the By-Laws; and (3) The terms of office are yet to be determined by the final order from the FCC, but USAC counsel feels that once this is done, the FCC will provide wording under Items #3 and 4 to ensure staggered terms. Board members were invited to send any comments or suggested changes to the By-Laws to Ms. Parrino by October 23, 1998, before the document is shared with the FCC.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors authorizes the USAC staff to share the draft By-Laws with the FCC staff and Commissioners.

3. **Executive Committee Proposal** – Ms. Parrino outlined the proposed resolutions for the Executive Committee. Several concerns with the proposal were brought to the table and the following suggested changes were asked to be made: (1) Add language to note that the powers of the Executive Committee may be exercised between Board meetings; (2) Delete the words "whether in the ordinary course of business or otherwise" under Item #2 of the resolution; (3) Reword Item #4 to require the Executive Committee to bring any long-range business plans that are developed to the full Board for approval before implementation; and (4) Add language to note that the Executive Committee will have the authority to implement Board resolutions.

On a motion duly made and seconded, the Board unanimously voted to lay the motion concerning the Executive Committee Proposal on the table until revisions could be made to the proposed resolution.

After the mid-morning recess, on a motion duly made and seconded, the Board unanimously agreed to take from the table the motion relating to the Executive Committee Proposal. A member asked exactly how the members of the Executive Committee would be determined. The Board amended the resolution to cover this issue.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED,** That the USAC Board of Directors approves the formation of an Executive Committee and is hereby designated, which committee shall have and may exercise the following powers and authority of the Board of Directors of USAC between Board Meetings in the management of the business and affairs of USAC: (1) authorize the preparation and issuance of RFPs; (2) negotiate and enter into contracts up to \$750,000 and authorize the same; (3) consider and take action regarding personnel issues; (4) develop and recommend to the Board a long-range business plan and implement as directed by the Board; (5) review the initial budget and other financial information; (6) operate and manage the business of the Corporation in the ordinary course of business; and (7) any additional authority delegated to the Executive Committee by a resolution of the whole Board. However, in no event shall such committee: (i) have the power to approve, adopt, or recommend to USAC's stockholder(s) any action required under Delaware law to be submitted to stockholders for approval, or (ii) have the power to adopt, amend, or repeal any USAC By-Law, and

**RESOLVED,** That the Executive Committee shall consist of five (5) USAC Board members, including the chair of the USAC Board, an at-large representative, a representative of the High Cost and Low Income Committee, a director who, under the USAC By-laws, represents rural health care providers, and a director who, under the USAC By-laws, represents schools and libraries, and

**RESOLVED,** That the Executive Committee's meetings shall be open to the public and be held in Washington, D.C.

On a motion duly made and seconded, the Board unanimously adopted the following resolution appointing the Executive Committee members:

**RESOLVED,** That the Executive Committee shall consist specifically of the chair of the USAC Board of Directors (Lisa Rosenblum), the chair of the Schools and Libraries Corporation Board of Directors (Kathleen Ouye), the chair of the High Cost and Low Income Committee (Heather Burnett Gold), the chair of the Budget and Finance Committee (Don Lynch – subject to change based on the dissolution of the Budget and Finance Committee), and a designee from the Rural Health Care Corporation Board of Directors (Dr. Jay Sanders).

4. **Personnel Policies** – This item was listed as an *Executive Session* item on the agenda; however, the Board agreed that the some of the documents were appropriate to discuss in open session.

Board members felt that the various Statements of Ethical Conduct for Directors and Employees noted as Attachments D, E, & F in the agenda item memo were appropriate for employees, but would cause multiple conflicts for directors in terms of the directors accepting any sort of compensation from the very companies they represent.

On a motion duly made and seconded, the following amended resolution was proposed to respond to these concerns:

**RESOLVED,** That the USAC Board approves the following USAC documents for use by USAC effective January 1, 1999: "Personnel Policies, General Information"; "Employment Application"; "Statement of Ethical Conduct for Directors and

Employees"; "Statement of Ethical Conduct, Definition of Gifts Prohibited"; "Statement of Ethical Conduct, Disclosure Form for USAC Employees"; and "Business and Travel Expenses of USAC Representatives," with the direction to the USAC CEO to revise the "Statement of Ethical Conduct for Directors and Employees," "Statement of Ethical Conduct, Definition of Gifts Prohibited," and the "Statement of Ethical Conduct, Disclosure Form for USAC Employees" by striking the word "director" and indicating that these documents affect only employees of USAC and not the directors. The Board further directs the USAC CEO to develop new and separate "Statements of Ethical Conduct" to be used for directors only.

After some preliminary discussion regarding the documents—the "Summary Table," the "Personnel Policies, General Information," the "Employment Application," and the "Business and Travel Expenses of USAC Representatives" noted as Attachments A, B, C, & G in the agenda item memo—the Board decided that it was more appropriate to discuss these matters in *Executive Session*.

On a motion duly made and seconded, the Board unanimously voted to lay the amended motion relating to Personnel Policies on the table to be brought back during *Executive Session* (see Agenda Item #29).

5. **Notice of Proposed Rulemaking and Notice of Inquiry (CC Docket 98-171)** – Mr. Haga explained to the Board that the FCC is proposing to streamline the reporting requirements associated with the administration of different industry programs. The Notice of Inquiry from the FCC asks for input on consolidating the billing and collection function for all the programs. The USAC Board of Directors considered whether USAC should submit comments in the initial round of the proceeding, and if so, the scope of the comments. Members of the Board debated whether the suggested points to be made in the comments as outlined in the agenda item memo were advocating a policy position, and if so, if it is appropriate for USAC to advocate policy. The Board as a whole agreed that USAC is an administrative body and past discussions on this topic have made it clear that one of the functions of USAC is NOT to advocate policy. It was felt that comments could be made without getting into policy matters by limiting the comments to the administrative matters and capabilities of USAC. Ms. Parrino said that a draft copy of the comments would be sent to each member of the Board for the Board's input before the comments are submitted to the FCC on October 30, 1998.

On a motion duly made, seconded and carried, the Board voted to direct the USAC CEO to submit comments to the FCC on its Notice of Inquiry in CC Docket 98-171 and to limit those comments to the administrative matters and capabilities of USAC. Mr. Frank Gumper dissented.

6. **Draft Request for Proposal (RFP) for Payroll, General Accounting, Financial Services, and Reporting** – This item was listed as an *Executive Session* item on the agenda; however, the Board agreed that this item was appropriate to discuss in open session.

Ms. Parrino briefly outlined the timeline for the RFP as noted in the agenda item memo. A Board member asked the question that if the Board approved this RFP in draft form, did Ms. Parrino expect there to be any further significant changes. Mr. Parrino said that some suggested changes had come in, but none of significance. Another Board member asked why this issue was even before the Board, as it seemed that this action is within the scope of the USAC CEO's responsibilities as

delegated by the Board. Ms. Parrino pointed out that the USAC CEO has been delegated authority to authorize contracts under \$100,000; the resulting contract of the RFP will likely exceed that amount. If the Executive Committee is approved, it will have the authority to authorize contracts up to \$750,000 and could probably take care of this issue at that time. The Board agreed that the USAC CEO should be responsible for the actual details of the RFP and its issuance. If the contract exceeds the approved limits, then the USAC CEO should bring this issue back to the Board for approval.

7. **Election of Robert Haga as Acting Secretary/Treasurer of USAC** – This item was listed as an *Executive Session* item on the agenda; however, the Board agreed that this item was appropriate to discuss in open session.

After a brief discussion, on a motion duly made and seconded, the Board unanimously adopted the following resolutions:

**RESOLVED**, That the USAC Board of Directors elect Robert Haga as Acting Secretary/Treasurer of the Universal Service Administrative Company (USAC).

**RESOLVED**, That the Board thanks Mr. Ed English for his dedicated service to the Universal Service Administrative Company in its first year of operation.

The Board directed the USAC CEO to find an appropriate gift for Mr. English that would express USAC's gratitude for his service.

8. **NECA Contract Extension** – This item was laid over to *Executive Session* (see Agenda Item #29).
9. **Status of USAC Systems Development** – Mr. John Ricker informed the Board that the five data systems that the Board approved in order for USAC to provide the means to comply with the operational requirements of the FCC's directives and the provisions of the Telecommunication Act of 1996 have been developed. As outlined in Attachment A of the agenda item memo, two of the systems are currently in production and operational, two more systems should be operational by the end of October 1998, and the last system should be operational by March 1999.

Budget and Finance Committee Report Issues (Items 10 – 18):

10. **Selection of Public Accounting Firm for Performance of the 1998 USAC Audit** – This item was listed as an *Executive Session* item on the agenda; however, the Board agreed that this item was appropriate to discuss in open session.

Mr. Don Lynch, chair of the Budget and Finance (B&F) Committee, reported that the B&F Committee interviewed the three public accounting firms that responded to the Request for Proposal that was sent to a total of six firms. The three firms were Deloitte Touche, Arthur Andersen, and KPMG (Peat Marwick). Since Arthur Andersen is currently involved in NECA audits, the B&F Committee felt that synergies would be gained by selecting the same audit firm. However, the B&F Committee felt there would be no advantage in changing the procedures already in place for the Low Income Program review by NECA. The B&F Committee also agreed that it became apparent during the interviews that there is some confusion concerning the audit of Form 457 information and the FCC's expectations as to the scope of this audit and that further clarification from the FCC should be sought.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors has determined to engage Arthur Andersen, based on the recommendation of the Budget and Finance Committee, for the 1998 USAC Audit of its financial statements and an agreed-upon procedures audit of its internal control environment. The Board also accepts the Budget and Finance Committee's recommendation that USAC seek further direction from the FCC regarding the recommended scope of the review of the underlying carrier data reported in Form 457. USAC should request Arthur Andersen to include that scope of review in its audit program. The Board accepts the Budget and Finance Committee's recommendation that the Board engage NECA for the review of the Low Income Program information.

11. **Contingency for Administration of the Universal Service Cost Model** – On behalf of Mr. Lynch and the B&F Committee, Mr. Ricker briefly explained that a budget contingency to implement and administer the Universal Service Cost Model should be included in the 1<sup>st</sup> Quarter Budget of 1999 to be submitted to the FCC with the November 2, 1998, filing. Although USAC has not yet been ordered by the FCC to administer this model, it is one of the options under consideration; therefore, USAC should be prepared for this responsibility.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board accepts the recommendation made by the Budget & Finance Committee to include an estimate of \$500,000 in the first quarter of the 1999 Budget for the cost of running the Universal Service Cost Model.

12. **1999 Budget and Resolution on 1<sup>st</sup> Quarterly Budget** – Mr. Lynch reported that the B&F Committee feel that efficiencies and synergy should be seen once the companies merge. He noted that this budget does not include the \$500,000 contingency item for running of the Universal Service Cost Model.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the Budget and Finance Committee to adopt a 1<sup>st</sup> Quarter budget for USAC of \$1,583,700 + \$500,000 contingency for running the Universal Service Cost Model.

13. **1<sup>st</sup> Quarter 1999 Revenue Projection and Resolution on November 2, 1998, Filing with the FCC for the 1<sup>st</sup> Quarter of 1999** – On behalf of Mr. Lynch and the B&F Committee, Mr. Ricker gave up-to-date revised figures for Attachment A of the agenda item memo. (See Attachment A – revised fields are shaded.)

On a 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 current status of telecommunications service provider revenues for January through June 1998, at its meeting on October 20, 1998, and based on the recommendation of the Budget and Finance Committee, hereby directs the staff be authorized to

proceed with the required November 2, 1998, filing on behalf of USAC. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders.

14. **Follow-up to FCC Letter on Treatment of *De Minimis* Status** – Mr. Lynch reported that the Budget and Finance Committee felt that refunds should be given back as soon as possible and suggested that since the FCC allows USAC to transfer monies between funds, this should be done in order to cover the refunds. Another Board member asked if there was some way to communicate to these entities that a refund was coming. Ms. Parrino said that the semiannual filing would automatically trigger the refunds when *de minimis* status is established and that the carriers would know this and expect the refund.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors, having reviewed at its meeting on October 20, 1998, a summary of the current status of the *de minimis* issues which have been brought to the attention of the FCC, and based on the recommendation of the Budget and Finance Committee, hereby directs the staff to proceed with the inclusion of the funding requirements for refunds due to changes in the *de minimis* status of carriers in the November 2, 1998, filing. Staff is hereby directed to process the required refunds as soon as possible. The Board recognizes that inter-fund transfers will be necessary to allow these refunds to be issued.

15. **Form 457 Late Filing Penalty** – Mr. Lynch reported that the Budget and Finance Committee discussed how difficult it has been to get the companies to submit their FCC Form 457s on time and/or to submit accurate reports. The B&F Committee hopes that penalties will instill a sense of urgency in meeting the deadlines and in paying more attention to accuracy. Mr. Lynch informed the Board that it does indeed have the authority to apply penalties and assured the Board that none of these penalties are high enough to cause bankruptcy for any of the companies. In response to a Board member inquiry, Mr. Ricker briefly reviewed the many efforts to contact these companies to encourage timely and accurate filings. Some simply do not respond at all. Mr. Ricker pointed out that each day that a company is late negatively affects USAC's ability to analyze and process the data and provide an accurate filing to the FCC. In response to a Board member inquiry as to where the penalty money would go, Mr. Robert Haga noted that the penalties would go to offset future contributions. He went on to say that the penalties would be assessed based on the size of the contributions. Mr. Lynch said that there was nothing scientific in how the penalty numbers were arrived at; they were just thought to be appropriate amounts based on overall contributions so far. Ms. Parrino said that the Board could always structure the penalties to increase as each day goes by that a company is in violation, but that this idea should be reviewed in the future after the penalties are applied and the impacts assessed.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation of the Budget and Finance Committee to adopt the Form 457 Late Filing Penalty Schedule

as stated below and directs staff to notify the carriers of the penalties:

**Form 457 Late Filing Penalty:**

(Applicable to March 1, 1999, data collection and all future periods)

Grace Period of 5 business days

Rate = .00005 applied to total end-user billed revenue

Minimum Late Filing Penalty = \$100

Maximum Late Filing Penalty = \$5,000

Director- Level (staff) approval needed to waive penalty – extenuating circumstances

16. **Report on Accounts Receivable**
17. **Report on Collection Efforts of USAC and the FCC**
18. **Report on the Status of Mandatory Netting for Nonpayer's**

Mr. Lynch reported that the B&F Committee had a lengthy discussion on these three items. He said they reviewed the actions being taken by the FCC and USAC to get companies to comply with the FCC orders as outlined in the memos for Agenda Items #17 and 18. The B&F Committee believes that reasonable steps are under way to collect the money.

High Cost and Low Income Committee Report Issues (Items 19-23):

19. **High Cost Program Status Report** – Ms. Gold, chair of the High Cost and Low Income (HC/LI) Committee, briefly reviewed the ETC Status of the High Cost Program as outlined in the agenda item memo. She reported that there were no significant changes for the 4<sup>th</sup> Quarter.
20. **Low Income Program Status Report** – Ms. Gold briefly reviewed the ETC Status of the Low Income Program as outlined in the agenda item memo. She reported that only one of the CLECs designated as ETC has requested reimbursement: revenues continue to accrue as if all carriers have requested reimbursement, which keeps the program on target for the \$500 million.
21. **Preliminary 1st Quarter 1999 Projections** – Mr. Ricker, on behalf of Ms. Gold and the HC/LI Committee, updated the projected number in the agenda item memo for the Local Switching Support under the High Cost Program from 105.7 M to 103.7 M bringing the Total to 446.1 M. He noted that the Low Income Program is growing at a rate of 1.8 percent per month in terms of requests for reimbursements. In response to a Board member's inquiry as to why this number is accelerating at such a rate, Mr. Ricker explained that only 35 states had programs in place prior to January 1, 1998, as additional state programs are put in place, many more companies are taking advantage of the program. The number of customers applying is less than the total eligible and as those individuals become knowledgeable about the program, applications should increase.
22. **Calculation of the Cap on the High Cost Support Fund Using a Split Year for Rural and Nonrural Companies** – Ms. Gold briefly mentioned that the HC/LI Committee feels strongly that staff needs to work with the FCC on how to calculate the cap.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors accepts the recommendation made by the High Cost and Low Income Committee to direct the USAC staff to seek

clarification from the Commission on how the split-year capping of the high cost loop portion of the fund should be administered.

23. **Implementation of the New Universal Service Rules** – Ms. Parrino said that USAC continues to inform the FCC of the time that will be necessary to implement the new rules and to understand the model if USAC is selected to administer it. USAC has asked the FCC to build in enough lead-time for implementation. Ms. Gold reported that the HC/LI Committee recommends formally filing comments regarding the timeframe issue for implementation ONLY if the FCC asks for comments.
24. **1999 Meeting Schedule** – Ms. Parrino reviewed the proposed 1999 Board meeting dates and noted that each set of dates was on a Monday and Tuesday.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors schedule the following dates for the board meetings in 1999:

January 25 & 26

April 19 & 20

July 19 & 20

October 18 & 19

25. **Schools and Libraries Corporation Report** – Ms. Ouye gave a verbal report on the activities of the School and Libraries Corporation (SLC). SLC received a copy of a letter from Mr. Ken Brody to the FCC in which he submits his resignation from the SLC Board. Mr. Brody was an independent member. He stated in his letter that he thought the SLC Board was moving in the right direction.

Most of SLC's energies have been invested in getting out commitment letters for the 1<sup>st</sup> funding cycle. They will be sent out in five waves of mailing. The main obstacle to issuing commitment letters is to obtain sign-off from PWC, GAO, and the FCC that adequate internal controls are in place. In a sample taken, the only concern was with eligible services. SLC staff and subcontractors are working round the clock to complete this work.

The FCC established December 1 as the second-year application opening date. The SLC Board approved an 80-day application window versus a 75-day window as used in the first round. SLC plans to send packages of information regarding the second round applications around Thanksgiving. SLC also hopes to allow filing on-line by that time.

SLC has conducted 40 outreach sessions in 28 states. A video package is also available. SLC has developed an impressive vendor manual to be used in extensive outreach session to the vendor community, especially small vendors.

SLC unhappily noted the resignation of its CEO, Mr. Ira Fishman, but feels that the transition has gone well. It was noted that the SLC Board felt that Kate Moore is doing a great job so far stepping in for Mr. Fishman.

Mr. Gumper reported that in the last couple of weeks SLC received final approval for all forms in order to provide reimbursements. USAC will issue checks within 10 days after being notified by SLC to process payment. The vendor selects whether it wants

a check or credit.

Ms. Ouye stated that it does not look like Congress will take any more action in this session relating to the programs.

Ms. Ouye stated that there are sufficient funds to fund all telecommunications and Internet discounts. After that, by FCC order, SLC will go back to the 80-90 percent discount category for internal connections. There may be enough funding money to go beyond that discount level for internal connections. The fund is capped for the first 18 months.

26. **Rural Health Care Corporation Report** – Dr. Sanders, member of the Rural Health Care Corporation (RHCC) Board of Directors, provided a report from Lee Bailey, President of the Rural Health Care Corporation. Dr. Sanders reported that RHCC has received 1161 completed Form 465 applications. As outlined in the report, RHCC has found that most applicants are encountering many barriers in the program despite very intensive and extensive outreach efforts. The process has become very labor intensive.

Not stated in the report, but a fundamental reality is the fact that an attending physician's time for involvement in this program is not reimbursed. For instance, although the Health Care Financing Administration (HCFA) reimburses radiologists, it does not reimburse for any other specialty. RHCC is hopeful that HCFA will provide a resolution to this problem.

RHCC proposes two recommendations in its report involving fiscal year compatibility with the Schools and Libraries Program so that the application does not have to be redone, and more legislative and regulatory changes.

27. **Regulatory Report** – Mr. Haga reported on universal service issues and proceedings for the period covering 7/1/98 to 10/5/98 as outlined in the agenda item memo and attachments that he provided for the Board. He specifically pointed out the following issues: (1) Notice of Apparent Liability for Forfeiture – 8/14/98, page 2; (2) NPRM/NOI regarding Consolidated Form for Reporting Data – 9/25/98, page 3; (3) Public Notice Seeking Comment on the USAC Plan of Reorganization – 7/15/98, page 4; and (4) Fifth Circuit Court of Appeals – Oral arguments are due to be held the week of November 30, page 7.

28. **Miscellaneous**

- **Dates for Conference Calls or Meetings in December** – Ms. Parrino requested meetings in December in light of the pending merger order from the FCC. The Board agreed to meet in Washington, D.C. on December 15, 1998, and to have a conference call on December 28, 1998. These dates are subject to change depending on the timing of the FCC order. The Board directed the USAC CEO to investigate with the FCC why all Board meetings need to be held in Washington, D.C.
- **Expense Report Form** is attached for submitting travel expenses for these quarterly meetings.
- **USAC Board of Directors Address List Update** – Inform Cathy Howard of any changes: Cathy Howard, Executive Assistant, USAC, 538 D'Onofrio Drive, Suite 201, Madison, WI, 53719-2055, 608-827-8872, [choward@chorus.net](mailto:choward@chorus.net).
- **Board Materials for This Meeting and Future Meetings** – Ms. Parrino asked the Board members what they thought of the current format changes to the Board materials. The Board as a whole felt that the changes were positive and that the agenda and attachments were easy to find and follow. Ms. Parrino asked if the Board would be agreeable to keeping the current quarterly Committee and Board binders

that they now possess (Board – blue, HC/LI – red, B&F – black [will be Executive Committee color in future]) and just receiving the agenda items in the future to insert in the binders themselves. This would save considerably in material and mailing expenses for future quarterly meetings. The Board unanimously agreed.

## 29. Executive Session Issues

On a motion duly made and seconded, the Board unanimously agreed to go into *Executive Session* and to take from the table the motion relating to Personnel Policies.

**Agenda Item #4: Personnel Policies** – Board members had two concerns with the "Personnel Policies, General Information," noted as Attachment B of the agenda item memo. First, Board members wanted some level of carryover of sick leave from one year to the next to cover the employee who has been there for more than a year and who then finds a need to use sick leave in the beginning of the year, but has none to fall back on. In cases of a short- or long-term disability, there is a waiting period before those benefits are paid. The waiting period should be considered when establishing sick leave carryover policy.

Second, the Board did not think it necessary to include in the "Personnel Policy, General Information" the item titled "Compensatory Time." This applies to full-time exempt employees. The consensus of the Board was that compensatory time for these employees should be at the discretion of the supervisor and does not need to be included in this document.

The Board will bring a revised resolution to the table during open session.

**Agenda Item #8: NECA Contract Extension** – Ms. Parrino provided information on the specifics of the NECA Contract Extensions.

On a motion duly made and seconded, the Board unanimously agreed to go into open session.

### **Agenda Item #4: Personnel Policies**

On a motion duly made and seconded, the Board unanimously adopted the following amended resolution:

**RESOLVED,** That the USAC Board approves the following USAC documents for use by USAC effective January 1, 1999: "Personnel Policies, General Information"; "Employment Application"; "Statement of Ethical Conduct for Employees"; "Statement of Ethical Conduct, Definition of Gifts Prohibited"; "Statement of Ethical Conduct, Disclosure Form for USAC Employees"; and "Business and Travel Expenses of USAC Representatives," with the direction to the USAC CEO to revise the "Statement of Ethical Conduct for Directors and Employees," "Statement of Ethical Conduct, Definition of Gifts Prohibited," and the "Statement of Ethical Conduct, Disclosure Form for USAC Employees" by striking the word "director" from each document and indicating that these documents only affect *employees* of USAC and not *directors*. The Board directs the USAC CEO to develop new and separate "Statements of Ethical Conduct" which will apply to directors only. The Board directs the USAC CEO to include a carryover provision for sick leave each year in the "Personnel Policies, General Information" and that the carryover amount be enough to bridge the gap between sick leave and the waiting period before short- or long-term disability benefits are

paid. The Board directs the USAC CEO to strike from the document "Personnel Policies, General Information" the entry titled "Compensatory Time."

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:07 p.m. EDST.

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Robert W. Haga  
Acting Secretary/Treasurer

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

December 1, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held by conference call on Tuesday, December 1, 1998. The meeting was called to order at 11:35 a.m. EDST by Ms. Lisa Rosenblum, Chair. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

<b>Fourteen members were present, representing a quorum, as follows:</b>	
Abramson, David	Marockie, Dr. Henry
Bryant, Anne	Ouye, Kathleen
Eichler, Edwin	Rosenblum, Lisa
Gold, Heather	Sanders, Dr. Jay
Gumper, Frank	Talbott, Brian
Hess, Kevin	Thoms, Allan
Jackson, James	Wheeler, Tom
<b>Three members were absent as follows:</b>	
Butler, Tony	Lynch, Don
Hogerty, Martha	
<b>Officers of the Corporation present:</b>	
Haga, Robert – Secretary/Treasurer	Parrino, Cheryl - CEO
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Boehley, Lisa	FCC
English, Ed	NECA
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Rodda, Jim	MCI
Thurber, Steve	Mintz, Levin, Cohn, et al.
Waksman, Melissa	FCC
Webber, Sharon	FCC

## ACTIONS ITEMS:

1. **Authorization for NECA to Enter Into a Contract with Vestcom for Printing & Mailing of Remittance Advice Statements to Service Providers** – Ms. Parrino explained that this motion is before the Board because the contract cost will be approximately \$174,000 a year and as CEO of USAC, Ms. Parrino only has authority to approve contracts under \$100,000. Ms. Parrino explained how utilizing Vestcom would save USAC approximately \$40,000 over in-house production, and that strict confidentiality requirements were in place. As an aside, Ms. Parrino noted that Vestcom has a very strict provision in its company policy that Vestcom itself as well as any other company Vestcom does business with is Y2K ready.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors authorizes the USAC CEO to provide NECA with the authorization to enter into the contract with Vestcom for printing and mailing of remittance advice statements to service providers in performance of our responsibilities under the Schools, Libraries, and Rural Health Care programs.

2. **Merger** – Ms. Parrino referenced the draft document titled "Agreement and Plan of Merger" as distributed by email. She directed the Board's attention to the second version that approves a merger of USAC with one or two corporations in the event that one of the corporations does not approve the merger. At this time, SLC and RHCC have adopted resolutions approving the original merger document for the purpose of issuing a notice to consider adopting the merger agreement. The document approved today by the Board will go to the FCC for further review. The Board will review any changes at its December 15, 1998, meeting. The stockholder (National Exchange Carrier Association, Inc.) must approve the final merger document. A notice of a stockholder meeting on December 21, 1998, will be issued if the merger document is approved today. Under Delaware law, SLC and RHCC are required to go through a similar process.

Ms. Parrino explained that there is a possibility that RHCC may not approve the merger document. At this point, the Chair of the RHCC Board has made three specific requests before he would approve the merger. USAC has been negotiating with RHCC on these three points:

- RHCC requests that USAC go through due diligence. USAC has agreed to this request.
- RHCC requests that each Party agree that it shall assert no claim against any other Party or its directors, officers, employees, or representatives on the basis of any fact or circumstance that was known, or upon inquiry, reasonably could have been known, to such Party prior to the consummation of the Merger. Parties would not be required to make representations or warranties to any Party. USAC has not agreed to this request.
- RHCC requests liability insurance protection offered for its officers and directors for a period of six years. USAC has agreed to this request with a liability cap of 150% of the current premium of USAC. This same provision

would apply to officers and directors of SLC. If any liability does go over 150%, USAC is not obligated by the merger agreement to pay more; however, USAC can vote to pay out more if it chooses.

Ms. Parrino stated that whether or not the Chair of the RHCC Board has the inherent authority to make these requests is not material since the applicable Delaware law requires all four members of the RHCC Board to vote in the affirmative in order for the merger to pass. Ms. Parrino stated that she had not yet been able to connect with the Chair of the RHCC Board, Mr. Sanford Greenberg, but that she hoped to talk with him after the meeting. The Board directed Ms. Parrino to talk with Mr. Greenberg as soon as possible to find out his reasons for the requests and to explain to him the ramifications to RHCC if RHCC does not approve the merger. Some of the ramifications stated during the meeting are the fact that the FCC clearly has given USAC the authority to implement the Rural Health Care Program, which USAC intends to do, and if RHCC votes no, it no longer has any authority to run the program; it will have no cash flow; and USAC will have no obligation for current contracts or to cover any liability for RHCC officers and directors.

Dr. Sanders stated for the record that he has the utmost respect and regard for Mr. Greenberg and wants very much for the Board to have an opportunity to talk with Mr. Greenberg to find out his reasons for his requests before dismissing them out-of-hand.

Mr. Thurber clarified that regardless if RHCC does or does not approve the merger document, the merger document will be effective for those entities that sign it.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, that the form, terms, and provisions of the draft Agreement and Plan of Merger (the "Agreement") by and among Universal Service Administrative Company, Rural Health Care Corporation, and Schools and Libraries Corporation in the form presented to the Board of Directors be and are hereby approved and each of the officers of the Corporation be and is hereby authorized to enter into a merger agreement, in substantially the form of the Agreement, and to submit the Agreement to the Corporation's stockholder for approval at a special meeting thereof held upon the due notice of such meeting as required by law, and

**RESOLVED**, that upon the execution and delivery of the Agreement by all parties thereto, the Corporation be and is hereby authorized to perform its obligations thereunder, subject to approval of the Agreement by the Corporation's stockholder, and

**RESOLVED**, that each of the officers of the Corporation be and is hereby authorized to prepare, execute, deliver, and/or file any other document(s) and to take all other lawful action, as necessary to effect the transactions contemplated by the Agreement, subject to approval of the Agreement by Corporation's stockholder, and

**RESOLVED**, that all prior lawful action taken or caused to be taken by any officer of the Corporation in connection with the transactions contemplated by the Agreement are hereby authorized and ratified.

3. **Miscellaneous** – Ms. Parrino reviewed the proposed agenda for the December 15, 1998, USAC Board of Directors meeting:

Approval of minutes of Tuesday, October 20, 1998, and Tuesday, December 1, 1998

1999 Meeting Schedule Change (Change July 19 and 20 to July 26 and 27)

FCC Approval of USAC CEO

Report on the Readiness of USAC Operations for the Year 2000 and an Opinion on the Liability of Directors and Officers

Merger Issues

Mr. Haga noted that when the Board agreed to this meeting date at its quarterly meeting in October 1998, it was suggested that Board members meet in person for this meeting. However, teleconferencing will be available for members who are unable to attend due to unavoidable conflicts.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:35 p.m. EDST.

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Robert W. Haga  
Acting Secretary/Treasurer

December 15, 1998  
Date

**Meeting Attachments:**

The attachments listed below are in PDF format.

- [Attachment A](#) - Plan of Merger
- [Attachment B](#) - Certificate of Merger
- [Attachment C](#) - Certificate of Incorporation of USAC
- [Attachment D](#) - Notice of Special Meeting of the Stockholder of USA

## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER dated as of December 11, 1998, by and among the signatories hereto, including: (1) Universal Service Administrative Company, a Delaware stock corporation (“USAC”), and (2) one or both of: Rural Health Care Corporation, a Delaware nonstock nonmember corporation (“RHCC”), and Schools and Libraries Corporation, a Delaware nonstock nonmember corporation (“SLC”). (The signatories hereto may sometimes be referred to herein individually as a “Party” and collectively as the “Parties.”)

To effect a merger of the Parties and in consideration of the mutual covenants and agreements set forth herein the Parties hereby agree to the terms and conditions of the merger and the mode of carrying the same into effect as follows:

### **1. Merger of RHCC and SLC into USAC**

At the Effective Time (as defined), each Party other than USAC (“Non-surviving Corporation(s)”) shall be merged (the “Merger”) with and into USAC, which shall be the Merger’s surviving corporation, all pursuant to the provisions set forth in Paragraph 9. The corporate existence of USAC shall continue unaffected and unimpaired by the Merger.

At the Effective Time, the separate corporate existence of Non-surviving Corporation(s) shall cease and thereupon Non-surviving Corporation(s) and USAC shall be a single corporation, USAC (hereinafter sometimes referred to as the “Surviving Corporation”). The Surviving Corporation shall be governed by the laws of the State of Delaware.

### **2. Vesting of Assets and Liabilities of the Parties in USAC**

At the Effective Time, all rights, immunities, privileges, powers and franchises of each of the Parties, both of a public and a private nature, all property, real, personal and mixed, all debts due on account, and all other things in action or belonging to each of the Parties, and each and every other interest, shall vest in the Surviving Corporation without further act or deed as effectually as they were vested in the Parties. The Surviving Corporation shall thereafter assume and be responsible for all debts, liabilities, obligations and duties of each of the Parties. All debts, liabilities, obligations and duties shall thereafter attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities, obligations and duties had been incurred or contracted by it; but the liabilities

of each Party or of their directors or officers shall not be affected, nor shall the rights of creditors thereof or of any person dealing with each Party, or any liens upon the property of any Party, be impaired by the Merger. All rights of creditors and all liens upon the property of the Parties shall be preserved unimpaired. Any action or proceedings pending by or against the Parties may be prosecuted to judgment the same as if the Merger had not taken place, which judgment shall bind the Surviving Corporation or the Surviving Corporation may be proceeded against or substituted in its place. If at any time after the Effective Time the Surviving Corporation shall conclude that any further assignments or assurances in law or any other things are necessary or desirable to vest, perfect or confirm, on record or otherwise, in the Surviving Corporation, the title to any property or rights acquired or to be acquired by reason of, or as a result of, the Merger, Non-surviving Corporation(s) and the officers and directors of Non-surviving Corporation(s) shall execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary or proper to vest, perfect or confirm title to such property or rights in the Surviving Corporation and otherwise to carry out the purpose of this Agreement, and the officers and directors of Non-surviving Corporation(s) and the officers and directors of the Surviving Corporation are fully authorized in the name of Non-surviving Corporation(s) or otherwise to take any and all such action.

**3. Name**

The name of the Surviving Corporation shall be Universal Service Administrative Company.

**4. Certificate of Incorporation**

The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of USAC except that at the Effective Time Article 3 shall thereupon be amended to read in its entirety as do Article 3 set forth in the Certificate of Incorporation, attached hereto as Appendix I, which Certificate of Incorporation, as amended hereby and so attached, is made a part of this Agreement with the same force and effect as if herein set forth in full. Such Certificate of Incorporation shall be the Surviving Corporation's Certificate of Incorporation until the same shall thereafter be amended from time to time in accordance with applicable law.

**5. Bylaws**

The Bylaws of the Surviving Corporation shall be as set forth in the Bylaws attached hereto as Appendix II. Such Bylaws shall be the Bylaws of the Surviving Corporation until the same shall thereafter be amended from time to time in accordance with applicable law, the Certificate of Incorporation of the Surviving Corporation and its Bylaws.

**6. Directors of the Surviving Corporation**

The initial members of the Board of Directors of USAC from and after the Effective Time shall include each person identified in Appendix III, subject to the Bylaws of the Surviving Corporation and any applicable laws or regulations.

## **7. Officers**

At the Effective Time the persons identified in Appendix IV shall be the officers of the Surviving Corporation, in the indicated offices, and shall hold such offices, subject to the Bylaws of the Surviving Corporation, from and after the Effective Time.

## **8. Director and Office Vacancies**

If at the Effective Time a vacancy shall exist in the Board of Directors or any of the offices of the Surviving Corporation, such vacancy shall thereafter be filled in the manner provided by the Bylaws of the Surviving Corporation.

## **9. Procedural Provisions**

### ***(a) Submission to Vote***

This Agreement and Plan of Merger shall be submitted to the members of the board(s) of directors of Non-surviving Corporation(s) at meetings separately called for the purpose of approval and held in accordance with the General Corporation Law of the State of Delaware and the Certificates of Incorporation and Bylaws of Non-surviving Corporation(s).

This Agreement and Plan of Merger shall be submitted to the stockholder at a meeting called for the purpose of approval and held in accordance with the General Corporation Law of the State of Delaware and the Certificates of Incorporation and Bylaws of USAC.

### ***(b) Effective Time of the Merger***

Provided that the directors of Non-surviving Corporation(s) shall have met and shall have approved and adopted this Agreement and Plan of Merger by the vote of two-thirds of the total number of directors of each such corporation who have the right to vote and provided further that at a special meeting the stockholder of USAC shall have approved and adopted this Agreement and Plan of Merger and provided further that this Agreement and Plan of Merger or an appropriate certificate in respect thereof, has been filed in accordance with the General Corporation Law of the State of Delaware, the

Merger shall become effective (the "Effective Time") when such documents are filed or at such later time as may be specified in such documents.

**(c) Filing**

This Agreement and Plan of Merger, or an appropriate certificate thereof, shall be filed with the Secretary of State of the State of Delaware.

**10. Assets, Liabilities, Reserves, Accounts, etc.**

At the Effective Time, the assets, liabilities, reserves and accounts of each Party shall be taken upon the books of the Surviving Corporation at the amounts at which they, respectively, are then carried on the books of such corporation, subject to such adjustments, or eliminations of intercompany items, if any, as may be appropriate in giving effect to the Merger.

**11. Corporate Acts of Non-surviving Corporation(s)**

All corporate acts, plans, policies, approval and authorizations of Non-surviving Corporation(s), their or its Board of Directors, committees elected or appointed by the Board of Directors, officers and agents, which were valid and effective immediately prior to the Effective Time shall be taken for all purposes as the acts, plans, policies, approvals and authorizations of the Surviving Corporation, and shall be as effective and binding thereon as the same were with respect to Non-surviving Corporation(s). The employees and agents of Non-surviving Corporation(s) shall become the employees and agents of the Surviving Corporation.

**12. Termination**

The Parties' obligation to effect the Merger shall be conditioned upon no statute, rule, regulation, executive order, decree or injunction having been enacted, entered, promulgated or enforced by any court or governmental authority that prohibits the consummation of the Merger on the terms contemplated hereby and all regulatory prerequisites to the Merger having been satisfied. This Agreement and the Merger shall be terminated and abandoned if such condition shall not have been satisfied by December 31, 1998. In the event of the termination and abandonment of this Agreement and the Merger pursuant to the provisions of this Paragraph 12, this Agreement shall become void and have no effect, without any liability on the part of any of the Parties, or their directors or officers, in respect thereof.

### **13. Certificate Holders**

Non-surviving Corporation(s) have not issued any certificates evidencing capital contribution. USAC's sole stockholder shall be the sole stockholder of the surviving corporation.

### **14. Miscellaneous**

(a) **Governing Law**

This Agreement and Plan of Merger shall be construed in accordance with the laws of the State of Delaware.

**(b) Notice of Material Facts**

Each Party shall give to the other Parties prompt notice of any claim, event or transaction that would or does materially and adversely affect its business, properties, operations or financial condition.

**(c) Cooperation in Carrying Out Agreement**

The Parties agree to cooperate in carrying out the provisions of this Agreement and Plan of Merger to the end that the Merger contemplated herein may be duly consummated, and to carry on business and conduct their affairs in, and only in, the usual and customary manner in accordance with law and in accordance with past practice.

**(d) No Rights or Remedies in Third Parties**

Except as otherwise expressly provided in this Agreement and Plan of Merger, nothing herein expressed or implied is intended, or shall be construed, to confer upon or to give any person, firm or corporation other than the Parties any rights or remedies under or by reason of this Agreement and Plan of Merger.

**(e) Indemnification**

For a period of six years after the Effective Time, (i) all rights to indemnification existing as of the Effective Time in favor of the current and former directors, officers and employees of the Parties as provided for in the Certificates of Incorporation, Bylaws and board resolutions of each Party shall continue in full force and effective in respect of such persons; and (ii) the Surviving Corporation shall maintain in effect coverage at least equivalent to the policies of directors' and officers' liability insurance maintained by each Party at the Effective Time; *provided, however*, that the Surviving Corporation shall not be obligated to pay premiums with respect to officer and directors of Non-surviving Corporation(s)

in excess of 150% of the amount per annum that Non-surviving Corporation(s) paid for policies as in effect on September 1, 1998.

**15. Execution of Counterparts**

This Agreement and Plan of Merger may be executed in any number of counterparts.

**16. Entire Agreement**

This Agreement and Plan of Merger shall constitute the entire agreement among the Parties with respect to the subject matter hereof.

**17. Severability**

In the event that, for any reason, any provision of this Agreement and Plan of Merger is construed to be invalid, the invalidity of such provision is not to be considered or held to impair or invalidate any other provision of this Agreement and Plan of Merger.

**18. Filing of Required Documents**

The Parties hereby agree to cause the filing in a timely manner of such documents as are required, in the opinion of their respective counsel, to be filed with any applicable governmental authority.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed effective as of the day and year first above written.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been adopted and certified by each Party and re-executed in accordance with the Delaware Corporation Law.

oOo

**CERTIFICATE OF MERGER OF:  
SCHOOLS AND LIBRARIES CORPORATION AND  
RURAL HEALTH CARE CORPORATION INTO  
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

The undersigned corporation DOES HEREBY CERTIFY THAT:

**FIRST:** The name and state of incorporation of each of the constituent corporations of the merger are as follows:

<u>NAME</u>	<u>STATE OF INCORPORATION</u>
Schools and Libraries Corporation	Delaware
Rural Health Care Corporation	Delaware
Universal Service Administrative Company	Delaware

**SECOND:** An agreement of merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Sections 251, 255 and 257 of the Delaware General Corporation Law.

**THIRD:** The name of the surviving corporation with respect to the merger is Universal Service Administrative Company.

**FOURTH:** The certificate of incorporation of Universal Service Administrative Company, which is surviving the merger, shall be the certificate of incorporation of the surviving corporation, except that Article 3 of the certificate of incorporation shall be amended to read in its entirety as follows: "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."

**FIFTH:** The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is: 1201 Pennsylvania Ave., N.W., Washington, DC 20004.

**SIXTH:** A copy of the agreement of merger will be furnished by the surviving corporation on request and without cost to any stockholder or member of any constituent corporation.

Dated: December \_\_, 1998

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

By: \_\_\_\_\_

Robert Haga, Secretary

[Attachment C](#)

**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.

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David F. Hoyle, Sole Incorporator

**Attachment D**

**NOTICE OF SPECIAL MEETING OF THE STOCKHOLDER OF  
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

To: National Exchange Carrier Association, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of the sole stockholder of Universal Service Administrative Company shall take place at 100 South Jefferson Road, Whippany, NJ on December 21, 1998 beginning at the hour of 2:00 p.m. local time. At the meeting, the sole stockholder, National Exchange Carrier Association, Inc., will consider and vote upon the Agreement and Plan of Merger by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation (the "Agreement"). A copy of the Agreement is attached. The affirmative vote of National Exchange Carrier Association, Inc. is required to approve the Agreement.

By order of the Board of Directors

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Robert Haga, Secretary

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

December 7, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held by conference call on Monday, December 7, 1998. The meeting was called to order at 4:05 p.m. EDST by Ms. Cheryl Parrino, CEO of USAC, on behalf of the Chair, Ms. Lisa Rosenblum. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

<b>Nine members were present, representing a quorum as follows:</b>	
Abramson, David	Ouye, Kathleen
Butler, Tony	Sanders, Dr. Jay
Gumper, Frank	Rosenblum, Lisa
Gold, Heather (via phone)	Thoms, Allan
Hess, Kevin	Wheeler, Tom
Lynch, Don	
<b>Four members joined in progress:</b>	
Gold, Heather	Marockie, Dr. Hank
Jackson, Jimmy	Rosenblum, Lisa - Chair
<b>Four members were absent as follows:</b>	
Bryant, Anne	Hogerty, Martha
Eichler, Ed	Talbott, Brian
<b>Officers of the Corporation present:</b>	
Haga, Robert – Secretary/Treasurer	Parrino, Cheryl - CEO
<b>Others present for the meeting:</b>	
Name	Company
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Rodda, Jim	MCI
Thurber, Steve	Mintz, Levin, Cohn, et al.

## ACTION ITEMS

1. **Merger Issues** – Mr. Thurber reviewed the latest requests of the Rural Health Care Corporation (RHCC) regarding the pending merger agreement. He noted that these requests would significantly change the agreement. RHCC has requested that language be included in the merger agreement that would require USAC to expand the legal due diligence process currently being conducted to include an audited due diligence process to examine financial matters including the books, records, assets, liabilities, and results of operations of the other merger parties, and to then report to such parties the results of that examination. Mr. Thurber explained that this request would be impractical for two reasons. First, this latest proposal would require USAC to do much more work now, at ratepayer expense, which would eventually have to be done again anyway per the FCC order. The structure of that ultimate audit for the Federal Communications Commission (FCC) is not yet known, therefore, it would be difficult to carry forward the value of any work done now. Second, their request would eliminate the customary certifications or representations and warranties expected from RHCC with respect to the completeness and accuracy of the documents they provide as part of the due diligence process.

Ms. Parrino stated that conversations have taken place between USAC's and RHCC's counsel as well as with the RHCC Chairman, Mr. Sanford Greenberg. The consequences of RHCC not signing the agreement as it now stands were communicated. Ms. Rosenblum volunteered to call Mr. Greenberg and try to get to the reasoning behind these requests, but the Board members felt that if anyone should talk to him, it should be the Chairman of the FCC as the FCC has already issued the merger order and the merger is going ahead whether RHCC signs on or not. Ms. Ouye also stated that granting these latest requests would negatively impact the programmatic side of the Schools and Libraries Corporation as it is in the process of sending out commitment letters.

After further discussion, the consensus of the Board members was that USAC has made several concessions to the Chairman of the RHCC Board and that USAC is not willing to make any additional concessions.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 4:32 p.m. EDST.

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Robert W. Haga  
Acting Secretary/Treasurer

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

December 15, 1998

**MINUTES**

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/The International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Tuesday, December 15, 1998. Ms. Lisa Rosenblum, Chair of USAC, called the meeting to order at 11:05 a.m. EST. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino called the roll for Mr. Robert Haga, Acting Secretary.

<b>Fourteen members were present, representing a quorum as follows:</b>	
Abramson, David	Marockie, Dr. Hank
Bryant, Anne (via phone)	Ouye, Kathleen
Eichler, Ed	Lynch, Don
Gold, Heather (via phone)	Rosenblum, Lisa
Gumper, Frank	Sanders, Dr. Jay
Hess, Kevin	Talbott, Brian
Hogerty, Martha	Thoms, Allan (via phone)
Jackson, James	
<b>Three members were absent:</b>	
Butler, Tony	Wheeler, Tom
Sanders, Dr. Jay	
<b>Officers of the Corporation present:</b>	
Haga, Robert – Secretary/Treasurer	Parrino, Cheryl - CEO
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
English, Ed – <i>by telephone</i>	NECA
Harrison, Gina	NECA
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Ricker, John	NECA

Rodda, Jim	MCI
Thurber, Steve	Mintz, Levin, Cohn, et al.
Webber, Sharon	FCC

## ACTION ITEMS

1. **Approval of minutes of Tuesday, October 20, 1998, Tuesday, December 1, 1998, and Monday, December 7, 1998** – On a motion duly made and seconded, the Board unanimously approved the minutes, as distributed, of the October 20, 1998, December 1, 1998, and December 7, 1998, USAC Board of Directors' meetings.
2. **1999 Meeting Schedule Change** – Ms. Parrino explained that the dates originally voted on by the USAC Board for the July 1999 meeting dates conflict with the National Association of Regulatory Utility Commissioners' summer meetings, which several of the Board members attend. An informal survey of the Board showed that most members are available on July 26 and 27. For those unable to make those dates, telephone conferencing will be available for that meeting.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors changes the July 1999 USAC Board of Directors meeting dates from July 19 and 20 to July 26 and 27.

The Board asked USAC if the question of the USAC Board being allowed to meet in locations other than in Washington, D.C., had been put to the FCC yet. Ms. Parrino stated that she made an informal inquiry to the FCC on this issue. The FCC responded that the USAC Board would need to submit a formal request to the FCC to change this requirement since it is specifically stated in both the original FCC order that established USAC as well as in the new merger order that all USAC Board meetings are to be held in Washington, D.C. Ms. Parrino felt it was not in the best interest of USAC to pursue this provision at this time. The Board then asked if the USAC Board could meet elsewhere informally for such events as visiting various offices or industries of the Board members as a way to better familiarize themselves with the different entities they are associated with. Ms. Parrino said that she would investigate the question and find out what constitutes a formal or legal gathering of the USAC Board.

3. **FCC Approval of USAC CEO** – Ms. Parrino explained that the language in the new merger order from the FCC would require approval of the USAC CEO by the Chairman of the FCC. Mr. Jackson thanked Ms. Parrino on behalf of the Board for all her work in moving along the reorganization of USAC.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs that a letter, signed by the Chair of the USAC Board of Directors, be submitted to the FCC Chairman, Mr. William Kennard, seeking approval of Ms. Cheryl L. Parrino as its CEO.

Ms. Rosenblum noted that Ms. Parrino's contract expires May 31, 1999. She suggested that the Executive Committee should take up the issue of the possible renewal of Ms. Parrino's contract. The Board was agreeable to that suggestion.

4. **Report on the Readiness of USAC Operations for the Year 2000 and an Opinion on the Liability of Directors and Officers** – This issue is a follow-up to a request from Mr. Hess to determine if the USAC computer systems and applications are capable of functioning in the Year 2000, and what actions are required of the directors and officers of USAC to avoid liability in the event a system should fail. Ms. Parrino reviewed the steps that have been taken to address this issue and reported that she is confident that USAC is ready for the Year 2000, as are all the outside vendors that USAC is currently using, and that as long as the officers and directors of USAC continue to address this problem and take corrective action, they will avoid any liability in the event a system should fail.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors directs the staff to provide a report to the Board at each quarterly meeting regarding the status of the efforts to comply with Year 2000 standards, and

**RESOLVED**, That the USAC Board of Directors determines that the resources dedicated to resolve Year 2000 issues are adequate at this time.

5. **Merger Issues** – Ms. Parrino reviewed the status of the merger agreement. The Rural Health Care Corporation's Board members voted unanimously for the merger agreement on Friday, December 11, 1998. The Schools and Libraries Corporation's Board members voted unanimously for the merger agreement on Tuesday, December 15, 1998. The USAC sole shareholder, the National Exchange Carriers Association (NECA) will vote on Monday, December 21, 1998. Ken Levy of NECA was authorized on December 8, 1998, to cast the vote for NECA. There is no further action needed by the USAC Board. The USAC Board conference call that was tentatively scheduled at the October Board meeting for December 28, 1998, has been canceled.
6. **Miscellaneous**
  - **Evaluation of Board Materials and Meetings (*Response Requested*)** – Ms. Parrino requests that each Board member fill out this two-page evaluation regarding the format and process being used to prepare and distribute the Board materials.
  - **Copy of Letter to the FCC Seeking Clarification of the "Calculation of the Cap on the High Cost Support Fund Using a Split Year for Rural and Nonrural Companies" per Board resolution, Agenda Item #22, October 20, 1998** – For information only.
  - **Expense Report Form** – Attached for submitting travel expenses for this meeting.
  - **January 1999 USAC Board Meeting** – Ms. Parrino briefly reviewed the agenda items gathered to date for the January 1999 USAC Board meeting:
    - Consolidated Budget
    - Formally vote to create committees for the Rural Health Care Program and the Schools and Libraries Program

Formally select and appoint USAC Board members to staggered terms  
Personnel: organizational structure, benefits, contracts, etc.  
Possible tour of new office space before dinner on Monday night (dinner at Max's of Washington)

7. **Authorization to Purchase Furniture for USAC's Washington, D.C. Office** – Ms. Parrino and Mr. Haga reviewed the furniture needs for the new office space at 2120 L Street, N.W., Washington, D.C. Mr. Haga assured the Board members that all desks will have adjustable keyboard trays and that all office chairs meet ergonomic standards. Mr. Haga noted that the move date to the new office space is still to be determined, but he is currently planning the move for the week of January 11, 1999.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

**RESOLVED**, That the USAC Board of Directors authorizes the USAC CEO to purchase office furniture through the services of the architectural firm of O'Brien, Travis & Jaccard for USAC's Washington, D.C. location.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 11:42 a.m. EST.

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Robert W. Haga  
Acting Secretary/Treasurer