

2001 Board of Directors Meetings Minutes

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

January 30, 2001

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, January 30, 2001. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:34 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Fifteen of the eighteen members (there is one vacancy) were present, representing a quorum:	
Anne, Bryant - <i>by telephone</i>	Ouye, Kathleen
Davis, Fr. William	Parrino, Cheryl
Eichler, Edwin	Rivera, Robert
Gold, Heather	Rosenblum, Lisa - <i>by telephone</i>
Gumper, Frank	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Dr. Brian
Jackson, Jimmy	Thoms, Allan
Lubin, Joel	

Two members joined the meeting in progress:	
Lineberry, Isiah - <i>by telephone</i>	Wheeler, Tom
One member was absent:	
Hess, Kevin	
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Flannery, Irene	USAC
Howard, Cathy	USAC
Moore, Kate	USAC
Ricker, John	NECA
Sandy, Colin	NECA

ACTION ITEMS:

Open Session

Mr. Gumper announced that Board member Mr. John (Tony) Butler had resigned his Board position as of January 23, 2001. The FCC will be notified of the vacancy.

- a1. **Annual Election of Officers and Committee Chairs and Vice Chairs.** Ms. Parrino reviewed the recommendations being made by the Committees. She informed the Board that she received a note of appreciation from Dr. Hank Marockie, whose term as Board member ended on December 31, 2000. Dr. Marockie thanked USAC staff for its work during his tenure and conveyed his best wishes to the Board.

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

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee to elect **Mr. Frank Gumper** as Chair of the Board of Directors; **Mr. Allan Thoms** as Vice Chair; **Mr. Ed Eichler** as Secretary; **Ms. Anne Bryant** as Treasurer; **D. Scott Barash** as Assistant Secretary; and **Robert Haga** as Assistant Treasurer for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee to elect **Ms. Cheryl L. Parrino** as CEO of the Universal Service Administrative Company for a term coincident with the term of her employment contract; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Executive Committee to establish a policy that the Chair and Vice Chair of the USAC Board of Directors will be elected as the Chair and Vice Chair of the USAC Executive Committee; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Executive Committee to elect the Chair and Vice Chair of the USAC Board of Directors as the Chair and Vice Chair of the USAC Executive Committee for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC High Cost & Low Income Committee to elect **Ms. Martha Hogerty** as Chair and **Mr. Ed Eichler** as Vice Chair of the USAC High Cost & Low Income Committee for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Rural Health Care Committee to elect **Dr. Jay Sanders** as Chair and **Mr. Isiah Lineberry** as Vice Chair of the USAC Rural Health Care Committee for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002

Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Schools & Libraries Committee to elect **Ms. Kathleen Ouye** as Chair and **Mr. Kevin Hess** as Vice Chair of the USAC Schools & Libraries Committee for the term of one year that shall begin at the conclusion of the January 2001 Board meeting and that shall conclude at the close of the January 2002 Board meeting.

- a2. **Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the USAC Board of Directors' meetings of Tuesday, October 24, 2000, and Wednesday, December 20, 2000.
- a3. **Reports from the Committee Chairs.** Each of the Committee Chairs briefly reported on the activity from the January quarterly Committee meetings: Ms. Ouye - Schools & Libraries Committee; Ms. Gold - High Cost & Low Income Committee; Dr. Sanders - Rural Health Care Committee; and Mr. Gumper - Executive Committee. Ms. Ouye and Dr. Sanders brought action items from their respective Committee before the Board.

Ms. Ouye informed the Board that Mr. Rivera had resigned from the Schools & Libraries Committee; therefore, a new at-large representative needs to be appointed to the Committee. The Committee recommends Mr. Jackson.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Schools & Libraries Committee to appoint **Mr. Jimmy Jackson** to the Schools & Libraries Committee as one of the at-large representatives.

Dr. Sanders informed the Board that Mr. Hess resigned from the Rural Health Care Committee; therefore, a new service provider representative needs to be appointed to the Committee. The Committee recommends Mr. Rivera.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Rural Health Care Committee to appoint **Mr. Robert Rivera** to the Rural Health Care Committee as the service provider representative.

- a4. **Adoption of Resolutions Honoring Departing Board Members.** On a motion duly made and seconded, the Board adopted the following resolutions:

RESOLVED, That the USAC Board of Directors hereby expresses its profound appreciation for the service Mr. David Abramson has provided to the Universal Service Administrative Company, and wishes him the best in his future endeavors.

RESOLVED, That the USAC Board of Directors hereby expresses its profound appreciation for the service Dr. Henry Marockie has provided to the Universal Service Administrative Company and the Schools and Libraries Corporation, and wishes him the best in his future endeavors.

- a5. **Review of the Executive Committee Structure.** Mr. Gumper recalled that when the Board revised the Executive Committee structure at its January 2000 meeting, the Board requested that Committee members monitor the meetings throughout the year for any problems resulting from the size of the Committee and to recommend

changes in membership to the Board if the Committee believed changes are warranted. Mr. Gumper stated the sense of the Committee and staff is that the current size of the Executive Committee has not caused any problems.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to maintain the current structure of the Executive Committee.

- a6. Approval of April 2002 - January 2003 Board of Directors Quarterly Meeting Schedule.** On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors adopts the following Board of Directors and Committee quarterly meetings schedule for April 2002 - January 2003:

Executive Committee	Programmatic Committees & Board of Directors
April 18, 2002	April 22 & 23, 2002
July 18, 2002	July 22 & 23, 2002
October 17, 2002	October 21 & 22, 2002
January 16, 2003	January 22 & 23, 2003

- a7. Delegation of Authority to the Executive Committee for Review and Final Approval of the USAC Annual Report to the FCC and Congress.** Mr. Blackwell distributed a draft copy of the 2000 USAC Annual Report. As required by FCC regulations, staff has consulted with the FCC regarding the contents of the annual report. The report is due to the FCC and Congress by March 31, 2001.

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

RESOLVED, That the USAC Board of Directors delegates the final review and approval of the USAC 2000 Annual Report to the Executive Committee and directs staff to provide each Board member with a copy of the final 2000 Annual Report.

- a8. Approval of USAC Enforcement Compliance Plan.** Mr. Barash reminded the Board that a presentation was given on this issue at each of the programmatic Committee meetings on January 29, 2001. Mr. Gumper noted that all of the Committees approved the recommendation before the Board.

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

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC programmatic Committees to adopt the proposed USAC Enforcement Compliance Plan.

- a9. Update and Action on USAC's Financial Reporting Issue.** Mr. Haga reported that USAC is still working with its independent auditor, Arthur Andersen, to obtain a final bill for the services provided to date on the audit of the Universal Service Fund's September 30, 2000, financial statements. To date the audit indicates that USAC's management of the Fund complies with applicable laws and regulations. He further explained that at the last quarterly Board meeting, the Board directed staff to review whether it would be prudent for USAC to change its fiscal year to conform to the FCC's fiscal year, which ends on September 30. Mr. Haga directed the Board's

attention to the analysis of pros and cons of changing USAC's fiscal year. It is staff's recommendation that USAC retain its current fiscal year.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to maintain the current fiscal year period for USAC.

- a10. Request for FCC Approval to Hold USAC Board of Directors Meetings Outside of Washington, DC.** Mr. Gumper recalled that in December 1999 USAC sought the FCC's approval to hold certain Board of Directors' meetings outside of Washington, D.C. Mr. Barash reported that USAC has not received a formal response from the Commission, and raised with the Board the question whether it would be prudent for USAC to withdraw its request at this time. The Board discussed the issue and concluded that the issue should be tabled at this time.

On a motion duly made and seconded, the Board laid the following resolution on the table: Resolved, that the USAC Board of Directors directs USAC staff to withdraw USAC's request to the FCC to hold one Board of Directors meeting per year at a location other than Washington, DC.

No further action was taken on the issue.

- a11. Approval of Annual 2001 and 2nd Quarter 2001 USAC Common and Consolidated Budget.** Ms. Bryant gave an overview of the status of the budget. Ms. Parrino drew the Committee's attention to Attachments A and B, charts that set forth how the budget is being allocated.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve an annual 2001 USAC common budget of \$3,519,300; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2nd Quarter 2001 USAC common budget of \$904,900; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve an annual 2001 USAC consolidated budget of \$39,911,400; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2nd Quarter 2001 USAC consolidated budget of \$10,496,900.

- a12. Approval of 2nd Quarter 2001 Revenue Projections and Resolution on the February 2001 FCC Filing.** Mr. Haga distributed a revised Attachment B. He noted that the projected revenue base for the 2nd Quarter 2001 shows a slight increase from last quarter.

On a motion duly made and seconded, the Board adopted the following *amended* 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 2000, accepts the recommendation of the Executive Committee to authorize staff to proceed with the required February 6, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments within the approved variance threshold of \$2.5 billion.

a13. Miscellaneous.

- Mr. Gumper reported that the Executive Committee adopted a resolution to revise the USAC CEO's compensation for 2001 consistent with the Federal Executive Level I salary ca

Mr. Gumper called a recess at 10:55 a.m. At the call of the Chair, the Board reconvened at 11:00 a.m. Mr. Gumper called the meeting to order and asked that the roll be taken. Ms. Howard called the roll.

Sixteen of the eighteen members were present (there is one vacancy), representing a quorum.	
Anne, Bryant - <i>by telephone</i>	Lubin, Joel
Davis, Fr. William	Ouye, Kathleen
Eichler, Edwin	Parrino, Cheryl
Gold, Heather	Rosenblum, Lisa - <i>by telephone</i>
Gumper, Frank	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Dr. Brian
Jackson, Jimmy	Thoms, Allan
Lineberry, Isiah - <i>by telephone</i>	Wheeler, Tom
One member joined the meeting in progress:	
Rivera, Robert	

Information Items

- i1. Report of Legislative and Media Activity.** Mr. Blackwell reported that USAC received the usual level of inquiries from the media during the last quarter. He encouraged Board members to refer media inquiries to him. Mr. Blackwell also noted the extensive congressional activity related to the universal service support mechanisms. He reminded the Board that he previously sent them an email containing a brief analysis of the Children's Internet Protection Act that was recently signed into law. Mr. Blackwell also briefly discussed President Bush's education plan that had just been released, noting that the details of the plan have not yet been released. The Board discussed the proposed plan.
- i2. Assistant Treasurer's Report.** Mr. Haga reported that although the Universal Service Fund balance has increased from this time last year, USAC must continue to collect funds because current commitments exceed funds on hand. The amount of interest earned in 2000 was \$126.3 million. The amount of interest will probably decrease as each Committee trues up collections versus disbursements. In response to a question, Mr. Haga explained that the rules do not directly address the treatment of interest; however, the FCC has approved USAC's actions to include interest in the

funding base, thereby reducing the collection rate.

- i3. **Regulatory Report.** For information only. No discussion held.
- i4. **Report on Accounts Receivable and Collection Efforts.** For information only. No discussion held.
- i5. **Bankruptcy Report.** For information only. No discussion held.
- i6. **Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i7. **USAC Timeline and Key Dates.** For information only. No discussion held.
- i8. **Billing, Collection, Disbursement, and Financial Services Request for Proposals.** For information only. No discussion held.
- i9. **Benchmarking Study.** Mr. Haga reported that a USAC intern prepared a report and assisted in developing a process for benchmarking USAC's performance against certain industry standards. USAC will continue to apply these methods to its operations as it actively strives to meet the Nation's universal service goals in an efficient and effective manner.
- i10. **Status of the Proposed Revenue Base Change for Calculation of Universal Service Contributions.** Mr. Haga reported that USAC has submitted comments as well as reply comments to the FCC on this issue. The matter is still with the FCC. Mr. Barash noted that USAC has issued a Request for Proposals for the billing, collection, and distribution of the Fund and any changes to how the revenue base is calculated could change the services required of the vendor selected.
- i11. **Report on Pending Litigation.** For information only. No discussion held.
- i12. **Miscellaneous.** None.

Rural Health Care Program:

- i13. **Rural Health Care Program Status Report.** For information only. No discussion held.
- i14. **Summary of the Medicare Reimbursement Policy for Telemedicine.** For information only. No discussion held.
- i15. **Review of Annual 2001 and 2nd Quarter 2001 Rural Health Care Programmatic Budget.** For information only. No discussion held.
- i16. **Review of 2nd Quarter 2001 Rural Health Care Projections and Resolution on the February 2001 FCC Filing.** For information only. No discussion held.

Schools and Libraries Program:

- i17. **Schools and Libraries Program Status Report.** For information only. No discussion held.
- i18. **Report on the Beneficiary Audit.** For information only. No discussion held.
- i19. **Update on Subcontractor Claim for 1999 Work.** For information only. No discussion held.
- i20. **Review of Annual 2001 and 2nd Quarter 2001 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i21. **Review of 2nd Quarter 2001 Schools and Libraries Projections and Resolution on the February 2001 FCC Filing.** For information only. No discussion held.

High Cost & Low Income Committee:

- i22. High Cost and Low Income Programs Status Report.** For information only. No discussion held.
- i23. Report on the Implementation of New Initiatives for the High Cost and Low Income Programs.** For information only. No discussion held.
- i24. Review of Annual 2001 and 2nd Quarter 2001 High Cost and Low Income Programmatic Budget.** For information only. No discussion held.
- i25. Review of 2nd Quarter 2001 High Cost and Low Income Projections and Resolution on the February 2001 FCC Filing.** For information only. No discussion held.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 11:35 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

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

April 24, 2001

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, April 24, 2001. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:00 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Fifteen of the nineteen members (there is one vacancy) were present, representing a quorum:	
Bryant, Anne	Ouye, Kathleen
Davis, Fr. William	Parrino, Cheryl
Eichler, Edwin	Rivera, Robert
Gold, Heather	Rosenblum, Lisa - <i>by telephone</i>
Gumper, Frank	Sanders, Dr. Jay
Hess, Kevin	Talbott, Dr. Brian
Hogerty, Martha	Thoms, Allan
Jackson, Jimmy	

One member joined the meeting in progress:	
Lubin, Joel	
Two members were absent:	
Lineberry, Isiah	Wheeler, Tom
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Faunce, Donna	USAC
Flannery, Irene	USAC
Howard, Cathy	USAC
Miller, Linda	USAC
Moore, Kate	USAC

Ricker, John	NECA
Rodda, Jim	USAC
Sandy, Colin	NECA
Schroder, Katherine	FCC

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the USAC Board of Directors' meeting of Tuesday, January 30, 2001.
- a2. Reports from the Committee Chairs.** Each of the Committee Chairs briefly reported on the activity from each of their April quarterly Committee meetings, respectively: Ms. Ouye - Schools & Libraries Committee; Ms. Hogerty - High Cost & Low Income Committee; Dr. Sanders - Rural Health Care Committee; and Mr. Gumper - Executive Committee.
- a3. Approval of Notification to the FCC of USAC Board of Directors' Terms that Expire on December 31, 2001, and Approval of Annual Notification Thereafter.** Ms. Parrino stated that although it is eight months before some of the Board members' terms expire, experience shows that allowing for more lead-time allows the FCC and the constituency groups sufficient time to find replacements or to re-nominate a current Board member. For future years, USAC staff is recommending that they be authorized to notify the FCC annually, early in the year and without further Board approval, of Board terms expiring at the end of that year.

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

RESOLVED, That the USAC Board of Directors authorizes staff to notify the FCC of the Board members' terms that expire on December 31, 2001; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes staff, going forward, to automatically notify the FCC annually of Board members' terms that expire on December 31 of that year.

- a4. Authorization of the Executive Committee to Perform Audit Oversight Functions.** Ms. Parrino explained the need to define the Board-level audit oversight of USAC's audits. A general corporate practice is for a board of directors to have a separate audit committee that oversees all of the company's audit functions. USAC staff recommends that the audit oversight responsibility be given to the Executive Committee rather than forming a new committee. The membership of the Executive Committee provides balanced representation of all aspects of USAC's operations, and the Executive Committee has served many of these functions as well as serving the functions of the finance committee. The proposed resolution would formally grant authority over audits to the Executive Committee. Mr. Gumper noted that the Executive Committee approved the recommendations at its April 19, 2001, quarterly meeting.

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

RESOLVED, That the USAC Board of Directors adopts the recommendation of the

USAC Executive Committee and hereby authorizes the Executive Committee to oversee all corporate audit functions; and

RESOLVED FURTHER, That the USAC Board of Directors adopts the recommendation of the USAC Executive Committee to direct staff to develop an Internal Audit Charter defining the role, responsibilities, and reporting structure for the Director of Internal Audits and internal audit staff.

- a5. Approval of 3rd Quarter 2001 USAC Common and Consolidated Budgets.** Ms. Bryant said that the annual budget is the same as presented at the January 2001 Board meeting with one exception-an increase to implement the change in the contribution methodology as a result of the recent FCC order. Staff estimates the changes will increase administrative expenses by \$255,000 for the 3rd Quarter 2001. Ms. Faunce reviewed the increases and decreases to the 3rd Quarter 2001 budget.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 3rd Quarter 2001 USAC common budget of \$904,600; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 3rd Quarter 2001 USAC consolidated budget of \$7,959,000.

- a6. Approval of Revised 2nd Quarter 2001 Revenue Projections, Revisions to the Variance Threshold Procedures, Report on the Deadline for Revising Revenue Filings, and Report on Maintaining the Late Filing Fee.** Mr. Haga distributed revised Attachments A, B, and C. He also informed the Board of the three missing numbers on page 6 of the issue paper. Mr. Haga reviewed the FCC order released in March 2001 in which the FCC directed that the interval between the accrual of revenues and the USF contribution assessment based on those revenues be shortened by six months. Accordingly, USAC will need to file the revenue projection associated with the April 2, 2001; revenue filing at the beginning of May and those revenues will be used to restate carrier contributions in the second quarter. Further, USAC will be required to submit a supplemental revenue data filing to the FCC at the beginning of the third month of each quarter. Because data will be reported in quarterly amounts instead of semi-annual amounts, staff is recommending reducing the variance threshold from \$2.5 billion to \$1.25 billion for future filings. Staff further recommends Board approval to file the revenue base associated with the April 2, 2001, revenue data collection, revision of the variance threshold for future filings, and explicit delegation to the Executive Committee to approve the 3rd Quarter 2001 revenue base to be filed with the FCC on June 1, 2001.

On a motion duly made and seconded, the Board adopted the following resolutions with one amendment (in italics):

RESOLVED, That the Board of Directors accepts the recommendation of the USAC Executive Committee to delegate to the Executive Committee the authority to review the new revenue base filing that is due at the FCC on June 1, 2001; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to thereafter authorize staff to file Contribution Base amounts with variances not exceeding \$1.25 billion for the international and interstate revenue base of the Board-approved contribution base amounts, and variances at or below the above level are deemed approved by the Board. For variances above \$1.25 billion for the international and interstate revenue base the Board delegates the authority to review and approve the filings to the FCC to the Executive Committee; and

RESOLVED FURTHER, That the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for July through December 2000 as provided in revised Attachment A, accepts the recommendation of the Executive Committee to authorize staff to proceed with the required May 2, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

The Board **DIRECTED** staff to provide the Board with a schedule of changes in both interstate and international revenues along with total revenues for the periods that USAC has collected this information.

- a7. Procedure for Handling Appeals Concerning Contribution and Data Collection and Proposed Resolution of Three Such Appeals.** Mr. Barash reviewed the recommended procedure for handling appeals concerning contributions and data collection. He noted that the Board's programmatic committees have authorized USAC staff to resolve appeals within the programs in the absence of unusual or novel circumstances. The proposed procedure mirrors the processes currently in place for the programmatic committees. These are the first appeals received by USAC seeking review of contribution and collection matters, which creates the need for USAC procedures to handle them. Mr. Thoms questioned why the Board is not resolving all appeals directly, because the FCC rules governing USAC's operations contemplate parties appealing to the USAC Board of Directors, not to the staff.

Mr. Thoms expressed concern about public perception should staff handle appeals based on authority delegated by the Board. Several other Board members observed that the separate programs receive too many appeals for the Board to resolve directly, but that the Board is ultimately responsible for all activities specified in the FCC rules that are delegated to staff. Ms. Ouye noted that the Schools & Libraries Program alone had over 2,000 appeals in the year 2000.

The Board **DIRECTED** USAC staff to discuss this issue with FCC staff. Mr. Barash then discussed the specifics of the three pending appeals concerning contribution and collection matters, and recommended a course of action concerning those appeals to the Board.

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

RESOLVED, That the USAC Board of Directors directs USAC staff to implement the proposed procedures for adjudication of appeals to USAC for matters relating to billing, collection, or disbursement disputes, and

RESOLVED FURTHER, That the USAC Board of Directors directs USAC staff to dispose of three pending appeals by contributors in accordance with the recommendation in this issue paper.

Mr. Jackson voted no. Dr. Sanders abstained.

- a8. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary.** On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of matters related to USAC's RFP for billing, collection, disbursement, and financial services shall be conducted in Executive Session.

See Executive Session.

- a9. Miscellaneous.** None.

Information Items

- i1. Report of Legislative and Media Activity.** For information only. No discussion held.
- i2. Assistant Treasurer's Report.** Mr. Haga reported that the 1st Quarter 2001 financial results are presented to the Board and that the numbers speak for themselves. Ms. Parrino pointed out that the major findings in Attachment E, a draft of Arthur Andersen's review of USAC's operations, have been highlighted for ease of scanning the document.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable and Collection Efforts.** For information only. No discussion held.
- i5. Bankruptcy Report.** For information only. No discussion held.
- i6. Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i7. USAC Timeline and Key Dates.** For information only. No discussion held.
- i8. Summary of FCC's Revenue Base Change Order.** For information only. No discussion held.
- i9. Report on Adding User Search Capabilities to Support Mechanism Data.** Mr. Haga reported that the many requests from the public for data concerning the universal service support mechanisms have taken a considerable amount of USAC staff time; therefore, staff decided to automate the database so that anyone could easily access the information directly. This reduces the workload for staff and provides stakeholders with timely information. Currently, USAC staff is working on entering as much information on the USAC web site as possible in a form that users can then cut and paste to other computer software programs if desired. Eventually staff plans to provide users with the ability to customize the information they are seeking and to search the USAC databases to find that information on the USAC web site.
- i10. Report on Pending Litigation.** For information only. No discussion held.
- i11. Report on USAC's FCC Financial Reporting Issues - Confidential &**

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

RESOLVED, That the USAC Board of Directors determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in Executive Session.

See [Executive Session](#).

i12. Miscellaneous. None.

Rural Health Care Program:

i13. Rural Health Care Support Mechanism Status Report. For information only. No discussion held.

i14. Review of 3rd Quarter 2001 Rural Health Care Programmatic Budget. For information only. No discussion held.

i15. Review of 3rd Quarter 2001 Rural Health Care Projections and Resolution on the May 2001 FCC Filing. For information only. No discussion held.

Schools and Libraries Program:

i16. Schools and Libraries Program Status Report. For information only. No discussion held.

i17. Summary of Management's Response to the Consultant's Report on the Schools and Libraries Division's Invoice Payment Process. For information only. No discussion held.

i18. Review of 3rd Quarter 2001 Schools and Libraries Programmatic Budget. For information only. No discussion held.

i19. Review of 3rd Quarter 2001 Schools and Libraries Projections and Resolution on the May 2001 FCC Filing. For information only. No discussion held.

High Cost & Low Income Committee:

i20. High Cost and Low Income Programs Status Report. For information only. No discussion held.

i21. Report on the Implementation of New Initiatives for the High Cost and Low Income Programs. For information only. No discussion held.

i22. Review of 3rd Quarter 2001 High Cost and Low Income Programmatic Budgets. For information only. No discussion held.

i23. Review of 3rd Quarter 2001 High Cost and Low Income Projections and Resolution on the May 2001 FCC Filing. For information only. No discussion held.

On a motion duly made and seconded, the Board voted at 10:09 a.m. Eastern Time to go into Executive Session for purposes of discussing the two confidential and proprietary items as noted above. Mr. Gumper called a recess at 10:10 a.m. At the call of the Chair, the Board reconvened at 10:22 a.m. Mr. Gumper called the meeting to order and asked that the roll be taken. Ms. Howard called the roll.

Fourteen of the nineteen members were present (there is one vacancy), representing a quorum.:

Bryant, Anne

Jackson, Jimmy

Davis, Fr. William	Lubin, Joel
Eichler, Edwin	Ouye, Kathleen
Gold, Heather	Parrino, Cheryl
Gumper, Frank	Rivera, Robert
Hess, Kevin	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Dr. Brian

Two members joined the Executive Session in progress:	
Rosenblum, Lisa - by telephone	Thoms, Allan
Two members were absent:	
Lineberry, Isiah	Wheeler, Tom
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Faunce, Donna	USAC
Flannery, Irene	USAC
Howard, Cathy	USAC
Moore, Kate	USAC
Schroder, Katherine	FCC

EXECUTIVE SESSION:

a8. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary. Mr. Gumper explained that the Board has requested that the Executive Committee review the proposed course of action concerning the billing, collection, disbursement, and financial services procurement before bringing the matter before the Board. At its April 29, 2001, quarterly meeting, the Executive Committee reviewed and approved the course of action as recommended by USAC staff. The Board discussed details of the ongoing contract negotiations.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee and approves the course of action proposed by USAC management regarding the proposals received in response to the Request for Proposals for Billing, Collection, Disbursement, and Financial Services, including, but not limited to, engaging in further discussions with more than one proposed vendor.

The Board **DIRECTED** staff going forward to provide the Board with a list of all significant contracts, including the dollar amount and expiration date of each.

i11. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary. The Board held a discussion on USAC's FCC financial reporting issues.

The Board adjourned from Executive Session and reconvened in Open Session at 11:19 a.m. Eastern Time to report out the discussion and the action of the Board during Executive Session. There being no further business to attend to, Mr. Gumper adjourned the meeting at 11:20 a.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

May 17, 2001

MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, May 17, 2001. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 4:32 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Twelve of the nineteen members (there is one vacancy) were present, representing a quorum:	
Davis, Fr. William - <i>by telephone</i>	Parrino, Cheryl- <i>by telephone</i>
Gumper, Frank- <i>by telephone</i>	Rivera, Robert- <i>by telephone</i>
Hess, Kevin- <i>by telephone</i>	Sanders, Dr. Jay- <i>by telephone</i>
Jackson, Jimmy- <i>by telephone</i>	Talbott, Dr. Brian- <i>by telephone</i>
Lubin, Joel - <i>by telephone</i>	Thoms, Allan- <i>by telephone</i>
Ouye, Kathleen - <i>by telephone</i>	Wheeler, Tom- <i>by telephone</i>

One member joined the meeting in progress:	
Hogerty, Martha - <i>by telephone</i>	
Five members were absent:	
Bryant, Anne	Lineberry, Isiah
Davis, Fr. William	Rosenblum, Lisa
Gold, Heather	
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	
Others present for the meeting:	
Name	Company
Faunce, Donna	USAC
Flannery, Irene	USAC
Howard, Cathy- <i>by telephone</i>	USAC

OPEN SESSION

ACTION ITEMS:

- a1. Revision of the Guidelines for Temporary Investments of USAC Funds to Update the Rating Agency for Investments in Bank Securities of Domestic Banks.** Mr. Haga explained that a minor technical change had to be made due to a merger of the rating agencies. The rating agency that USAC used no longer exists and a new rating agency with comparable ratings had to be found. After reviewing other rating agencies, the Investment Committee found an agency with comparable ratings and recommends to the Board to update the Guidelines to reflect that change.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Investments Committee to adopt the revised "Guidelines for Temporary Investments of USAC Funds" and further directs the Treasurer and Assistant Treasurer to use the revised Guidelines in managing the funds of the Corporation.

- a2. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary.** On a motion duly moved and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of the proposals to perform billing, collection, disbursement, and financial management functions for USAC shall be conducted in Executive Session.

See Executive Session.

- a3. Miscellaneous.**

- **Election of a Director to the USAC Board of Directors and Election of a Director to the High Cost & Low Income Committee of the Board.** Mr. Gumper announced that the FCC has approved the appointment of Ms. Karen Buller as the low-income consumer representative to fill out the term vacated by Mr. Butler. The Board must now elect the new member to the USAC Board of Directors. Consistent with the By-laws, the low-income consumer representative is entitled to a seat on the High Cost & Low Income Committee and the Board needs to appoint Ms. Buller to that Committee.

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

RESOLVED, That the USAC Board of Directors, in accordance with USAC's corporate By-laws, and due to the resignation of Board member Mr. Tony Butler, hereby elects Ms. Karen Buller to the USAC Board of Directors to replace Mr. Butler as the low-income consumer representative, whose term shall begin immediately and expire on December 31, 2002; and,

RESOLVED FURTHER, That the USAC Board of Directors hereby appoints Ms. Karen Buller to the High Cost & Low Income Committee as the low-income consumer representative.

Information Items

- i1. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.** On a motion duly moved and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in Executive Session.

[See Executive Session.](#)

- i2. Miscellaneous.** NONE.

On a motion duly moved and seconded, the Board voted at 4:37 p.m. Eastern Time to go into Executive Session for purposes of discussing the two confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a2. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary.** Staff reviewed the vendor contract proposals submitted in response to USAC's Request for Proposals for USAC's billing, collection, disbursement, and financial services.

On a motion duly moved and seconded, the Board voted at 4:50 p.m. Eastern Time to go back into Open Session to vote on the resolution, as the resolution is not confidential and proprietary.

OPEN SESSION:

- a2. Approval of Contract Negotiations for USAC's Billing, Collection, Disbursement, and Financial Services - Confidential & Proprietary.** On a motion duly moved and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee and approves entering into contracts with PricewaterhouseCoopers and LaSalle Bank to provide Billing, Collection, Disbursement, and Financial Services, and allows the Investments Committee to utilize Bank One as an outside investment manager consistent with the Investment Guidelines.

On a motion duly moved and seconded, the Board voted at 4:51 p.m. Eastern Time to go into Executive Session for purposes of discussing the confidential and proprietary item concerning USAC's financial reporting issues as noted above in #iBOD01.

EXECUTIVE SESSION:

- i2. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.** Mr. Gumper reported on a recent meeting between certain USAC Board members and the FCC concerning USAC's financial reporting issues. Board members consulted with counsel concerning this matter.

On a motion duly moved and seconded, the Board adjourned from Executive Session and reconvened in Open Session at 5:20 p.m. Eastern Time to report out the discussion during Executive Session.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 5:21p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

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

July 24, 2001

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, July 24, 2001. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:02 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Twelve of the nineteen members (there is one vacancy) were present, representing a quorum:	
Bryant, Anne	Jackson, Jimmy- by telephone
Davis, Fr. William	Ouye, Kathleen
Eichler, Edwin	Parrino, Cheryl
Gumper, Frank	Rivera, Robert - by telephone
Hess, Kevin	Sanders, Dr. Jay
Hogerty, Martha	Talbott, Dr. Brian

Four members joined the meeting in progress:	
Buller, Karen	Rosenblum, Lisa
Lineberry, Isiah - by telephone	Thoms, Allan - by telephone

Two members were absent:	
Lubin, Joel	Wheeler, Tom

Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer	

Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Claremont, Susan	Andersen LLP
Fagan, Mark	Andersen LLP
Flannery, Irene	USAC
Griffin, Felice	Andersen LLP
Howard, Cathy	USAC
Kaplan, Dan	Andersen LLP

Khan, Sameer	USAC
Miller, Linda	USAC
McDonald, George	USAC
McMahon, Shaun	USAC
Rhyner, Rich	NECA
Rodda, Jim	USAC
Sandy, Colin	NECA
Schroder, Katherine	FCC

Board member Ms. Rosenblum joined the meeting at this point.

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as revised, of the USAC Board of Directors' meeting of Tuesday, April 24, 2001; and the minutes, as distributed, of the meeting of Tuesday, May 17, 2001.

Board members Ms. Buller, Mr. Lineberry, and Mr. Thoms joined the meeting at this point.

- a2. Reports from the Committee Chairs.** Each of the Committee Chairs briefly reported on the activity from each of their July quarterly Committee meetings, respectively: Ms. Ouye - Schools & Libraries Committee; Ms. Hogerty - High Cost & Low Income Committee; Dr. Sanders - Rural Health Care Committee; and Mr. Gumper - Executive Committee.
- a3. Acceptance of USAC 2000 Financial Audits and Agreed Upon Procedures Reviews.** Mr. Gumper deferred this item until after the recess.
- a4. Authorization to File Draft USAC 2001 Financial Audit and Agreed Upon Procedures Review Plans with the FCC.** Ms. Parrino stated that the draft audit plan for 2001 was very similar to last year's plan submitted to the FCC. She called the Board's attention to two modifications. First, procedures will be revised to reflect the change in USAC's financial services vendor from the National Exchange Carrier Association (NECA) to PricewaterhouseCoopers and LaSalle Bank. Second, USAC is proposing to eliminate the audit review steps for the High Cost Support Mechanism data collection because the data collection work is designated as NECA's responsibility under the FCC's rules.

On a motion duly made and seconded, the Board adopted the following resolution as amended (in italics):

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to authorize USAC staff to file with the FCC the proposed USAC 2001 Financial Audit and Operational Review Plan *and grants staff editorial privilege to make any final format and editorial changes.*

- a5. Acceptance of the 1998 Form 457 Audit and Authorization of a Review of Carriers' 2000 Interstate and International Revenue - Confidential & Proprietary.** Mr. Gumper deferred this item until after the recess.

- a6. Approval of 4th Quarter 2001 USAC Common and Consolidated Budgets.** Ms. Bryant reported that the quarterly budget is 9% lower than the 4th quarter of 2000. She noted that there are three proposed additions to the budget: (1) \$600,000 in additional costs for the 2001 audit of Schools and Libraries Support Mechanism beneficiaries; (2) \$250,000 for transition costs from NECA to the new financial services vendors, PricewaterhouseCoopers and LaSalle Bank; and (3) \$100,000 for the review of carriers' reported 2000 interstate and international revenue.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 4th Quarter 2001 USAC common budget of \$992,000; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 4th Quarter 2001 USAC consolidated budget of \$11,090,400.

- a7. Approval of 4th Quarter 2001 Revenue Projections and Resolution for the September 1, 2001, FCC Contribution Base Filing.** Mr. Haga reminded the Board that the revenue base filings are now due at the FCC a month later than before. The numbers before the Board are the most recent numbers; however, if the projections change to the point of exceeding the variance threshold of \$1.25 billion for the international and interstate revenue base as previously approved by the Board, the September 1 filing will need to be approved. A tentative USAC Executive Committee meeting is scheduled for August 31 to approve the filing, if necessary. However, Mr. Haga stated that there is no reason at this point to indicate that the contribution base as stated will change significantly. He informed the Board of the three missing numbers on page 4 of the issue paper.

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

RESOLVED, That the USAC Board of Directors, having reviewed a summary of the current status of the September 1, 2001, FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required September 1, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

- a8. Adoption of a Resolution to Honor Ms. Kate Moore.** Ms. Parrino informed the Board that the Schools & Libraries Committee supported the resolution unanimously.

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

RESOLVED, That the members of the USAC Board of Directors expresses their profound appreciation for the service Ms. Kate Moore has provided to the USAC Schools & Libraries Committee and to the Schools and Libraries Support Mechanism, and hereby adopts the attached resolution honoring her and wishing her the best in her teaching profession and in all her future endeavors.

- a9. Adoption of a Resolution to Honor Ms. Heather Gold.**

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

RESOLVED, That the USAC Board of Directors hereby expresses its profound appreciation for the service Ms. Heather Gold has provided to the Universal Service Administrative Company, the Executive Committee, and the High Cost & Low Income Committee, and wishes her the best in her future endeavors.

- a10. Clarification of Delegation of Authority by the USAC Board of Directors to Conduct the Financial and Business Affairs of the Corporation.** Mr. Gumper explained that the USAC Executive Committee tabled this item at its July 19, 2001, quarterly meeting and directed staff to review the draft resolutions presented to the Committee in order to ensure that they accurately reflect an appropriate level of delegation of day-to-day financial operations to USAC officers and employees. Mr. Barash indicated that the draft resolutions had been modified appropriately. He further explained that these revisions are not intended to make changes to USAC's current financial practices, but rather to ensure that the authority conferred by the Board covers current operational practice. Ms. Bryant stated her belief that the revised resolutions now accurately reflect the USAC Board of Directors' fiduciary responsibilities and delegation authority.

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

RESOLVED, That the USAC Board of Directors authorizes for and on behalf of the Corporation, the Chairman of the Board of Directors, the Chief Executive Officer, or the Treasurer of the Corporation (hereby the "Designated Officers") to designate from time to time one or more banks, trust companies, or other banking institutions (any thereof being herein after referred to as a "bank") to act as depository or depositories for the funds of the Corporation for and during such period as the Designated Officer may from time to time deem necessary or desirable in the interests of the Corporation, to open or close out from time to time accounts in any such depository so selected or reselected, and to enter into any contracts or agreements necessary, desirable or incident to the designation of a bank or the performance by such bank of the services as to which such designation relates. A Designated Officer may delegate this authority to the Assistant Treasurer; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Chief Executive Officer of the Corporation to designate those officers, employees or agents of the Corporation who may be authorized from time to time to sign or otherwise lawfully endorse any and all checks, drafts, orders, and electronic transfers against any bank accounts established by the Corporation; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Chief Executive Officer of the Corporation to designate those officers, employees or agents of the Corporation who may be authorized from time to time to enter into agreements with a bank for cash management services which may include, without limitation, agreements relating to the disbursement of funds of the Corporation (via check, ACH, wire, other electronic funds transfer, or otherwise), the collection of funds of the Corporation, access to information relating to any and all account activity, and taking any and all action permitted or contemplated by any of the foregoing agreements and/or services; or designate in writing to a bank the person or persons authorized to take any and all action permitted by any of the foregoing agreements and/or services (which may include, at its discretion, employees or officers of the Corporation); or to enter into such agreements with a bank with respect to any of the foregoing, and the taking of any such actions or the execution or delivery of any such documents or agreements by such officers or employees to be conclusive evidence that the same

were authorized by this resolution; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Corporation's Designated Officers to designate others as the Corporation's authorized agent for certain purposes, including, without limitation from time to time, opening bank accounts in the name of the Corporation and entering into agreements with banks for cash management services which may include, without limitation, agreements relating to the disbursement of funds (via check, ACH, wire, other electronic funds transfer, or otherwise), the collection of funds (by electronic transfer, zero balance account, pooling, or otherwise), accessing information relating to any and all account activity and/or the use of software and/or Internet-based products in order to undertake any or all of the foregoing, and taking any and all action permitted or contemplated by any of the foregoing agreements and/or services, and the taking of any such actions or the execution or delivery of any such documents or agreements by such Designated Officers or agents to designated to be conclusive evidence that the same were authorized by this resolution. A Designated Officer may delegate this authority to the Assistant Treasurer; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Assistant Treasurer or any employee or agent designated by the Chief Executive Officer or the Treasurer to deposit for safekeeping any temporary cash investment securities with such banks or trust companies approved as depositories of funds of USAC or such other bank or trust company as deemed appropriate. The Treasurer may delegate this authority to the Assistant Treasurer; and

RESOLVED FURTHER, That the USAC Board of Directors authorizes the Treasurer, Assistant Treasurer, or their designated agent to sell any security purchased for temporary investment purposes; to agree at the time of purchase of any temporary investment to resell all or any part thereof on terms fixed at the time of purchase; and to agree at the time of sale of any temporary investment to repurchase all or any part thereof on terms fixed at the time of sale. The Treasurer may delegate this authority to the Assistant Treasurer. The Treasurer or Assistant Treasurer may delegate the authority to implement any otherwise authorized purchase or sale of any security purchased for temporary investment purposes to an employee or designated agent of the Corporation; and

RESOLVED FURTHER, That the USAC Board of Directors gives full authority to the Chief Executive Officer to enter into contracts, purchase material, and approve employee expenses on behalf of the Corporation for all contracts in amounts prescribed by the revised schedule of authorizations and that the revised schedule of authorizations is approved. The revised schedule of authorizations may be modified from time to time by the Board of Directors (see Attachment V); and

RESOLVED FURTHER, That the USAC Board of Directors gives full authority to the Chief Executive Officer and the Treasurer to approve the disbursement of support funds. The Treasurer may delegate this authority to the Assistant Treasurer. The Treasurer or Assistant Treasurer may delegate the authority to implement any otherwise authorized disbursement of support funds to an employee or designated agent of the Corporation; and

RESOLVED FURTHER, That the USAC Board of Directors hereby confirms the authority of the Chief Executive Officer, or any other Designated Officer or employee he or she may designate, to execute and deliver, and hereby ratifies, confirms and adopts as the action of this Board the execution of, the Master Services Agreement between USAC and LaSalle Bank dated May 9, 2001, as well as any and all sub-agreements incident and necessary to implement the terms and conditions of the Master Services Agreement, and any and all transactions that occurred pursuant to the Master Services Agreement from its Effective Date until the date of the adoption of this resolution.

- a11. Approval of Revised Contracting and Bidding Timetable - Confidential & Proprietary.** In accordance with the guidelines regarding Executive Session approved by the USAC Board of Directors, Mr. Barash explained the basis for staff's recommendation that this item be discussed in Executive Session. Mr. Barash stated that discussion and public disclosure at this time of this matter, which relates to USAC's procurement strategy and contract negotiations, would compromise USAC's negotiation strategy to the detriment of the Corporation and the Universal Service Support Mechanisms.

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

RESOLVED, That the USAC Board of Directors determines that discussion of USAC's revised contracting and bidding timetable shall be conducted in Executive Session. See Executive Session.

- a12. Miscellaneous.** None.

Information Items

- i1. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.** On a motion duly moved and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in Executive Session.

See Executive Session.

- i2. Assistant Treasurer's Report.** Ms. Parrino said that at any given time, there is a large amount of cash on hand for the Schools and Libraries Support Mechanism. Ms. Ouye explained that there is always some lag time between the commitments and disbursements for the mechanism due to various issues, which staff is continually working to improve.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable Over 30 Days and Collection Efforts.** Ms. Parrino stated that there has been a recent spike in accounts receivable mainly due to two factors: (1) the first set of bills under the new methodology went out and, although the total amount collected from all carriers has not changed significantly, the new methodology has significantly changed the amount that certain individual carriers must submit, generating questions regarding the change and consequently delaying some payments; and (2) as a result of USAC's transition of the financial services from NECA.

- i5. **Bankruptcy Report.** For information only. No discussion held.
- i6. **Disposition of Administrator Appeals by USAC Staff.** Mr. Gumper reported that USAC staff has consulted informally with the FCC's Common Carrier Bureau staff as previously directed by the Board on the appropriateness of the Board delegating authority to USAC staff to decide universal service support mechanism appeals. Common Carrier Bureau staff agrees with USAC staff that it is appropriate for USAC staff to handle appeals in the first instance. Ms. Parrino reminded the Board that at the last quarterly meeting the Board approved procedures for USAC staff to handle appeals filed by contributors that included a caveat that USAC staff would forward any appeals raising significant administrative issues to the USAC Board.

The USAC Board of Directors **DIRECTED** USAC staff to modify the appeals procedure to include those appeals that are a "close call" as appeals that should come before the USAC Board of Directors for disposition.

The USAC Board of Directors also **DIRECTED** USAC staff to provide the Board with the number of appeals that have been presented to Committees of the Board for resolution.

- i7. **Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i8. **Update on Schools and Libraries Support Mechanism Enforcement Trends.** For information only. No discussion held.
- i9. **Status of Transition to PricewaterhouseCoopers and LaSalle Bank for Financial Support Services for USAC.** Ms. Parrino reported that the transition is going well. A minor problem with the customer service line has been corrected. One cycle of invoices has been processed successfully. USAC staff expects the transition to be complete by the end of August.
- i10. **Status of FCC Proceeding Addressing Proposed Changes to the Universal Service Contribution Methodology.** For information only. No discussion held.
- i11. **Report on Pending Litigation.** For information only. No discussion held.
- i12. **Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary.** In accordance with the guidelines regarding Executive Session approved by the USAC Board of Directors, Mr. Barash explained the rationale behind discussing this item in **Executive Session**. Mr. Barash stated that Executive Session discussion of this matter is appropriate under guidelines approved by the Board because these issues involve pre-decisional matters before the FCC to which USAC is privy as well as relate to enforcement of program rules violations, and public discussion would compromise USAC's attorney-client privilege. Mr. Barash also pointed out that the Board has previously discussed these matters in **Executive Session**.

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

RESOLVED, That the USAC Board of Directors determines that discussion of matters related to USAC's FCC financial reporting shall be conducted in **Executive Session**.

See Executive Session.

- i13. **USAC Timeline and Key Dates.** For information only. No discussion held.
- i14. **Miscellaneous.** None.

HIGH COST & LOW INCOME COMMITTEE:

- i15. High Cost and Low Income Support Mechanisms Update.** For information only. No discussion held.
- i16. Review of 4th Quarter 2001 High Cost and Low Income Programmatic Budgets.** For information only. No discussion held.
- i17. Review of 4th Quarter 2001 High Cost and Low Income Support Mechanisms Projections and Resolution on the August 2001 FCC Filing.** For information only. No discussion held.

RURAL HEALTH CARE PROGRAM:

- i18. Rural Health Care Support Mechanism Update.** For information only. No discussion held.
- i19. Review of 4th Quarter 2001 Rural Health Care Programmatic Budget.** For information only. No discussion held.
- i20. Review of 4th Quarter 2001 Rural Health Care Support Mechanism Projections and Resolution on the August 2001 FCC Filing.** For information only. No discussion held.

SCHOOLS AND LIBRARIES PROGRAM:

- i21. Schools and Libraries Support Mechanism Update.** For information only. No discussion held.
- i22. Review of 4th Quarter 2001 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i23. Review of 4th Quarter 2001 Schools and Libraries Projections and Resolution on the August 2001 FCC Filing.** For information only. No discussion held.

Mr. Gumper called a recess at 10:01 a.m. At the call of the Chair, the Board reconvened at 10:15 a.m. Mr. Gumper called the meeting to order and asked that the roll be taken. Mr. Barash called the roll.

Fourteen of the nineteen members (there is one vacancy) were present, representing a quorum:	
Bryant, Anne	Lineberry, Isiah - by telephone
Buller, Karen	Ouye, Kathleen
Davis, Fr. William	Parrino, Cheryl
Gumper, Frank	Rivera, Robert - by telephone
Hess, Kevin	Rosenblum, Lisa
Hogerty, Martha	Talbott, Dr. Brian
Jackson, Jimmy- by telephone	Thoms, Allan - by telephone
One member joined the meeting in progress:	
Eichler, Edwin	
Three members were absent:	
Lubin, Joel	Wheeler, Tom
Sanders, Jay	

Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer

ACTION ITEMS:

- a3. Acceptance of USAC 2000 Financial Audits and Agreed Upon Procedures Reviews.** Ms. Claremont, Mr. Fagan, Ms. Griffin, and Mr. Kaplan from Andersen, LLP, USAC's independent auditors, discussed the findings of Andersen's 2000 audits of USAC. They also discussed the work that Andersen will perform for the 2001 audits.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to accept the 2000 financial audit of the Universal Service Administrative Company; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee and the programmatic committees to accept the USAC 2000 agreed upon procedures review; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to authorize the CEO to send a management response to Andersen accepting the 2000 financial audit and agreed upon procedures reports and committing to take action to address the issues that were identified in the agreed upon procedures audits; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to authorize Andersen to file the final 2000 audit reports with the FCC.

Board member Ms. Ouye left the meeting at this point.

- a5. Acceptance of the 1998 Form 457 Audit and Authorization of a Review of Carriers' 2000 Interstate and International Revenue - Confidential & Proprietary.** Mr. Gumper briefly reviewed the findings of this audit and explained that if the Board members want to discuss details of the 1998 carrier revenue audit, it should be done in **Executive Session**. It was determined that no such discussion was necessary. Mr. Gumper also noted that the USAC Executive Committee has recommended engaging Andersen to audit reported contributor revenue for 2000.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to authorize staff to proceed with the engagement of Andersen to perform a review of carriers' 2000 interstate and international revenue as reported on the April 1, 2001, Form 499-A; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to accept the USAC 1998 Form 457 Audit.

Mr. Jackson, Mr. Lineberry, and Mr. Rivera abstained because they did not receive the

audit in time to be able to review it and make a decision.

At 11:00 a.m., on a motion duly made and seconded, the Board voted to move into **Executive Session** for purposes of discussing the two confidential and proprietary items as noted above.

EXECUTIVE SESSION:

a11. Approval of Revised Contracting and Bidding Timetable - Confidential & Proprietary. Mr. Barash discussed proposed changes to the contracting and bidding timetable.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation made by the USAC Executive and High Cost & Low Income Committees and hereby approves the revised contracting and bidding timetable set forth herein.

i12. Report on USAC's FCC Financial Reporting Issues - Confidential & Proprietary. The Board held a brief discussion on USAC's FCC financial reporting issues.

The Board adjourned from **Executive Session** and reconvened in open session at 11:10 a.m. to report out the discussion and the action of the Board during **Executive Session**. Ms. Parrino briefly surveyed the Board on preferences for the printing and mailing of Board meeting materials.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 11:15 a.m.

D. Scott Barash
Assistant Secretary

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

October 23, 2001

MINUTES

The quarterly meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Tuesday, October 23, 2001. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 9:03 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Thirteen of the nineteen members (there is one vacancy) were present, representing a quorum:	
Buller, Karen	Lubin, Joel
Davis, Fr. William	Ouye, Kathleen
Eichler, Edwin - by telephone	Parrino, Cheryl
Gumper, Frank	Sanders, Dr. Jay
Hogerty, Martha - by telephone	Thoms, Allan
Jackson, Jimmy	Wheeler, Tom
Lineberry, Isiah - by telephone	

Three members joined the meeting in progress:	
Bryant, Anne	Rivera, Robert
Hess, Kevin - by telephone	
Two members were absent:	
Rosenblum, Lisa	Talbott, Dr. Brian
Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Faunce, Donna	USAC
Flannery, Irene	USAC
Howard, Cathy - by telephone	USAC
Johnson, Eric	FCC
Miller, Linda	USAC
McDonald, George	USAC

Ricker, John	NECA
Rodda, Jim	USAC
Repress, Deborah	USAC
Simmons, Ann	USAC

Mr. Gumper informed the Board that six of the Board members' terms expire at the end of this year: Ms. Bryant, Ms. Hogerty, Ms. Ouye, Ms. Rosenblum, Mr. Wheeler, and himself. Of these six members, Ms. Hogerty, Ms. Ouye, Ms. Rosenblum, and Mr. Wheeler are not seeking another term; hence, this is their last quarterly meeting with the Board. In addition, Mr. Thoms has accepted a new job and his new position does not qualify him to continue to serve on the Board as a representative of state regulatory commissions; therefore, he is resigning from the Board as of October 26, 2001. Mr. Gumper expressed his gratitude on behalf of the Board to all of them for their dedication and service to USAC and its Board and Committees.

ACTION ITEMS:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes as distributed of the meeting of Tuesday, July 24, 2001. Board member Mr. Rivera joined the meeting at this point.
- a2. Reports from the Committee Chairs.** Each of the Committee Chairs presented a report on the activities of each of their October quarterly Committee meetings, respectively: Ms. Ouye - Schools & Libraries Committee; Ms. Hogerty - High Cost & Low Income Committee; Dr. Sanders - Rural Health Care Committee; and Mr. Gumper - Executive Committee.
- a3. Photo Shoot - USAC Board.** The Board members gathered in the room to have their picture taken to be included in the 2001 Annual Report of USAC.
- a4. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Committee Vice Chairs.** Ms. Parrino reminded the Board that annual elections occur at each January quarterly meeting of the Board pursuant to USAC's By-laws. She explained that, if appointed, the Nominating Committee would be tasked with two responsibilities: (1) Bring to the Board at its January 2002 quarterly meeting nominations for the officer positions of the Board, and (2) bring to the Board at its anticipated December 2001 special Board meeting recommendations for Committee assignments for the anticipated new Board members.

In addition, staff recommended that the Board task each programmatic committee with bringing to the Board at its January 2002 quarterly meeting nominations for committee Chairs and Vice Chairs. Mr. Gumper said that Ms. Parrino was informed by the FCC that the nomination process for new Board members at the FCC is now closed and nominations for five of the six openings have been submitted. (In addition to the four openings mentioned above, there has been a vacant seat on the Board since Ms. Heather Gold resigned in July 2001.) Mr. Gumper further stated that with the recent resignation of Mr. Thoms, the FCC would need to open nominations for his vacant seat.

On a motion duly made and seconded, the Board adopted the following resolutions as amended (in italics):

RESOLVED, That the USAC Board of Directors establishes a Nominating Committee for the purpose of recommending to the USAC Board of Directors at its January 2002 meeting nominations for USAC officer positions and to bring to the USAC Board of Directors at the anticipated December 2001 special Board meeting recommendations for Committee appointments for new Board members; and

RESOLVED FURTHER, That the USAC Board of Directors appoints **Mr. Isiah Lineberry** as Nominating Committee Chair and **Mr. Kevin Hess** and **Mr. Robert Rivera** as members of the Nominating Committee; and

RESOLVED FURTHER, That the USAC Board of Directors directs each committee of the USAC Board of Directors to bring to the Board of Directors at its January 2002 meeting nominations for a Chair and Vice Chair of each respective committee.

- a5. **Approval of 1st Quarter 2002 USAC Common and Consolidated Budgets and Information on Estimated 2002 Annual Budget.** Ms. Parrino reported that the estimated 2002 annual consolidated budget is 3 percent greater than the 2001 budget. She noted that the increase is driven by recent FCC actions as explained in Attachment F, including increased audit costs and the additional costs associated with implementing the Rural Task Force Order and the MAG Order. She emphasized that USAC continues to bring more work in-house in an effort to improve service and reduce costs, notably in the area of audits and in the maintenance of USAC's web site.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 1st Quarter 2002 USAC common budget of \$1,048,400; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 1st Quarter 2002 USAC consolidated budget of \$12,454,300.

Board member Ms. Bryant joined the meeting at this point.

- a6. **Approval of 1st Quarter 2001 Revenue Projections and Resolution for the December 2, 2001, FCC Filing.** Mr. Haga noted that a revised Attachment B had been distributed prior to the meeting, but that it contained incorrect information and will need to be revised again. A copy will be sent to each Board member. Mr. Haga stated that there is no reason at this point to indicate that the contribution base as stated will change beyond the established variance threshold; therefore, the Executive Committee will likely not need to meet to approve the December 2 filing.

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

RESOLVED, That the USAC Board of Directors, having reviewed a summary of the current status of the December 2, 2001, FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required December 2, 2001, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a7. Approval of Guidelines for Settlement of Litigation Involving the Universal Service Support Mechanisms and Report on Settlement of Pending Litigation Matters - Confidential & Proprietary - Executive Session.** Mr. Barash stated that the discussion of this issue is no longer confidential and proprietary because the Executive Committee approved the settlements of three pending litigation matters at a special meeting on October 2, 2001; however the analysis contained in the issue paper is confidential because it represents legal advice to the board. Because USAC has taken steps to implement the settlements previously approved by the Executive Committee, the terms of the settlements are now a matter of public record and are presented in the issue paper for information purposes only. Mr. Barash further stated that staff and the Executive Committee recommend that the Board approve guidelines for settling future litigation matters. Specifically, staff recommends that the CEO be given authority to settle litigation or other claims against USAC where the amount in controversy is \$100,000 or less. This recommendation is in line with the CEO's authority to enter contracts for \$100,000 or less without requesting approval from the Board. Mr. Barash pointed out, however, that any matters involving novel issues would still come before the Board regardless of the dollars involved.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to authorize the CEO to approve the settlement or compromise of litigation or other claims against USAC where the amount in controversy is \$100,000 or less; provided that any matters involving novel issues or matters of significant policy continue to be brought before the Board of Directors regardless of the amount in controversy.

a8. Miscellaneous.

- **Settlement of a Schools and Libraries Support Mechanism Subcontractor Claim - Confidential & Proprietary - Executive Session.** The issue paper for this item was distributed at the meeting. In accordance with the guidelines regarding Executive Session approved by the USAC Board of Directors, Mr. Barash recommended that, because this settlement is not final, because the advice of counsel had been sought concerning the settlement, and because of the potential for litigation, details of the proposed settlement should be discussed in Executive Session.

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

RESOLVED, That the USAC Board of Directors determines that discussion of the staff recommendation concerning resolution of a claim for additional compensation for 1999 by a subcontractor performing services for the Schools and Libraries Support Mechanism shall be conducted in Executive Session.

See Executive Session for a report on action taken by the Board on this matter.

Information Items

- i1. Report of Legislative and Media Activity.** For information only. No discussion held.
- i2. Assistant Treasurer's Report.** A copy of the revised issue paper and a copy of the revised Attachment A were distributed at the meeting. For information only. No discussion held.
- i3. Regulatory Report.** For information only. No discussion held.
- i4. Report on Accounts Receivable, Bankruptcy, and Collection Efforts.** For information only. No discussion held.
- i5. Disposition of Administrator Appeals by USAC Staff.** For information only. No discussion held.
- i6. Update on Universal Service Support Mechanisms Enforcement Trends.** For information only. No discussion held.
- i7. Report on Pending Litigation.** For information only. No discussion held.
- i8. Status of Transition to PricewaterhouseCoopers and LaSalle Bank for Financial Support Services for USAC.** For information only. No discussion held.
- i9. Status of USAC Clarification Requests at the FCC.** For information only. No discussion held.
- i10. Status of Report on USAC Audits.** For information only. No discussion held.
- i11. USAC Timeline and Key Dates.** For information only. No discussion held.
- i12. Miscellaneous.** None.

HIGH COST & LOW INCOME COMMITTEE:

- i13. High Cost and Low Income Support Mechanisms Update.** For information only. No discussion held.
- i14. Review of 1st Quarter 2002 High Cost and Low Income Programmatic Budgets and Information on Estimated 2002 Annual Budget.** For information only. No discussion held.
- i15. Review of 1st Quarter 2002 High Cost and Low Income Support Mechanisms Projections and Resolution on the November 2, 2001, FCC Filing.** A copy of the revised pages 1 and 2 of Attachment A and a copy of Attachment C were distributed at the meeting. For information only. No discussion held.

RURAL HEALTH CARE PROGRAM:

- i16. Rural Health Care Support Mechanism Update.** For information only. No discussion held.
- i17. Review of 2001 Agreed Upon Procedures Report of Beneficiaries of the Rural Health Care Support Mechanism.** For information only. No discussion held.
- i18. Review of 1st Quarter 2002 Rural Health Care Programmatic Budget and Information on Estimated 2002 Annual Budget.** For information only. No discussion held.
- i19. Review of 1st Quarter 2002 Rural Health Care Support Mechanism Projections and Resolution on the November 2, 2001, FCC Filing.** For information only. No discussion held.

SCHOOLS AND LIBRARIES PROGRAM:

- i20. Schools and Libraries Support Mechanism Update.** For information only. No discussion held.
- i21. Review of Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report - Confidential & Proprietary - Executive Session.** Mr. Barash explained that staff was prepared to provide a report concerning the details of an ongoing investigation of one of the beneficiaries as a result of this review. Therefore, in accordance with the guidelines regarding Executive Session approved by the USAC Board of Directors, Mr. Barash recommended that, because this investigation is not final and because of the sensitivity of the potential allegations and the potential for enforcement action, details of the investigation be discussed in Executive Session. In addition to this matter, Mr. Barash explained that at its October 18, 2001, quarterly meeting, the USAC Executive Committee discussed whether the agreed upon procedures reports regarding beneficiaries should be considered confidential. The Executive Committee determined that this question should be put before the full Board of Directors. Furthermore, because some Executive Committee members raised the question whether certain information in the beneficiary audit report should be treated as confidential investigative information, the Committee recommended, and Mr. Barash agreed, that discussion of this matter be conducted in Executive Session.

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

RESOLVED, That the USAC Board of Directors determines that discussion of the specific ongoing investigation of a Schools and Libraries Support Mechanism beneficiary and discussion of the confidentiality of the Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report be conducted in Executive Session.

See Executive Session for a report of the discussion and action taken by the Board on this matter.

- i22. Review of 4th Quarter 2001 Schools and Libraries Programmatic Budget.** For information only. No discussion held.
- i23. Review of 4th Quarter 2001 Schools and Libraries Projections and Resolution on the August 2001 FCC Filing.** For information only. No discussion held.

At 9:52 a.m., on a motion duly made and seconded, the Board voted to move into Executive Session for purposes of discussing the two confidential and proprietary items as noted above. The Board adjourned from Executive Session and reconvened in open session at 10:56 a.m. to report out the discussion and the action of the Board during Executive Session.

EXECUTIVE Session:

a8. Miscellaneous.

- Settlement of a Schools and Libraries Support Mechanism Subcontractor Claim - Confidential & Proprietary - Executive Session. Mr. McDonald reviewed the history and details of the negotiations in this matter and outlined staff's recommendations for settlement. Mr. Barash provided legal advice to the

Board concerning this matter.

Board member Mr. Hess joined the meeting during the discussion.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of staff and the USAC Schools & Libraries Committee to resolve the NCS claim for payment for 1999 services rendered on the terms and conditions set forth in this issue paper and directs staff to take the steps required to implement the terms and conditions of the agreement in principle reached with NECA concerning this matter.

- i21. Review of Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report - Confidential & Proprietary - Executive Session.** The Board received a report from Mr. Barash on the ongoing investigation of a Schools and Libraries Support Mechanism beneficiary. The Board also discussed whether the Schools and Libraries Support Mechanism Funding Year 1 Beneficiary Agreed Upon Procedures Report should be classified confidential. The Board discussed whether the report disclosed any confidential and proprietary information concerning program participants. Numerous Board members agreed that the information contained in the report was not likely to be viewed as confidential. In addition, once USAC has provided copies of the report to the FCC and the FCC has reviewed the report, it would be subject to disclosure under the Freedom of Information Act, and USAC would be bound by that decision. Because this issue will likely recur, the Board felt it prudent to establish a policy as to the release of similar documents in the future.

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

RESOLVED, That the USAC Board of Directors establishes a policy that reports of audits of USAC, now and in the future, that are subject to disclosure under the Freedom of Information Act as determined by the FCC, be voluntarily released to any person requesting a copy.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 10:59 a.m.

D. Scott Barash
Assistant Secretary

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

December 17, 2001

MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held on Monday, December 17, 2001, at the USAC office, 2120 L Street, N.W., Suite 600, Washington, DC. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 1:33 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, Secretary.

Nine of the 19 members were present (there are 2 vacancies), representing a quorum:	
Bryant, Anne - by telephone	Hess, Kevin - by telephone
Buller, Karen - by telephone	Hogerty, Martha - by telephone
Davis, Fr. William - by telephone	Lubin, Joel - by telephone
Eichler, Edwin - by telephone	Parrino, Cheryl
Gumper, Frank - by telephone	

Two members joined the meeting in progress:	
Ouye, Kathleen- by telephone	Talbot, Dr. Brian- by telephone

Six members were absent:	
Jackson, Jimmy	Rosenblum, Lisa
Lineberry, Isiah	Sanders, Dr. Jay
Rivera, Robert	Wheeler, Tom

Officers of the Corporation present:	
Barash, D. Scott - Assistant Secretary	

Others present for the meeting:	
Name	Company
Campbell, Anne	National City Public Library
Coltharp, James	Comcast Corp.
Gregg, Billy Jack	Public Service Commission - WV
Howard, Cathy - by telephone	USAC

ACTION ITEMS:

- a1. Nomination of Directors to the USAC Board of Directors and Nomination of those Directors to Committees of the Board.** Ms. Parrino reported that the USAC Board of Directors Nominating Committee unanimously approved the resolutions that are currently before the Board. She explained that after the voting today, she will send out two email messages to Board members seeking (1) nominations for the Board of Directors officers' positions; and (2) nominations for Chairs and Vice Chairs of the Programmatic Committees.

Board members Ms. Ouye and Mr. Talbott joined the meeting during the discussion.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Nominating Committee, and with the nomination made by the FCC Chairman and in accordance with USAC's corporate By-laws, hereby elects Ms. Anne Bryant, Ms. Anne Campbell, Mr. James Coltharp, Ms. Diane Cornell, Mr. Billy Jack Gregg, and Mr. Frank Gumper to the USAC Board of Directors for three year terms beginning on January 1, 2002; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Nominating Committee, and with the nomination made by the FCC Chairman and in accordance with USAC's corporate By-laws, and due to the resignation of Board member Ms. Heather Gold, hereby elects Mr. Daniel Gonzalez to the USAC Board of Directors, whose term shall begin immediately and expire on December 31, 2002; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Nominating Committee, and with the nomination made by the FCC Chairman and in accordance with USAC's corporate By-laws, and due to the resignation of Board member Mr. Allan Thoms, hereby elects Ms. Camie Swanson-Hull to the USAC Board of Directors, whose term shall begin immediately and expire on December 31, 2003; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the Nominating Committee and hereby appoints Ms. Diane Cornell as the CMRS representative, Mr. Daniel Gonzalez as the CLEC representative, Mr. Billy Jack Gregg as the consumer advocate representative, Mr. Frank Gumper as the Bell Operating Company representative, and Ms. Camie Swanson-Hull as the state regulator representative to the High Cost & Low Income Committee; Mr. Billy Jack Gregg as the consumer advocate representative and Ms. Camie Swanson-Hull as the state regulator representative to the Rural Health Care Committee; and Ms. Anne Bryant as the school representative, Ms. Anne Campbell as the library representative, and Mr. James Coltharp as the at-large representative to the Schools & Libraries Committee.

Mr. Gumper informed the Board that he and Ms. Parrino plan to meet with each new Board member before the January 2002 quarterly meetings to orient them to USAC and the Board of Directors. Mr. Gumper expressed his thanks on behalf of the full Board to the departing Board members for their service and dedication while serving on the Board.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 1:44 p.m.

D. Scott Barash
Assistant Secretary