

2005 Board of Directors Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

January 25, 2005

MINUTES

The quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Tuesday, January 25, 2005. Mr. Joel Lubin, Vice Chair of the Board, called the meeting to order at 9:04 a.m. Eastern Time. Ms. Renee Lamoureux, Executive Assistant to the USAC CEO, called the roll. All nineteen members were present, representing a quorum.

Askin, Jonathan - by telephone
Baker, Dave
Banks, Jonathan
Bryant, Anne
Buller, Karen
Campbell, Anne
Christensen, Doug - by telephone
Cornell, Diane
Duff, Bridget
Eichler, Ed
Hess, Kevin
Hughes, Alison
Jackson, Jimmy - by telephone
Jortner, Wayne
Lubin, Joel - Vice Chair
Sanders, Jay
Sanford, Jo Anne
Talbot, Brian
Zaina, Lisa - CEO- by telephone

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Vice President and General Counsel
Blackwell, Mel - VP, Rural Health Care and External Communications
Carmichael, Mark - Assistant Treasurer, VP Finance
Flannery, Irene - VP, High Cost & Low Income Division
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations
McDonald, George - VP, Schools & Libraries Division
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME

Bancroft, Royce
Beach, Cyndi
Divak, Helen
Faunce, Donna

Gallant, Pam
Gumper, Frank
Lamoureux, Renee
Majcher, Karen
Miller, Linda
Mitchell, Jeffrey
Malebranche, S.
Ordan, Robert

COMPANY

USAC
USAC
Telcordia
USAC
USAC
NONE
USAC
USAC
USAC
USAC
Telecordia
Knight Nets, Inc.

ACTION ITEMS:

- a1. **Annual Election of Officers and Committee Chairs and Vice Chair.** Former Board member Mr. Gumper, who chaired the Nominating Committee, reported to the Board the nominations for officers and Committee Chairs and Vice Chairs, as recommended by the Nominating, Audit, and respective programmatic committees.

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 Nominating Committee to elect **Mr. Brian Talbott** as Chair of the Board of Directors; **Mr. Jimmy Jackson** as Vice Chair; **Ms. Bridget Duff** as Secretary;

as Treasurer;

as Assistant Secretary and the **Vice President of Finance** as Assistant Treasurer, for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Audit Committee to elect **Ed Eichler** as Chair and **Jo Anne Sanford** as Vice Chair of the Audit Committee for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the **USAC High Cost & Low Income Committee** to elect **Kevin Hess as Chair** and **Joel Lubin 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 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the **USAC Rural Health Care Committee** to elect **Alison Hughes as Chair** and **Jay Sanders 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 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the **USAC Schools & Libraries Committee** to elect **Anne Campbell as Chair** and **Anne Bryant as Vice Chair** of the USAC Schools & Libraries Committee for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly 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 meeting of October 19, 2004.
- a3. **Reports from the Committee Chairs.** Each of the chairs of the USAC Board of Directors committees reported on issues discussed and action taken by each committee since the October 2004 quarterly meetings: Dr. Talbott reported on the Schools & Libraries Committee meetings; Dr. Sanders reported on the Rural Health Care Committee meeting; Mr. Hess reported on the High Cost & Low Income Committee meeting; and Mr. Eichler reported on the Audit Committee meetings.

The minutes of each Committee meeting provide a full accounting of the discussions and actions taken by the Committees.

- a4. **Adoption of Resolution to Honor Mr. Frank Gumper.** Ms. Zaina introduced the resolution to the Board expressing USAC's appreciation for Mr. Gumper's contributions during his tenure on the USAC Board of Directors.

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

RESOLVED, That the USAC Board of Directors hereby expresses its sincere appreciation to Mr. Frank Gumper for his service on the Board of Directors for the Universal Service Administrative Company and wishes him the best in his future endeavors.

The Committee thanked Mr. Gumper for his dedication, commitment, and leadership, and gave him a round of applause.

- a5. **Approval of April 2006 - January 2007 Board of Directors Quarterly Meeting Schedule.** Mr. Zaina reviewed the proposed meeting schedule with the Board.

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 2006 - January 2007:

**Audit Committee Part I
and Executive Committee**

April 20, 2006

July 20, 2006

October 19, 2006

January 18, 2007

**Programmatic Committees &
Board of Directors**

April 24 - 25, 2006

July 24 - 25, 2006

October 23 - 24, 2006

January 22 - 23, 2007

a6. Approval of Annual 2005 and 2nd Quarter 2005 USAC Common and Consolidated Budgets. Mr.

Carmichael reviewed the Annual 2005 and 2nd Quarter 2005 Common and Consolidated Budgets. The Board suggested staff should track and report the costs incurred in converting to GovGAAP, as well as the costs related to FCC-directed and other audit activities. Mr. Carmichael indicated that he would have Finance Division staff examine what would be needed to allow the existing accounting system to track costs in that manner. Mr. Lubin informed the Board that the USAC Executive Committee directed staff to provide a report at the next quarterly meeting regarding the rationale for the current allocation of common costs.

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 approve a 2nd Quarter 2005 USAC common budget of \$7,322,700; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2005 annual USAC common budget of \$26,842,000; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2nd Quarter 2005 USAC consolidated budget of \$32,581,400; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2005 annual USAC consolidated budget of \$122,401,500.

a7. Approval of 2nd Quarter 2005 Revenue Projections for the March 2, 2005, FCC Filing. Mr. Carmichael reviewed the preliminary contribution base estimate with the Board.

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

RESOLVED, That the USAC Board of Directors, having reviewed at its meeting on January 25, 2005, a summary of the current status of the March 2, 2005 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required March 2, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,563.847 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

a8. Annual Review and Approval of Revised Audit Committee Charter and Audit Committee Meeting Planner. Mr. Scott introduced this item to the Board, and stated that no changes were being recommended.

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

RESOLVED, That the USAC Board of Directors, having reviewed the current Audit Committee Charter and Audit Committee Meeting Planner, as presented by USAC Internal Audit Division, accepts the recommendation of the USAC Audit Committee and renews the approval granted by the Board of Directors on January 27, 2004.

a9. Consideration of Program Services Contract Extension for the Schools and Libraries and Rural Health Care Support Mechanisms. Confidential and Proprietary - Executive Session Recommended. In

accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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 consideration of program services contract extension for the Schools and Libraries and Rural Health Care Support Mechanisms shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

a10. **Approval of Proposed USAC Washington Office Space Plan and Authorization to Enter into a Lease.**

Confidential and Proprietary - *Executive Session* Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

RESOLVED, That the USAC Board of Directors determines that discussion of entering into negotiations for office space in Washington, DC shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

a11. **Miscellaneous.**

- **Solicit Ideas for April Committee Agenda.** Mr. Lubin reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him, Dr. Talbott, or Ms. Zaina between quarterly meetings.

- **New USAC Board Member.** Ms. Zaina welcomed to the newest USAC Board Member, Jonathan Banks, who was appointed by the Commission to represent Incumbent Local Exchange Carriers (ILECs) - Bell Operating Companies and GTE.

- **USAC Personnel.** Ms. Zaina reported that Mr. Mark Carmichael, USAC VP, Finance, has submitted his resignation effective January 28, 2005, to accept another position. Senior Director of Finance, Anne Marie Trew, will assume his responsibilities on an interim basis.

At 10:17 a.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

a8. **Consideration of Program Services Contract Extension for the Schools and Libraries and Rural Health Care Support Mechanisms.** Mr. Haga introduced this item to the Board. Ms. Zaina explained the rationale for extending the current contract with NSI. An extension is appropriate to ensure enough time to successfully complete a competitive procurement process and to complete any transition that could be necessary. Mr. Barash discussed the status of discussions regarding the terms of a possible extension.

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 Schools and Libraries and Rural Health Care Committees to extend the current services contract with NECA Services Inc. from July 1, 2005 through December 31, 2006 on mutually agreeable terms and conditions to be negotiated by USAC management.

- a9. **Approval of Proposed USAC Washington Office Space Plan and Authorization to Enter into a Lease.** Mr. Haga introduced this item to the Board. He indicated that USAC requires additional office space in order to meet current and future staffing requirements. Board members discussed USAC's potential staffing needs and the relative merits of options available to USAC. Mr. Haga and Mr. Barash provided the current status of lease negotiations.

On a motion duly made and seconded, the Committee adopted the following resolutions.

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee and authorizes USAC's CEO to lease additional office space at 2000 L Street, N.W., Washington, DC according to the course of action proposed by USAC management. Such authority is contingent upon negotiation of acceptable lease terms and conditions.

i8. **Miscellaneous.**

Media and Legislative Update. Mr. Blackwell provided an update on the recent Antideficiency Act exemption legislation and the potential for additional hearings related to the administration of the universal service support mechanisms. Board members discussed the impact of the Antideficiency Act exemption statute on current and future operations. As a result of that discussion, the Schools & Libraries Committee convened and approved a resolution regarding estimated Schools and Libraries Support Mechanism demand for 2Q2005.

GAO Report. Ms. Zaina discussed the GAO report expected to be released the first quarter of 2005 and developments related thereto.

The Committee adjourned from *Executive Session* and reconvened in open session at 12:29 p.m. to report the discussions and actions of the Committee during *Executive Session*.

There being no further business, Mr. Lubin adjourned the meeting at 12:31 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

April 19, 2005

MINUTES

The quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Tuesday, April 19, 2005. Mr. Brian Talbott, Chair of the Board, called the meeting to order at 9:05 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Fourteen of the nineteen members were present, representing a quorum.

Baker, Dave
Banks, Jon
Buller, Karen
Campbell, Anne
Cornell, Diane
Eichler, Ed
Hess, Kevin
Hughes, Alison
Jackson, Jimmy
Jortner, Wayne
Lubin, Joel
Sanford, Jo Anne
Talbot, Brian -Chair
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Vice President and General Counsel
Blackwell, Mel - VP, Rural Health Care and External Communications
Flannery, Irene - VP, High Cost & Low Income Division
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations
McDonald, George - VP, Schools & Libraries Division
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME

Ashe-Donnem, Caroline
Carroll, Kristy
Lamoureux, Renee
Stephens, Mark

COMPANY

USAC
USAC
USAC
FCC

ACTION ITEMS

- a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of January 25, 2005.
- a2. **Reports from the Committee Chairs.** Each of the chairs of the USAC Board of Directors committees reported on issues discussed and action taken by each committee since the January 2005 quarterly meetings: Dr. Talbott reported on the Executive Committee meetings; Ms. Campbell reported on the Schools & Libraries Committee meetings; Ms. Hughes reported on the Rural Health Care Committee meeting; Mr. Lubin reported on the High Cost & Low Income Committee meeting; and Mr. Eichler reported on the Audit Committee meetings.

The minutes of each Committee meeting provide a full accounting of the discussions and actions taken by the Committees.

- a3. **Approval of the 3rd Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Anne Marie Trew, Acting Finance Division Head introduced the 3Q2005 common and consolidated USAC budget, along with the revised 2005 annual common and consolidated budgets for the Board's approval.

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 approve a 3rd Quarter 2005 USAC common budget of \$8,226,000; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC common budget of \$29,702,300; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 3rd Quarter 2005 USAC consolidated budget of \$34,901,500; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC consolidated budget of \$128,842,900.

- a4. **Approval of 3rd Quarter 2005 Revenue Projections for the June 1, 2005, FCC Filing.** Ms. Trew reviewed the preliminary estimate with the Board.

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

RESOLVED, That the USAC Board of Directors, having reviewed at its meeting on April 19, 2005, a summary of the current status of the June 1, 2005 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required June 1, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,371.514 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a5. **Approval of Services Contract for Finance Department Printing Services.** Confidential and Proprietary - *Executive Session* Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because discussion of this matter, which relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC Board of Directors determines that discussion of proposed Finance Division print services contracts be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a6. **Approval of Final Pricing of Partial Exercise of Option to Modify Term of Rural Health Care and Schools and Libraries Program Support Services Agreement. Confidential and Proprietary - Executive Session Recommended** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because discussion of this matter, which relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC Board of Directors determines that discussion of final approval of partial exercise of option to modify term of Rural Health Care and Schools and Libraries program support services agreement shall be conducted in *Executive Session*

See *Executive Session* for a report of the discussion and action taken on this item.

- a7. **Consideration of Approval of Website Design Vendor. Confidential and Proprietary - Executive Session Recommended** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because discussion of this matter, which relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC Board of Directors determines that consideration of the proposed course of action on selecting a web design vendor shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a8. **Consideration of Universal Service Fund Investment Alternatives. Confidential and Proprietary - Executive Session Recommended** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter in open session could reveal market-sensitive information and because this matter relates to USAC's contract negotiations with investment firms.

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

RESOLVED, that the USAC Board of Directors determines that consideration of Universal Service Fund Investment Alternatives shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

- a9. **Selection of Audit Firms to Conduct Audits of Universal Service Fund Support Mechanism Beneficiaries and Authorization to Engage Firms for the Audit. Confidential and Proprietary - Executive Session Recommended** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter in open session could

reveal market-sensitive information and because this matter relates to USAC's contract negotiations with investment firms.

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 proposals to select an audit firm to conduct audits of the Universal Service Fund Support Mechanism beneficiaries for USAC shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

a10. **Miscellaneous.**

Solicit Ideas for July Board Agenda. Mr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Zaina between quarterly meetings.

INFORMATION ITEMS:

- i2. **Report on Allocation of Common Costs.** Ms. Trew provided the board with an explanation of the cost allocation methodology that is currently used to allocate USAC joint and common costs to the four universal service support mechanisms, including the history of changes and any proposed recommendations for changes to more fairly distribute the costs. The Board DIRECTED staff to research alternatives for allocating common costs for discussion at July's Board meeting.

At 10:12 a.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a5. **Approval of Services Contract for Finance Department Printing Services.** Ms. Trew introduced this item to the Committee.

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

RESOLVED, That the USAC Board of Directors authorizes USAC management to enter into formal contract arrangements with S&J Printing and Day & Night Printing, for a term of three (3) years each, to provide finance-related printing services.

- a6. **Approval of Final Pricing of Partial Exercise of Option to Modify Term of Rural Health Care and Schools and Libraries Program Support Services Agreement.** Mr. Barash reviewed the final terms and conditions of the partial exercise of the priced option provision of the program support agreement with NECA Services, Inc.

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

RESOLVED, that the USAC Board of Directors hereby approves the final pricing as presented by USAC management of the partial exercise of USAC's option to modify the term of the Rural Health Care and Schools and Libraries program support services agreement with NECA Services, Inc. to conclude on December 31, 2006.

- a7. **Consideration of Approval of Website Design Vendor.** Mr. Haga introduced this item to the Board providing a summary of the services contemplated under the proposed contract for USAC website overhaul.

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

RESOLVED, That the USAC Board of Directors approves the selection of NavigationArts to provide website design and related services.

- a8. **Consideration of Universal Service Fund Investment Alternatives.** Ms. Trew introduced this item to the Committee and provided a summary of the difference between pre-ADA investments versus what is currently being proposed.

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

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee and approves adoption of USF investment strategy Scenario 2 - Obligated Money Market with One to Three Year Max Unobligated Securities; and,

FURTHER RESOLVED, That the USAC Executive Committee accepts the recommendation of the USAC Investment Committee and recommends that the USAC Board of Directors authorize USAC management to issue the appropriate letters of direction to ABN/LaSalle, JP Morgan/ Bank One, and Wachovia/Evergreen Investments to implement and manage USF investment strategy Scenario 2 - Obligated Money Market with One to Three Year Max Unobligated Securities per the investment manager instructions herein, contingent upon any appropriate FCC approval.

- a9. **Selection of Audit Firms to Conduct Audits of Universal Service Fund Support Mechanism Beneficiaries and Authorization to Engage Firms for the Audit.** Mr. Scott introduced this item to the Board and provided a review of the procurement process and criteria used in the selection of the recommended audit firm.

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

RESOLVED, That the USAC Board of Directors authorizes USAC to select the independent accounting firm of KPMG LLP to conduct audits of beneficiaries of the Schools and Libraries and High Cost Universal Service Support Mechanisms with an option to renew for up to four additional years, pending agreement on final terms and conditions of the engagement.

RESOLVED FURTHER, That the USAC Board of Directors authorizes USAC to select the independent accounting firm of TCBA to conduct audits of beneficiaries of the Low Income and Rural Healthcare Universal Service Support Mechanisms with an option to renew for up to four additional years, pending agreement on final terms and conditions of the engagement.

- i3. **Report on Legislative and Media Activity.** Mr. Blackwell provided the Board with an update on recent legislative and media activity, as well as potential congressional hearings.
- i9. **Report on FCC Financial Audit of the FCC's Financial Statements for the Year Ending September 30, 2004.** Mr. Scott provided the Board with the status of USAC's petition filed with the FCC for an extension of the filing of an independent audit report. Deloitte & Touche is expected to provide USAC with a memo regarding the status of the audit which will, in turn, be provided to the FCC.
- i7. **Consideration of Legal Advice Concerning Fiduciary Obligations of the USAC Board of Directors.** Mr. Barash discussed with the Board a memo prepared by Mintz Levin at the Board's request regarding the scope of USAC's Board of Directors fiduciary duties.
- i8. **Miscellaneous.**
- a. **Schools and Libraries Process Review.** Ms. Zaina and Ms. Flannery discussed with the Board issues related to the Schools and Libraries processes and procedures.

The Board adjourned from *Executive Session* and reconvened in open session at 12:43 p.m. to report the discussions and actions of the Board during *Executive Session*.

There being no further business, Mr. Talbott adjourned the meeting at 12:45 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

July 19, 2005

MINUTES

The quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Tuesday, July 19, 2005. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 8:04 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Eighteen of the nineteen members were present, representing a quorum.

Askin, Jonathan
Baker, Dave
Banks, Jon
Bryant, Anne
Buller, Karen
Christensen, Doug - via telephone
Cornell, Diane
Duff, Bridgett
Eichler, Ed
Hess, Kevin
Hughes, Alison - via telephone
Jackson, Jimmy - via telephone
Jortner, Wayne
Lubin, Joel
Sanders, Jay
Sanford, Jo Anne
Talbott, Brian - Chair
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Blackwell, Mel - VP, Rural Health Care and External Communications
Flannery, Irene - Senior VP of Programs
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME

Ashe-Donnem, Caroline
Carroll, Kristy
Lamoureux, Renee
Stephens, Mark

COMPANY

USAC
USAC

USAC

FCC

ACTION ITEMS:

- a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of Tuesday, April 19, 2005.
- a2. **Reports from the Committee Chairs.** Each of the chairs of the USAC Board of Directors committees reported on issues discussed and action taken by each committee since the April 2005 quarterly meetings: Dr. Talbott reported on the Executive Committee meetings; Dr. Bryant reported on the Schools & Libraries Committee meetings; Dr. Sanders reported on the Rural Health Care Committee meeting; Mr. Hess reported on the High Cost & Low Income Committee meeting; and Mr. Eichler reported on the Audit Committee meetings.

The minutes of each Committee meeting provide a full accounting of the discussions and actions taken by the Committees.

Ms. Zaina introduced the new members of the USAC senior management, as well as others who have assumed new roles, including Karen Majcher, VP of High Cost and Low Income, Mel Blackwell, acting VP of Schools & Libraries, Irene Flannery, Senior VP of Programs, Bryan Sastokas, Acting VP of IS, and Anne Marie Trew, Acting VP of Finance. Ms. Zaina also provided a brief introduction to Richard Belden, Chief Operating Officer, and Tanya Sullivan, Senior Director of Education & Communications, and each provided the Board with a summary of their background and experience.

- a3. **Approval of the 4th Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Anne Marie Trew, Acting Finance Division Head introduced the 4Q2005 common and consolidated USAC budget. Dr. Bryant requested that Ms. Zaina provide a report on the benefit, including cost benefit, of the new layer of management to the Board at its October meeting, along with the revised 2005 annual common and consolidated budgets for the Board's approval.

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 approve a 4th Quarter 2005 USAC common budget of \$4,357,400; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC common budget of \$26,110,200; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 4th Quarter 2005 USAC consolidated budget of (\$1,973,400); and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC consolidated budget of \$94,700,800.

- a4. **Approval of 4th Quarter 2005 Revenue Projections for the September 1, 2005, FCC Filing.** Ms. Trew reviewed the preliminary estimate with the Board.

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

RESOLVED, That the USAC Board of Directors, having reviewed at its meeting on July 19, 2005, a summary of the current status of the September 1, 2005 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required September 1, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,287.267 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a5. **Designation of Chief Operating Officer and Senior Vice President of Programs as Corporate Officers and Election of Assistant Secretary.** Ms. Zaina introduced this item to the Board advising that the Board is required to formally appoint the Chief Operating Officer and Senior Vice President of Programs as officers of the Universal Service Administrative Company, as well as elect a new Assistant Secretary.

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

RESOLVED, That the USAC Board of Directors elects Scott Barash as Assistant Secretary of the Corporation; and,

RESOLVED, That the USAC Board of Directors establishes the following senior officer positions of the Corporation: Chief Operating Officer and Senior Vice President of Programs; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that the Chief Operating Officer and Senior Vice President of Programs shall have such powers and duties as may from time to time be assigned to each of them by the Chief Executive Officer; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that the Chief Operating Officer and Senior Vice President of Programs may sign and execute, in the name of the Corporation, contracts, deeds, mortgages, bonds, and other instruments as and when authorized to do so by the Chief Executive Officer or by the Board of Directors, except where the signing and execution thereof shall be expressly designated by the Board of Directors or By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed; and,

RESOLVED FURTHER, That the Chief Operating Officer and Senior Vice President of Programs may approve expenses on behalf of the Corporation for all contracts and employee expenses in amounts prescribed by the revised schedule of authorizations currently approved by the Board of Directors with respect to contracts and employee expenses; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that an employee holding the title of Chief Operating Officer or Senior Vice President of Programs shall be designated an officer of the corporation immediately upon his or her assumption of the duties of the position and shall serve as an officer until his or her employment in such position with USAC terminates for any reason or unless otherwise rescinded by the Board of Directors.

- a6. **Consideration of Cost Allocation Method Alternatives.** Ms. Trew provided the Board with an overview of the various cost allocation methodology alternatives. Board members discussed the alternatives in detail.

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

RESOLVED, That the USAC Board of Directors accepts staff's recommendation to utilize a weighted allocation cost allocation methodology for common administrative expenses, and recommends that the USAC Board of Directors direct staff to file a proposed revision to USAC's cost allocation methodology with the FCC with an effective date of January 1, 2006.

Mr. Jortner voted nay on the resolution.

- a7. **Consideration of the Elimination of the FCC Form 499 Late Filing Fee Unpublished Grace Period.** Ms. Trew provided a summary of the proposed elimination of the unpublished five day grace period associated with late filings of FCC Form 499. Ms. Trew advised that notification to filers in the form of a reminder of the due date would be provided via e-mail, as well as an insert notice with the mailing of the forms.

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

RESOLVED, That the USAC Board approves the course of action proposed by USAC staff to eliminate the unpublished Late Filing Fee grace period effective beginning with the November 2005 FCC Form 499-Q filing deadline..

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

RESOLVED, That the USAC Board of Directors determines that consideration of the proposed course of action on selecting a web design vendor shall be conducted in *Executive Session*.

- a8. **Consideration of Approval of an Infrastructure Hosting Provider.** Confidential and Proprietary - *Executive Session* Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommends that discussion of this item which relates to USAC's procurement strategy and contract negotiations be conducted in *Executive Session* because public disclosure would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

RESOLVED, That the USAC Board of Directors determines that consideration of the proposed course of action on selecting an infrastructure hosting and professionals services provider shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

a9. **Miscellaneous.**

- Solicit Ideas for October Board Agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Zaina between quarterly meetings. Dr. Talbott requested that there be a discussion at the October Board meeting regarding the issues outlined in the letter recently received by the members of the Board and what has been done to address these issues.

- Treasurer Duties. At Dr. Talbott's recommendation, the Board authorized the USAC Vice-Chair to perform the duties of Treasurer in the absence of the current Treasurer.

INFORMATION ITEMS:

- i1. **BearingPoint Update on Site Visit Initiative.** Representatives from BearingPoint provided the Board with a summary of their work thus far related to site visits. The Board suggested that USAC consider presenting the report to colleagues at the FCC and on the hill.
- i2. **Assistant Treasurer's Report.** Ms. Trew highlighted some of the information provided in the Assistant Treasurer's Report including the lack of response from the FCC regarding money management, and the status of GovGAAP compliance.
- i3. **Report on Accounts Receivable Delinquent Over 30 Days and on Collection Efforts.**
- i4. **Regulatory Report.** For informational purposes only, no discussion held.
- i5. **Report on Pending Litigation and Bankruptcy Issues.** Mr. Barash introduced this item to the Committee. Dr. Bryant expressed that the report was very informative and should be provided at least annually.
- i6. **Disposition of Administrator Appeals by USAC Staff.** For informational purposes only, no discussion held.

i7. **Report on Education & Communications.** Ms. Sullivan provided an overview of the role of the newly created Educations & Communications division and how she envisions implementation of the USAC Education & Communication Plan.

i8. **Miscellaneous.**

- Personnel Changes.
- Legal Advice.

In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of these two items, be held in *Executive Session* as the matters relate to internal personnel issues and legal advice sought that is subject to the attorney-client privilege or any other legally recognized privilege where discussion of such matters in open session would compromise the continued applicability of the privilege.

At 10:52 a.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

a8. **Consideration of Approval of an Infrastructure Hosting Provider.** Confidential and Proprietary. Mr. Belden introduced this item to the Board expressing the need for USAC to retain an experienced and specialized vendor to assist in maintaining its systems infrastructure and facility management needs and how this collaborative effort will strategically position USAC to better serve all current and future stakeholders.

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

RESOLVED, That the USAC Board of Directors approves the selection of Savvis Communications Company to provide infrastructure hosting and related professional services.

i8. **Miscellaneous.**

- Personnel Changes. Ms. Zaina discussed recent personnel changes with the Board.
- Legal Advice. Mr. Barash discussed with the Board the applicability of the Administrative Procedure Act (APA) to USAC, and provided an overview of current outstanding FCC items.

The Board adjourned from *Executive Session* and reconvened in open session at 12:25 p.m. to report the discussions and actions of the Board during *Executive Session*.

There being no further business, Dr. Talbott adjourned the meeting at 12:26 p.m.

D. Scott Barash, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

July 19, 2005

MINUTES

The quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Tuesday, July 19, 2005. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 8:04 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Eighteen of the nineteen members were present, representing a quorum.

Askin, Jonathan
Baker, Dave
Banks, Jon
Bryant, Anne
Buller, Karen
Christensen, Doug - via telephone
Cornell, Diane
Duff, Bridgett
Eichler, Ed
Hess, Kevin
Hughes, Alison - via telephone
Jackson, Jimmy - via telephone
Jortner, Wayne
Lubin, Joel
Sanders, Jay
Sanford, Jo Anne
Talbott, Brian - Chair
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Blackwell, Mel - VP, Rural Health Care and External Communications
Flannery, Irene - Senior VP of Programs
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME

Ashe-Donnem, Caroline
Carroll, Kristy
Lamoureux, Renee
Stephens, Mark

COMPANY

USAC
USAC

USAC

FCC

ACTION ITEMS:

a1. **Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of Tuesday, April 19, 2005.

a2. **Reports from the Committee Chairs.** Each of the chairs of the USAC Board of Directors committees reported on issues discussed and action taken by each committee since the April 2005 quarterly meetings: Dr. Talbott reported on the Executive Committee meetings; Dr. Bryant reported on the Schools & Libraries Committee meetings; Dr. Sanders reported on the Rural Health Care Committee meeting; Mr. Hess reported on the High Cost & Low Income Committee meeting; and Mr. Eichler reported on the Audit Committee meetings.

The minutes of each Committee meeting provide a full accounting of the discussions and actions taken by the Committees.

Ms. Zaina introduced the new members of the USAC senior management, as well as others who have assumed new roles, including Karen Majcher, VP of High Cost and Low Income, Mel Blackwell, acting VP of Schools & Libraries, Irene Flannery, Senior VP of Programs, Bryan Sastokas, Acting VP of IS, and Anne Marie Trew, Acting VP of Finance. Ms. Zaina also provided a brief introduction to Richard Belden, Chief Operating Officer, and Tanya Sullivan, Senior Director of Education & Communications, and each provided the Board with a summary of their background and experience.

a3. **Approval of the 4th Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Anne Marie Trew, Acting Finance Division Head introduced the 4Q2005 common and consolidated USAC budget. Dr. Bryant requested that Ms. Zaina provide a report on the benefit, including cost benefit, of the new layer of management to the Board at its October meeting, along with the revised 2005 annual common and consolidated budgets for the Board's approval.

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 approve a 4th Quarter 2005 USAC common budget of \$4,357,400; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC common budget of \$26,110,200; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 4th Quarter 2005 USAC consolidated budget of (\$1,973,400); and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a revised 2005 annual USAC consolidated budget of \$94,700,800.

a4. **Approval of 4th Quarter 2005 Revenue Projections for the September 1, 2005, FCC Filing.** Ms. Trew reviewed the preliminary estimate with the Board.

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

RESOLVED, That the USAC Board of Directors, having reviewed at its meeting on July 19, 2005, a summary of the current status of the September 1, 2005 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required September 1, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,287.267 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a5. **Designation of Chief Operating Officer and Senior Vice President of Programs as Corporate Officers and Election of Assistant Secretary.** Ms. Zaina introduced this item to the Board advising that the Board is required to formally appoint the Chief Operating Officer and Senior Vice President of Programs as officers of the Universal Service Administrative Company, as well as elect a new Assistant Secretary.

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

RESOLVED, That the USAC Board of Directors elects Scott Barash as Assistant Secretary of the Corporation; and,

RESOLVED, That the USAC Board of Directors establishes the following senior officer positions of the Corporation: Chief Operating Officer and Senior Vice President of Programs; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that the Chief Operating Officer and Senior Vice President of Programs shall have such powers and duties as may from time to time be assigned to each of them by the Chief Executive Officer; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that the Chief Operating Officer and Senior Vice President of Programs may sign and execute, in the name of the Corporation, contracts, deeds, mortgages, bonds, and other instruments as and when authorized to do so by the Chief Executive Officer or by the Board of Directors, except where the signing and execution thereof shall be expressly designated by the Board of Directors or By-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed; and,

RESOLVED FURTHER, That the Chief Operating Officer and Senior Vice President of Programs may approve expenses on behalf of the Corporation for all contracts and employee expenses in amounts prescribed by the revised schedule of authorizations currently approved by the Board of Directors with respect to contracts and employee expenses; and,

RESOLVED FURTHER, That the USAC Board of Directors determines that an employee holding the title of Chief Operating Officer or Senior Vice President of Programs shall be designated an officer of the corporation immediately upon his or her assumption of the duties of the position and shall serve as an officer until his or her employment in such position with USAC terminates for any reason or unless otherwise rescinded by the Board of Directors.

- a6. **Consideration of Cost Allocation Method Alternatives.** Ms. Trew provided the Board with an overview of the various cost allocation methodology alternatives. Board members discussed the alternatives in detail.

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

RESOLVED, That the USAC Board of Directors accepts staff's recommendation to utilize a weighted allocation cost allocation methodology for common administrative expenses, and recommends that the USAC Board of Directors direct staff to file a proposed revision to USAC's cost allocation methodology with the FCC with an effective date of January 1, 2006.

Mr. Jortner voted nay on the resolution.

- a7. **Consideration of the Elimination of the FCC Form 499 Late Filing Fee Unpublished Grace Period.** Ms. Trew provided a summary of the proposed elimination of the unpublished five day grace period associated with late filings of FCC Form 499. Ms. Trew advised that notification to filers in the form of a reminder of the due date would be provided via e-mail, as well as an insert notice with the mailing of the forms.

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

RESOLVED, That the USAC Board approves the course of action proposed by USAC staff to eliminate the unpublished Late Filing Fee grace period effective beginning with the November 2005 FCC Form 499-Q filing deadline..

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

RESOLVED, That the USAC Board of Directors determines that consideration of the proposed course of action on selecting a web design vendor shall be conducted in *Executive Session*.

- a8. **Consideration of Approval of an Infrastructure Hosting Provider.** Confidential and Proprietary - *Executive Session* Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommends that discussion of this item which relates to USAC's procurement strategy and contract negotiations be conducted in *Executive Session* because public disclosure would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

RESOLVED, That the USAC Board of Directors determines that consideration of the proposed course of action on selecting an infrastructure hosting and professionals services provider shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

a9. **Miscellaneous.**

- Solicit Ideas for October Board Agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Zaina between quarterly meetings. Dr. Talbott requested that there be a discussion at the October Board meeting regarding the issues outlined in the letter recently received by the members of the Board and what has been done to address these issues.

- Treasurer Duties. At Dr. Talbott's recommendation, the Board authorized the USAC Vice-Chair to perform the duties of Treasurer in the absence of the current Treasurer.

INFORMATION ITEMS:

- i1. **BearingPoint Update on Site Visit Initiative.** Representatives from BearingPoint provided the Board with a summary of their work thus far related to site visits. The Board suggested that USAC consider presenting the report to colleagues at the FCC and on the hill.
- i2. **Assistant Treasurer's Report.** Ms. Trew highlighted some of the information provided in the Assistant Treasurer's Report including the lack of response from the FCC regarding money management, and the status of GovGAAP compliance.
- i3. **Report on Accounts Receivable Delinquent Over 30 Days and on Collection Efforts.**
- i4. **Regulatory Report.** For informational purposes only, no discussion held.
- i5. **Report on Pending Litigation and Bankruptcy Issues.** Mr. Barash introduced this item to the Committee. Dr. Bryant expressed that the report was very informative and should be provided at least annually.
- i6. **Disposition of Administrator Appeals by USAC Staff.** For informational purposes only, no discussion held.

i7. **Report on Education & Communications.** Ms. Sullivan provided an overview of the role of the newly created Educations & Communications division and how she envisions implementation of the USAC Education & Communication Plan.

i8. **Miscellaneous.**

- Personnel Changes.
- Legal Advice.

In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of these two items, be held in *Executive Session* as the matters relate to internal personnel issues and legal advice sought that is subject to the attorney-client privilege or any other legally recognized privilege where discussion of such matters in open session would compromise the continued applicability of the privilege.

At 10:52 a.m., on a motion duly made and seconded, the Committee voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

a8. **Consideration of Approval of an Infrastructure Hosting Provider.** Confidential and Proprietary. Mr. Belden introduced this item to the Board expressing the need for USAC to retain an experienced and specialized vendor to assist in maintaining its systems infrastructure and facility management needs and how this collaborative effort will strategically position USAC to better serve all current and future stakeholders.

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

RESOLVED, That the USAC Board of Directors approves the selection of Savvis Communications Company to provide infrastructure hosting and related professional services.

i8. **Miscellaneous.**

- Personnel Changes. Ms. Zaina discussed recent personnel changes with the Board.
- Legal Advice. Mr. Barash discussed with the Board the applicability of the Administrative Procedure Act (APA) to USAC, and provided an overview of current outstanding FCC items.

The Board adjourned from *Executive Session* and reconvened in open session at 12:25 p.m. to report the discussions and actions of the Board during *Executive Session*.

There being no further business, Dr. Talbott adjourned the meeting at 12:26 p.m.

D. Scott Barash, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

July 29, 2005

MINUTES

A non-quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Friday, July 29, 2005. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 11:04 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Fourteen of the nineteen members were present, representing a quorum.

Askin, Jonathan - via telephone
Banks, Jon - via telephone
Bryant, Anne - via telephone
Buller, Karen - via telephone
Cornell, Diane - via telephone
Duff, Bridget - via telephone
Eichler, Ed - via telephone
Hughes, Alison - via telephone
Jackson, Jimmy - via telephone
Jortner, Wayne - via telephone
Lubin, Joel - via telephone
Sanford, Jo Anne - via telephone
Talbot, Brian - Chair - via telephone
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Asst. Secretary, Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Flannery, Irene - Senior VP of Programs
Scott, Wayne - Vice President, Internal Audit Division

Others present for the meeting:

NAME

Gumper, Frank
Lamoureux, Renee

COMPANY

Independent Consultant
USAC

ACTION ITEMS:

- a1. **Status Report Regarding Process Redesign Project. Confidential & Proprietary - *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be held in *Executive Session* as discussion of this matter relates internal rules and procedures concerning the

administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity. On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the USAC Board of Directors determines that discussion of this matter shall be conducted in *Executive Session*.

See *Executive Session* for a report of the discussion and action taken on this item.

At 11:04 a.m., on a motion duly made and seconded, the Board voted to move into *Executive Session* for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a1. **Status Report Regarding Process Redesign Project. Confidential & Proprietary.** Mr. Talbott advised the Board of recent discussions had with the FCC related to USAC's process redesign project.

On a motion duly made and seconded, the Board adopted the following resolution. Ms. Lisa Zaina voted against the motion:

RESOLVED, That the USAC Board of Directors hereby directs USAC staff to cease further work on the process redesign project.

The Board adjourned from *Executive Session* and reconvened in open session at 11:54 a.m. to report the discussions and actions of the Board during *Executive Session*.

There being no further business, Mr. Jackson adjourned the meeting at 11:55 a.m.

D. Scott Barash, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

September 30, 2005

MINUTES

A non-quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Friday, September 30, 2005. Mr. Jimmy Jackson, Vice Chair of the Board, called the meeting to order at 4:04 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Twelve of the eighteen members were present, representing a quorum.

Banks, Jon - via telephone
Bryant, Anne - via telephone
Campbell, Anne - via telephone
Duff, Bridgett - via telephone
Eichler, Ed - via telephone
Hess, Kevin - via telephone
Hughes, Alison - via telephone
Jackson, Jimmy - via telephone
Jortner, Wayne - via telephone
Lubin, Joel - via telephone
Sanders, Jay - via telephone
Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Barash, D. Scott - Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Flannery, Irene - Senior VP of Programs

Others present for the meeting:

NAME

Bancroft, Royce
Beaver, Tracey
Capozzi, David
Carroll, Kristy
Gumper, Frank
Lamoureux, Renee
Mitchell, Jeff

COMPANY

USAC
USAC
USAC
USAC

USAC
USAC

ACTION ITEMS:

- a1. **Authorization to File Comments in Response to Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight. Confidential & Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion this item, be held in *Executive Session* as the matter to be discussed relate to issues upon which legal advice has been sought and is subject to the attorney-client privilege or any other legally recognized privilege where discussion of such matters in open session would compromise the continued applicability of the privilege

See *Executive Session* for a report of the discussion and action taken on this item.

EXECUTIVE SESSION:

- a1. **Authorization to File Comments in Response to Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight - Confidential & Proprietary.** Mr. Barash provided the Board with an overview of the process used in generating the draft comments, as well as the timeline for filing. The Board discussed suggested edits and agreed to provide further comment directly to Mr. Barash.

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

RESOLVED, That the USAC Board of Directors, having reviewed draft comments in response to the Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight issued by the Federal Communications Commission (FCC) on June 14, 2005, hereby authorizes USAC counsel to revise and edit the comments in accordance with the direction of the Board of Directors and USAC management and to file comments with the FCC in a timely manner.

The Board adjourned from *Executive Session* and reconvened in open session at 4:54 p.m. to report the discussions and actions of the Board during *Executive Session*.

INFORMATION ITEMS:

i1. Miscellaneous.

- **House Commerce Committee.** Mr. Belden advised the Board that Lisa Zaina, had received an invitation to testify before the Subcommittee on Oversight and Investigations on October 6th regarding the FCC's E-rate plans to assist Gulf Coast recovery, and mitigating waste, fraud and abuse related thereto.

There being no further business, Mr. Jackson adjourned the meeting at 5:18 p.m.

D. Scott Barash, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

December 08, 2005

MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC, on Thursday, December 8, 2005. Dr. Talbott, Chair of the Board, called the meeting to order at 4:30 p.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Eleven of the nineteen members were present, representing a quorum:

Baker, David
Banks, Jonathan
Duff, Bridget - Secretary - by telephone
Hess, Kevin - by telephone
Hughes, Alison - by telephone
Jortner, Wayne - Treasurer - by telephone
Jackson, James - Vice Chair - by telephone
Lubin, Joel - by telephone
Sanders, Dr. Jay - by telephone
Sanford, Jo Anne - by telephone
Talbott, Dr. Brian - Chair
Zaina, Lisa - CEO

Others present for the meeting:

NAME

Barash, Scott
Belden, Richard
Cotton, Raymond
Kiser, Cherie
Lamoureux, Renee

COMPANY

USAC
USAC
Mintz, Levin
Mintz, Levin
USAC

ACTION ITEMS:

EXECUTIVE SESSION:

- a1. **Authorization to File Reply Comments in Response to Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight - Confidential & Proprietary - *Executive Session***

Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to an issues subject to the attorney-client privilege such that discussion of this matter in open session could compromise continued application of the privilege.

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

RESOLVED, That the USAC Board of Directors determines that discussion of authorization to file reply comments in response to Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight shall be conducted in *Executive Session*.

Mr. Barash stated that USAC management is seeking Board of Directors authorization to file reply comments in response to the Notice of Proposed Rulemaking concerning Universal Service Fund administrative issues. He briefly reviewed the draft reply comments previously provided to the Board.

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

RESOLVED, That the USAC Board of Directors, having reviewed draft reply comments in response to the Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight issued by the Federal Communications Commission (FCC) on June 14, 2005, hereby authorizes USAC counsel to revise and edit the reply comments in accordance with the direction of the Board of Directors and USAC management and to file reply comments with the FCC in a timely manner.

The Board adjourned from *Executive Session* and reconvened in open session to report the discussion and action of the Board during *Executive Session*.

a2. Planning for Anticipated Resignation of CEO - Confidential & Proprietary - Executive Session

Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Dr. Talbott, Chairman of the Board, recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to an internal personnel matter regarding the USAC CEO.

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

RESOLVED, that the USAC Board of Directors determines that the discussion of a personnel matter regarding the USAC CEO shall be conducted in *Executive Session*.

The Board then immediately moved into *Executive Session*, with only Board members (other than the CEO) and outside counsel present, to discuss the item.

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

RESOLVED, that the USAC Board of Directors approves the severance package developed by USAC's outside counsel, and authorizes USAC's outside counsel and the Chairman of the Board to offer the severance package to the resigning CEO; and

FURTHER RESOLVED, that the USAC Board of Directors authorizes USAC's outside counsel and the Chairman of the Board to work with the resigning CEO's counsel to reach an executed severance agreement; and

FURTHER RESOLVED, that any changes proposed by the resigning CEO to the severance package be approved by the USAC Board of Directors.

The Board adjourned from *Executive Session* and reconvened in open session to report the discussion and action of the Board during *Executive Session*.

There being no further business, Dr. Talbott adjourned the meeting.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

December 22, 2005

FINAL MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at the USAC office in Washington, DC, on Thursday, December 8, 2005. Dr. Talbott, Chair of the Board, called the meeting to order at 4:30 p.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Eleven of the nineteen members were present, representing a quorum:

Banks, Jonathan - by telephone
Bryant, Anne - by telephone
Buller, Karen - by telephone
Campbell, Anne Leslie - by telephone
Duff, Bridget - Secretary - by telephone
Eichler, Edwin - by telephone
Hess, Kevin - by telephone
Hughes, Alison - by telephone
Jackson, James - Vice Chair - by telephone
Sanders, Dr. Jay - by telephone
Sandford, Jo Anne - by telephone
Talbott, Dr. Brian - Chair - by telephone

Others present for the meeting:

NAME

Cotton, Raymond
Kiser, Cherie
Lamoureux, Renee

COMPANY

Mintz, Levin
Mintz, Levin
USAC

ACTION ITEMS:

EXECUTIVE SESSION:

- a1. **Resignation of Current CEO and Appointment of Acting CEO - Confidential & Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Dr. Talbott, Chairman of the Board, recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter relates to an internal personnel matter regarding the USAC CEO.

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

RESOLVED, that the USAC Board of Directors determines that the discussion of a personnel matter regarding the USAC CEO shall be conducted in *Executive Session*.

The Board then immediately moved into *Executive Session* to discuss the action item.

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

RESOLVED, that the USAC Board of Directors approves a revised severance package for the resigning CEO; and

FURTHER RESOLVED, that the USAC Board of Directors appoints D. Scott Barash, USAC's Vice President and General Counsel, as Acting CEO of USAC, including all duties and responsibilities associated with that office under the USAC Bylaws; and

FURTHER RESOLVED, that the USAC Board of Directors directs the initiation of a search committee to recommend a permanent replacement for the office of USAC CEO; and

FURTHER RESOLVED, that the USAC Board of Directors authorizes USAC's outside counsel and the Chairman of the Board to develop a two-month consulting agreement for the resigning CEO for the purposes of addressing transitional matters; and

FURTHER RESOLVED, that the USAC Board of Directors authorizes USAC's outside counsel and the Chairman of the Board to work with the resigning CEO to develop a mutually acceptable press release to announce the resignation of the current USAC CEO effective December 31, 2005.

The Board adjourned from *Executive Session* and reconvened in open session to report the discussion and action of the Board during *Executive Session*.

There being no further business, Dr. Talbott adjourned the meeting.

D. Scott Barash
Assistant Secretary