

2006 Board of Directors Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

January 24, 2006

MINUTES

The quarterly meeting of the Universal Service Administrative Company (USAC) Board of Directors (Board) was held at USAC's office in Washington, DC on Tuesday, January 24, 2006. Dr. Talbott, Chair of the Board, called the meeting to order at 9:05 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Fifteen of the seventeen members were present, representing a quorum.

Baker, Dave – *via telephone*

Hess, Kevin – *via telephone*

Banks, Jon – *via telephone*

Hughes, Alison – *via telephone*

Barash, Scott – Acting CEO

Jackson, Jimmy – Vice Chair – *via telephone*

Bryant, Anne

Jortner, Wayne – *via telephone*

Buller, Karen – *via telephone*

Lubin, Joel – *via telephone*

Campbell, Anne – *via telephone*

Sanford, Jo Anne – *via telephone*

Duff, Bridgett

Talbott, Dr. Brian – Chair

Eichler, Ed

Board Members Not Present:

Askin, Jonathan

Sanders, Jay

Other Board members and Officers of the Corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – VP, Acting VP of Schools & Libraries
Capozzi, David – Acting General Counsel
Erwin, WB – VP, Finance
Flannery, Irene – Senior VP of Programs
Majcher, Karen – VP, High Cost & Low Income
Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Carroll, Kristy	USAC
Faunce, Donna	USAC
Goff, Liz	USAC
Jones, Narda	FCC
Lamoureux, Renee	USAC
Mardis, James	USAC
Mitchell, Jeff	USAC
Rasmussen, Mary	USAC
Rovetto, Ed	USAC
Shaffer, Dana	FCC
Sullivan, Tanya	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a2. Approval of Board of Directors Meeting Minutes.** On a motion duly made and seconded, the Board approved the minutes of October 25, 2005, December 8, 2005 and December 22, 2005.
- 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 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. 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.

- a5. Approval of Annual 2006 and 2nd Quarter USAC Common and Consolidated Budgets.** Mr. Erwin, introduced this item indicating that no significant changes to the annual budget were being proposed at this time.

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 2nd Quarter 2006 USAC common budget of \$6,718,700; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2006 annual USAC common budget of \$28,536,000; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2nd Quarter 2006 USAC consolidated budget of \$24,026,100; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2006 annual USAC consolidated budget of \$99,822,300.

- a6. **Approval of 2nd Quarter 2006 Revenue Projections and Resolutions on the March 6, 2006 FCC Filing.** Mr. Erwin introduced this item to the Committee providing an overview of the current projections including an explanation of the increase in demand and adjustments to the prior period adjustments.

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 24, 2006, a summary of the current status of the March 2, 2006 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required March 2, 2006, filing to the FCC on behalf of USAC using a preliminary estimate of \$18,255.600 million for the Universal Service Fund projected revenue base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

There being no further business, Dr. Talbott adjourned the meeting at 9:27 a.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

February 14, 2006

MINUTES

A meeting of the Board of Directors of the Universal Service Administrative Company (USAC) was held at USAC's office in Washington, DC on Tuesday, February 14, 2006. Mr. Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 2:45 p.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Nine of the seventeen members were present, representing a quorum (There is currently one vacancy):

Banks, Jonathan – *by telephone*

Duff, Bridget– *by telephone*

Barash, Scott – Acting CEO

Jackson, Jimmy – *by telephone*

Bryant, Anne – *by telephone*

Sanders, Dr. Jay – *by telephone*

Campbell, Anne – *by telephone*

Talbott, Dr. Brian – *by telephone*

Board members not present:

Askin, Jonathan

Baker, Dave

Buller, Karen

Hess, Kevin

Hughes, Alison

Jortner, Wayne

Lubin, Joel

Sanford, Jo Anne

Other Board members and Officers of the Corporation present:

Belden, Richard – Chief Operating Officer

Capozzi, David – Acting General Counsel

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Lamoureux, Renee	USAC

ACTION ITEMS:

Election of Directors to the USAC Board of Directors. Mr. Barash introduced the nominations of seven USAC Board members as recently provided by the Chairman of the FCC.

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

RESOLVED, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Debra Berlyn, James Jackson, Dr. Peter Kragel, Jonathan Lee, Dr. Brian Talbott and Jason B. Williams to the USAC Board of Directors each for a term beginning effective February 14, 2006 and continuing until December 31, 2008; and

RESOLVED FURTHER, that the USAC Board of Directors having received the selection from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Kevin M. Joseph to the USAC Board of Directors to fill the vacant seat for Commercial Radio Service providers for the remaining term of said seat beginning effective February 14, 2006 and continuing until December 31, 2007; and

RESOLVED FURTHER, that each of the aforementioned directors shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws.

There being no further business, Mr. Barash adjourned the meeting at 2:52 p.m.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

March 1, 2006

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 Wednesday, March 1, 2006. Mr. Scott Barash, Acting Chief Executive Officer of USAC, called the meeting to order at 5:04 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll. Fifteen of the eighteen members were present, representing a quorum:

Baker, Dave – *by telephone*

Banks, Jonathan – *by telephone*

Barash, Scott

Berlyn, Debra – *by telephone*

Bryant, Anne – *by telephone*

Campbell, Anne – *by telephone*

Hess, Kevin – *by telephone*

Jackson, Jimmy – *by telephone*

Jortner, Wayne – *by telephone*

Joseph, Kevin – *by telephone*

Kragel, Peter – *by telephone*

Lee, Jonathan – *by telephone*

Sanders, Dr. Jay – *by telephone*

Talbott, Dr. Brian – *by telephone*

Williams, Jason – *by telephone*

Board members absent:

Duff, Bridget

Lubin, Joel

Sanford, Jo Anne

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Lamoureux, Renee	USAC

ACTION ITEMS:

a.1. Annual Appointment of Board Members to Committees, Election of Committee Chairs and Vice Chairs, and Election and Appointment of Corporate Officers. On behalf of Bridget Duff, Chair of the Nominating Committee, Mr. Barash called the meeting to order. He welcomed the new Board members to their first meeting. Mr. Barash then reported that the Nominating Committee met on February 24, 2006, and at that meeting approved resolutions recommending that the Board appoint Board members to committees, elect committee chairs and vice chairs, elect Board members as officers, and appoint staff members to certain officer positions. Ms. Bryant suggested that the Board consider the resolutions electing officers, making committee appointments, electing committee chairs and vice chairs, and appointing employee-officers separately in order to allow for any discussion or comments.

Election of Board Chair, Vice Chair, Secretary and Treasurer

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 Nominating Committee and elects **Dr. Brian Talbott** as Chair and **Jimmy Jackson** as Vice Chair of the Board, **Bridget Duff** as Secretary of the corporation, and **Wayne Jortner** as Treasurer of the corporation, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns such position or from the Board, is removed by resolution of the Board or such member's Board term expires.

Appointments to Board Committees

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and appoints **Jason Williams** as the Rural Health Care Committee representative to the USAC Audit Committee and **Jonathan Banks** as an at-large member of the USAC Audit Committee, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends upon such person's resignation as a member of the Committee or the Board of Directors, removal from the Board pursuant to Article II, § 7 of the By-laws, removal from the Committee by resolution of the Board or the expiration of such person's term as a member of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors appoints **Kevin Joseph, Jonathan Lee** and **Debra Berlyn** to the High Cost & Low Income Committee (as a result of their automatic selection for the committee pursuant to the requirements of Article II, § 8 of the By-laws), each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends upon such person's resignation as a member of the Committee or the Board of Directors, removal from the Board pursuant to Article II, § 7 of the By-laws, removal from the Committee by resolution of the Board or the expiration of such person's term as a member of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors appoints **Dr. Peter Kragel** to the Rural Health Care Committee (as a result of his automatic selection for the committee pursuant to the requirements of 47 C.F.R. § 54.705(b)(2) and Article II, § 8 of the By-laws) and **Jason Williams** as an at-large member of the Rural Health Care Committee, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends upon such person's resignation as a member of the Committee or the Board, removal from the Board pursuant to Article II, § 7 of the By-laws, removal from the Committee by resolution of the Board or the expiration of such person's term as a member of the Board of Directors; and

Election of Committee Chairs and Vice Chairs

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

RESOLVED, that the USAC Board of Directors elects in advance of the Audit Committee's meeting and subject to ratification by the Audit Committee **Jonathan Banks** as Chair and **Jo Anne Sanford** as Vice Chair of the Audit Committee, each for a term that begins immediately following

the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors elects in advance of the High Cost & Low Income Committee's meeting and subject to ratification by the High Cost & Low Income Committee **Kevin Hess** as Chair and **Joel Lubin** as Vice Chair of the High Cost & Low Income Committee, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors elects in advance of the Rural Health Care Committee's meeting and subject to ratification by the Rural Health Care Committee **Dr. Jay Sanders** as Chair and **Dr. Peter Kragel** as Vice Chair of the Rural Health Care Committee, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors elects in advance of the Schools & Libraries Committee's meeting and subject to ratification by the Schools & Libraries Committee **Anne Campbell** as Chair and **Anne Bryant** as Vice Chair of the Schools & Libraries Committee, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board or such member's Board term expires; and

RESOLVED FURTHER, that if any one or more of such persons listed above for the positions of committee Chair or Vice Chair for which the Board has elected to such position in advance of receiving the recommendation of the respective committee is not ratified at the next meeting of the respective committee for election to such position, then such person's election pursuant to the resolution provided above will be automatically void and immediately rescinded with no further action required by the Board, the respective Committee or the Nominating Committee; and

RESOLVED FURTHER, that in the event of such rescission, the affected committee shall promptly recommend to the Board committee members for Chair and/or Vice Chair of the committee, which the Board shall then meet promptly to consider.

*Appointment of USAC Staff Members as Assistant Secretary and Assistant Treasurer,
Elimination of the Senior Vice President of Programs Position and Creation of the Senior
Vice President of External Relations Position*

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee to appoint **David Capozzi** as Assistant Secretary of the corporation and **WB Erwin** as Assistant Treasurer of the corporation, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been appointed, such member resigns, his employment with USAC terminates for whatever reason, or is removed by the Acting CEO or CEO or by resolution of the Board.

RESOLVED, that the USAC Board of Directors accepts the recommendation of the Acting CEO to eliminate the officer position of Senior Vice President of Programs effective immediately; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Acting CEO and ratifies creation of the position of Senior Vice President of External Relations effective immediately; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Acting CEO and ratifies the appointment of Ms. Irene Flannery to the position of Senior Vice President of External Relations effective immediately until such time as she resigns, her employment with USAC terminates for whatever reason, or she is removed from this position by the Acting CEO or CEO or the Board regardless of her employment status with the corporation.

At 5:14 p.m., on a motion duly made and seconded, the Board voted to recess the meeting for the purpose of conducting Committee meetings to ratify the elections of the Committee Chairs and Vice Chairs.

The Board reconvened the meeting at 5:21 p.m. Ms. Renee Lamoureux called the roll. Fifteen of the eighteen members were present, as set forth above.

ACTION ITEM:

- a.2. **Personnel Matter Regarding Acting Chief Executive Officer – Confidential and Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, the Chairman of the Board of Directors recommends that discussion of a personnel matter regarding the USAC Acting CEO should occur in *Executive Session* because it is an *internal personnel matter*.

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 Acting CEO shall be conducted in *Executive Session*.

At 5:23 p.m., the Board moved into *Executive Session* for purposes of discussing the confidential and proprietary item as noted above. Mr. Barash departed the meeting at this time. See report on the *Executive Session* immediately below.

EXECUTIVE SESSION:

- a2. **Personnel Matter Regarding Acting Chief Executive Officer – Confidential and Proprietary –** Dr. Talbott introduced this item to the Board, providing an explanation of USAC's executive compensation policy and outlined the action currently being proposed.

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

RESOLVED, that the USAC Board of Directors directs that USAC's Acting Chief Executive Officer be compensated, effective as of January 1, 2006, and throughout the period during which he serves as Acting Chief Executive Officer, at the amount of basic pay in effect for Level I of the Executive Schedule under 5 U.S.C. § 5312; and

FURTHER RESOLVED, that the USAC Board of Directors directs that should the Acting CEO return to his position as Vice President and General Counsel, his compensation shall be a 3% increase over his salary as of December 31, 2005.

The Board adjourned from ***Executive Session*** and reconvened in open session at 5:32 p.m., to report the actions taken by the Board in ***Executive Session***.

There being no further business, Dr. Talbott adjourned the meeting at 5:37 p.m.

/s/ David A. Capozzi

David Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

April 24, 2006

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, DC on Tuesday, April 25, 2006. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 9:02 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll. Eighteen members were present, representing a quorum:

Baker, Dave

Banks, Jonathan

Barash, Scott – Acting CEO

Berlyn, Debra

Bryant, Dr. Anne

Campbell, Anne

Duff, Bridget – Secretary

Hess, Kevin – by telephone

Jackson, Jimmy – Vice Chair

Jortner, Wayne – Treasurer – by telephone

Joseph, Kevin

Kragel, Dr. Peter

Lee, Jonathan

Lubin, Joel

Sanders, Dr. Jay

Sanford, Jo Anne

Talbott, Dr. Brian – Chair

Williams, Jason

Other Board Members and Officers of the Corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Acting VP, Schools and Libraries Division and
VP, Rural Health Care Division

Capozzi, Dave – Acting General Counsel

Erwin, WB – VP of Finance

Flannery, Irene – Senior VP, External Relations

Holcombe, Jamie – VP, Information Services

Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit

<u>NAME</u>	<u>COMPANY</u>
Bancroft, Royce	USAC
Beach, Cyndi	USAC
Beaver, Tracey	USAC
Brown, Steve	SAIC
Carroll, Kristy	USAC
Goff, Liz	USAC
Gallant, Pam	USAC
Lamoureuex, Renee	USAC
Lawhead, Merry	USAC
LeNard, David	USAC
Marcus, Jeremy	FCC
McDonald, George	E-Rate Central
Mitchell, Jeffrey	USAC

<u>NAME</u>	<u>COMPANY</u>
Parry, John	SOLIX
Rodriguez, Jose	FCC
Spiller, Robert	USAC
Sullivan, Tanya	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

a1. Approval of Board of Directors Meeting Minutes. On a motion duly made and seconded, the Board approved the minutes as written of the USAC Board of Directors meetings of January 24, 2006, February 14, 2006 and March 1, 2006.

a11. Election of a Director to the USAC Board of Directors and Provision for Automatic Election of Directors Selected to Fill Unexpired Terms of Former Directors. Mr. Barash introduced this item to the Board advising that it addresses the election of Ms. Simon as a member of the USAC Board of Directors as well as the procedure for electing new Board members to fill vacancies going forward. Dr. Sanders requested that language be added to the fourth resolution under this item stating that an automatic election to the Board is subject to ratification at the next Board meeting.

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

RESOLVED, that the USAC Board of Directors having received the selection from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Ms. Phyllis Simon to the USAC Board of Directors for a term beginning April 25, 2006 and continuing until the completion of the Board of Directors meeting on January 23, 2007, except as set forth below; and

RESOLVED FURTHER, that the aforementioned director shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws, or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws; and

RESOLVED FURTHER, that the USAC Board of Directors appoints Ms. Simon to the Schools & Libraries Committee (as a result of her automatic selection to the committee pursuant to the requirements of 47 C.F.R. § 54.705(a)(2)(i) and Article II, § 8 of the By-laws) for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends upon such person's resignation as a member of the Committee

or the Board, removal from the Board pursuant to Article II, § 7 of the By-laws, removal from the Committee by resolution of the Board or the expiration of such person's term as a member of the Board of Directors.

RESOLVED FURTHER, that in the event a USAC Board of Directors member resigns or is removed prior to the completion of the member's term, then upon the selection by the Chairman of the FCC, pursuant to 47 C.F.R. § 54.703(c)(3), of a person to fill the former member's remaining term, such person is hereby automatically elected to the Board of Directors without the requirement for action by the Board of Directors, subject to ratification by the Board of Directors at its next regularly scheduled meeting; and

RESOLVED FURTHER, that the aforementioned director shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws; and

RESOLVED FURTHER, that the aforementioned director shall be automatically appointed to the appropriate programmatic committee as required by FCC rules and USAC's By-laws; and

RESOLVED FURTHER, that in the event the former member held the position as a committee chair or vice-chair, then the aforementioned director shall be appointed to the committee, but shall not assume the chair or vice-chair position, and such position shall be filled by action of the respective committee and the USAC Board of Directors in their discretion; and

RESOLVED FURTHER, that in the event the former member held a position as an officer of USAC, then the aforementioned director shall not assume such position by virtue of his/her automatic election to the Board of Directors, and such position shall be filled by the USAC Board of Directors in its discretion.

- a4. Reports from the Committee Chairs.** Each of the chairs of the USAC Board of Directors committees reported on issues discussed and action taken by their respective committees since the January 2006 quarterly meetings: Dr. Talbott reported on the Executive Committee meeting; Ms. Campbell reported on the Schools & Libraries Committee meeting; Dr. Sanders reported on the Rural Health Care Committee meeting; Mr. Hess reported on the High Cost & Low Income

Committee meeting; and Mr. Banks reported on the Audit Committee meetings.

- a5. Resolutions Honoring Former Board Members.** Dr. Talbott introduced this item to the Board by reading the resolutions honoring USAC's former Board members: Mr. Jonathan Askin, Ms. Karen Buller, Mr. Doug Christensen, Ms. Diane Cornell, Mr. Edwin Eichler, Ms. Alison Hughes and Ms. Lisa Zaina, and expressing USAC's appreciation for their contributions during their tenure on the USAC Board of Directors.

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

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

RESOLVED, that the USAC Board of Directors hereby expresses its sincere appreciation to Ms. Karen Buller for her service on the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

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

RESOLVED, that the USAC Board of Directors hereby expresses its sincere appreciation to Ms. Diane Cornell for her service on the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

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

RESOLVED, that the USAC Board of Directors hereby expresses its sincere appreciation to Ms. Alison Hughes for her service on the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

RESOLVED, that the USAC Board of Directors hereby expresses its sincere appreciation to Ms. Lisa Zaina for her service as Chief Executive Officer and as a member of the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

Approval of April 2007 – January 2008 Board of Directors Quarterly Meeting Schedule. Mr. Barash reviewed the proposed meeting schedule and advised the Board that the schedule will be revised in the minutes to indicate that the Audit Committee Part I meetings will no longer occur as a result of the changes made to the Audit Committee Charter, which were approved by the Audit Committee on April 20, 2006 and if approved by the Board at this meeting today.

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 2007 – January 2008:

Executive Committee	Programmatic Committees, Audit Committee & Board of Directors
April 19, 2007	April 23 - 24, 2007
July 19, 2007	July 23 - 24, 2007
October 18, 2007	October 22 - 23, 2007
January 17, 2008	January 22 - 23, 2008

- a6. **Approval of 3rd Quarter 2006 and Revised 2006 Annual USAC Common and Consolidated Budgets.** Mr. Erwin introduced this item to the Board. In his presentation, Mr. Erwin noted that: (i) the 3rd quarter 2006 budget is \$3.6 million higher than the actual expenditures for 3rd Quarter 2005; (ii) the 3rd Quarter 2006 budget reflects compensation and benefits for the funding of 175 full-time staff positions, which does not include any cost for the Rural Health Care transition; (iii) the audits line item includes \$4.0 million for IPIA audits that will be performed in coordination with the FCC OIG; and (iv) the budget includes funds for the financial systems overhaul project, which staff optimistically hopes will begin in the 3rd Quarter 2006 pending FCC approval to move forward with the procurement.

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 2006 USAC common budget of \$6,475,900; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2006 USAC common budget of \$28,468,800; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 3rd Quarter 2006 USAC consolidated budget of \$23,764,100; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to approve a 2006 USAC consolidated budget of \$98,491,600.

All Board members initially voted in favor of the resolutions. Later in the meeting Mr. Lee changed his vote to oppose the resolution after stating that he did not fully understand the details of the proposed budgets.

- a7. Approval of 3rd Quarter 2006 Revenue Projections for the June 1, 2006 Universal Service Fund Contribution Base Filing.** Mr. Erwin 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 April 25, 2006, a summary of the current status of the June 1, 2006 FCC filing requirements, accepts the recommendation of the USAC Executive Committee to authorize staff to proceed with the required June 1, 2006, filing to the FCC on behalf of USAC using a preliminary estimate of \$18,252.200 million for the Universal Service Fund projected revenue base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a8. Consideration of Revised Audit Committee Charter.** Mr. Scott introduced this item to the Board outlining the proposed changes to the Charter.

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 Audit Committee and, having reviewed the current Audit Committee Charter and the modifications presented by the USAC Internal Audit Division, approves the revised Audit Committee Charter.

- a9. Consideration of Revised USAC Employee Confidentiality Policy.** Mr. Capozzi introduced this item to the Board advising the Board of the necessity to make certain changes to USAC's current confidentiality policy based on requirements of the FCC related

to sharing of confidential information with USAC. After discussion, it was agreed to defer action on this matter until such time as USAC has had an opportunity to review the recently received draft from the FCC and work with them to resolve any outstanding issues.

- a10. Personnel Matter – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of the USAC Chief Executive Officer position should occur in *Executive Session* because it is an *internal personnel matter*.

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 personnel matters regarding the USAC Chief Executive Officer position shall be conducted in *Executive Session*.

a11. Miscellaneous.

- Solicit ideas for the July 2006 Board agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Assistant Treasurer’s Report.** For informational purposes only, no discussion held.
- i2. External Relations Report.** Ms. Flannery introduced the members of the newly created External Relations Division to the Board and provided a brief report related to the division’s current initiatives.
- i3. USAC and Bearing Point Report on Site Visit Initiative.** BearingPoint representatives as well as Ms. Flannery provided the Board with a presentation related to the current site visit initiative.
- i4. Regulatory Report.** For informational purposes only, no discussion held.
- i5. Report on Pending Litigation and Bankruptcy Matters.** For informational purposes only, no discussion held.
- i6. Disposition of Administrator Appeals by USAC Staff.** For informational purposes only, no discussion held.
- i7. Report on the Audit of the FCC’s Financial Statements for the Year Ending September 30, 2005.** For informational purposes only, no discussion held.

- i8. **Status Report on Ongoing USAC Audits.** For informational purposes only, no discussion held.
- i9. **Status Report on Actions Taken on Final USAC Audits.** For informational purposes only, no discussion held.
- i10. **Course of Action for Rural Health Care Support Mechanism Program Support Services.** For informational purposes only, no discussion held.
- i11. **Update on Schools and Libraries Program Support Services Contract and 2006 Performance Agreement.** For informational purposes only, no discussion held.
- i12. **Consideration of Exercise of Contract Option with KPMG LLP to Conduct Schools and Libraries Program Beneficiary Audits – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session*. The basis for discussing such matters in Executive Session is that 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 Universal Service Fund, the universal service support programs and USAC. Moreover, certain matters discussed imply the *attorney-client privilege*, and therefore, should not be discussed in open session.

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 exercise of contract option with KPMG LLP to conduct Schools & Libraries beneficiary audits for USAC shall be conducted in *Executive Session*.

At 10:50 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- i12. **Consideration of Exercise of Contract Option with KPMG LLP to Conduct Schools and Libraries Program Beneficiary Audits.** Mr. Scott introduced this item to the Committee discussing the exercise of USAC’s current contract with KPMG LLP to conduct Schools & Libraries program beneficiary audits.

At 10:53 a.m. Eastern Time, on a motion duly made and seconded, the Committee voted to move into an **Executive Session**, during which only members of the Board were invited to attend.

EXECUTIVE SESSION:

a9. Personnel Matter.

At 11:38 a.m. Eastern Time, the Committee voted to moved out of Executive Session. The Committee reconvened in **Open Session**, at which time Dr. Talbott reported that the Committee discussed item **i12** in Executive Session and considered and took action on item **a9** in Executive Session.

Dr. Talbott reported that during its discussions of item **a9**, the Board considered the performance of Acting CEO Scott Barash, and the Board is very satisfied with his performance. The Board also adopted the following resolution:

RESOLVED, that it is the sense of the USAC Board of Directors that the board is very satisfied with the performance of Acting CEO Scott Barash and the direction he has taken the company since the beginning of 2006. The Board wishes to stay the course and have Mr. Barash continue in his current position. Prior to the end of the year, the Board will revisit this matter and make a determination regarding the selection of a permanent CEO.

All Board members in attendance voted in the affirmative for the above resolution except for Ms. Berlyn and Messrs. Joseph, Lee and Williams, who abstained.

On a motion duly made and seconded, the Committee adjourned at 11:59 a.m. Eastern Time.

/s/ David A. Capozzi

David A. Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

October 24, 2006

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, October 24, 2006. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 9:03 a.m. Eastern Time. All 18 Board members were present, representing a quorum:

Baker, Dave – <i>by telephone</i>	Jortner, Wayne – Treasurer
Banks, Jonathan	Joseph, Kevin
Barash, Scott – Acting CEO	Kragel, Dr. Peter
Berlyn, Debra	Lubin, Joel
Bryant, Dr. Anne	Sanders, Dr. Jay
Campbell, Anne	Sanford, Jo Anne
Hess, Kevin	Simon, Phyllis
Jackson, Jimmy – Vice Chair	Talbott, Dr. Brian – Chair
Lee, Jonathan	Williams, Jason – <i>by telephone</i>

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Capozzi, Dave – Acting General Counsel
Erwin, WB – VP of Finance
Flannery, Irene – Senior VP, External Relations
Holcombe, Jamie – VP, Information Services
Majcher, Karen – VP, High Cost and Low Income Division

Scott, Wayne – VP, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bancroft, Royce	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Briddell, Christopher	USAC
Carroll, Kristy	USAC
Delmar, Teleshia	USAC
Desrocher, Michael	USAC
Falkowitz, Ed	USAC
Faunce, Donna	USAC
Frederick, Wendy	USAC
Fullwood, Leslie	USAC
Goff, Liz	USAC
Grant, Colleen	USAC
Knete, Debra	SECA
LeNard, David	USAC
Machinski, Thad	FCC
Mardis, James	USAC
Mensah, Sophia	USAC
Morrow, Henry	FCC
Mitchell, Jeffrey	USAC
Parry, John	Solix
Reynolds, Renee	USAC

<u>NAME</u>	<u>COMPANY</u>
Rovetto, Ed	USAC
Spiller, Robert	USAC
Trew, Anne Marie	USAC
Yasin, Alisa	FCC
Young, Debra	USAC

ACTION ITEMS:

- a12. Approval of Board of Directors Meeting Minutes.** Dr. Talbott introduced this item to the Board. On a motion duly made and seconded, the Board approved the minutes as written of the USAC Board of Directors meeting of July 25, 2006. Mr. Banks and Ms. Berlyn joined the meeting at 9:05 a.m. and did not vote on this item. Mr. Jonathan Lee joined the meeting at 9:22 a.m. and did not vote on this item.
- a13. Reports from the Committee Chairs.** The committees chairs reported on issues discussed and action taken by their respective committees since the July 2006 quarterly meetings: Mr. Jackson reported on the Executive Committee meeting on behalf of Dr. Talbott; Ms Campbell reported on the Schools & Libraries Committee meeting; Dr. Sanders reported on the Rural Health Care Committee meeting; Mr. Hess reported on the High Cost & Low Income Committee meeting; and Mr. Banks reported on the Audit Committee meeting.
- a14. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.** Dr. Talbott introduced this item to the Board. Mr. Barash explained the process for appointing the Board and committee chairs and vice chairs as well as the corporate Treasurer and Secretary. Mr. Barash also explained that existing Board members whose terms expire on December 31 continue to serve after that date and the Board and committee chairs and vice chairs as well as the corporate Treasurer and Secretary continue to serve in their positions until replacements are elected or they resign from the Board or one of these positions. Mr. Barash stated that new Board members cannot be elected until the Chairman of the FCC announces his selections to fill vacant seats and seats of Board members whose terms have expired.

Dr. Talbott announced his intention not to seek another term as Chair of the Board although he does plan to serve out the remaining two years of his term as a member of the USAC Board.

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

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 2007 meeting nominations for the elected USAC officer positions and to bring to the USAC Board of Directors at the anticipated December 2006 special Board meeting recommendations for Committee appointments for new Board members; and,

RESOLVED FURTHER, that the USAC Board of Directors appoints Dr Brian Talbott as Chair of the Nominating Committee and Mr. Jason Williams and Dr. Anne Bryant 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 2007 meeting nominations for chair and vice chair of each respective Committee.

- a4. Approval of 1st Quarter 2007 USAC Common and Consolidated Budgets and Information on Estimated 2007 Annual Budget.** Mr. Barash introduced this item to the Board. During discussion, Mr. Barash noted that the Board is being asked to approve the 1st Quarter 2007 (1Q2007) budget but is only being provided information on the estimated 2007 annual budget at this time. Consideration and approval of the annual budget is planned for January 23, 2007 Board meeting. Mr. Barash also noted that the large increase in the proposed budgets is due to costs associated with the USAC-FCC Office of Inspector General Audit Program. Other expenses associated with operating the company are projected to increase 7% year-over-year, which is less than the historical average 8% annual increase. Mr. Belden then provided the Board with a presentation of the components of the 1Q2007 and the proposed 2007 annual USAC common and consolidated budgets. Messrs. Barash and Belden answered questions from members of the Board during the presentation.

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

RESOLVED, that the USAC Board of Directors approves a 1st Quarter 2007 USAC common budget of \$10,029,600; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2007 USAC consolidated budget of \$33,744,300.

- a5. **Approval of 4th Quarter 2006 Revenue Projections for the December 1, 2006 Contribution Base Filing.** Mr. Erwin introduced this item to the Board and requested authorization for staff to proceed with the filing of the quarterly Universal Service Fund (USF) contribution base information for 1st Quarter 2007 with the FCC on or before December 4, 2006.

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

RESOLVED, that the USAC Board of Directors, having reviewed at its meeting on October 24, 2006, a summary of the current status of the December 4, 2006 FCC filing requirements, authorizes staff to proceed with the required December 4, 2006, filing to the FCC on behalf of USAC using a preliminary estimate of \$18.726 billion for the Universal Service Fund projected revenue base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a6. **Biennial Review of USAC Employee Ethical Standards.** Mr. Capozzi introduced this item to the Board recommending that no changes be made to the current *Statement of Ethical Conduct for Employees*.

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

RESOLVED, that the USAC Board of Directors accepts the recommendations of the USAC Executive Committee that the current *Statement of Ethical Conduct for Employees* be reaffirmed and approved without modification.

- a7. **Approval of USAC 2007-2008 Employee Benefit Plans – Confidential & Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

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 selection of a vendor to provide group health and employee insurance benefits shall be conducted in *Executive Session*.

- a8. **Consideration of Printing, Collating, and Mailing Services Contract to Support USAC's USF Billing Functions and Special Projects – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi 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 USF, the universal service support programs and the company.

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 engagement of a firm for printing, collating and mailing services to support USF billing functions and other special projects shall be conducted in *Executive Session*.

- a9. **Approval of Proposed Litigation Settlement – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because discussion of this matter is subject to the *attorney-client privilege related to pending litigation*.

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

RESOLVED, that the discussion of the litigation matter associated with this item shall be conducted in *Executive Session*.

- a10. **Consideration of Personnel Matter – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that discussion of personnel and long-range planning and succession matters be conducted in *Executive Session* because they involve **internal personnel matters**.

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 personnel and long-range planning and succession matters shall be conducted in *Executive Session*.

- a11. **Miscellaneous.**

- Solicit ideas for the January 2007 Board agenda. Dr. Talbott reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i13. Assistant Treasurer's Report.** The report was provided for informational purposes. No discussion was held.
- i14. External Relations Report.** The report was provided for informational purposes. No discussion was held.
- i15. Report on Pending Litigation and Bankruptcy Matters.** The report was provided for informational purposes. No discussion was held.
- i16. Disposition of Contributor Appeals by USAC Staff.** The report was provided for informational purposes. No discussion was held.
- i17. Summary of Audit Reports Finalized at Support Mechanism Quarterly Meetings.** The report was provided for informational purposes. No discussion was held.
- i18. Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because 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 Universal Service Fund, the universal service support programs and the company.

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 course of action concerning Schools and Libraries and Rural Health Care program support services shall be conducted in *Executive Session*.

- i19. Report on Site Visit Initiative – Confidential & Proprietary – *Executive Session Recommended.*** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because 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 Universal Service Fund, the universal service support programs and the company.

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 site visit initiative shall be conducted in *Executive Session*.

- i20. Preliminary Assessment of Contribution Methodology Changes Impact – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter provides information concerning contributors to the Universal Service Fund, which is confidential and public disclosure of such information is prohibited by the Commission’s rules.

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 preliminary assessment of the impact of the *Second Interim Contribution Methodology Order* released on June 27, 2006 shall be conducted in *Executive Session*.

- i21. Status Report on USAC-FCC Office of Inspector General Audit Program – *Executive Session Option*.** Mr. Jeff Mitchell, Director of USAC Outsourced Audits, provided a report on the USAC-FCC Office of Inspector General Audit Program.

At 10:43 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purposes of discussing the confidential and proprietary items noted above. The Board then recessed until 10:55 a.m. Eastern Time at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a7. Approval of USAC 2007-2008 Employee Benefit Plans.** Mr. Belden introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management with respect to employee health and welfare benefit providers, hereby authorizes USAC management to retain its contractual arrangements with Guardian, Genworth and HFS for the calendar year 2007.

- a8. Consideration of Printing, Collating, and Mailing Services Contract to Support USAC’s USF Billing Functions and Special Projects.** Mr. Belden introduced this matter to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the information presented by management concerning the procurement of printing, collating and mailing services to support the administration of the Universal Service Fund billing functions and special

projects on an as-needed basis, hereby authorizes USAC management to enter into a contract with Day & Night Printing to provide services as described above in an amount not to exceed \$180,000.

a9. Approval of Proposed Litigation Settlement. Mr. Capozzi introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors approves a settlement agreement in accordance with the terms and conditions described by counsel herein, thereby resolving all claims by and between USAC and the Corecomm-ATX, Inc. bankruptcy estate currently pending in the United States Bankruptcy Court for the Southern District of New York.

i6. Update on the Course of Action Concerning Schools and Libraries and Rural Health Care Program Support Services Agreement. Mr. Barash presented this item to the Board, which the Board and USAC management then discussed.

i7. Report on Site Visit Initiative. Ms. Goff presented this item to the Board, which the Board and USAC management then discussed.

i8. Preliminary Assessment of Contribution Methodology Changes Impact. Mr. Erwin presented this item to the Board.

At **11:48** a.m. Eastern Time, the Board determined to continue in **Executive Session** with only Board members, and Mr. Capozzi, Acting General Counsel, present to discuss the confidential and proprietary matter associated with item **a10** above. Ms. Jo Anne Sanford departed the meeting prior to the start of discussion of this matter.

At **11:56** a.m. Eastern Time, the Board adjourned from **Executive Session** and reconvened in **Open Session**.

OPEN SESSION:

Dr. Talbott reported that in **Executive Session** the Board took action on items a7, a8 and a9, and discussed items i6, i7, i8 and a10.

On a motion duly made and seconded, the Board adjourned at 11:58 a.m. Eastern Time.

David A. Capozzi, Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

December 19, 2006

MINUTES

A non-quarterly, joint meeting of the Board of Directors (Board), Rural Health Care Committee and Schools and Libraries Committee of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday, December 19, 2006. At the request of Dr. Brian Talbott, Chair of the Board, Mr. Barash called the meeting to order at 1:00 p.m. Eastern Time. Eleven of 17 Board members were present, representing a quorum:

Banks, Jonathan – *by telephone*
Barash, Scott – Acting CEO
Berlyn, Debra – *by telephone*
Bryant, Dr. Anne – *by telephone*
Campbell, Anne – *by telephone*
Hess, Kevin – *by telephone*

Jortner, Wayne – Treasurer – *by telephone*
Kragel, Dr. Peter – *by telephone*
Sanders, Dr. Jay – *by telephone*
Simon, Phyllis – *by telephone*
Talbot, Dr. Brian – Chair – *by telephone*

Members of the Board not present:

Jackson, Jimmy
Joseph, Kevin
Lee, Jonathan
Lubin, Joel
Sanford, Jo Anne
Williams, Jason

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – VP, Schools and Libraries Division
England, Bill – VP, Rural Health Care Division
Flannery, Irene – Senior VP, External Relations
Scott, Wayne – VP, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bellavia, Leslie	USAC
Carroll, Kristy	USAC – <i>by telephone</i>
Eisley, Andy	USAC
Morrow, Henry	FCC
Nuzzo, Patsy	USAC
Short, Don	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. **Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement – Confidential & Proprietary – *Executive Session Recommended*.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC’s *procurement strategy and contract negotiations*, and public disclosure of the matters discussed would compromise USAC’s negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

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 Schools and Libraries and Rural Health Care Program Support Services Agreement shall be conducted in *Executive Session*.

At 1:07 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a1. **Consideration of the Schools and Libraries and Rural Health Care Program Support Services Agreement.** Mr. Barash introduced this item to the Board.

On a motion duly made and seconded and after discussion and questioning of Mr. Barash by Board members on matters including project goals, information technology investments required and contract pricing, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors, having considered the new Schools and Libraries and Rural Health Care Program Support Services Agreement between USAC and Solix, Inc. proposed by management, accepts the recommendations of the Schools & Libraries and Rural Health Care Committees and hereby authorizes management to finalize all remaining terms and conditions in the proposed agreement; and

RESOLVED FURTHER, that in finalizing such terms and conditions, if any material terms of the proposed agreement change, then management shall resubmit the proposed agreement to the Executive Committee of the Board for further consideration, which the Executive Committee may then authorize management to execute the agreement with Solix, Inc. and proceed with its implementation; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendations of the Schools & Libraries and Rural Health Care Committees and, upon finalizing the terms and conditions of the proposed agreement and subject to the requirement for further review by the Executive Committee of the Board of Directors as set forth above and obtaining any necessary approvals from the Federal Communications Commission, hereby authorizes management to execute the agreement with Solix, Inc. and proceed with its implementation.

At 1:41 p.m. Eastern Time, the Board voted to moved out of **Executive Session** and immediately reconvened in **Open Session**, at which time Mr. Barash reported that the Board considered and took action on item a1 above in Executive Session. (Also at this time, the Rural Health Care Committee meeting adjourned and the Schools & Libraries Committee meeting recessed.)

OPEN SESSION:

a2. Consideration of Contract to Produce USAC's Annual Report and Provide Other Services – Confidential & Proprietary – *Executive Session Recommended.* In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that discussion of this item be conducted in **Executive Session** because this matter relates to USAC's **procurement strategy and contract negotiations**, and public disclosure of the matters discussed would compromise USAC's negotiation strategy to the detriment of the Universal Service Fund, the universal service support programs and USAC.

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 engagement of a firm for production of USAC's annual report and provision of other services shall be conducted in **Executive Session**.

At 1:45 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into **Executive Session** for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

a2. Consideration of Contract to Produce USAC's Annual Report and Provide Other Services. Ms. Flannery introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors ratifies the Cahoon & Cross contract expenses in the amount of \$144,000; and

RESOLVED FURTHER, that the USAC Board of Directors approves the exercise of a one-year renewal option of the Cahoon & Cross contract for an amount not to exceed \$102,000.

At 1:50 p.m. Eastern Time, the Board voted to moved out of ***Executive Session*** and immediately reconvened in ***Open Session*** at which time Mr. Barash reported that the Board considered and took action on item a2 above in ***Executive Session***.

On a motion duly made and seconded, the Board adjourned at 1:51 p.m. Eastern Time.

David A. Capozzi

Assistant Secretary