

# 2000 Executive Committee Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

January 20, 2000

**MINUTES**

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Thursday, January 20, 2000, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee, called the meeting to order at 1:05 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

<b>All six members were present, representing a quorum:</b>	
Gold, Heather	Parrino, Cheryl
Gumper, Frank	Rosenblum, Lisa
Ouye, Kathleen	Sanders, Dr. Jay
<b>Officers of the Corporation present:</b>	
Haga, Robert - Acting Secretary/Treasurer	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Barash, Scott	USAC
Blackwell, Mel	USAC
Howard, Cathy	USAC
Moore, Kate	USAC

**Action Items:**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee unanimously approved the minutes as distributed of the Executive Committee meetings of Thursday, October 21, 1999; Monday, December 6, 1999; Wednesday, December 22, 1999; and Thursday, December 30, 1999.
- a2. Approval of an Uncollectible Write-off Policy.** Ms. Parrino explained that USAC's Board of Directors requested that this issue be put aside until a better history of the dollar amounts of uncollectibles was established, which has now occurred. The uncollectibles have been running at no more than 1 percent of contributions. Because the FCC uses the uncollectible numbers in calculating the contribution base, USAC staff is recommending that the Committee establish an accounting reserve for uncollectibles

that will more accurately represent USAC's financial statements. Establishing an uncollectible reserve will also bring USAC in to compliance with generally accepted accounting principles. USAC staff cannot and does not recommend writing off uncollectible amounts; only the FCC has the authority to waive or otherwise modify a carrier's contribution requirement.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to establish an accounting reserve against uncollectible accounts receivable in conformity with generally accepted accounting principles and to continue the current practice of stating accounts receivable balances from all companies, regardless of collectibility, in the accounts receivable aging analysis.

- a3. Approval of Reporting Requirements for Companies Involved in the Transfer and/or Sale of Assets.** Ms. Parrino stated to the Committee that this resolution establishes formal policy guidelines for this issue.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to implement the foregoing Procedures for the Required Filing and Follow-up of Contribution Reports for Companies involved in the Transfer and/or Sale of Assets as presented, and directs staff to apply the stated procedures and provide follow-up on reporting companies as noted.

- a4. Approval of Annual 2000 and 2<sup>nd</sup> Quarter 2000 USAC Common and Consolidated Budget.** Ms. Parrino reported to the Committee that the budget is in most respects similar to the budget that was before the Committee at its October 1999 meeting. Ms. Parrino pointed out that two contingencies have been factored into the budget. First, \$900,000 has been added to cover the estimated cost of re-coding the High Cost forward-looking model-if USAC is indeed asked to do so by the FCC. Second, \$3.8 million has been added for transition costs in the event that USAC selects a vendor other than the current vendor for the programmatic support services for the Schools and Libraries Program. No contingency has been factored in for possible transition costs if a new vendor is chosen for the programmatic support services for the Rural Health Care Program because staff feels that the expected cost savings in combining the administration of the two Programs will offset any transition costs. With the contingencies, the budget is 10.6 percent lower than the pre-merger budget; without the contingencies, it would be 21 percent below the pre-merger budget. Overall, the budget has decreased in comparison to budgeted 1999 expenses.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2<sup>nd</sup> Quarter 2000 USAC common budget of \$834,900; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2<sup>nd</sup> Quarter 2000 USAC consolidated budget of \$9,835,600; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2000 annual USAC common budget of \$2,913,900; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2000 annual USAC consolidated budget of \$41,221,700.

- a5. Modification of USAC Investment Strategy.** Ms. Parrino explained that USAC has been directed in writing by the Common Carrier Bureau of the FCC to move USAC investments into federal government-issued securities. This new policy would be more restrictive than USAC's current policy.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to retain the existing USAC investment guidelines and adopt the investment strategy presented by the staff herein until such time as circumstances require or allow a change in this investment approach.

- a6. Financial and Corporate Issues.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.
- a7. Miscellaneous.** None.

**Information Items:**

- i1. Contract and Request for Proposals (RFP) Review.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.
- i2. Review of a Statement of Ethical Conduct for Members of the USAC Board of Directors.** Mr. Barash explained that at the last quarterly meeting of the Board of Directors, the Chair directed the Nominating Committee to review and revise this statement as necessary to adequately address the specific concerns raised by the Board members at that quarterly meeting. The Nominating Committee met and discussed each bullet point of the statement in detail, discussing hypothetical situations to determine the appropriateness of each point. The Committee noted that the document as presented did not indicate to whom a Board member should report to if a conflict should occur or for advice on whether a known upcoming situation may constitute an ethical conflict and determined to write a resolution to add this information to the document. The Committee determined that the General Counsel would be the appropriate person.

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

**RESOLVED**, That the USAC Executive Committee directs staff to insert in the *Statement of Ethical Conduct for Members of the USAC Board of Directors* information indicating that a Board member should go to the General Counsel if a conflict does occur or for advice on whether a known upcoming situation may constitute an ethical conflict.

- i3. Miscellaneous.** None.

On a motion duly made and seconded, the Committee unanimously voted to go into **Executive Session** at 1:25 p.m. Eastern Time for purposes of discussing USAC financial and corporate issues, and to review current contract issues and Requests for Proposals.

**Executive Session:**

**a6. Financial and Corporate Issues.** The Committee discussed USAC financial reporting matters with counsel and solicited the advice of counsel as to how to proceed.

**i1. Contract and Request for Proposals (RFP) Review.** Mr. Barash reported that the RFP process for programmatic support services for the Schools and Libraries and the Rural Health Care Programs is on schedule and going well. USAC anticipates receiving bids from several firms and has established an internal evaluation team to consider the proposals.

There being no further business to attend to, the meeting was adjourned at 2:11 p.m. Eastern Time.

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Robert Haga  
Acting Secretary and Treasurer

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

February 8, 2000

**MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held by telephone conference call on Tuesday, February 8, 2000. Mr. Frank Gumper, Vice Chair of the Committee, called the meeting to order at 2:04 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Ed Eichler, Secretary.

<b>Six of the nine members were present, representing a quorum:</b>	
Eichler, Ed	Gumper, Frank
Ouye, Kathleen G.	Parrino, Cheryl
Rehberger, Wayne	Sanders, Dr. Jay
<b>One member joined the meeting in progress:</b>	
Gold, Heather	
<b>Two members were absent:</b>	
Marockie, Hank	Rosenblum, Lisa
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy	USAC

**Action Items:**

**a1. Approval of USAC Investment Strategy.** Ms. Parrino recalled for the Committee that at the January 2000 quarterly meeting of the USAC Board of Directors, staff informed the Board that the FCC had requested that USAC move its investments out of corporate paper/bonds. At the meeting, the Board questioned the authority of the FCC to make such a request in light of the fact that such a change could potentially decrease the returns on the investments. The Board of Directors requested additional information and directed the Executive Committee to act soon to adopt or reject the revised investment strategy. The FCC was asked to provide additional information for the request, but no response has been

received. Since the FCC has already requested that USAC change the investment strategy, no further clarification is forthcoming, and current investments are maturing, a decision must be made soon. An analysis of the following three investment strategies was presented to the Committee: (1) the current USAC investment strategy; (2) investing only in government securities; or (3) investing in government securities and government agency securities, or in securities collateralized by government securities. The third strategy was deemed to be the most prudent.

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

**RESOLVED**, That the USAC Executive Committee approves the adoption of the revised USAC investment strategy to allow investments in government securities, government agency securities, institutional money market accounts invested in government securities and government agency securities, and any repurchase activity collateralized by government securities or government agency securities held by a third-party custodian.

**Information Items:**

**i1. Review of Vacation Leave Time Allotted to Officers and Senior Management of USAC.** Ms. Parrino explained that when USAC merged with the other two corporations, the Board approved a benefits package for USAC officers and staff. In that benefits package, USAC officers receive four weeks vacation each year and the rest of the staff receives three weeks of vacation each year. There are only three official officers on staff: Mr. Haga (Assistant Treasurer), Mr. Barash (Assistant Secretary), and Ms. Parrino (CEO). However, other members of senior management are acting at the same level as the officers even though they are not elected officers. Ms. Parrino believes that all of USAC's senior management staff should have the same vacation benefit. Ms. Parrino asked if the Committee wants to determine that decision. The Committee determined that CEO should make this decision.

**i2. Status of Audits.** Ms. Parrino reported that the auditors at Arthur Andersen are requesting an additional week to complete the financial audit of USAC. Arthur Andersen is also auditing USAC's parent company, the National Exchange Carriers' Association, Inc. (NECA), and wants to complete that audit first. Completing USAC's audit before NECA's posed a problem last year for Arthur Andersen when they discovered after completing NECA's audit that some adjustments should have been made to USAC's books based on the finding in NECA's audit but could not do so due to USAC's books being closed. For this year, USAC has requested Arthur Andersen request a waiver from the FCC of the original due date of March 1, 2000, if one is needed.

The Committee expressed concern that making the March 1 deadline every year seems to be a challenge since it takes a month or two to close the books for the previous year, which does not leave much time for completion of the audit. The Committee **DIRECTED** staff to put this issue on the agenda for the next quarterly Board of Directors meeting to determine whether to request a later due date from the FCC.

**i3. Miscellaneous.**

**USAC Financial Issues.** Ms. Parrino reported that members of the USAC staff are meeting with members of the Office of the General Counsel of the FCC on February 9, 2000. All of the FCC commissioners' legal advisors have been briefed that the FCC is considering

categorizing the Universal Service Fund as "federal funds" for accounting and financial reporting purposes. USAC has communicated its need to the FCC for formal written direction from the FCC prior to making significant operational changes. Mr. Barash and Mr. Haga are still working on getting answers to all of USAC's questions on this issue. The Committee advised staff that, if necessary, a letter to the Chairman of the FCC further stating USAC's concerns should be sent soon. The Committee **DIRECTED** staff to inform them of any further significant developments.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 2:22 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

February 29, 2000

**MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held by telephone conference call on Tuesday, February 29, 2000. Mr. Frank Gumper, Vice Chair of the Committee, called the meeting to order at 2:05 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Scott Barash, Assistant Secretary.

<b>Five of the nine members were present, representing a quorum:</b>	
Eichler, Ed	Gumper, Frank
Marockie, Dr. Henry	Ouye, Kathleen G.
Parrino, Cheryl	
<b>One member joined the meeting in progress:</b>	
Rehberger, Wayne	
<b>Three members were absent:</b>	
Gold, Heather	Rosenblum, Lisa
Sanders, Dr. Jay	
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy	USAC

The Committee immediately went into **Executive Session** for purposes of discussing USAC financial and RFP issues.

**Executive Session:****Information Items:**

- i1. Status of USAC Financial Issues.** Mr. Haga reported that since the January 2000 quarterly Board meeting, USAC staff has been working with FCC staff to resolve a number of questions raised by the FCC's consideration of the question whether the

Universal Service Fund should be categorized as "federal funds" for accounting and financial reporting purposes. Most of the technical issues surrounding the actual transfer of funds, should that become necessary, have been discussed with the FCC and are relatively easily addressed. The complete potential legal and operational ramifications of transferring the funds, however, have not been fully addressed or resolved to date. Ms. Parrino stated that a copy of any final FCC report would be forwarded to each Committee member. If necessary, USAC will then respond to the report and list questions that the report does not answer. In addition, Mr. Barash will forward to the Committee a list of questions that he has provided to the FCC working group and General Counsel, along with the FCC's responses to those questions, when that information becomes available. Ms. Parrino informed the Committee that members of the FCC staff have made a commitment to USAC that before any final decisions are made, USAC will have an opportunity to set forth any concerns USAC may have regarding these matters.

Committee members agreed that there is no action to be taken at this time and **DIRECTED** staff to inform them of any further significant developments.

**i2. Status of USAC RFP.** Mr. Barash reported that the RFP process for programmatic support services for the Schools and Libraries and the Rural Health Care Programs is on schedule and going well. USAC has received bids from several firms and the internal evaluation team is considering the proposals. The Committee agreed with the process outlined by Ms. Parrino to call a special meeting of all the Board, Schools and Libraries, and Rural Health Care Committee members once a recommendation is ready.

**i3. Miscellaneous.**

- **Nominations for Election of Executive Committee Chair and Vice Chair.** Ms. Parrino explained that at the January 2000 quarterly meeting, the Committee neglected to nominate a Chair and Vice Chair for recommendation to the Board of Directors for election to the Committee, and that the resolution adopted by the Board continued the tenure of the previous Chair and Vice Chair. The Committee determined that they should nominate a Chair and Vice Chair sooner than January 2001, and decided to nominate the Chair and Vice Chair of the Board of Directors as the Chair and Vice Chair of the Executive Committee. A resolution stating such will be submitted at the next quarterly Executive Committee and Board of Directors meetings.
- **2<sup>nd</sup> Quarter 2000 Revised Contribution Factor.** Mr. Haga reported the likely contribution factor based on questions received from the FCC regarding information filed by USAC for the 2<sup>nd</sup> Quarter 2000. The likely contribution factor differs from the projection available to the Board at the January 2000 quarterly meeting largely due to the detailed calculation of unused Schools and Libraries Program Year 1 money, which was not available at the time of the January meeting, but was available at the time of the filing.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 2:36 p.m. Eastern Time.

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Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING****March 31, 2000****MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held by telephone conference call on Friday, March 31, 2000. Mr. Frank Gumper, Vice Chair of the Committee, called the meeting to order at 10:10 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

<b>Five of the eight members were present: (There is one vacancy on the Committee)</b>	
Eichler, Ed	Gold, Heather
Gumper, Frank	Parrino, Cheryl
<b>One member joined the meeting in progress:</b>	
Marockie, Dr. Hank	
<b>Three members were absent:</b>	
Ouye, Kathleen G.	Rosenblum, Lisa
Sanders, Dr. Jay	
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy	USAC
McDonald, George	USAC
Moore, Kate	USAC

The Committee voted to immediately go into Executive Session for discussing matters concerning contract negotiations for the USAC Request for Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Programs.

**Executive Session:**

**Action Item:**

**a1. Approval of the Course of Action Proposed by USAC Management Regarding Contract Negotiations for a Vendor for Programmatic Support Services for the Schools and Libraries and the Rural Health Care Universal Service Support Mechanisms.** Mr. Barash informed the Committee of developments in the current contract negotiations between USAC and proposed vendors who responded to USAC's Request for Proposals for Programmatic Support Services for the Schools and Libraries and the Rural Health Care Programs. USAC management is requesting approval of recommendations to address these latest developments, including, but not limited to, engaging in further discussions with more than one proposed vendor.

On a motion duly made and seconded, the Committee unanimously adopted the following resolution. (Five members voted, representing a quorum.)

**RESOLVED,** That the USAC Executive Committee approves the course of action proposed by USAC management regarding contract negotiations for a vendor for Programmatic Support Services for the Schools and Libraries and Rural Health Care Universal Service Support Mechanisms, including, but not limited to, engaging in further discussions with more than one proposed vendor.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 10:37 a.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

April 13, 2000

**MINUTES**

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held by telephone conference call on Thursday, April 13, 2000. Mr. Frank Gumper, Vice Chair of the Committee, called the meeting to order at 3:40 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

<b>Five of the eight members were present, representing a quorum:</b> (There is one vacancy on the Committee)	
Eichler, Ed	Gold, Heather
Gumper, Frank	Parrino, Cheryl
Sanders, Dr. Jay	
<b>One member arrived while the meeting was in progress:</b>	
Rosenblum, Lisa	
<b>Two members were absent:</b>	
Marockie, Dr. Hank	Ouye, Kathleen G.
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy	USAC
McDonald, George	USAC
Moore, Kate	USAC
Sand, Brandee	TotalCom

**Action Items**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the Executive Committee meetings of Thursday, January 20, 2000; Tuesday, February 8, 2000; and Tuesday, February 29, 2000; and approved the minutes as revised of Friday, March 31, 2000.

**a2. Election of a USAC Treasurer and an Executive Committee Chair and Vice Chair.**

Mr. Gumper reported that the Nominating Committee met on April 6, 2000, to recommend a candidate for the position of USAC Board of Directors' Treasurer. Board member, Ms. Anne Bryant, indicated an interest in the position, and was recommended for the position to the Executive Committee and the Board of Directors.

Ms. Parrino also noted that the Executive Committee met on February 29, 2000, and passed a resolution recommending that the Board elect Mr. Frank Gumper as Chair and Dr. Hank Marockie as Vice Chair of the USAC Executive Committee. A resolution stating such was noted in the issue paper corresponding to this agenda item and will be submitted to the Board of Directors at the April quarterly meeting.

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

**RESOLVED**, That the USAC Executive Committee accepts the recommendation of the Nominating Committee and recommends that the USAC Board of Directors elect Ms. Anne Bryant as Treasurer of USAC.

**a3. Approval of Notification to the FCC of USAC Board of Directors' Terms that Expire on December 31, 2000.**

Mr. Gumper noted that six of the nineteen Board members' terms would expire at the end of this year. The Committee is recommending to the Board of Directors that USAC notify the FCC and the relevant stakeholders at this time in order to allow sufficient time to either find new candidates or re-nominate the current directors.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that USAC notify the FCC of the Board members' terms that expire on December 31, 2000; and

**FURTHER RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that USAC notify the relevant stakeholder groups of the Board members' terms that expire on December 31, 2000.

In addition, USAC's Plan of Reorganization does not address the issue of how the Board should operate if the directors are not replaced at the end of their terms; therefore, the Committee **DIRECTED** the secretary and assistant secretary to review USAC's By-laws for guidance on this question and to inform the Board of Directors at its April 18, 2000, quarterly meeting of possible resolution(s).

**a4. Approval of 3<sup>rd</sup> Quarter 2000 USAC Common and Consolidated Budgets.**

Ms. Parrino explained that there are several issues pending that could have an impact on the budget:

- *The signing of a contract with a vendor for the programmatic work associated with the Rural Health Care and the Schools & Libraries Programs - Negotiations are still in progress. Staff may have specific contract costs available in time for the Board of Directors quarterly meeting, but are unable to quantify the budgetary impact at this time.*
- *A proposal submitted by the members of the Coalition for Affordable Local and Long Distance Services (CALLS), which would reform access charges and universal service - Since the CALLS proposal recommends a July 1, 2000,*

implementation date, USAC feels it would be appropriate to plan for the possibility of implementation of universal service access charge reform and have added a contingency of \$75,000 in the 3<sup>rd</sup> quarter 2000 to cover the additional costs associated with such action.

- *A petition for reconsideration filed by AT&T to revise the revenue base (from historic to actual) used to calculate each carriers' universal service obligation and the contribution factor* - The FCC has just put this out for comment and staff does not expect it to be resolved in time to have an impact on USAC's 2000 operations.
- *Proposed changes to Section 54.307(b), which would allow competitive eligible telecommunications carriers to receive support in the quarter following the date of their latest data submission rather than on an annual basis* - These changes were made per an FCC Order issued April 7, 2000; however, staff determined that due to the small number of CLECs that are affected by these changes and the time remaining in the year for such submissions, the budgetary impact would be insignificant in 2000. Staff did note, however, that estimating payments may be more difficult due to the data being submitted quarterly rather than annually, and that additional amounts will need to be budgeted beginning in 2001.

On the issue of the possibility of USAC being ordered to re-code the High Cost forward-looking model, USAC staff has communicated the Board's concerns to the FCC informally; a formal letter will be sent when and if USAC is ordered to do the re-coding. A contingency for this possible action was included and approved in the budget at the January quarterly meeting.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to include a contingency of \$75,000 in the 3<sup>rd</sup> Quarter 2000 consolidated budget for implementation of the CALLS proposal; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3<sup>rd</sup> Quarter 2000 USAC consolidated budget of \$9,930,800; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3<sup>rd</sup> Quarter 2000 USAC common budget of \$673,000.

- a5. Update and Possible Action on USAC's Financial Reporting Issue.** With the consent of the Committee, the Vice Chair deferred this item until the end of the Agenda. See ***Executive Session***.
- a6. Update and Approval of Ongoing Contract Negotiations.** With the consent of the Committee, the Vice Chair deferred this item until the end of the Agenda. See ***Executive Session***.
- a7. Miscellaneous.** None.

#### Information Items

- i1. Comparison of the 1999 USAC Budget to Preliminary Actuals.** Ms. Parrino directed the Committee's attention to the table on the second page of the issue paper noting that the action taken on July 17, 1999, by the Schools & Libraries Committee was due not only to systems development costs as indicated but also due to Year 3 modifications and the appeals module costs. She had no other changes to the issue paper as distributed.

## i2. Miscellaneous.

- **Schools & Libraries Program Funding Level for Year 3.** Ms. Moore informed the Committee that the FCC announced in its open meeting of this date that the funding levels for Year 3 of the Schools & Libraries Program has been set at \$2.5 billion, which is the cap established for this Program.

On a motion duly made and seconded, the Committee voted to go into **Executive Session** at 4:03 p.m. Eastern Time for purposes of discussing a USAC financial reporting issue, and to discuss matters concerning contract negotiations for the USAC Request for Proposals for Programmatic Support Services for the Schools and Libraries and Rural Health Care Programs.

### Executive Session

**a5. Update and Possible Action on USAC's Financial Reporting Issue.** Mr. Haga reported that FCC has not yet determined whether the Universal Service Fund should be categorized as "federal funds" for accounting and financial reporting purposes. USAC staff continues to work with FCC staff per prior Committee direction to resolve potential legal and operational ramifications of USAC transferring the funds if ordered to do so by the FCC.

**a6. Update and Approval of Ongoing Contract Negotiations.** Mr. Barash informed the Committee that the negotiations between USAC and the vendors being considered to provide programmatic support services for the Schools and Libraries and the Rural Health Care Programs continue on a day-to-day basis and progress is being made. However, a contract will not be ready for approval by the Board of Directors at its April 2000 quarterly meeting as had been previously hoped. Outside counsel has been engaged to help with the effort and another update will be provided to the Board of Directors at the April 18, 2000, quarterly meeting.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 4:21 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

July 13, 2000

**MINUTES**

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, July 13, 2000. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 3:02 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

<b>Eight of the nine members were present, representing a quorum:</b>	
Bryant, Anne - <i>by telephone</i>	Marockie, Hank - <i>by telephone</i>
Eichler, Edwin H. - <i>by telephone</i>	Ouye, Kathleen G. - <i>by telephone</i>
Gold, Heather - <i>by telephone</i>	Parrino, Cheryl
Gumper, Frank	Sanders, Dr. Jay- <i>by telephone</i>
<b>One member was absent:</b>	
Rosenblum, Lisa	
<b>Officers of the Corporation present:</b>	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy- <i>by telephone</i>	USAC
Kiser, Cherie - <i>by telephone</i>	Mintz, Levin et al.
Moore, Kate	USAC

**Open Session:****Action Items:**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as amended of the Executive Committee meeting of Thursday, April 13, 2000.
- a2. Approval of Amendment to USAC By-Laws to Enable Board of Directors Members Whose Tenure Has Expired to Continue to Serve Until a Replacement Has Been Selected.** Mr. Gumper explained that this resolution would allow Board members whose terms have expired, but for whom the FCC has not yet appointed a replacement, to continue to serve on the USAC Board of Directors until such time as

the Board member or a replacement has been appointed and elected. The Chairman indicated that he intended to call a special meeting to elect the members once the Chairman made the announcement.

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

**RESOLVED**, That the USAC Executive Committee recommends that the USAC Board of Directors approve the amendment to USAC's corporate By-Laws to enable Board Members whose tenure has expired to continue to serve until a replacement has been selected, as set forth in this action item.

- a3. Approval of Amendment to the USAC By-Laws to Revise the Responsibilities of the High Cost & Low Income Committee.** Mr. Gumper explained that the FCC recently issued an order directing USAC's High Cost & Low Income Committee to administer the new interstate access universal service support mechanism. The proposed resolution amends the USAC By-Laws to confer the High Cost & Low Income Committee with the authority to administer this new universal service support mechanism.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the amendments to USAC's corporate By-Laws as set forth in this action item to confer the authority to the High Cost & Low Income Committee necessary to administer the interstate access universal service support mechanism enacted by the FCC on May 31, 2000.

- a4. Approval of Clarification of Revenue Base for Calculation of Penalty for Late Filing Fees.** Ms. Bryant explained there were two resolutions before the Committee. The first resolution would make consistent the revenue base used to calculate late filing penalty fees with the revenue base used to calculate contributions. Mr. Haga added that staff used the waiver discretion granted in the original resolution to waive any portion of the assessment of the fee for the April 2000 filing that was calculated on total revenues. Mr. Haga noted that he had reviewed this approach with Mr. Gumper, the USAC Board Chair, and Ms. Bryant, the USAC Treasurer, before taking such action. In an abundance of caution, Mr. Haga asked the Committee to recommend to the Board that it affirm and ratify that action. Mr. Haga reviewed with the Committee the significant positive impact the late fees have had on the late-filers which has allowed for a much more accurate and stable contribution base.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to calculate late filing penalty amounts based on the same carrier reported revenue as used to determine the universal service contribution base; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to affirm and ratify the USAC staff determination that the late filing penalty amounts applied to the April 1 revenue data collection were properly calculated on the same carrier reported revenue as is used to determine the universal service contribution base.

- a5. Approval of the 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** Ms. Bryant informed the Committee that USAC has received a "clean" opinion from the auditors, Arthur Andersen, on the two financial and three agreed-upon procedure reviews of USAC. Minor issues identified by Arthur Andersen have been addressed and corrected by staff. Ms. Parrino added that the audit reports clearly indicate that the procedures and internal controls currently in place are effective. The FCC audit staff identified two concerns that may need action before the next review: (1) final determination for how certain schedules should be prepared on the USAC financial statements; and (2) improvement of the Schools & Libraries Program checks and balances in order to eliminate the return of checks by service providers.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the 1999 financial audits of the Universal Service Administrative Company and the Universal Service Fund; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the USAC agreed upon procedures reports as they relate to the High Cost and Low Income Program; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the Rural Health Care Program agreed upon procedures reports; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the Schools & Libraries Program agreed upon procedures reports; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize the CEO to send a management response to Arthur Andersen accepting the financial audits and agreed upon procedures reports and committing to take corrective action to address the technical and process issues that were identified in the agreed upon procedures audits.

- a6. Authorization to File Draft USAC 2000 Financial and Operational Audit Plans with the FCC.** Ms. Bryant directed the Committee's attention to the draft of the USAC 2000 Audit Plan as presented to the Committee. Ms. Parrino indicated that USAC would be seeking an extension of the annual due date for filing USAC's annual audit as soon as USAC receives supporting documentation from Arthur Andersen. Through informal discussions, FCC staff is aware of the issue and has not indicated any opposition to granting the waiver once it is filed.

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

**RESOLVED**, That the USAC Executive Committee recommends that the USAC Board of Directors authorize USAC to file with the FCC audit staff the proposed draft USAC 2000 financial and operational audit plan.

- a7. Authorization to Renew the Request with the FCC to Permit Mandatory Netting in the High Cost and Low Income Universal Service Support Mechanisms.** Mr. Haga reviewed the history of this request, indicating that it has been two years since the original request was filed with the FCC asking for mandatory netting for all the universal service support mechanisms. The FCC approved mandatory netting for the Schools and Libraries and the Rural Health Care programs, but was silent on the High Cost and Low Income programs. USAC staff would like to reissue the request in an effort to resolve the issue.

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

**RESOLVED**, that the USAC Executive Committee recommends to the USAC Board of Directors to authorize staff to renew the request with the FCC to permit mandatory netting in all the Universal Service Support Mechanisms, as necessary, to offset program disbursements to delinquent carriers against the delinquent carriers contribution obligation.

- a8. Approval of 4<sup>th</sup> Quarter 2000 USAC Common and Consolidated Budgets.** Ms. Parrino advised the Committee that the common budget as presented was consistent with the approved annual budget with two exceptions: (1) an increase to cover costs of additional audit work; and (2) a decrease due to the reallocation of some compensation costs from the common budget to the Rural Health Care budget. She further reported that the annual budget is \$804,000, or 1.8 percent, greater than last year due to the factors outlined in the issue paper. The annual budget is also \$2,524,000, or 6 percent, greater than the original budget estimate for 2000. The current estimate of the ratio of administrative costs to the size of the Universal Service Fund for 2000 is .88 percent, as compared to 1.0 percent for 1999.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve an increase of \$50,000 to the 2000 annual Consolidated and 4<sup>th</sup> Quarter 2000 USAC Common budgets for the additional audit of USAC required by the FCC; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a revised 2000 annual Common budget of \$2,930,300 and a 4<sup>th</sup> Quarter 2000 USAC Common budget of \$689,200; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a revised 2000 annual Consolidated budget of

\$43,746,000 and a 4<sup>th</sup> Quarter 2000 USAC Consolidated budget of \$12,112,800.

**a9. Update and Possible Action on USAC's Financial Reporting Issue.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.

**a10. Approval of Delegation of Authority for Revisions to the USAC "Business and Travel Expenses of USAC Employees Eligible for Reimbursement" Guidelines.** Mr. Gumper stated that he requested that this issue be put before the Committee. He explained that the guidelines were initially approved by the Board due to the discrepancies between the different guidelines of the Schools and Libraries and Rural Health Care corporations when they merged into USAC. At this time, however, Mr. Gumper believes that approval of any future updates or revisions should be delegated to the USAC CEO so that necessary updates and revisions can be more readily made. Mr. Gumper noted that these types of corporate policies generally are delegated to management.

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

**RESOLVED**, That the USAC Executive Committee authorizes the USAC CEO to implement changes as necessary to USAC's "Business and Travel Expenses of USAC Employees Eligible for Reimbursement" Guidelines.

**a11. Approval of Revised Contracting and Bidding Timetable.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.

**a12. Miscellaneous.**

**Approval of CEO Compensation for 2000 to Conform with Calendar Year requirements of the Federal Executive Level I Salary Cap.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.

**Information Items:**

**i1. Comparison of the 1999 USAC Budget to Actual.** For information only. No discussion.

**i2. Miscellaneous.** None.

On a motion duly made and seconded, the Committee voted to go into **Executive Session** at 3:43 p.m. Eastern Time for purposes of discussing a USAC financial reporting issue, vendor contracting and bidding strategies, and employment matters.

**Executive Session:**

**a9. Update and Possible Action on USAC's Financial Reporting Issue.** Mr. Haga reminded the Committee that the United States Office of Management and Budget has determined that moving the Universal Service Fund ("USF") into the federal Treasury is

not necessary. USAC and FCC staff have been cooperating in an effort to ensure that USAC is complying with applicable federal rules for management of the USF. At this point, staff has not found any discrepancies. Mr. Haga also reported that it would not be necessary to continue the 30-day investment limitation that USAC had voluntarily instituted while the issue was pending, because the USF will not be transferred to Treasury.

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

**RESOLVED**, that the USAC Executive Committee recommends to the USAC Board of Directors to authorize staff to utilize investment timeframes adopted in the Temporary Investment Guidelines to manage the funds of the Corporation.

**a11. Approval of Revised Contracting and Bidding Timetable.** Mr. Barash explained to the Committee that the extensive staff resource commitments and the uncertainties in the billing and collection aspect of the programs as a result of the FCC financial reporting issues and the addition of the new interstate access universal service support mechanism, it was not feasible or advisable to subject the contracts for billing, collection, and disbursement and the administration of the High Cost and Low Income programs to a competitive bidding process in 2000. Staff also proposes to stagger more fully the expiration of the contracts in the future so that USAC will not be in the position of having to conduct several procurement efforts simultaneously.

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

**RESOLVED**, That the USAC Executive Committee recommends that the USAC Board of Directors approve the revised contracting and bidding timetable set forth in the confidential issue paper before the Committee.

The Chair asked Ms. Parrino to remove herself from the following discussion to avoid any conflict of interest it may cause her, and requested all other USAC staff members to exit the room with the exception of Ms. Howard, the minute-taker.

**a12. Miscellaneous.**

**Approval of CEO Compensation for 2000 to Conform with Calendar Year Requirements of the Federal Executive Level I Salary Cap.** Mr. Gumper explained that the CEO's employment contract runs from June to May of each year. However, for purposes of determining federal Executive Level I salary caps, the calendar year is used. As a result, due to the issuance of the 1998 bonus to the CEO in 1999 (per the 1998-1999 CEO employment contract) coupled with the increase in salary per the revised second year CEO employment contract, the CEO's compensation for 2000 would exceed the allowable cap. Adjustments to the CEO's compensation must be made to prevent an excess in the federal cap from occurring.

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

**RESOLVED**, that the USAC Executive Committee will take the necessary steps to revise the CEO's compensation and scheduled payments for 2000 consistent with the federal Executive Level I salary cap.

The Committee **DIRECTED** the USAC Finance Director to monitor all relevant employees' salaries to ensure compliance with the federal Executive Level I salary cap.

**i2. Miscellaneous.** None.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:59 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

October 19, 2000

**MINUTES**

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, October 19, 2000. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 1:33 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

<b>Five of the nine members were present, representing a quorum:</b>	
Bryant, Anne - <i>by telephone</i>	Ouye, Kathleen G. - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Marockie, Hank - <i>by telephone</i>	
<b>Two members joined the meeting in progress:</b>	
Rosenblum, Lisa - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
<b>Two members were absent:</b>	
Eichler, Edwin H.	Gold, Heather
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Blackwell, Mel	USAC
Flannery, Irene	USAC
Howard, Cathy - <i>by telephone</i>	USAC
Moore, Kate	USAC

**Action Items**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the Executive Committee meeting of Thursday, July 13, 2000.
  
- a2. Revision of the Guidelines for Temporary Investments of USAC Funds to Update the Membership, Voting, and Name of the Temporary Investments Committee.** Mr. Haga explained that staff is proposing changes to USAC's *Guidelines for Temporary Investments of USAC Funds* to clearly establish membership and voting privileges of the Committee. There has also been some confusion about the nature of

the Committee due to the word "temporary" in the name of the Committee; therefore, staff has proposed changing the name of the Committee to the USAC Investments Committee. Mr. Haga also pointed out a correction to the suggested changes to the *Guidelines* before the Committee: page 5 of 7, under "Bank Securities," second bullet, the word "deposit" in the phrase "Any certificate of deposit." should **not** be a strikeout.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the revised *Guidelines for Temporary Investments of USAC Funds* and further direct the Treasurer and Assistant Treasurer to use the revised *Guidelines* in managing the funds of the Corporation.

- a3. Biennial Review and Approval of Employee Ethical Standards.** Ms. Parrino informed the Committee that when the USAC Board of Directors adopted ethical standards for the USAC employees, it recommended a biennial review of the standards to determine their adequacy, evaluate compliance, and revise them as needed. Ms. Parrino reported that all employees have complied with the standards and that the standards have been used in determining financial interest conflicts for employees. Through that experience, staff determined that the threshold established for triggering a report of a possible financial conflict may be too low an amount in relation to the total worth of any particular company; therefore, staff is recommending increasing the dollar threshold and including a percentage interest in a company as another threshold.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the "Statement of Ethical Conduct for Employees" be modified to define a financial interest in securities valued at less than \$15,000 or 1 percent of a company's total net worth as presumed not to present a conflict of interest or the appearance of a conflict of interest and that the criteria for evaluating whether a financial interest creates a conflict of interest as approved by the Board at its October 21, 1999, Board meeting be applied to investments above those limits.

Another recommendation proposed by staff was to allow USAC employees to be reimbursed by an entity other than USAC while traveling on USAC-related business. Committee members supported the proposal, but expressed concern about the vague definition of what constitutes an "entity" and directed staff to revise the second resolution as presented to them to reflect that an entity cannot be an individual company or stakeholder and to bring the revised resolution before the USAC Board of Directors at its October 24, 2000, quarterly meeting.

- a4. Approval of Criteria and Procedure for USAC Board and Committee Executive Sessions.** Mr. Gumper explained that he requested staff to develop these criteria and procedures as a result of the confusion the Committees and Board have experienced in the past in determining when it is appropriate to use **Executive Session**. Mr. Barash noted that the criteria and procedures are modeled after federal open meeting

requirements and tailored to meet the corporate mission of USAC.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the Board adopt the criteria and procedures for conducting USAC business in **Executive Session** as set forth in this issue paper and that the foregoing criteria and procedures for conducting USAC business in **Executive Session** shall be posted to the USAC web site.

- a5. Update and Possible Actions on USAC's Financial Reporting Issue.** Mr. Haga explained that this issue paper addresses the different fiscal years under which USAC and the FCC operates: December 31 for USAC and September 30 for the FCC. Staff will gather additional information before making a recommendation to the Committee and the Board of Directors concerning a change in USAC's fiscal year to match the FCC's fiscal year. Staff wishes to alert the Committee to this issue and to request approval from the Committee to continue the investigation into the matter.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to assess the pros and cons of changing the fiscal period for USAC and provide a report on the issue to the Board of Directors.

- a6. Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines.**

Mr. Gumper noted that, although there is no resolution before the Committee to address because the programmatic Committees have not yet met to discuss the issue, he felt it important for the Committee to be aware of the issue and to have some preliminary discussions before meeting in the programmatic Committees. Ms. Parrino detailed the issue of establishing firm deadlines for service providers submitting requests for payment and for USAC's distribution of support for all the support mechanisms as well as exceptions to those deadlines. While the FCC has not established firm deadlines, it does expect USAC to make timely payments. Ms. Parrino noted that establishing firm deadlines would enable USAC to comply more fully with the FCC's expectations.

- a7. Approval of Deadline for Revising Revenue Filings.** Mr. Haga reviewed the history of action taken by the Board that enables carriers to submit revised revenue data up to 12 months past the original submission date. Mr. Haga also described the process USAC uses in truing up the numbers based on those revenue revisions. In the past, the numbers were trued up as soon as the revisions were received but the contribution factor generally remained the same due to the offset of some carriers under-reporting while others over-reported. However, a recent revision by a carrier had a significant effect on the contribution base by decreasing it enough to potentially create a shortfall and possibly require a supplemental filing to the FCC. In an effort to avoid such situations in the future, staff suggests that revenue revisions submitted by carriers be

trued up in the quarter following the quarter in which the revision was submitted so that the current quarter contribution base is not affected. This action will have no effect on a carrier's ability to make revisions; it simply defers slightly the time in which such revisions will be recognized.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize staff to proceed immediately with the stated procedure providing for the processing of carrier revisions (on FCC Form 499) to previously reported revenues in the quarter subsequent to the quarter included in the current FCC quarterly filing.

- a8. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Committee Vice-Chairs.** Mr. Gumper reviewed the issues as outlined in the paper. Ms. Parrino stated that the Board members being nominated to the Nominating Committee have all agreed to serve if elected.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that a Nominating Committee be established for the purpose of recommending to the USAC Board of Directors at its January 2001 meeting a slate of candidates for the officer positions and to bring to the USAC Board of Directors at the anticipated December 2000 special Board meeting recommendations for Committee appointments for new Board members; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors that it direct each Committee of the Board to bring to the Board of Directors at its January 2001 meeting recommendations for a Chair and Vice-Chair of each respective Committee; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to appoint **Mr. Tom Wheeler** as Nominating Committee Chair and **Ms. Martha Hogerty** and **Mr. Isiah Lineberry** as members of the Nominating Committee.

- a9. Approval of 1<sup>st</sup> Quarter 2001 USAC Consolidated and Common Budgets and Information on Estimated 2001 Budget.** On a motion duly made and seconded, the Committee adopted the following resolutions:

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1<sup>st</sup> Quarter 2001 USAC common budget of \$817,800; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1<sup>st</sup> Quarter 2001 USAC consolidated budget of \$11,825,100.

**a10. Approval of 1<sup>st</sup> Quarter 2001 Revenue Projections and Resolution on the November 2000 FCC Filing.** Mr. Haga reviewed the reasons for the decrease in revenue as outlined in the issue paper. Revenue will continue to be updated right up until the time of the FCC filing and revised numbers will be brought to the USAC Board of Directors' October 24, 2000, quarterly meeting.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 2000, recommends to the USAC Board of Directors to authorize staff to proceed with the required November 2, 2000, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

**a11. Approval of Criteria and Procedure for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanisms.** Mr. Gumper noted for the Committee that each of the programmatic Committees would also be taking action on this item.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the USAC Board of Directors adopt the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms.

**a12. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the request to USAC by National Exchange Carrier Association, Inc. to assign the Rural Health Care and Schools and Libraries Program Services Agreement to NECA Services, Inc., shall be conducted in **Executive Session**.

*See Executive Session*

**a13. Miscellaneous.** None.

#### Information Items

**i1. Assistant Treasurer's Report.** For information only. No discussion.

**i2. Update on a Schools and Libraries Program Subcontractor Claim - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the specific claims for additional 1999 funds by National Computer Systems, Inc. be conducted in **Executive Session**.

See *Executive Session*

**i3. Status of Beneficiary Audit - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the specific findings of the Schools and Libraries Program beneficiary audits should be conducted in **Executive Session**.

See *Executive Session*

**i4. Miscellaneous.** None

On a motion duly made and seconded, the Committee voted at 2:26 p.m. Eastern Time to go into **Executive Session** for purposes of discussing a vendor contract, a subcontractor's claim, and the status of the Schools and Libraries Program beneficiary audit.

On a motion duly made and seconded, the Committee voted at 2:59 p.m. Eastern Time to return to *Open Session* for purposes of reporting matters discussed in **Executive Session**.

#### **Executive Session**

**a12. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement.** The Committee discussed the pros and cons, including legal issues identified by USAC's General Counsel, of the request by the National Exchange Carrier Association, Inc. (NECA) to assign the Rural Health Care and Schools and Libraries Program Services Agreement to a newly-formed, for profit company, NECA Services, Inc. The Committee did not act on this item.

**i2. Update on a Schools and Libraries Program Subcontractor Claim.** The Committee discussed the status of the National Computer Systems, Inc. claim against NECA for additional 1999 administrative funds above the cap in their agreement. The Committee took no action on this item.

**i3. Status of Beneficiary Audit.** The Committee was given an update on preliminary findings concerning a specific applicant that is the subject of the Schools and Libraries Program audit of beneficiaries. The Committee took no action on this item.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:01 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

October 19, 2000

**MINUTES**

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Thursday, October 19, 2000. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 1:33 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

<b>Five of the nine members were present, representing a quorum:</b>	
Bryant, Anne - <i>by telephone</i>	Ouye, Kathleen G. - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Marockie, Hank - <i>by telephone</i>	
<b>Two members joined the meeting in progress:</b>	
Rosenblum, Lisa - <i>by telephone</i>	Sanders, Dr. Jay - <i>by telephone</i>
<b>Two members were absent:</b>	
Eichler, Edwin H.	Gold, Heather
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Blackwell, Mel	USAC
Flannery, Irene	USAC
Howard, Cathy - <i>by telephone</i>	USAC
Moore, Kate	USAC

**Action Items**

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the Executive Committee meeting of Thursday, July 13, 2000.
  
- a2. Revision of the Guidelines for Temporary Investments of USAC Funds to Update the Membership, Voting, and Name of the Temporary Investments Committee.** Mr. Haga explained that staff is proposing changes to USAC's *Guidelines for Temporary Investments of USAC Funds* to clearly establish membership and voting privileges of the Committee. There has also been some confusion about the nature of

the Committee due to the word "temporary" in the name of the Committee; therefore, staff has proposed changing the name of the Committee to the USAC Investments Committee. Mr. Haga also pointed out a correction to the suggested changes to the *Guidelines* before the Committee: page 5 of 7, under "Bank Securities," second bullet, the word "deposit" in the phrase "Any certificate of deposit." should **not** be a strikeout.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the revised *Guidelines for Temporary Investments of USAC Funds* and further direct the Treasurer and Assistant Treasurer to use the revised *Guidelines* in managing the funds of the Corporation.

- a3. Biennial Review and Approval of Employee Ethical Standards.** Ms. Parrino informed the Committee that when the USAC Board of Directors adopted ethical standards for the USAC employees, it recommended a biennial review of the standards to determine their adequacy, evaluate compliance, and revise them as needed. Ms. Parrino reported that all employees have complied with the standards and that the standards have been used in determining financial interest conflicts for employees. Through that experience, staff determined that the threshold established for triggering a report of a possible financial conflict may be too low an amount in relation to the total worth of any particular company; therefore, staff is recommending increasing the dollar threshold and including a percentage interest in a company as another threshold.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the "Statement of Ethical Conduct for Employees" be modified to define a financial interest in securities valued at less than \$15,000 or 1 percent of a company's total net worth as presumed not to present a conflict of interest or the appearance of a conflict of interest and that the criteria for evaluating whether a financial interest creates a conflict of interest as approved by the Board at its October 21, 1999, Board meeting be applied to investments above those limits.

Another recommendation proposed by staff was to allow USAC employees to be reimbursed by an entity other than USAC while traveling on USAC-related business. Committee members supported the proposal, but expressed concern about the vague definition of what constitutes an "entity" and directed staff to revise the second resolution as presented to them to reflect that an entity cannot be an individual company or stakeholder and to bring the revised resolution before the USAC Board of Directors at its October 24, 2000, quarterly meeting.

- a4. Approval of Criteria and Procedure for USAC Board and Committee Executive Sessions.** Mr. Gumper explained that he requested staff to develop these criteria and procedures as a result of the confusion the Committees and Board have experienced in the past in determining when it is appropriate to use **Executive Session**. Mr. Barash noted that the criteria and procedures are modeled after federal open meeting

requirements and tailored to meet the corporate mission of USAC.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the Board adopt the criteria and procedures for conducting USAC business in **Executive Session** as set forth in this issue paper and that the foregoing criteria and procedures for conducting USAC business in **Executive Session** shall be posted to the USAC web site.

- a5. Update and Possible Actions on USAC's Financial Reporting Issue.** Mr. Haga explained that this issue paper addresses the different fiscal years under which USAC and the FCC operates: December 31 for USAC and September 30 for the FCC. Staff will gather additional information before making a recommendation to the Committee and the Board of Directors concerning a change in USAC's fiscal year to match the FCC's fiscal year. Staff wishes to alert the Committee to this issue and to request approval from the Committee to continue the investigation into the matter.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to assess the pros and cons of changing the fiscal period for USAC and provide a report on the issue to the Board of Directors.

- a6. Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines.**

Mr. Gumper noted that, although there is no resolution before the Committee to address because the programmatic Committees have not yet met to discuss the issue, he felt it important for the Committee to be aware of the issue and to have some preliminary discussions before meeting in the programmatic Committees. Ms. Parrino detailed the issue of establishing firm deadlines for service providers submitting requests for payment and for USAC's distribution of support for all the support mechanisms as well as exceptions to those deadlines. While the FCC has not established firm deadlines, it does expect USAC to make timely payments. Ms. Parrino noted that establishing firm deadlines would enable USAC to comply more fully with the FCC's expectations.

- a7. Approval of Deadline for Revising Revenue Filings.** Mr. Haga reviewed the history of action taken by the Board that enables carriers to submit revised revenue data up to 12 months past the original submission date. Mr. Haga also described the process USAC uses in truing up the numbers based on those revenue revisions. In the past, the numbers were trued up as soon as the revisions were received but the contribution factor generally remained the same due to the offset of some carriers under-reporting while others over-reported. However, a recent revision by a carrier had a significant effect on the contribution base by decreasing it enough to potentially create a shortfall and possibly require a supplemental filing to the FCC. In an effort to avoid such situations in the future, staff suggests that revenue revisions submitted by carriers be

trued up in the quarter following the quarter in which the revision was submitted so that the current quarter contribution base is not affected. This action will have no effect on a carrier's ability to make revisions; it simply defers slightly the time in which such revisions will be recognized.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize staff to proceed immediately with the stated procedure providing for the processing of carrier revisions (on FCC Form 499) to previously reported revenues in the quarter subsequent to the quarter included in the current FCC quarterly filing.

- a8. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Committee Vice-Chairs.** Mr. Gumper reviewed the issues as outlined in the paper. Ms. Parrino stated that the Board members being nominated to the Nominating Committee have all agreed to serve if elected.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that a Nominating Committee be established for the purpose of recommending to the USAC Board of Directors at its January 2001 meeting a slate of candidates for the officer positions and to bring to the USAC Board of Directors at the anticipated December 2000 special Board meeting recommendations for Committee appointments for new Board members; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors that it direct each Committee of the Board to bring to the Board of Directors at its January 2001 meeting recommendations for a Chair and Vice-Chair of each respective Committee; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to appoint **Mr. Tom Wheeler** as Nominating Committee Chair and **Ms. Martha Hogerty** and **Mr. Isiah Lineberry** as members of the Nominating Committee.

- a9. Approval of 1<sup>st</sup> Quarter 2001 USAC Consolidated and Common Budgets and Information on Estimated 2001 Budget.** On a motion duly made and seconded, the Committee adopted the following resolutions:

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1<sup>st</sup> Quarter 2001 USAC common budget of \$817,800; and

**RESOLVED FURTHER**, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1<sup>st</sup> Quarter 2001 USAC consolidated budget of \$11,825,100.

**a10. Approval of 1<sup>st</sup> Quarter 2001 Revenue Projections and Resolution on the November 2000 FCC Filing.** Mr. Haga reviewed the reasons for the decrease in revenue as outlined in the issue paper. Revenue will continue to be updated right up until the time of the FCC filing and revised numbers will be brought to the USAC Board of Directors' October 24, 2000, quarterly meeting.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 2000, recommends to the USAC Board of Directors to authorize staff to proceed with the required November 2, 2000, filing to the FCC on behalf of USAC. Staff may make adjustments in accordance with approved variance thresholds.

**a11. Approval of Criteria and Procedure for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanisms.** Mr. Gumper noted for the Committee that each of the programmatic Committees would also be taking action on this item.

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

**RESOLVED**, That the USAC Executive Committee recommends to the USAC Board of Directors that the USAC Board of Directors adopt the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms.

**a12. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the request to USAC by National Exchange Carrier Association, Inc. to assign the Rural Health Care and Schools and Libraries Program Services Agreement to NECA Services, Inc., shall be conducted in **Executive Session**.

*See Executive Session*

**a13. Miscellaneous.** None.

#### Information Items

**i1. Assistant Treasurer's Report.** For information only. No discussion.

**i2. Update on a Schools and Libraries Program Subcontractor Claim - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the specific claims for additional 1999 funds by National Computer Systems, Inc. be conducted in **Executive Session**.

See *Executive Session*

**i3. Status of Beneficiary Audit - Confidential & Proprietary.** On a motion duly made and seconded, the Committee adopted the following resolution:

**RESOLVED**, That the USAC Executive Committee determines that discussion of the specific findings of the Schools and Libraries Program beneficiary audits should be conducted in **Executive Session**.

See *Executive Session*

**i4. Miscellaneous.** None

On a motion duly made and seconded, the Committee voted at 2:26 p.m. Eastern Time to go into **Executive Session** for purposes of discussing a vendor contract, a subcontractor's claim, and the status of the Schools and Libraries Program beneficiary audit.

On a motion duly made and seconded, the Committee voted at 2:59 p.m. Eastern Time to return to *Open Session* for purposes of reporting matters discussed in **Executive Session**.

#### **Executive Session**

**a12. Possible Assignment of the Rural Health Care and Schools and Libraries Program Services Agreement.** The Committee discussed the pros and cons, including legal issues identified by USAC's General Counsel, of the request by the National Exchange Carrier Association, Inc. (NECA) to assign the Rural Health Care and Schools and Libraries Program Services Agreement to a newly-formed, for profit company, NECA Services, Inc. The Committee did not act on this item.

**i2. Update on a Schools and Libraries Program Subcontractor Claim.** The Committee discussed the status of the National Computer Systems, Inc. claim against NECA for additional 1999 administrative funds above the cap in their agreement. The Committee took no action on this item.

**i3. Status of Beneficiary Audit.** The Committee was given an update on preliminary findings concerning a specific applicant that is the subject of the Schools and Libraries Program audit of beneficiaries. The Committee took no action on this item.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:01 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

November 6, 2000

**MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Monday, November 6, 2000. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 3:40 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Ed Eichler, USAC Secretary.

<b>Eight of the nine members were present, representing a quorum.</b>	
Bryant, Anne - <i>by telephone</i>	Ouye, Kathleen G. - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Gumper, Frank - <i>by telephone</i>	Sanders, Dr. Jay
Marockie, Hank - <i>by telephone</i>	
<b>One member was absent:</b>	
Rosenblum, Lisa	
<b>Officers of the Corporation present:</b>	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy - <i>by telephone</i>	USAC

**Open Session****Action Items**

- a1. Approval of Revisions to the 4<sup>th</sup> Quarter 2000 USAC Common and Consolidated Budgets.** Ms. Parrino explained that due to new information received from the FCC since the Committee meeting on October 19, 2000, staff is requesting an increase in the budget to cover the cost of completing the audit of the Universal Service Fund as of September 30, 2000, for inclusion in the FCC's financial statements. Through discussions with the FCC, it has been determined that the scope of the audit is much broader than originally anticipated. USAC is working closely with the auditor, Arthur Andersen, to meet the FCC requirements. Staff is presenting their best estimate of increased costs based on the additional requirements for the audit as currently agreed

upon with the FCC. Ms. Parrino pointed out that this is only the second time the FCC has gone through this process and there are still many uncertainties. Once this audit is complete, staff will develop a strategy for next year based on this experience including plans to request and clarify early in the process the exact expectations and requirements of the FCC for this audit.

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

**RESOLVED**, That the USAC Executive Committee approves an increase of \$425,000 to the 2000 annual Consolidated and 4<sup>th</sup> Quarter 2000 USAC Common budgets for the costs associated with the additional audit of USAC as required by the FCC.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:59 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

November 29, 2000

**MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Wednesday, November 29, 2000. Mr. Frank Gumper, Chair of the Committee, called the meeting to order at 3:02 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Ed Eichler, USAC Secretary.

<b>Five of the nine members were present, representing a quorum.</b>	
Bryant, Anne - <i>by telephone</i>	Marockie, Dr. Hank - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Gumper, Frank	
<b>Four members were absent:</b>	
Gold, Heather	Rosenblum, Lisa
Ouye, Kathleen G.	Sanders, Dr. Jay
<b>Other Board members present:</b>	
Jackson, Jimmy - <i>by telephone</i>	
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	
Haga, Robert - Assistant Treasurer - <i>by telephone</i>	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy - <i>by telephone</i>	USAC

## Open Session

### Action Items

**a1. Approval of USAC Comments in Response to the FCC's *Contributions Further Notice of Proposed Rulemaking (FNPRM)*.** Mr. Gumper reminded the Committee that at the October 24, 2000, quarterly meeting of the USAC Board of Directors, the Board delegated the approval of the USAC comments in response to the FCC's ***FNPRM*** regarding potential changes to the contribution mechanism for the universal service support mechanisms to the Executive Committee. The comments are due November 30, 2000. Ms. Parrino explained that the FCC has sought comment on two new methodologies by which universal service support contributions are calculated and assessed: (1) calculate contributions based on current contributor revenues self-reported by the carriers monthly; or (2) keep the current methodology but shorten the interval between the accrual of revenues by carriers and the assessment of universal service contributions-currently at 12 to 18 months-to three to six months. Ms. Parrino reviewed USAC's draft comments, which address only the administrative issues raised by the proposed methodologies. She discussed two changes to the draft comments:

- If the first methodology is chosen, USAC would need to rely on the accurate and timely self-reporting of the carriers. In order to help ensure compliance, strict enforcement measures and penalties would need to be adopted; therefore, USAC staff suggests strengthening the language in the draft comments pertaining to enforcement and penalty issues.
- Ms. Parrino stated that although USAC staff has identified other potential alternatives, the specific aspects of the alternatives have not been completely reviewed; therefore, USAC staff recommends eliminating the part of the draft comments relating to this matter.

The following motion was duly made and seconded:

**RESOLVED**, That the USAC Executive Committee, having reviewed draft comments in response to the FCC's *Contributions FNPRM*, authorizes USAC staff to strengthen the language in the penalty section of the draft comments and to eliminate the discussion of other proposed universal service contribution assessment methodologies in the draft comments, and further authorizes staff to finalize the comments using their editorial privilege and to file them with the FCC on November 30, 2000.

At this point, Dr. Marockie had to leave the meeting. After further discussion, the remaining members of the Committee voted on the resolution by voice vote as follows:

Bryant, Anne - aye	Gumper, Frank - aye
Eichler, Ed - aye	Parrino, Cheryl - aye

Mr. Gumper then instructed the assistant secretary to contact Dr. Marockie to obtain and record his voice vote. Ms. Howard, on behalf of Mr. Barash, contacted

Dr. Marockie by telephone on December 4, 2000, and obtained his voice vote on the resolution, which was as follows:

Marockie, Dr. Hank - *aye*

The motion carried.

There being no further business to attend to, Mr. Gumper adjourned the meeting at 3:32 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY****EXECUTIVE COMMITTEE MEETING**

December 13, 2000

**MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Wednesday, December 13, 2000. Dr. Hank Marockie, Vice Chair of the Committee, called the meeting to order at 4:01 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Ed Eichler, USAC Secretary.

<b>Five of the nine members were present, representing a quorum.</b>	
Bryant, Anne - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Marockie, Dr. Hank - <i>by telephone</i>	Rosenblum, Lisa - <i>by telephone</i>
Ouye, Kathleen G. - <i>by telephone</i>	
<b>One member joined the meeting in progress:</b>	
Eichler, Ed - <i>by telephone</i>	
<b>Three members were absent:</b>	
Heather, Gold	Sanders, Dr. Jay
Gumper, Frank	
<b>Other Board members present:</b>	
Jackson, Jimmy - <i>by telephone</i>	
<b>Officers of the Corporation present:</b>	
Barash, Scott - Assistant Secretary	
Haga, Robert - Assistant Secretary	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Howard, Cathy - <i>by telephone</i>	USAC

## Open Session

### Action Items

**a1. Approval of Reply Comments in FCC Proceeding Regarding Potential Revisions to the Universal Service Contribution Methodology.** Ms. Parrino reported that USAC had filed comments with the FCC on November 30, 2000, in response to the FCC's *Contributions Further Notice of Proposed Rulemaking (FNPRM)* regarding potential changes to the contribution mechanism for the universal service support mechanisms. Several other parties submitted comments as well. USAC staff is requesting approval to file reply comments in the proceeding. Mr. Barash pointed out that the draft reply comments reflect USAC's view that any one of the proposed methodologies can be administered by USAC. After discussion of this issue, the Committee requested that staff further revise the draft reply comments to note that USAC takes no position on any one methodology but is capable and ready to implement whichever methodology is chosen and that staff stands ready to follow FCC direction.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed draft reply comments in response to the FCC's *Contributions FNPRM*, authorizes USAC staff to finalize the reply comments and to file them with the FCC on December 14, 2000.

### Information Items

**i1. Review of Executive Committee Structure.** Ms. Parrino reminded the Committee that when the Board expanded the membership of the Executive Committee from six to nine members on January 25, 2000, it directed the Committee to monitor the meetings throughout the upcoming year for any problems due to such a large group and to bring back recommendations for change, if necessary. The main concern had been whether the Committee would have a difficult time getting a quorum for meetings. However, Committee members expressed the view that the current membership provides a larger pool of participants from which to form a quorum and has not been a detriment to operations.

There being no further business to attend to, Dr. Marockie adjourned the meeting at 4:20 p.m. Eastern Time.

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D. Scott Barash  
Assistant Secretary