

2004 Executive Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

January 22, 2004

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Thursday, January 22, 2004. Mr. Gumper, Chair of the Committee, called the meeting to order at 11:05 a.m. Eastern Time. Ms. Howard, Executive Assistant to the USAC CEO, called the roll.

Seven of the nine members were present, representing a quorum.	
Eichler, Ed - <i>by telephone</i>	Lubin, Joel - Vice Chair - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Parrino, Cheryl
Gumper, Frank - Chair	Sanders, Jay - <i>by telephone</i>
Jortner, Wayne - Treasurer - <i>by telephone</i>	
One member joined the meeting in progress:	
Talbott, Brian - <i>by telephone</i>	
One member was absent:	
Jackson, Jimmy - Secretary	
Other Board members and Officers of the Corporation present:	
Baker, Dave - USAC Board Member - <i>by telephone</i>	
Barash, D. Scott - Vice President and General Counsel	
Blackwell, Mel - VP, External Communications and Rural Health Care Division	
Carmichael, Mark - Assistant Treasurer; VP, Finance	
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations	
Scott, Wayne - VP, Internal Audit Division	
Others present for the meeting:	
Name	Company
Howard, Cathy - <i>by telephone</i>	USAC
Johnson, Daniel	USAC
Miller, Linda	USAC
Sandy, Colin	NECA

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the USAC Executive Committee meetings of Thursday, October 16, 2003 and Wednesday, November 19, 2003.

Board member Dr. Talbott joined the meeting at this point.

- a2. Approval of Course of Action Regarding Performance of FCC Form 499 Data Collection Operations - Confidential & Proprietary - *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that discussion of this item be conducted in ***Executive Session*** because discussion of this matter, which relates to USAC's procurement strategy and contract negotiations, and public disclosure of this matter would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund. Moreover, he said that certain matters to be discussed implicate the attorney-client privilege and, therefore, should not be discussed in open session.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the proposed course of action regarding performance of FCC Form 499 Data Collection function shall be conducted in ***Executive Session***.

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

- a3. Approval of USAC 2003 Annual Report to the FCC and Congress.** Mr. Blackwell introduced this item. Ms. Parrino said that she would revise the CEO letter to wish the new CEO well.

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

RESOLVED, That the USAC Executive Committee approves the USAC 2003 Annual Report to the FCC and Congress as presented by USAC management and directs USAC management to provide a copy to the FCC and Congress by March 31, 2004, and further directs USAC management to provide each Board member with a copy of the final 2003 Annual Report. The USAC Executive Committee authorizes management to exercise appropriate editorial privilege and discretion in the preparation of the final report.

- a4. Approval of the Proposed Plan for Operational and Financial Audits of USAC for Inclusion in the 2004 USAC Internal Audit Plan - Confidential & Proprietary - *Executive Session Recommended*.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in ***Executive Session***, Mr. Barash recommended that discussion of this item be conducted in ***Executive Session*** because discussion of specific audit plans, internal

controls, and /or confidential company data would constitute a "[d]iscussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity."

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

RESOLVED, That the USAC Executive Committee determines that discussion of the proposed plan for operational and financial audits of USAC for inclusion in the 2004 USAC Internal Audit Plan shall be conducted in **Executive Session**.

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

- a5. Approval of Annual 2004 and 2nd Quarter 2004 USAC Common and Consolidated Budgets.** Mr. Carmichael introduced this item. He clarified that the costs of compensation and benefits for 2nd Quarter 2004 included 11 new positions rather than 12 as indicated in the attachment. In response to a request for clarification, Ms. Parrino further explained the recommendation to add the proposed Director of Strategic Planning position, stating that USAC staff and she believe that USAC would greatly benefit from one position within the company implementing, tracking, coordinating, and managing USAC's many projects and contracts rather than dividing this task among many positions. She further stated that she believes that there are enough USAC projects and contracts to justify this full-time position.

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 2nd Quarter 2004 USAC common budget of \$3,750,300; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2004 annual USAC common budget of \$14,659,300; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2nd Quarter 2004 USAC consolidated budget of \$17,797,800; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 2004 annual USAC consolidated budget of \$70,575,600.

- a6. Approval of 2nd Quarter 2004 Revenue Projections and Resolutions for the March 2, 2004, FCC Filing.** Mr. Carmichael introduced this item. The Committee and staff discussed the effects of prior period adjustments on the contribution factor and different methods to possibly stabilize the contribution factor despite prior period adjustments. In response to a concern that the rising contribution factor may come as a surprise to FCC staff, Mr. Carmichael explained that Ms. Parrino, Mr. Barash, and he meet regularly with FCC staff and Commissioners. USAC staff has provided the FCC staff and Commissioners with detailed information regarding the reasons for the drop in last quarter's contribution factor and have provided them with estimates of what the contribution factor may be for this quarter. In response to a question, Mr. Carmichael explained that "inactive" carriers are companies that have gone out of business but that were billed by USAC before USAC was aware of the closing. He noted that USAC staff takes steps to verify to the extent possible a company's status before adjusting the billing and that "inactives" were a small percentage of the total carriers billed.

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

RESOLVED, That the USAC Executive Committee, having reviewed at its meeting on January 22, 2004, a summary of the current status of the March 2, 2004, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required March 2, 2004, filing to the FCC on behalf of USAC using a preliminary estimate of \$18,772.151 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a7. Approval of Revisions to USAC Collection Procedures and Reporting Requirements Concerning Bankrupt Universal Service Fund Contributors - Confidential & Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that this matter be discussed in **Executive Session** because discussion of this issue centers on matters subject to the attorney-client privilege upon which USAC has sought the advice of counsel, and that discussion of these matters in open session would compromise the continued applicability of the attorney-client privilege.

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

RESOLVED, That the USAC Executive Committee determines that discussion of matters related to USAC's Collection Procedures and Reporting Requirements Concerning Bankrupt Universal Service Contributors shall be conducted in **Executive Session**.

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

a8. Miscellaneous.

- **Temporary Grant of Executive Authority to Frank Gumper, Chairman of the USAC Board of Directors.** Mr. Gumper explained that there would be a one-month gap between when Ms. Parrino, the current USAC CEO leaves USAC and when Ms. Zaina, the new USAC CEO begins on March 1, 2004. Mr. Gumper and other Board members considered the appointment of an interim CEO, but determined that it would be less complicated to provide the Chairman of the Board, on a temporary basis, the necessary approval authorities of the CEO to keep the operation of USAC flowing during this one-month gap. He indicated that he reviewed this option with his employer, Verizon, and that they are agreeable to this arrangement. Mr. Gumper said he would not be paid by USAC for providing services to USAC but would be requesting approval from the Board for reimbursement by USAC of expenses to travel to USAC once a week during the month of February to attend to USAC business. In response to an inquiry, Mr. Gumper stated that Ms. Parrino has agreed to be available on a consulting basis during this transition.

On a motion duly made and seconded, the Committee adopted the following resolutions; Mr. Gumper abstained:

WHEREAS, the USAC Board of Directors has granted certain executive authority to the Chief Executive Officer in resolutions dated January 25 & 26, 1999; July 24, 2001; and October 23, 2001, among others; and

WHEREAS, the office of Chief Executive Officer will be vacant upon the resignation of Cheryl L. Parrino on January 31, 2004, until the appointment of Lisa M. Zaina becomes effective on March 1, 2004, pursuant to her approval by the Chairman of the FCC; and

WHEREAS, this Board seeks to temporarily vest certain executive authority in Frank Gumper, Chairman of the Board, during the interim period that the office of Chief Executive Officer will be vacant;

NOW, THEREFORE, IT IS RESOLVED, that the USAC Executive Committee recommends that the USAC Board of Directors resolve that during the period beginning February 1, 2004, and ending February 29, 2004, the Chairman of the Board, in addition to any other responsibilities associated with that office:

Shall be primarily responsible for the implementation of the direction of the Board of Directors and shall have authority over the general management and direction of the business and operations of the Corporation, subject to the authority of the Board of Directors;

May sign and execute in the name of the Corporation contracts, share certificates, deeds, mortgages, bonds, and other instruments, except only in cases where the signing and the execution thereof shall be expressly reserved to the Board of Directors or delegated by the Board of Directors or the By-laws of the Corporation to some other officer or agent of the Corporation or shall be required by law otherwise to be

signed or executed;

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

May approve expenses on behalf of the Corporation for all contracts and employee expenses in amounts prescribed by the revised schedule of authorizations currently approved by the Board of Directors with respect to contracts and employee expenses;

Shall manage and supervise all the personnel of the Corporation and otherwise shall discharge and perform all duties usually and customarily incident to the office of chief executive officer and president of a not-for-profit corporation and such other duties as from time to time may be assigned by the Board of Directors; and

Shall recognize and be sensitive to actual, potential, and/or perceived conflict of interest issues, not participate in any decisions or seek or obtain any information that could represent an actual, potential, and/or perceived conflict of interest, pursuant to the *Statement of Ethical Conduct* previously adopted by this Board of Directors, and shall consult with counsel and/or the Board of Directors regarding actual, potential, and/or perceived conflict of interest issues should circumstances warrant; and, it is

- **FURTHER RESOLVED** that the responsibilities set forth in the resolution immediately above shall be deemed part of the responsibilities of the office of the Chairman of the Board during the term described in such resolution.

Information Items

i1. Report on Legislative and Media Activity - Confidential & Proprietary - Executive Session Recommended. Mr. Gumper informed the Committee that USAC staff would provide a report on the proposed GAO audit and the ongoing oversight investigation of the Schools and Libraries Support Mechanism. He stated that in accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, he recommended that discussion of these items be conducted in **Executive Session** because discussion of specific audit plans, internal controls, and /or confidential company data would constitute a "[d]iscussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity." No other matters were discussed in open session on this issue.

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

RESOLVED, That the USAC Executive Committee determines that discussion of matters related to legislative affairs and audits of the Schools and Libraries Support Mechanism shall be conducted in **Executive Session**.

See **Executive Session** for a report of this discussion.

- i2. Assistant Treasurer's Report.** Mr. Carmichael clarified that the cash balance of the Universal Service Fund was close to \$2,850 million on December 31, 2003, increasing over the \$2,750 million of November 30, 2003, indicated in the meeting materials. He informed the Committee that J.P. Morgan is merging with Bank One, one of USAC's investment firms, but that this change will not affect USAC's investment strategy.

The Committee **DIRECTED** USAC staff to investigate aligning the Universal Service Fund's (USF) fiscal year only (not the USAC's fiscal year) with the FCC's fiscal year now that the FCC has directed USAC to apply government accounting standards to the USF.

- i3. Report on Accounts Receivable Over 30 Days and on Collection Efforts.** Mr. Carmichael reported that the process of obtaining information from and negotiating payment plans with delinquent carriers continues to be extremely labor intensive. However, he said that this effort has dramatically contributed to an increase in delinquent cash collections and has reduced USAC's accounts receivable. Mr. Carmichael said that as of this date, 39 delinquent carriers representing approximately \$36 million in delinquent payments have contacted USAC expressing interest in establishing payment plans.
- i4. Status Report on USAC Financial and Operational Audits.** Mr. Scott reported that the audit of the Universal Service Fund for the fiscal year ending September 30, 2003, is complete and that USAC has not been made aware of any significant findings. He said that the independent audit of USAC's financial statement for 2003 is progressing ahead of schedule. Finally, Mr. Scott said that the audit of 2000/2001 Universal Service Fund Contributor Revenue is in progress and USAC staff continues to work with Deloitte & Touche LLP, the auditor, to obtain responses and clarification from the carriers for exceptions that have been noted; he anticipates presenting the final report on this matter to the Committee at the April 2004 quarterly meeting.
- i5. Report on Pending Litigation and Bankruptcy Matters.** Mr. Barash highlighted one new matter that was included in the meeting materials. A consultant for a school district that missed the Form 471 filing deadline, which was sued by the school district, has named USAC as a third-party defendant in the proceeding. Mr. Barash will report on this matter at the April 2004 quarterly meeting.

i6. Miscellaneous. None.

At 10:51 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

Executive Session

- a2. Approval of Course of Action Regarding Performance of FCC Form 499 Data Collection Operations - Confidential & Proprietary.** Mr. Carmichael introduced this item. Mr. Gumper explained some of the ramifications of the proposed course of action.

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

RESOLVED, That the USAC Executive Committee approves the course of action proposed by USAC management regarding the performance of FCC Form 499 Data Collection Agent functions beginning on January 1, 2005.

- a4. Approval of the Proposed Plan for Operational and Financial Audits of USAC for Inclusion in the 2004 USAC Internal Audit Plan - Confidential & Proprietary.** Mr. Scott introduced this item. Mr. Gumper explained that operational and financial audits of USAC come under the purview of this Committee, which then recommends to the USAC Audit Committee to include these audits in the master audit plan.

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

RESOLVED, That the USAC Executive Committee approves the proposed plan for operational and financial audits of USAC for 2004 as presented by the USAC Internal Audit Division and recommends that the USAC Audit Committee include the proposed audits in the 2004 USAC Internal Audit Plan.

- a7. Approval of Revisions to USAC Collection Procedures and Reporting Requirements Concerning Bankrupt Universal Service Fund Contributors - Confidential & Proprietary.** Mr. Barash introduced this item and explained that this is a technical paper clarifying USAC's authority in bankruptcy court. Ms. Parrino explained how USAC determines a carrier's liability once it files for bankruptcy.

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 adopt the following bankruptcy collection procedures, which are consistent with FCC regulations and current USAC administrative practice in that claims for unpaid contribution obligations, while calculated quarterly, arise monthly on the 15th of the month:

USAC Proof of Claim Calculation: Where the date on which a contributor's monthly contribution obligation arises precedes the date of such debtor-contributor's bankruptcy filing, USAC will assert a pre-petition claim for contribution obligations outstanding for the period from that date up through the date of the contributor's bankruptcy filing and, similarly, assert an administrative expense priority claim for any unpaid contribution obligations arising thereafter; and,

Bankruptcy Account/Receivable (A/R) Transfer: USAC shall issue a provisional credit to a debtor-contributor's account, equal to the amount of contribution obligations outstanding as of such contributor's bankruptcy filing, in order to remove the pre-petition balance from the debtor-contributor's invoice and indicate thereafter solely the post-petition contribution obligations to be paid during the contributor's bankruptcy case. This shall be referred to as the "Bankruptcy A/R Transfer." The amount of the pre-petition balance will remain on USAC's general ledger bankruptcy A/R; and,

Late Payment Fees: USAC shall not continue to assess Late Payment Fees against a debtor-contributor's pre-petition account balance after the bankruptcy petition filing date during the pendency of that contributor's bankruptcy case. USAC will include in its proof of pre-petition claim all unpaid Late Payment Fees assessed up through and including the date of such contributor's bankruptcy filing. With respect to a debtor-contributor's unpaid post-petition contribution obligations, USAC will assess against that debtor-contributor all applicable Late Payment Fees and will pursue collection of all such unpaid amounts as part of USAC's post-petition administrative priority expense claim. USAC will not adjust Late Payment Fees to reflect any revision by a debtor-contributor of the amount of a debtor-contributor's underlying USF contribution obligation; and,

FURTHER RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the USAC document, titled *Reporting Procedures for Contributors Involved in the Sale or Other Disposition of Assets Subject to Universal Service Assessment*, and to direct USAC management to implement the procedures set forth in such document; and,

FURTHER RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to maintain the current direction of strictly enforcing revenue reporting deadlines, including the prohibition against accepting from a contributor or debtor-contributor any post-deadline downward revisions to an FCC Form 499-A or Form 499-Q Universal Service Worksheets, unless otherwise directed by the FCC or a court of competent jurisdiction; and,

FURTHER RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors, that consistent with previous direction, USAC staff shall process, timely-filed revisions to an FCC Form 499-A or Form 499-Q in the first month of the quarter immediately following such filing and, for non-debtor contributors, applying the resulting adjustments/credits in equal installments across the three months of the current quarter and, for debtor-contributors, applying the resulting adjustments/credits to the original invoiced period to which the revised

revenue relates and allocating such adjustments/credits proportionally across the pre-petition and post-petition periods.

i1. Report on Legislative and Media Activity - Confidential & Proprietary.

Mr. Blackwell reported on the continuing investigation into potential waste, fraud, and abuse in the Schools and Libraries Support Mechanism by the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Investigations and Oversight. Ms. Parrino reported on the status of the review of Schools and Libraries Support Mechanism activities by the United States General Accounting Office.

The Committee adjourned from **Executive Session** and reconvened in open session at 12:21 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Gumper adjourned the meeting at 12:22 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

April 15, 2004

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Thursday, April 15, 2004. Mr. Gumper, Chair of the Committee, called the meeting to order at 11:01 a.m. Eastern Time. Ms. Howard, Executive Assistant to the USAC CEO, called the roll.

Eight of the nine members were present, representing a quorum:	
Eichler, Ed - <i>by telephone</i>	Jortner, Wayne - Treasurer - <i>by telephone</i>
Gumper, Frank - Chair	Sanders, Jay - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Jackson, Jimmy - Secretary - <i>by telephone</i>	Zaina, Lisa - CEO
One member joined the meeting in progress:	
Lubin, Joel - Vice Chair - <i>by telephone</i>	
Other Board members and Officers of the Corporation present:	
Barash, D. Scott - Vice President and General Counsel	
Blackwell, Mel - VP, External Communications and Rural Health Care Division	
Carmichael, Mark - Assistant Treasurer; VP, Finance	
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations	
Scott, Wayne - VP, Internal Audit Division	
Others present for the meeting:	
Name	Company
Davis, Mark	FCC
Delmar, Teleshia	USAC

Howard, Cathy	USAC
Lamoureux, Renee	USAC
Miller, Linda	USAC
Sandy, Colin	NECA

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Executive Committee meetings of Thursday, January 22, 2004.
- a2. Approval of Changing the Universal Service Fund Fiscal Year to the Federal Government Fiscal Year.** Mr. Carmichael introduced this item. He indicated that while the Universal Service Fund (USF or Fund) is included in the FCC's financial statements, the accounting practices used to administer the Fund do not currently follow the federal fiscal year-end of September 30. He reiterated that in conjunction with the conversion of USAC and USF accounting systems to a new version of an accounting package known as Great Plains and the conversion of USF accounting to Federal Generally Accepted Accounting Principles (Federal GAAP), USAC management recommends that the fiscal year-end for the USF be changed from December 31 to September 30. In response to a question from a committee member, Mr. Carmichael indicated that since USAC already produces September 30 statements of the USF for the FCC he did not foresee any operational impact or increased cost due to this change.

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 direct that the fiscal year for the Universal Service Fund shall end on September 30, effective September 30, 2004, in order to conform to the federal government fiscal year-end.

- a3. Action on 37 Contributor Revenue Agreed-Upon Procedures Operational Reports as Prepared by Deloitte & Touche LLP and One Summary Report as Prepared by USAC Internal Audit Division - Confidential & Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that discussion of this item be conducted in **Executive Session** because discussion of the reports relates to specific internal controls, and/or confidential company data that would constitute a "[d]iscussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity." In addition, Mr. Barash said that 47 C.F.R. § 54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the Contributor Revenue Agreed-Upon Procedures Operational Reports labeled US2003OP001 - US2003OP037 and one summary report labeled US2003OP038 shall be conducted in **Executive Session**.

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

Board member Mr. Lubin joined the meeting during discussion of the next item.

- a4. Approval of Revised Engagement Arrangements with Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, PC.** Mr. Barash introduced this item. He discussed the fact that the amount of legal work performed by its longtime primary outside counsel, Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, PC has increased significantly over the last three years as the scope of USAC's legal affairs has broadened. This increased work prompted USAC to reexamine the terms and conditions of its engagement with the firm and to renegotiate certain of those terms. He indicated that the new proposed engagement letter more fully defines the terms and conditions of the engagement and includes a volume discount negotiated by USAC. In response to an inquiry, Mr. Barash explained that at this point it is generally more cost-efficient to continue to use outside counsel for bankruptcy and litigation matters rather than hire additional in-house attorneys for numerous reasons, including the fact that outside counsel is better equipped to manage the day-to-day aspects of USAC's extensive bankruptcy litigation practice and that many of the bankruptcy cases in which USAC must participate are in geographical areas in which Mintz, Levin has offices.

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 terms and conditions of USAC's engagement of the law firm Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, PC.

- a5. Approval of 3rd Quarter 2004 USAC Common and Consolidated and Revised 2004 Annual Common and Consolidated Budgets.** Mr. Carmichael introduced this item to the committee for approval. The Committee discussed USAC's continued inability to evaluate NECA's Part 36 data collection.

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 a 3rd Quarter 2004 USAC common budget of \$3,822,200; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a revised 2004 annual USAC common budget of \$14,801,400; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3rd Quarter 2004 USAC consolidated budget of \$19,210,700; and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a revised 2004 annual USAC consolidated budget of \$73,710,100.

- a6. Approval of 3rd Quarter 2004 Revenue Projections for the June 1, 2004, FCC Filing.** Mr. Carmichael introduced this item to the Committee for approval. In response to an inquiry, he explained the process for applying \$200 million of the Fund's cash balance toward meeting the funding requirements of the Schools and Libraries Support Mechanism.

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

RESOLVED, That the USAC Executive Committee, having reviewed at its meeting on April 15, 2004, a summary of the current status of the June 1, 2004, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required June 1, 2004, filing to the FCC on behalf of USAC using a preliminary estimate of \$18,861.616 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

a7. Miscellaneous.

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

Information Items

- i1. Assistant Treasurer's Report.** Mr. Carmichael indicated that the data provided was through February 2004 and there exists a benign issue regarding adjustments. All other issues were business as usual.
- i2. Report on Pending Litigation and Bankruptcy Matters.** For information only. No discussion held.
- i3. Update on Universal Service Support Mechanisms Enforcement Activity.** For information only. No discussion held.
- i4. Report of the FCC Financial Audit of the FCC's Financial Statements for the Year Ending September 30, 2003.** Mr. Scott reviewed the unqualified opinion received on the audit of the FCC Financial Statements for the year ending September 30, 2003.
- i5. Review of the Revised 2004 USAC Internal Audit Plan - Confidential & Proprietary.** Mr. Barash stated that if the Committee members wished to discuss specific details of the audit plan, he recommended that, in accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, such a discussion be conducted in **Executive Session** because

discussion of specific audit plans, internal controls, and/or confidential company data would constitute a "[d]iscussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity." The Committee indicated that it did not wish to discuss specific details. Mr. Scott pointed out that the only change to the plan was the addition of contributor revenue audits.

i6. Status Report on Ongoing USAC Financial and Operational Audits. Mr. Scott reported that the draft audit report of USAC's financial statement and agreed-upon procedures for 2003 was filed with the Commission on April 14, 2004, and USAC management expects to receive a clean opinion and no audit findings. Mr. Scott said that he anticipates presenting the final audit report to the Committee at the July 2004 quarterly meeting.

i7. Miscellaneous.

- **Report on Corporate Governance Issues - Confidential & Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in **Executive Session**, Mr. Barash recommended that discussion of matters regarding corporate governance and corporate fiduciary duties be conducted in **Executive Session** because the Board of Directors has sought legal advice concerning certain corporate governance issues and discussion of these matters in **Executive Session** is required in order to ensure the continued applicability of the *attorney-client privilege*.

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

RESOLVED, That the USAC Executive Committee determines that discussion of certain matters regarding corporate governance and corporate fiduciary duties shall be conducted in **Executive Session**.

See **Executive Session** for a report of this discussion.

At 11:47 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

Executive Session

a3. Action on 37 Contributor Revenue Agreed-Upon Procedures Operational Reports as Prepared by Deloitte & Touche LLP and One Summary Report as Prepared by USAC Internal Audit Division - Confidential & Proprietary.

Mr. Scott introduced this item, discussed the re-rating of one contributor revenue agreed-upon procedures operational report, and reviewed the quality of the deliverables produced by Deloitte & Touche LLP. Mr. Scott noted that the resolution needs to be amended to reflect the change in numbers of "inadequate" processes.

On a motion duly made and seconded, the Committee adopted the resolution set forth below *as amended (in strikeout and italics)*. Mr. Gumper and Mr. Lubin recused themselves from voting on this item.

RESOLVED, That the USAC Executive Committee has reviewed the 37 Contributor Revenue Agreed-Upon Procedures Reports labeled US2003OP001 - US2003OP037 as prepared by Deloitte & Touche LLP and one summary report labeled US2003OP038 as prepared by the USAC Internal Audit Division, and recommends to the USAC Audit Committee that each such agreed-upon procedures report be deemed final.

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Audit Committee direct the USAC Internal Audit Division to conduct an examination to determine if ~~18~~ 17 Universal Service Fund contributors, with processes concerning preparation of FCC Form 499-A deemed "inadequate" by the Internal Audit Division based on the reports identified in the prior resolution, have correctly reported revenues on FCC Form 499-A in accordance with FCC regulations.

Committee member Dr. Sanders left the meeting at this point.

i7. Miscellaneous.

- **Report on Corporate Governance Issues - Confidential & Proprietary.**
Mr. Haga reported on several corporate governance issues. Mr. Gumper asked USAC management to continue to explore the issues discussed and present a detailed plan on such to the Committee at the July quarterly meeting.

The Committee adjourned from **Executive Session** and reconvened in open session at 12:07 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Gumper adjourned the meeting at 12:08 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

July 15, 2004

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Thursday, July 15, 2004. Mr. Gumper, Chair of the Committee, called the meeting to order at 11:01 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll.

Eight of the nine members were present, representing a quorum:	
Eichler, Ed - <i>by telephone</i>	Jortner, Wayne - Treasurer - <i>by telephone</i>
Gumper, Frank - Chair	Sanders, Jay - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Jackson, Jimmy - Secretary - <i>by telephone</i>	Zaina, Lisa - CEO
One member joined the meeting in progress:	
Lubin, Joel - Vice Chair - <i>by telephone</i>	
Other Board members and Officers of the Corporation present:	
Barash, D. Scott - Vice President and General Counsel	
Carmichael, Mark - Assistant Treasurer; VP, Finance	
Flannery, Irene - VP, High Cost & Low Income Division	
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations	
Others present for the meeting:	
Name	Company
Delmar, Teleshia	USAC
Lamoureux, Renee	USAC
Miller, Linda	USAC

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Executive Committee meetings of Thursday, April 15, 2004 and Friday, June 18, 2004.
- a2. Approval of the 4th Quarter 2004 USAC Common and Consolidated Budgets.** Mr. Carmichael introduced this item indicating that no changes to the USAC annual budget were proposed at this time.

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 a 4th Quarter 2004 USAC common budget of \$3,944,200; and

RESOLVED FURTHER, that the USAC Executive Committee recommends to the USAC Board of Directors to approve a 4th Quarter 2004 USAC consolidated budget of \$19,408,000.

- a3. Approval of 4th Quarter 2004 Revenue Projections for the August 2, 2004, FCC Filing.** Mr. Carmichael introduced this item to the Committee for approval. In response to an inquiry regarding the variance threshold of \$1.25 billion, Mr. Carmichael agreed to review the threshold since it was instituted when the approval was based on the figure filed in the previous quarter and USAC now uses a rolling average method.

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

RESOLVED, That the USAC Executive Committee, having reviewed at its meeting on July 19, 2004, a summary of the current status of the September 1, 2004, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required September 1, 2004 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,827.379 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a4. Approval of Revised Investment Guidelines.** Mr. Carmichael introduced the proposed changes to the USAC Funds: Guidelines for Investments being proposed to improve the oversight and implementation of the USAC's investment policies, as approved by the USAC Investment Committee on May 11, 2004.

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

RESOLVED, That the USAC Executive Committee accepts the recommendation of the USAC Investment Committee to recommend that the USAC Board of Directors adopt the revised USAC Funds: Guidelines for Investments as presented by USAC management..

- a5. Approval of Late Payment Fee Basis.** Mr. Carmichael responded to inquiries regarding the motivation behind the change in the rate, advising that the FCC Office of the General Counsel staff directed a review and substantiation of the basis for the late payment fee rate. USAC and the FCC agreed that it would be appropriate to evaluate the rate every two years.

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

RESOLVED, That the USAC Executive Committee approves the course of action proposed by USAC staff to set the Late Payment Fee annual rate at 8% beginning October 2004 and that this rate remain in effect for two years.

- a6. Action on One USAC Operational Audit Report Website Maintenance.** Ms. Delmar reviewed the results of the audit conducted by USAC IAD to assess the adequacy of the website maintenance function.

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

RESOLVED, That the USAC Executive Committee has reviewed Audit Report labeled US2004OP001, together with management's response thereto, and recommends to the USAC Audit Committee that the audit report be deemed final.

a7. Miscellaneous.

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

Information Items

i1. Assistant Treasurer's Report. Mr. Carmichael reviewed the report. Mr. Gumper requested a quarter-by-quarter overview of total cash increase over the last few years. Mr. Baker departed the meeting during the discussion of this item.

i2. Report on Accounts Receivable Delinquent Over 30 Days and on Collection Efforts – Mr. Carmichael report that the DCIA process has provided a significant boost to collection efforts. Mr. Barash also advised that USAC continues to be active in a number of bankruptcy proceedings involving delinquent contributors.

i3. Status of Discussions with the FCC Concerning Investment Alternatives. Mr. Carmichael provided a summary of recent discussion with the FCC regarding various investment alternatives for USF.

i4. Strategic Planning. Mr. Haga discussed recent strategic planning efforts undertaken by USAC management.

i5. Report on Corporate Governance Issues – 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 discussion of this issue centers on matters subject to the attorney-client privilege upon which the USAC Board of Directors has sought the advice of counsel. Discussion of these matters in open session would compromise the continued applicability of the attorney-client privilege.

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

RESOLVED, That the USAC Executive Committee determines that consideration of the report from counsel on certain corporate matters shall be conducted in **Executive Session**.

See **Executive Session** for a report of this discussion.

i6. Status Report of Ongoing USAC Audits. For information only. No discussion held.

i7. Status Report on Actions Take on Final USAC Audits. For information only. No discussion held.

At 12:05 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

Executive Session

i5. Report on Corporate Governance Issues – Confidential & Proprietary – Mr. Barash reviewed a report on certain corporate governance issues and responded to Committee questions regarding possible adjustments to USAC’s current corporate structure.

The Committee adjourned from **Executive Session** and reconvened in open session at 12:23 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Gumper adjourned the meeting at 12:25 p.m.

Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

October 14, 2004

MINUTES

The quarterly meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC office in Washington, DC on Thursday, October 14, 2004. Mr. Gumper, Chair of the Committee, called the meeting to order at 11:09 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll.

Five of the nine members were present, representing a quorum:	
Eichler, Ed - <i>by telephone</i>	Sanders, Jay - <i>by telephone</i>
Gumper, Frank - Chair - <i>by telephone</i>	Zaina, Lisa - CEO
Jackson, Jimmy - Secretary - <i>by telephone</i>	
Four members were absent:	
Hess, Kevin	Lubin, Joel – Vice Chair
Jortner, Wayne	Talbott, Brian
Other Board members and Officers of the Corporation present:	
Barash, D. Scott – Vice President and General Counsel	
Blackwell, Mel – Vice President, Rural Health Care and External Communications	
Flannery, Irene – Vice President, High Cost & Low Income Division	
Haga, Robert – Assistant Secretary; VP, Strategic Planning and USAC Operations	
McDonald, George – Vice President, Schools & Libraries Division	
Scott, Wayne – Vice President, Internal Audit Division	
Others present for the meeting:	
Name	Company
Faunce, Donna	USAC
Kaplan, Peter	Funds for Learning
Lamoureux, Renee	USAC
Miller, Linda	USAC
Okudaira, Nobuko	USAC
Smith, Yvette	NECA
Trew, Anne Marie	USAC

Action Items

- a1. **Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the USAC Executive Committee meetings of Thursday, July 15, 2004, and Thursday, August 26, 2004.
- a2. **Approval of the USAC Education and Communication Plan.** Ms. Zaina introduced the proposed education and communications plan to the Committee providing the background and a summary of the plan which, if adopted, will be a means to better educate stakeholders in the programs.

On a motion duly made and seconded, the Committee adopted the following resolution; Mr. Jackson abstained from the vote:

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors authorizes adoption and implementation of the proposed Education and Communications Plan.

- a3. **Selection of Group Health and Insurance Vendor – Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, USAC management recommends that discussion of this item be conducted in *Executive Session* because discussion of this matter, which relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the selection of a vendor to provide group health and employee insurance benefits shall be conducted in **Executive Session**.

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

- a4. **Approval of the 1st Quarter 2005 USAC Common and Consolidated Budgets and Information on the Estimated 2005 Annual Budget.** Ms. Faunce introduced the estimated 2005 annual budget to the Committee. Ms. Zaina and Mr. Haga answered questions from the Committee regarding various assumptions and the reasons why staff needs to increase. Mr. Haga explained that most of the staff increases in Information Technology related to the need to support various requirements associated with the government accounting order.

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 a 1st Quarter 2005 USAC common budget of \$6,203,600; and

RESOLVED FURTHER, that the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1st Quarter 2005 USAC consolidated budget of \$29,190,800.

a5. Approval of 1st Quarter 2005 Revenue Projections for the December 2, 2004 FCC Filing. Ms. Trew reviewed the preliminary estimate with the Committee.

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

RESOLVED, That the USAC Executive Committee, having reviewed at its meeting on October 14, 2004, a summary of the current status of the December 2, 2004 FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required December 2, 2004 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,699.412 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

a6. Action on Six USAC Internal Audit Division Follow-Up Audits Done on Audits Performed by Deloitte & Touché LLP. – Confidential and Proprietary – Executive Session Recommended. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that Contributor Revenue Follow-Up Reports be discussed in *Executive Session* because discussion these audits relates to specific internal controls, and/or confidential company data that would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity. Mr. Barash specifically noted that 47 C.F.R. §54.711(b) requires USAC to keep all contributor-specific revenue information confidential, and to the extent that any such information is discussed, confidential treatment is required.

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

RESOLVED, That the USAC Executive Committee determines that discussion of the Contributor Revenue Follow-Up Reports labeled CR2004FL001 through CR2004FL006 shall be conducted in **Executive Session**.

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

a7. Biennial Review and Approval of USAC Employee Ethical Standards. Mr. Barash provided an overview of the clarifying modifications proposed to the current *Statement of Ethical Conduct for Employees* and related provisions. Mr. Barash reported to the Committee that he frequently consults with employees regarding ethics matters and that he was not aware of any violations of USAC's employee ethical standards since the last Board of Directors review.

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 current *Statement of Ethical Conduct for Employees* be modified as recommended by staff.

a8. Miscellaneous.

- Solicit Ideas for October Committee Agenda. Mr. Gumper reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Zaina between quarterly meetings.
- Approval for Reimbursing a Board Member to Attend an Event Other Than a USAC Board or Committee Meeting or Event. Mr. Gumper introduced this item.

He stated that he is requesting reimbursement from USAC for expenses has incurred and will incur for attending USAC business related business in Washington, DC to conduct USAC business during the rest of 2004. The USAC Board Chair has been required to attend meetings and other activities in Washington, DC on behalf of USAC. Recent and upcoming examples include a deposition in a bankruptcy litigation matter testimony at a U.S. Senate hearing in Washington, DC. Because of issues like these and the ongoing discussions regarding government accounting, Mr. Gumper requests Board approval for USAC to reimburse him for reasonable expenses associated with his travel to Washington, DC to conduct USAC business during the rest of 2004.

On a motion duly made and seconded, the Board adopted the following resolution; Mr. Gumper abstained:

RESOLVED, That in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings* approved by the USAC Board of Directors, the USAC Executive Committee recommends that the USAC Board of Directors authorize the Corporation to reimburse the USAC Chairman of the Board, Mr. Frank Gumper, for travel expenses incurred by him to visit the USAC Washington, DC office during the months of October, November, and December 2004 in order to attend to USAC business.

Information Items

- i1. Assistant Treasurer's Report.** Ms. Trew provided the Committee with an overview of current Universal Service Fund balances, investment returns, and accounting issues. Ms. Trew advised the Committee that the actual losses incurred associated with the recent liquidation of investments was approximately \$4.5 million.
- i2. Report on Accounts Receivable Delinquent Over 30 Days and on Collection Efforts** – Ms. Trew reported that the DCIA process continues to provided significant positive results in connection with collection efforts.
- i3. Report on Pending Litigation and Bankruptcy Matters – Executive Session Option.** Mr. Barash reported on the status of pending litigation and bankruptcy matters, advising the Committee that USAC had recently successfully resolved three litigation matters in which USAC was named as a defendant.
- i4. Report on Financial Matters and Corporate Operations Issues – Confidential and 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 discussion of this issue centers on matters subject to the attorney-client privilege upon which the USAC Board of Directors has sought the advice of counsel. Discussion of these matters in open session would compromise the continued applicability of the attorney-client privilege.

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

RESOLVED, That the USAC Executive Committee determines that discussion of financial matters and corporate operations issues shall be conducted in **Executive Session**.

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

At 11:59 a.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

Executive Session

- a3. Selection of Group Health and Insurance Vendor – Confidential and Proprietary** – Mr. Haga presented USAC management’s recommendation for the selection of a vendor to provide group health and employee insurance benefits.

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

RESOLVED, That the USAC Executive Committee recommends the USAC Board of Directors approve the selection of The Guardian to provide medical, dental, vision, and prescription insurance coverage, Genworth for Life Insurance, AD&D, Short Term Disability, and Long Term Disability coverage, and HFS for Flex Saving Account and COBRA administration for employees.

- a6. Action on Six USAC Internal Audit Division Follow-Up Audits Done on Audits Performed by Deloitte & Touché LLP – Confidential and Proprietary** – Mr. Scott presented the six reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolutions. Mr. Eichler abstained from voting on USAC Audit Reports labeled CR2004FL004 and CR2005FL2005 because the subject company of these audits are competitors or affiliated with competitors to his employer.

RESOLVED, That the USAC Executive Committee, having reviewed the six USAC Internal Audit Division Contributor Revenue Follow-Up Audit Reports labeled CR2004FL001 through CR2004FL006, together with management’s responses thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

- i5. Report on Financial Matters and Corporate Operations Issues – Confidential & Proprietary** – Mr. Gumper provided the Committee with a report on the recent hearing at which he testified before the Senate Committee on Commerce, Science & Transportation, as well as recent discussions with the FCC regarding USF financial matters. Committee members consulted with counsel with regard to certain related matters.

The Committee adjourned from **Executive Session** and reconvened in open session at 12:23 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Gumper adjourned the meeting at 12:25 p.m.

Robert W. Haga
Assistant Secretary