

# 2005 Executive Committee Meetings Minutes

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

January 19, 2005

**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 Wednesday, January 19, 2005. Mr. Joel Lubin, Vice Chair of the Committee, called the meeting to order at 11:07 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll. Six of the eight members were present, representing a quorum. There is one vacancy.

<b>Six of the eight members were present, representing a quorum.</b>	
Eichler, Ed - <i>by telephone</i>	Lubin, Joel - Vice Chair
Hess, Kevin - <i>by telephone</i>	Sanders, Jay - <i>by telephone</i>
Jortner, Wayne - Treasurer - <i>by telephone</i>	Zaina, Lisa - CEO- <i>by telephone</i>
<b>Other Board members and Officers of the Corporation present:</b>	
Banks, Jonathan - USAC Board Member - by telephone	
Talbott, Brian - USAC Board Member	
Barash, D. Scott - Vice President and General Counsel	
Blackwell, Mel - VP, Rural Health Care and External Communications	
Flannery, Irene - VP, High Cost & Low Income Division	
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations	
McDonald, George - VP, Schools & Libraries Division	
Scott, Wayne - VP, Internal Audit Division	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Ashe-Donnem, Caroline	USAC
Bellevia, Leslie	USAC
Chou, Liz	USAC
Faunce, Donna	USAC
Johnson, Daniel	USAC
Lamoureux, Renee	USAC
Miller, Linda	USAC
Murphy, Kristin	USAC
Theobald, Fred	USAC
Tilton, Michelle	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 September 10, 2004, October 14, 2004, November 9, 2004, and December 10, 2004.
- a2. Approval of USAC 2004 Annual Report to the FCC and Congress.** Mr. Blackwell introduced the draft 2004 Annual Report to the Committee and advised on the deadline for comments thereon.

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

**RESOLVED,** That the USAC Executive Committee approves the USAC 2004 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, 2005, and further directs USAC management to provide each Board member with a copy of the final 2004 Annual Report. The USAC Executive Committee authorizes management to exercise appropriate editorial privilege and discretion in the preparation of the final report.

- a3. Approval of the Proposed Plan for Operational and Financial Audits of USAC for Inclusion in the 2005 USAC Internal Audit Plan – Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data 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.

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

**RESOLVED,** That the USAC Audit Committee determines that discussion of the 2005/2006 USAC Internal Audit Plan shall be conducted in ***Executive Session***.

See [Executive Session](#) for a report of the discussion and action taken on this item.

- a4. Approval of Annual 2005 and 2nd Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Trew introduced the Annual 2005 and 2nd Quarter 2005 Common and Consolidated Budgets. The Committee directed staff to provide a report at the next quarterly Committee meeting regarding the rationale for the current allocation of common costs.

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

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

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

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

**a5. Approval of 2nd Quarter 2005 Revenue Projections for the March 2, 2005, 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 January 20, 2005, a summary of the current status of the March 2, 2005, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required March 2, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,563.847 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

**a6. Action on Four Internal Audit Division Follow-Up Audits Done on Contributor 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 of 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 CR2004FL007, CR2004CL009, CR2004FL013, and CR2004FL015 shall be conducted in **Executive Session**.

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

- a7. Action on Financial Internal Controls Operational Audit Report. 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 Financial Internal Controls Operational Audit Reports be discussed in *Executive Session* because discussion of 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.

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

**RESOLVED**, That the USAC Executive Committee determines that discussion of the Financial Internal Controls Operational Audit US2004OP003 shall be conducted in **Executive Session**.

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

- a8. Action on One USAC Operational Audit Report.** Mr. Scott introduced this item to the Committee indicating USAC IAD will provide an update on the status of resolution of the audit findings at a future meeting. Committee members indicated that they preferred the new presentation format for operational audit reports.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed the USAC Internal Audit Division USAC Operational Audit Report labeled US2004OP002, together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

- a9. Approval of Proposed USAC Washington Office Space Plan and Authorization to Enter into a Lease. Confidential and Proprietary – Executive Session Recommended** - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because discussion of this matter, which relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

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

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

**a10. Miscellaneous.**

- **Solicit Ideas for April Committee Agenda.** Mr. Lubin reminded members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Zaina between quarterly meetings. Mr. Lubin asked the General Counsel to be prepared to further discuss the fiduciary responsibilities of Board members at the April 2005 Committee meeting.
- **OMD Update.** Ms. Zaina reported on recent discussions with the Office of the Managing Director.
- **USAC Personnel.** Ms. Zaina reported that Mr. Mark Carmichael, USAC VP, Finance, has submitted his resignation effective January 28, 2005, to accept another position. Senior Director of Finance Anne Marie Trew will assume his responsibilities on an interim basis.

At 11:51 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**

**a3. Approval of the Proposed Plan for Operational and Financial Audits of USAC for Inclusion in the 2005/2006 USAC Internal Audit Plan** – Mr. Scott introduced the proposed Internal Audit Plan to the Committee. The plan contemplates a number of contributor, financial, and operational audits and covers a two-year period.

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 2005/2006 as presented by the USAC Internal Audit Division and recommends that the USAC Audit Committee include the proposed audits in the 2005/2006 USAC Internal Audit Plan.

**a6. Action on Four Internal Audit Division Follow-Up Audits Done on Contributor Audits Performed by Deloitte & Touché LLP** – Mr. Scott presented the four reports to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolutions. Mr. Lubin abstained from voting.

**RESOLVED**, That the USAC Executive Committee, having reviewed the four USAC Internal Audit Division Contributor Revenue Follow-Up Audit Reports labeled CR2004FL007, CR2004CL009, CR2004FL013, and CR2004FL015 together with

management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

- a7. Action on Financial Internal Controls Operational Audit Report.** Mr. Scott presented the results of the audit to the Committee and amended the conclusion of the report to indicate that, while management disagrees with some findings contained in the report, USAC IAD maintains that the findings in question are valid.

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

**RESOLVED,** That the USAC Executive Committee has reviewed Audit Report labeled US2004OP003, together with management's response thereto, and recommends to the USAC Audit Committee that the audit report be deemed final.

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

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

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

- i5. Miscellaneous** – Mr. Blackwell provided an update on the recent ADA exemption legislation and the potential for additional hearings related to the administration of the universal service support mechanisms.

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

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

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Robert W. Haga  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

**March 18, 2005**

**MINUTES**

The special 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 Friday, March 18, 2005. Mr. Brian Talbott, Chair of the Committee, called the meeting to order at 2:03 p.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 - by telephone  
Hess, Kevin - by telephone  
Jortner, Wayne - by telephone  
Talbott, Brian - Chair - by telephone  
Zaina, Lisa - CEO- by telephone

Other Board members and Officers of the Corporation present:

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

Others present for the meeting:

**NAME**

Lamoureux, Renee

**COMPANY**

USAC

**ACTION ITEMS:**

- a1. Approval of Selected Vendor to Install an EMC Storage Area Network and Related Hardware and Software. Confidential and Proprietary - Executive Session  
Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that this matter be discussed in Executive Session because discussion of this matter,

which relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC Executive Committee determines that consideration of the selection of a vendor to provide USAC with an EMC storage area network solution be conducted in Executive Session.

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

- a2. Approval of Development of Financial System Requirements and Data Rationalization Plan. Confidential and Proprietary - Executive Session Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that this matter be discussed in Executive Session because discussion of this matter, which relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC Executive Committee determines that consideration of the proposed course of action on approving the financial system requirements and data rationalization vendor be conducted in Executive Session.

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

At 2:11 p.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:

a1. Approval of Selected Vendor to Install an EMC Storage Area Network and Related Hardware and Software. Confidential and Proprietary - Mr. Haga introduced the proposed terms of engagement with MTI to install an EMC Storage Area Network and related hardware and software.

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

RESOLVED, That the USAC Executive Committee approves the selection of MTI to install an EMC Storage Area Network solution and related hardware and software.

a2. Approval of Development of Financial System Requirements and Data Rationalization Plan. Confidential and Proprietary - Mr. Haga presented the proposed terms of engagement with SAIC to perform the Feasibility Analysis phase of the Financial Systems Overhaul Project.

On a motion duly made and seconded, the Committee adopted the following resolutions. Mr. Lubin abstained from voting.

RESOLVED, That the USAC Executive Committee approves the addition of the Feasibility Analysis to the existing Requirements Analysis engagement with SAIC.

The Committee adjourned from Executive Session and reconvened in open session at 2:29 p.m. to report the discussions and actions of the Committee during Executive Session.

There being no further business, Dr. Talbott adjourned the meeting at 2:31 p.m.

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Robert W. Haga/ D. Scott Barash  
Assistant Secretary

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

April 14, 2005

**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 14, 2005. Dr. Brian Talbott, Chair of the Committee, called the meeting to order at 11:08 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.

<b>Eight of the nine members were present, representing a quorum.</b>	
Campbell, Anne - <i>by telephone</i>	Jackson, Jimmy - <i>by telephone</i>
Duff, Bridget - <i>by telephone</i>	Jortner, Wayne - <i>by telephone</i>
Eichler, Ed - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Zaina, Lisa - CEO- <i>by telephone</i>
<b>Other Board members and Officers of the Corporation present:</b>	
Banks, Jonathan – USAC Board Member – by telephone	
Blackwell, Mel – VP, Rural Health Care and External Communications	
Flannery, Irene – VP, High Cost & Low Income Division	
Haga, Robert – Assistant Secretary; VP, Strategic Planning and USAC Operations	
McDonald, George – VP, Schools & Libraries Division	
Scott, Wayne – VP, Internal Audit Division	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Ashe-Donnem, Caroline	USAC
Carroll, Kristy	USAC
Lamoureux, Renee	USAC
Stephens, Mark	FCC

**Action Items**

- a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of January 19, 2005, as amended.
- a2. Approval of the 3rd Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Anne Marie Trew, Acting Finance Division Head, introduced the 3rd Quarter 2005

common and consolidated USAC budget, along with the revised 2005 annual common and consolidated budgets for the Committee's approval.

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 2005 USAC common budget of \$8,226,000; and

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

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

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

**a3. Approval of 3rd Quarter 2005 Revenue Projections for the June 1, 2005, 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 April 18, 2005, a summary of the current status of the June 1, 2005, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required May 2, 2005 filing to the FCC on behalf of USAC using a preliminary estimate of \$18,371.514 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

**a4. Action on Five Internal Audit Division Follow-Up Audits Done on Contributor 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 of 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 CR2004FL008, CR2004CL010, CR2004FL012, and CR2004FL014 shall be conducted in **Executive Session**.

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

- a5. Action on Two USAC Internal Audit Division Contributor Revenue Audits. – 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 of 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 Reports labeled CR2004CP018 and CR2005CP001 shall be conducted in **Executive Session**.

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

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

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

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

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

**a7. Consideration of Universal Service Fund Investment Alternatives.**

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

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

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

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

**a8. Miscellaneous.**

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

At 11:29 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**

**a4. Action on Five Internal Audit Division Follow-Up Audits Done on Contributor Audits Performed by Deloitte & Touché LLP.** Mr. Scott introduced this item to the Committee and requested that report CR2004FL008 be removed from this action. The Committee requested that future reports indicate if additional work is contemplated with regard to follow-up.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed the four USAC Internal Audit Division Contributor Revenue Follow-Up Audit Reports labeled CR2004CL010, CR2004FL011, CR2004FL012 and CR2004FL014, together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

**a5. Action on Two USAC Internal Audit Division Contributor Revenue Audits.** Mr. Scott introduced this item to the Committee.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed the two USAC Internal Audit Division Contributor Revenue Audit Reports labeled CR2004CP018 and CR2005CP001, together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

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

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

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

- a7. Consideration of Universal Service Fund Investment Alternatives.** Ms. Trew introduced this item to the Committee.

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

**RESOLVED**, That the USAC Executive Committee accepts the recommendation of the USAC Investment Committee and recommends that the USAC Board of Directors approve adoption of USF investment strategy Scenario 2 – Obligated Money Market with One to Three Year Max Unobligated Securities; and,

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

- i6. Consideration of Legal Advice Concerning Fiduciary Obligations of the USAC Board of Directors.** Mr. Barash discussed with the Committee a memo prepared by Mintz Levin at the Board's request regarding the scope of USAC's Board of Directors fiduciary duties.

**i7. Miscellaneous.**

**a.Extension of Independent Audit Report Deadline.** Mr. Scott provided the Committee with the status of USAC's petition filed with the FCC for an extension of the filing of an independent audit report. Deloitte & Touche is expected to provide USAC with a memo regarding the status of the audit which will, in turn, be provided to the FCC.

**b.Schools and Libraries Process Review.** Ms. Zaina and Ms. Flannery discussed with the Committee issues related to the Schools and Libraries processes and procedures.

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

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Robert W. Haga/D. Scott Barash  
Assistant Secretary

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

April 22, 2005

**MINUTES**

A non-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 Friday, April 22, 2005. Mr. Brian Talbott, Chair of the Committee, called the meeting to order at 10:32 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll.

<b>Seven of the nine members were present, representing a quorum.</b>	
Campbell, Anne – <i>by telephone</i>	Jortner, Wayne – <i>by telephone</i>
Duff, Bridget – <i>by telephone</i>	Talbott, Brian – <i>by telephone</i>
Eichler, Ed – <i>by telephone</i>	Zaina, Lisa – CEO- <i>by telephone</i>
Hess, Kevin – <i>by telephone</i>	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Gumper, Frank	Consultant
Lamoureux, Renee	USAC

**Action Items**

- a1. Approval of New Position of Sr. Vice President of Programs.** Mr. Talbott introduced this item to the Committee. Ms. Zaina discussed the need for and benefit of adding the position of Senior Vice President of Programs, and advised the Committee that USAC had recently tendered an offer to Mr. Richard Belden for the position of USAC Chief Operating Officer. Ms. Zaina further advised the Committee that, should they approve the new position, Ms. Irene Flannery, USAC Vice President of High Cost and Low Income, would be promoted to that position as she possesses great knowledge of the four programs and has gained even more invaluable experience during her tenure as Acting Chief Operating Officer.

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

**RESOLVED,** That the USAC Executive Committee approves the addition of the position of Senior Vice President for Programs.

There being no further business, Mr. Talbott adjourned the meeting at 10:52 a.m.

          /s/ D. Scott Barash            
Robert W. Haga/D. Scott Barash  
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

**June 21, 2005**

**MINUTES**

A non-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 Tuesday, June 21, 2005. Mr. Brian Talbott, Chair of the Committee, called the meeting to order at 11:32 a.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll.

<b>Six of the nine members were present, representing a quorum.</b>	
Eichler, Ed - <i>by telephone</i>	Jortner, Wayne - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Hughes, Alison- <i>by telephone</i>	Zaina, Lisa – CEO- <i>by telephone</i>
<b>Other Board members and Officers of the Corporation present:</b>	
Barash, D. Scott – Vice President and General Counsel	
Belden, Richard – Vice President and Chief Operating Officer	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Lamoureux, Renee	USAC

**Action Items**

- a1. Action on Budgeting for Process Redesign Plan.** Ms. Zaina provided the Committee with an overview of the planned redesign of the schools and libraries application process. The Committee discussed the proposed engagement of Dr. Susan Leddick to assist in the redesign process, and how the process will aide in responding to the recently issued Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking (NPRM).

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

**RESOLVED**, that the USAC Executive Committee approves the engagement of Dr. Susan Leddick of the firm Profound Knowledge Resources, Inc., as a consultant to assist in the process redesign effort for Schools and Libraries Support Mechanism operations previously approved by the Board of Directors; and

**FURTHER RESOLVED**, that the USAC Executive Committee authorizes USAC management to enter into agreement(s) necessary to implement this engagement to the extent that Committee approval may be required for any agreement that exceeds the approval authority limit of the USAC Chief Executive Officer.

There being no further business, Mr. Talbott adjourned the meeting at 11:48 a.m.

\_\_\_\_\_/s/ D. Scott Barash  
Robert W. Haga/D. Scott Barash  
Assistant Secretary

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

June 29, 2005

**MINUTES**

A non-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 Wednesday, June 29, 2005. Mr. Brian Talbott, Chair of the Committee, called the meeting to order at 5:14 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll.

<b>Five of the nine members were present, representing a quorum.</b>	
Eichler, Ed - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Jackson, Jimmy - <i>by telephone</i>	Zaina, Lisa - CEO
Jortner, Wayne - Treasurer - <i>by telephone</i>	
<b>Other Board members and Officers of the Corporation present:</b>	
Barash, D. Scott - Vice President and General Counsel	
Belden, Richard - Chief Operating Officer	
Flannery, Irene - Senior VP of Programs	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Capozzi, David	USAC
Lamoureux, Renee	USAC

**Action Items**

**a1. Increase in Authorized Amount for Furniture and Authorization to Proceed with Hiring General Contractor and Furniture Vendor for New 8th Floor Office Space - Confidential & Proprietary – Executive Session Recommended.**

. In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Scott Barash, VP and General Counsel, 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 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 consideration of the selection of a general contractor for the build-out of the 8th floor office space, and consideration of the proposed increase of authorized amount for furniture purchase and the office furniture proposal shall be conducted in **Executive Session**.

At 5:16 p.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

**a1. Increase in Authorized Amount for Furniture and Authorization to Proceed with Hiring General Contractor and Furniture Vendor for New 8th Floor Office Space - Confidential & Proprietary – Executive Session**

**Recommended.** Mr. Richard Belden, Chief Operating Officer, introduced this item to the committee providing an overview of the proposals received for the build-out and furnishing of USAC's newly leased office space on the 8th floor of 2000 L Street, NW, Washington, DC.

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

**RESOLVED**, that the USAC Executive Committee authorizes the USAC CEO to enter into an agreement with Regency Construction as general contractor for the build-out of the 8th floor office; and

**FURTHER RESOLVED**, that the USAC Executive Committee approves increasing the budget by \$96,000 for furniture acquisition for the 8th floor offices, and authorizes the USAC CEO to accept the proposal for office furniture submitted by SKB Procurement.

The Committee adjourned from **Executive Session** and reconvened in open session at 5:26 p.m. to report the discussions and actions of the Committee during **Executive Session**.

#### Information Items

**i1. Consideration of Cost Allocation Methodology Alternatives.** Ms. Anne Marie Trew, Acting Head of Finance, provided the Committee with an overview of the analysis performed by staff, at the Board's direction, of alternative methods for allocating USAC's common costs among the four universal service support mechanisms for its consideration. The Committee requested more information be provide to them related to USAC's direct costs for review prior to USAC's quarterly board and committee meetings.

**i2. Miscellaneous.**

- **a.** The Committee discussed the OIG budget request for audits of the USF.
- **b.** The Committee also discussed recent change orders submitted by a vendor of the Schools and Libraries and Rural Health Care programs.

There being no further business, Mr. Talbott adjourned the meeting at 6:20 p.m.

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D. Scott Barash, Assistant Secretary

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

July 14, 2005

**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 14, 2005. Dr. Brian Talbott, Chair of the Committee, called the meeting to order at 11:08 a.m. Eastern Time. Ms. Lamoureux, Executive Assistant to the USAC CEO, called the roll.

<b>Six of the nine members were present, representing a quorum.</b>	
Eichler, Ed - <i>by telephone</i>	Jortner, Wayne - <i>by telephone</i>
Hess, Kevin - <i>by telephone</i>	Talbott, Brian - <i>by telephone</i>
Jackson, Jimmy - <i>by telephone</i>	Zaina, Lisa – CEO
<b>Other Board members and Officers of the Corporation present:</b>	
Barash, D. Scott – Vice President and General Counsel	
Belden, Richard – Vice President and Chief Operating Officer	
Flannery, Irene – VP, High Cost & Low Income Division	
Majcher, Karen – VP, High Cost and Low Income Division	
Scott, Wayne – VP, Internal Audit Division	
<b>Others present for the meeting:</b>	
<b>Name</b>	<b>Company</b>
Ashe-Donnem, Caroline	USAC
Cappozzi, Dave	USAC
Delmar, Teleshia	USAC
Goode, Vernell	USAC
Lamoureux, Renee	USAC
Rodriguez, Jose	FCC
Stephens, Mark	FCC
Sullivan, Tanya	USAC
Trew, Anne Marie	USAC

## Action Items

- a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of April 14, 2005, April 22, 2005, and June 21, 2005.
- a2. Approval of Revised 2005 Annual and 4th Quarter 2005 USAC Common and Consolidated Budgets.** Ms. Anne Marie Trew, Acting Finance Division Head introduced the 4Q2005 common and consolidated USAC budgets, along with the revised 2005 annual common and consolidated budgets for the Committee's approval. Mr. Trew explained the negative budget was partially based on a change in the anticipated number of OIG audits to be performed per year.

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 2005 USAC common budget of \$4,357,400; and

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

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

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

- a3. Approval of 4th Quarter 2005 Revenue Projections for the September 1, 2005, FCC Filing.** Ms. Trew reviewed the preliminary contributor revenue 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 July 14, 2005, a summary of the current status of the September 1, 2005, FCC filing requirements, recommends to the USAC Board of Directors to authorize USAC staff to proceed with the required September 1, 2005, filing to the FCC on behalf of USAC using a preliminary estimate of \$18,287.267 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a4. Consideration of Cost Allocation Methodology Alternatives.** Ms. Trew provided the Committee with an overview of the various cost allocation methodology alternatives. Committee members discussed the alternatives in detail.

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

Mr. Jortner voted nay on the resolution.

- a5. Consideration of the Elimination of the FCC Form 499 Late Filing Fee Unpublished Grace Period.** Ms. Trew provided a summary of the proposed elimination of the unpublished five day grace period associated with late filings of FCC Form 499. Ms. Trew advised that notification to filers in the form of a reminder of the due date would be provided via e-mail, as well as an insert notice with the mailing of the forms.

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

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

- a6. Action on Two USAC Financial Controls Operational Audit Reports. 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 the audit reports be discussed in **Executive Session** because discussion of the reports relate 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.

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

**RESOLVED**, That the USAC Executive Committee determines that discussion of the USAC Internal Audit Division financial controls operational audit reports labeled US2004OP004 and US2004OP005 shall be conducted in **Executive Session**.

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

- a7. Action on Two USAC Internal Audit Division Contributor Revenue Audits. 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 the Contributor Revenue Follow-Up Reports be discussed in **Executive Session** because discussion of the reports 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. In addition, 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 Reports labeled CR2004CO017 and CR2005CO002 shall be conducted in **Executive Session**.

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

- a8. Action on One USAC Internal Audit Division Follow-Up Audit 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 the Contributor Revenue Follow-Up Reports be discussed in **Executive Session** because discussion of the reports 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. In addition, 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 Report labeled CR2004FL016 shall be conducted in **Executive Session**.

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

**a9. Miscellaneous.**

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

At 11:29 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**

**a6. Action on Two USAC Financial Controls Operational Audit Reports. Confidential and Proprietary.** Ms. Delmar introduced this item to the Committee.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed the two USAC Internal Audit Division (IAD) Financial Controls Operational Audit Reports labeled US2004OP004 and US2004OP005, together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

**a7. Action on Two USAC Internal Audit Division Contributor Revenue Audits.** Ms. Ashe-Donnem introduced this item to the Committee. Mr. Scott explained the discrepancy between the Form 499 and the instructions to the Form 499 as it relates to reporting revenue from the sale of calling cards. The IAD staff reported that by way of letter dated February 18, 2005 to the FCC, they are seeking guidance on this issue.

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

**RESOLVED**, That the USAC Executive Committee, having reviewed the two USAC Internal Audit Division Contributor Revenue Audit Reports labeled CR2004CP017 and CR2005CP002, together with management's response thereto, recommends to the USAC Audit Committee that each such audit report be deemed final.

**a8. Action on One USAC Internal Audit Division Follow-Up Audit Done on Audits Performed by Deloitte & Touché LLP. Confidential and Proprietary.** Ms. Ashe-Donnem introduced this item to the Committee.

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



**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

**August 31, 2005**

**MINUTES**

A non-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 Wednesday, August 31, 2005. Mr. Brian Talbott, Chair of the Committee, called the meeting to order at 3:07 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll.

Six of the nine members were present, representing a quorum.

Eichler, Ed - by telephone  
Jackson, Jimmy - by telephone  
Hess, Kevin - by telephone  
Talbott, Brian - Chair - by telephone  
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

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

Others present for the meeting:

**NAME**

Capozzi, David  
Lamoureux, Renee

**COMPANY**

USAC  
USAC

**ACTION ITEMS:**

**a1. Consideration of Financial Systems Overhaul - Confidential & Proprietary - Executive Session Recommended.**

In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Scott Barash, VP and General Counsel, 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 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 consideration of the financial systems overhaul shall be conducted in Executive Session.

At 3:08 p.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:**

**a1. Consideration of Financial Systems Overhaul - Confidential & Proprietary - Executive Session Recommended.**

Mr. Richard Belden, Chief Operating Officer, introduced this item to the committee providing an overview of the current financial systems infrastructure and proposed efforts to ensure the systems are in compliance with GovGAAP. Mr. Belden further discussed the scope of the proposed overhaul, as well as anticipated costs and timeline for the proposed overhaul.

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

**RESOLVED**, that the USAC Executive Committee authorizes the USAC staff to proceed with the release of an RFP seeking professional services for the development and implementation of the Financial Systems Overhaul project, evaluation of competitive bids received pursuant to the RFP, and selection of one of more vendors for development and implementation.

**FURTHER RESOLVED**, that the USAC Executive Committee authorizes the USAC staff to enter into contracts for a total amount not to exceed \$7.8 million for acquisition of software, hardware if necessary and development and implementation of the Financial Systems Overhaul project.

The Committee adjourned from Executive Session and reconvened in open session at 3:30 p.m. to report the discussions and actions of the Committee during Executive Session.

INFORMATION ITEMS:

i1. Consideration of Cost Allocation Methodology Alternatives. Ms. Anne Marie Trew, Acting Head of Finance, provided the Committee with an overview of the analysis performed by staff, at the Board's direction, of alternative methods for allocating USAC's common costs among the four universal service support mechanisms for its consideration. The Committee requested more information be provided to them related to USAC's direct costs for review prior to USAC's quarterly board and committee meetings.

i2. Miscellaneous.

- a. The Committee discussed the OIG budget request for audits of the USF.
- b. The Committee also discussed recent change orders submitted by a vendor of the Schools and Libraries and Rural Health Care programs.

There being no further business, Mr. Talbott adjourned the meeting at 6:20 p.m.

\_\_\_\_\_/s/ D. Scott Barash\_\_\_\_\_

D. Scott Barash, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

**October 14, 2005**

**MINUTES**

A non-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 Friday, October 14, 2005. Mr. Jimmy Jackson, Chair of the Committee, called the meeting to order at 11:36 a.m. Eastern Time. Ms. Renee Lamoureux, Executive Staff Manager, called the roll.

Seven of the nine members were present, representing a quorum.

Eichler, Ed - by telephone  
Jackson, Jimmy - by telephone  
Hess, Kevin - by telephone  
Talbot, Brian - Chair - by telephone  
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Banks, Jonathan, USAC Board Member - by telephone  
Barash, D. Scott - Assistant Treasurer, Vice President and General Counsel  
Belden, Richard - Chief Operating Officer  
Flannery, Irene - Senior VP of Programs  
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

**NAME**

Lamoureux, Renee  
Mitchell, Jeffrey

**COMPANY**

USAC  
USAC

## **ACTION ITEMS:**

### **a1. Approval of Proposed Litigation Settlement - Confidential & Proprietary -**

**Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Scott Barash, VP and General Counsel, recommended that discussion of this item be conducted in Executive Session because discussion of this matter centers on matters subject to the attorney-client privilege related to pending litigation.

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

**RESOLVED**, That discussion of the proposed litigation settlements in the CTC Communications Group, et al., bankruptcy matter shall be conducted in Executive Session.

At 11:37 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:**

### **a1. Approval of Proposed Litigation Settlement - Confidential & Proprietary.** Mr.

Scott Barash introduced this item to the Committee providing an overview of the proposed litigation settlement.

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

**RESOLVED**, That the USAC Executive Committee authorizes USAC's counsel, subject to any required FCC consent, to enter into two separate settlement agreements in accordance with the terms and conditions described by counsel herein, thereby resolving all claims by and against USAC in the CTC Communications Group, et al. bankruptcy proceeding currently pending in the United States Bankruptcy Court in Delaware.

## **INFORMATION ITEMS:**

i1. Miscellaneous.

- a. a. Ms. Zaina discussed with the Committee the recent correspondence received from the Commission related to audits and procurement, and advised that USAC management would be responding to this correspondence and extending an invitation to Mr. Fishel to

attend the upcoming Board meeting in an effort to discuss and resolve any potential issues.

The Committee adjourned from Executive Session and reconvened in open session at 12:18 p.m. to report the discussions and actions of the Committee during Executive Session.

There being no further business, Mr. Jackson adjourned the meeting at 12:19 p.m.

\_\_\_\_\_/s/ D. Scott Barash\_\_\_\_\_

D. Scott Barash, Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**EXECUTIVE COMMITTEE MEETING**

**October 20, 2005**

**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 20, 2005. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 11:07 a.m. Eastern Time. Ms. Lamoureux, Executive Staff Manager, called the roll.

Six of the nine members were present, representing a quorum.

Campbell, Anne - via telephone  
Eichler, Ed - via telephone  
Hess, Kevin - via telephone  
Hughes, Alison - via telephone  
Talbot, Brian -Chair - via telephone  
Zaina, Lisa - CEO

Other Board members and Officers of the Corporation present:

Lubin, Joel - USAC BOD Member  
Barash, D. Scott - Asst. Secretary, Vice President and General Counsel  
Belden, Richard - Chief Operating Officer  
Erwin, WB - VP, Finance  
Flannery, Irene - Senior VP of Programs  
Majcher, Karen - VP, High Cost & Low Income Division  
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

**NAME**

Ashe-Donnem, Caroline  
Bellevia, Leslie  
Capozzi, David  
Chou, Liz  
Faunce, Donna

Keller, Nick  
Lamoureux, Renee  
Stephens, Mark  
Sullivan, Tanya

**COMPANY**

USAC

USAC

USAC

USAC

USAC

Arksite

USAC

FCC

USAC

**ACTION ITEMS:**

**a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of July 14, 2005 and August 31, 2005.

**a2.** Approval of the 1st Quarter 2006 USAC Common and Consolidated Budgets and Information on Estimated 2006 Annual Budget. Ms. Donna Faunce introduced the 1Q2006 common and consolidated USAC budgets to the Committee.

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

**RESOLVED,** That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1st Quarter 2006 USAC common budget of \$7,740,300; and

**RESOLVED FURTHER,** That the USAC Executive Committee recommends to the USAC Board of Directors to approve a revised 2006 annual USAC common budget of \$24,193,000; and

**a3. Approval of 1st Quarter 2006 Revenue Projections for the December 2, 2005, FCC Filing.** Mr. Erwin reviewed the preliminary estimate with the Board.

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

**RESOLVED,** That the USAC Executive Committee, having reviewed at its meeting on October 20, 2005, a summary of the current status of the December 2, 2005, FCC filing requirements, recommends to the USAC Board of Directors to authorize staff to proceed with the required December 2, 2005, filing to the FCC on behalf of USAC using

a preliminary estimate of \$18,230.849 million for the Universal Service Fund contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

**a4. Action on One Internal Audit Division Contributor Revenue Audit Report Performed by USAC Internal Audit Division - 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 the Contributor Revenue Reports be discussed in Executive Session because discussion of the reports 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. In addition, 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.

**RESOLVED**, That the USAC Executive Committee determines that discussion of the Contributor Revenue Report labeled CR2005CP003 shall be conducted in Executive Session.

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

**a5. Approval of Course of Action Regarding Performance of Financial Service Contract - Confidential and Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that discussion of this item which relates to USAC's procurement strategy and contract negotiations be conducted in Executive Session because public disclosure would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund.

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

**RESOLVED**, That the USAC Executive Committee determines that discussion of extending its agreement with LaSalle Bank to provide financial services for an additional two-years shall be conducted in Executive Session. See Executive Session for a report of the discussion and action taken on this item.

**a6. Miscellaneous.**

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

**INFORMATION ITEMS:**

**i1. Assistant Treasurer's Report.** For informational purposes only. No discussion held.

**i2. Report on Education & Communications.** Ms. Tanya Sullivan provided a summary of activities of the Educations & Communications division since its inception in June 2005.

**i3. Status Report on USAC Audits.** For informational purposes only. No discussion held.

**i4. Status Report on Actions Taken on Final Audits.** For informational purposes only. No discussion held.

At 11:40 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:**

**a4. Action on One Internal Audit Division Contributor Revenue Audit Reports Performed by USAC Internal Audit Division - Confidential and Proprietary - Executive Session Recommended.** Status Report on USAC Audits - Executive Session Option. Ms. Caroline Ashe-Donnem introduced this item to the Committee. On a motion duly made and seconded, the Board adopted the following resolution:

**RESOLVED**, That the Executive Committee, having reviewed the USAC Internal Audit Division Contributor Revenue Audit Report labeled CR2005CP003, together with management's response thereto, recommends to the USAC Audit Committee that such audit report be deemed final.

**a6. Approval of Course of Action Regarding Performance of Financial Service Contract - Confidential and Proprietary - Executive Session Recommended.** Mr. Ewrin introduced this item to the Board recommending that USAC exercise the extension option of the contract with LaSalle Bank to provide financial services for an additional two years.

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

**RESOLVED**, That the USAC Executive Committee recommends that the USAC Board of Directors approve extending the current contract with LaSalle to provide financial services associated with Universal Service Fund, for a term ending on June 30, 2008, on mutually agreeable terms and conditions to be negotiated by USAC management.

The Board adjourned from Executive Session and reconvened in open session at 11:45 a.m. to report the discussions and actions of the Board during Executive Session.

There being no further business, Dr. Talbott adjourned the meeting at 11:46 a.m.

/s/ D. Scott Barash

D. Scott Barash, Assistant Secretary