

1999 Executive Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

January 8, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held at the by conference call on Friday, January 8, 1999. Ms. Kathleen Ouye, acting as Chair called the meeting to order at 11:36 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino, called the roll for Mr. Robert Haga, Acting Secretary.

Three of the four members of the Committee were present, representing a quorum as follows:	
Gold, Heather	Sanders, Dr. Jay
Ouye, K.G.	
One member was absent as follows:	
Rosenblum, Lisa	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	Parrino, Cheryl - CEO
Others present for the meeting:	
Name	Company
Howard, Cathy	USAC
McDonald, George	USAC – SL Division
Moore, Kate	USAC – SL Division
Schroeder, Lee	CableVision Systems Corp.

ACTION ITEMS:

- 1. Authorization to Run Commitments for Libraries - Schools and Libraries Division** - Ms. Ouye explained that the former Schools & Libraries Corporation had established a policy that the USAC Board of Directors would be consulted to approve all commitment letters going out to schools and libraries. Since the Schools & Libraries Corporation no longer exists, the Schools & Libraries Division staff is seeking approval from the Board. The Executive Committee of the USAC Board is responsible for the operation and management of USAC in the ordinary course of business; therefore, the approval can be obtained from the Executive Committee on behalf of the USAC Board.

Ms. Ouye went on to say that the commitment letters for schools and libraries have gone out in "waves" thus far with the "fourth wave" released the week of December 28, 1998. The wave of commitment letters before the Committee today is a "special wave" of letters comprised of library commitments only due to the under-representation of libraries in previous waves. After reviewing all supporting documentation, Ms. Ouye stated that the funding for these commitment letters is well within USAC's capability. She further explained that this special wave of letters to libraries only is more of an outreach gesture to regain the confidence of the libraries since they felt they were so under-represented in the previous waves.

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

RESOLVED, That the USAC Executive Committee authorizes the Schools and Libraries Division staff to proceed with the "special wave" of commitment letters to libraries.

2. **Upcoming Approval for Subsequent Wave of Commitment Letters - Schools and Libraries Division** - Ms. Kate Moore informed the Committee that the next regularly scheduled wave of letters ("fifth wave") to both schools and libraries is expected to be ready for approval by January 14, 1999. The Schools & Libraries Division staff is now analyzing the possibility of reducing the contingency funding reserve, a change that will need the approval of the USAC Executive Committee as well as by the FCC. The Committee agreed to hold another conference call meeting to address this upcoming issue. The conference call is scheduled for January 14, 1999, at 2:00 p.m. Eastern Time.

There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:52 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

January 8, 1999

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Ouye, K.G.	
One member was absent as follows:	
Rosenblum, Lisa	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	Parrino, Cheryl - CEO
Others present for the meeting:	
Name	Company
Howard, Cathy	USAC
McDonald, George	USAC – SL Division
Moore, Kate	USAC – SL Division
Schroeder, Lee	CableVision Systems Corp.

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There being no further business to attend to, Ms. Ouye adjourned the meeting at 11:52 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

January 25 - 26, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held at the Ronald Reagan Building/International Trade Center, 1300 Pennsylvania Avenue, N.W., Washington, D.C., on Monday and Tuesday, January 25 and 26, 1999. Ms. Lisa Rosenblum, Chair of the UASC Board of Directors, called the meeting to order on Monday, January 25, 1999, at 9:36 a.m. Eastern Time. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

All six members were present, representing a quorum:	
Gold, Heather	Gumper, Frank
Ouye, K.G.	Parrino, Cheryl
Sanders, Dr. Jay	Rosenblum, Lisa
Officers of the Corporation present:	
Haga, Robert - Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Bailey, Lee	USAC - RHC Division
Blackwell, Mel	USAC - RHC Division
Dwyer, Shari	Thomas Communications
Faunce, Donna	USAC
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Kriete, Debra	USAC - SL Division
Lavery, Dick	GTE
Moore, Kate	USAC - SL Division
Rodda, Jim	MCI WorldCom

- 1. Election of Executive Committee Chair and Vice Chair** - Nominations were opened for the positions of Chair and Vice Chair. Several Committee members stated that they needed more time to consider nominations for Chair and Vice Chair of this Committee.

On a motion duly made and seconded, the Executive Committee unanimously voted to lay the election of Executive Committee Chair and Vice Chair on the table to be brought back on January 26, 1999, when the Executive Committee was scheduled to meet again.

On a motion duly made and seconded, the Committee was recessed at 9:37 a.m., subject to the call of the Chair, until Tuesday, January 26, 1999, at 8:30 a.m.

At 8:36 a.m. Eastern Time on Tuesday, January 26, 1999, the Committee reconvened. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, executive assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

Five of the six members were present, representing a quorum:	
Gumper, Frank	Parrino, Cheryl
Ouye, K.G.	Rosenblum, Lisa
Sanders, Dr. Jay	
One member joined the meeting in progress:	
Gold, Heather	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Bailey, Lee	USAC – RHC Division
Blackwell, Mel	USAC
Dwyer, Shari	Thomas Communications
Flannerty, Irene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Levy, Ken	NECA
Ricker, John	NECA

Zaina, Lisa	FCC
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On a motion duly made and seconded, the Executive Committee unanimously agreed to take from the table the motion relating to the election of Executive Committee Chair and Vice Chair.

- i. **Election of Executive Committee Chair and Vice Chair** – Nominations were opened for the positions of Chair and Vice Chair. Ms. Lisa Rosenblum was nominated for Chair and Mr. Frank Gumper as Vice Chair.

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

RESOLVED, That the Executive Committee recommends that the USAC Board of Directors elect Ms. Lisa Rosenblum as the Executive Committee Chair and Mr. Frank Gumper as the Executive Committee Vice Chair.

1. **Approval of minutes of the Budget and Finance Committee minutes of Monday, October 19, 1998, and Executive Committee minutes of Friday, January 8, 1999, and Thursday, January 14, 1999** – On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the Budget and Finance Committee meeting of Monday, October 19, 1998. Ms. Parrino abstained, as she was not a member of the Budget and Finance Committee on October 19, 1998. On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the Executive Committee minutes of Friday, January 8, 1999, and Thursday, January 14, 1999. Ms. Parrino and Mr. Gumper abstained as they were not members of the Executive Committee on January 8 and 14, 1999.
2. **Status Report on the Audit of USAC Operations for the Year 1998** – Ms. Parrino reported that the FCC has signed off on the Schools and Libraries Corporation financial audit plan. The financial audit for the Rural Health Care Corporation has been sent out for bids. The audit of USAC operations should be on track within the next couple of weeks.
3. **Report on Accounts Receivable** – Mr. Haga provided an ongoing status report of Accounts Receivable as requested by the USAC Board of Directors. He noted that there is some deterioration of the numbers in December, which need to be updated to reflect the bankruptcy of a large reseller that actually consists of 16 separate companies. Some entities also wait until the end of the year to make their payments. Therefore, the numbers presented in the agenda item memo do not appear to reflect an increased trend going forward.
4. **Report on Collection Efforts of USAC and the FCC** – Mr. Haga referred to the document "USAC Collection Procedures for Delinquent Contributors" included as an attachment to the agenda item memo. These procedures outline steps USAC personnel take for collection activities. USAC continues to work with the FCC in issuing Notices of Apparent Liability.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the USAC document, "Collection Procedures for Delinquent Contributors."

5. **USAC Collection Procedures for Contributors in Bankruptcy** – Mr. Haga referred to the document "USAC Collection Procedures for Contributors in Bankruptcy." He noted that the bankruptcy of companies would be a continual issue; therefore, procedures are needed to establish collection practices regarding bankruptcies. With these procedures in place, USAC can stand in line to possibly collect partial payments. In response to a question about carriers' obligations post bankruptcy petition, Mr. Haga stated that the company would still have an obligation to pay.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt the USAC document, "Collection Procedures for Contributors in Bankruptcy."

6. **USAC Common Budget, Common 2nd Quarter Budget, and Consolidated Budget** - Ms. Parrino explained that the USAC Board of Director committees have responsibility over programmatic costs; USAC has responsibility over common costs (e.g., overhead costs, billing and collection, USAC common employees). The Board can veto a programmatic budget by two-thirds vote. As has been the practice under the Budget and Finance Committee, USAC common costs are before the Committee today. The Committee is also being asked to approve the USAC consolidated budget. Ms. Parrino referred to Attachment F of the agenda item memo, which delineates the pre- versus post- merger budget. USAC could realize a 15 percent reduction in the consolidated budget due to a reduction in outside counsel and other administrative costs, and a reduction in outside contract costs for the Schools and Libraries program.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1999 Budget of \$37,189,100 for USAC consolidated with \$8,961,300 for the 2nd Quarter. The Common USAC Budget for the year is \$1,999,600 of which \$503,700 are attributable to the 2nd Quarter.

Dr. Sanders asked if the efficacy of the program administered by USAC will be evaluated, and if so, what expense category would cover the cost. Ms. Parrino stated that the Schools and Libraries Division have had some conversations with the FCC on evaluating that program and who would be responsible for the evaluation. The Rural Health Care Division has had no such talks yet. USAC needs to talk with the FCC about evaluating all the programs. Establishing goals for USAC as a whole like the Schools and Libraries Division has done for its program would be helpful for any future evaluation. If an evaluation is requested, USAC needs to be very clear on whether it is USAC's responsibility or role to even conduct an evaluation, and if so, the criteria for the evaluation. USAC would need to determine where the cost should be allocated: programmatic or common.

7. **Common 2nd Quarter 1999 Budget** – See Agenda Item #6.
8. **Combined 1999 and 2nd Quarter Budget** – See Agenda Item #6.
9. **2nd Quarter 1999 Revenue Projection and Resolution on the January 29, 1999, Filing with the FCC for the 2nd Quarter of 1999** – Mr. Haga reported that there are no significant changes in this filing compared to the 1st Quarter filing. He stated that additional carriers are reporting actual revenues, and the contribution bases are slightly higher as a result of these adjustments. Second Quarter contributions are lower than First Quarter.

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

RESOLVED, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1998 at its meeting on January 26, 1999, recommends to the USAC Board of Directors that the staff be authorized to proceed with the required January 29, 1999, filing with the FCC on behalf of USAC.

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 9:10 a.m. for purposes of discussing Confidential agenda items.

On a motion duly made and seconded, the Executive Committee unanimously agreed to go into Open Session at 9:52 a.m. for purposes of reporting actions taken during Executive Session. The Committee reported on items 10-13 as follows:

10. **Employee Benefits** – Ms. Parrino explained that certain existing employment contracts and agreements provide for benefits that appear to be inconsistent with the benefits package approved by the Board in October 1998. The Board needs to determine the timeline and process for bringing all USAC employees under the benefits package approved in October.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors agree to provide an exception from the benefits package approved in October 1998 for those employees that have employment contracts and agreements and for those benefits that are specifically spelled out in employment contracts or agreements. The exceptions for those employees with employment agreements will expire on January 1, 2000, and the exceptions for contract employees will expire with the expiration of the contract.

11. **Employee Health, Disability, Life, and Retirement Benefits** – Ms. Parrino explained that the plan of reorganization proposed that, "Common programs for human resource administration, employee health insurance, pension, and compensation benefits are necessary for the combined entity." The FCC did not modify this proposal. All benefits comply with federal laws regarding such matters.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve the following actions:

That participation by the former Schools and Libraries Corporation (SLC) employees (and their dependents) in the NTCA AA group health insurance plan, and participation in the Blue-Cross Blue Shield group health insurance plan or the Capital Care group health insurance plan by the former employees (and their dependents) of Rural Health Care Corporation (RHCC) be terminated as soon as reasonably possible and that such employees (and dependents who are otherwise eligible) shall be immediately eligible to participate in the NTCA AA group health insurance plan offered by USAC to all of its employees; and

That sponsorship in the NTCA Savings Plan maintained formerly by SLC shall be terminated in accordance with that plan's provisions and applicable law, and to the extent permitted under law, the participants' account balances shall be transferred to the USAC NTCA Savings Plan (USAC Plan) and that sponsorship of the SEP IRA maintained formerly by RHCC shall be terminated in accordance with its applicable provisions; and

That the employees formerly employed by either SLC or RHCC shall become eligible to participate in the USAC Plan pursuant to the terms of such plan and, further, that the USAC Plan shall be amended to recognize service credit with SLC or RHCC, as the case may be, for purposes of eligibility and vesting under the USAC Plan and to permit the former SLC and RHCC employees who are eligible to participate in the USAC Plan to begin participating in the USAC Plan immediately after the date such resolution is adopted, without regard to the otherwise applicable entry dates under such plans; and

That all other insurance programs, including life and disability insurance, sponsored or maintained formerly by either SLC or RHCC shall be terminated, and those employees formerly covered under such plans shall become immediately eligible to participate in similar plans sponsored or maintained by USAC.

12. **Organizational Structure** – Ms. Parrino explained that now that the Universal Service Administrative Company, the Rural Health Care Corporation (RHCC), and the Schools & Libraries Corporation have merged into one company, the USAC Board of Directors should review salaries and job titles to determine if they are appropriate for the new corporation. USAC should determine whether any additional employees should be designated as officers of the corporation. USAC also needs to establish a procedure for annual adjustments to salary. USAC management is requesting overall guidance on the salary structure and annual adjustment procedures; it is not requesting the Board to determine specific salaries for each employee.

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

RESOLVED, That the Executive Committee recommends that the USAC Board of Directors endorse the overall approach being taken by the USAC CEO to establish titles and salaries of the employees of the Corporation due to the reorganized structure of USAC;

WHEREAS, the Executive Committee of the USAC Board of Directors deems it advisable that the Corporation establish three additional senior officer positions, each of which shall report to the Chief Executive Officer and each of which initially shall be designated as a President; and

WHEREAS, the Executive Committee of the USAC Board of Directors believes the Corporation should establish the duties and reporting responsibilities of each of such senior officers as well as those of the Chief Executive Officer;

NOW, THEREFORE, IT IS RESOLVED, That the Chief Executive Officer is hereby made the chief executive officer of the Corporation, and as such shall be primarily responsible for the implementation of the policies of the Board of Directors and shall have authority over the general management and direction of the business and operations of the Corporation and those of its Committees (including, without limitation, the High Cost and Low Income [HCLI] Committee, the Rural Health Care [RHC] Committee, and the Schools and Libraries [SL] Committee), subject only to the ultimate authority of the Board of Directors. The Chief Executive Officer 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 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. In addition, the Chief Executive Officer 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

FURTHER RESOLVED, That there is hereby established three separate offices of President. The first shall be President of the High Cost & Low Income Division. The second shall be President of the Rural Health Care Division. The third shall be President of the Schools & Libraries Division. Each President shall report to the Chief Executive Officer and shall have such powers and duties as may from time to time be assigned to him or her by the Chief Executive Officer or the Board of Directors (including, for such purposes, the respective Committees of the Board for which they are President). Each President may sign and execute, in the name of the Corporation, contracts, deeds, mortgages, bonds, and other instruments as and when authorized to do so by the Chief Executive Officer or by the Board of Directors, except where the signing and execution thereof shall be expressly designated by the Board of Directors or by-laws to some other officer or agent of the Corporation or shall be required by law otherwise to be signed or executed. Notwithstanding the foregoing, however, none of the Presidents shall, without the specific prior approval of the Chief Executive Officer or the entire Board of Directors, have the authority to (i) retain outside counsel, (ii) make or deliver reports on the operation of the Corporation or any Committee thereof to Congress or the FCC, or (iii) expend any sum, or commit the Corporation or any Committee thereof to expend any sum, in excess of \$50,000, and

FURTHER RESOLVED, That the Executive Committee of the USAC Board of Directors recommends that the Board of Directors of the Corporation approve and adopt the foregoing resolutions.

13. **CEO Contract** – Ms. Rosenblum informed the Committee that the contract of USAC’s CEO, Ms. Cheryl Parrino, expires on May 31, 1999. The USAC Board needs to determine whether to renew the contract and if so, to establish the terms of that contract. Ms. Parrino left the meeting prior to the Committee’s discussion. On a motion duly made and seconded, the Executive Committee unanimously adopted the following resolutions:

RESOLVED, That the Executive Committee recommends that the USAC Board of Directors approve the renewal of the contract of the USAC’s CEO, Ms. Cheryl Parrino, for a period of three years; and

FURTHER RESOLVED, That the Executive Committee recommends to the USAC Board of Directors to approve and authorize payment of the bonus amount included in Ms. Parrino’s contract of May 19, 1998.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 9:55 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

EXECUTIVE COMMITTEE MEETING

March 3, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held by conference call on Wednesday, March 3, 1999. The Chair, Ms. Lisa Rosenblum, called the meeting to order at 11:05 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino, called the roll for Mr. Robert Haga, Acting Secretary.

Five of the six members of the Committee were present, representing a quorum:	
Gold, Heather	Rosenblum, Lisa
Parrino, Cheryl	Sanders, Dr. Jay
Ouye, Kathleen	
One member was absent:	
Gumper, Frank	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Bailey, Lee	USAC - RHC Division
Hogerty, Martha	USAC Board Member
Howard, Cathy	USAC
Stratton, Susan	Consultant for USAC
Talbott, Brian	USAC Board Member
Thoms, Allan	USAC Board Member

ACTION ITEMS:

Approval of the USAC document, "Report to the FCC: Evaluation of the Rural Health Care Program" - Ms. Parrino explained that the Rural Health Care (RHC) Committee met by conference call on March 2, 1999, to review a draft of the report for the last time before approval by the Executive Committee. Two proposed changes were approved by the

majority of the RHC Committee; Mr. Isiah Lineberry dissented. Ms. Parrino reviewed the proposed changes with the Committee as follows.

Ms. Parrino noted that all members of the RHC Committee agree that the viability of the Rural Health Care Program (Program) is in serious jeopardy unless significant changes are made, especially to reduce administrative costs. The report covers a number of ways to simplify the Program and reduce administrative costs; however, the RHC Committee proposed two more changes to the draft document. The RHC Committee proposals were:

- 1. Include a description in the report of an option to extend the initial funding cycle and delay the opening of the second application cycle of the Rural Health Care Program until after the total funding of the Rural Health Care Providers (RHCPs) is known and the Federal Communications Commission (FCC) has had time to implement improvements.**

The advantages of this option are reduced administrative costs and reduced frustration for the RHCPs as they would not have to file another application. The RHCPs would receive continuous funding until Year 2 funding is awarded. A disadvantage of this option is that some RHCPs are ready and willing to file under the current system and this type of action could cause them to abandon or forego the Program due to frustration.

Ms. Parrino stated that conversations with FCC staff indicate that the FCC is supportive of adding this option to the report, but that they will listen to RHC constituents' feedback in the final analysis. The FCC is also contemplating forming a new rural health care task force or advisory committee with a different constituency than the previous one to develop the details of the solutions to the barriers of this Program.

- 2. Include an explanation that during this period of study and reformulation of the Rural Health Care Program, USAC will reduce the administrative costs of the Rural Health Care Program by eliminating the position of President of the Rural Health Care Division.**

Ms. Parrino reported that the RHC Committee discussed whether USAC continues to need the level and structure of staff of the Rural Health Care Division (RHCD) and concluded that even after reallocating some of the staff time, the Program still cannot afford the number and level of staff currently in place.

Ms. Parrino explained that there are currently four full-time equivalent (FTE) positions allocated to the RHCD and a number of vacancies in USAC as a whole of which part of the costs of those employees will be allocated to the RHC Program (for example, the General Counsel position). Of those four FTE positions, 2.6 are currently working directly on Program issues: Lee Bailey, Bill England, and Donna Faunce (60%). The remaining FTE comes from the allocation of USAC staff. The RHC Committee proposes that only one FTE position be allocated directly to the RHC Program and that the top management position be eliminated.

Discussion began on this second proposal between Committee members; however, as personnel issues were implicated, the Committee discussed going

into Executive Session Before going into Executive Session, Ms. Ouye explained that the Schools and Libraries Program had to go through a similar process with its top management: the program had started with a Chief Executive Officer, and a Chief Operating Officer, then an Acting Chief Executive Officer, and now a Division President. The top management position was eliminated and the of this program has changed over time, especially after the merger when Ms. Parrino took over some of the duties of the top management positions of both the Schools & Libraries Program and the RHC Program. Now the same thing is happening to the RHC Program and changes need to be made.

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 11:46 a.m. for purposes of discussing this personnel issue.

On a motion duly made and seconded, the Executive Committee unanimously agreed to go into Open Session at 12:12 p.m. for purposes of reporting actions taken during Executive Session as follows:

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

RESOLVED, That the Executive Committee approves the elimination of the position of President of the Rural Health Care Division, and

RESOLVED FURTHER, That the Executive Committee authorizes the CEO of USAC to discuss implementation of this decision and future plans with the current president, seek a legal written opinion on what steps can be taken to reduce administrative costs consistent with this decision, and take all necessary action to cause USAC to perform its obligations to the current president consistent with the need to reduce administrative expenses pursuant to the FCC's directive.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:15 p.m. Eastern Time.

After the close of business, it was discovered that although the Committee had discussed the report to the FCC along with the proposed changes and had voiced their agreement with the proposals and the report, the Committee had failed to take a vote on the approval of the report along with the other proposed change. Mr. Haga requested that Consent Resolution be faxed to each Committee member. Ballots were sent out by fax on March 3, 1999, to the five members of the Committee present for the conference call meeting (**Attachment A**). Votes were received from the following five members (**Attachment B**):

Gold, Heather - yes	Rosenblum, Lisa - yes
Ouye, Kathleen - yes	Sanders, Dr. Jay - abstain
Parrino, Cheryl - yes	

The following resolutions were approved:

RESOLVED That the Executive Committee, having reviewed a draft copy of the document titled "Report to the FCC: Evaluation of the Rural Health Care Program" during its March 3, 1999, conference call meeting, hereby amends the document as follows:

1. **Include a description of an option to extend the initial funding cycle, and delay the opening of the second application cycle of the Rural Health Care Program until after the total funding of the Rural Health Care Providers is known and the FCC has had time to implement improvements;**

and

2. **Include an explanation that during this period of study and reformulation of the Rural Health Care Program, USAC will reduce the administrative costs of the Rural Health Care Program by eliminating the position of President of the Rural Health Care Division, and;**

RESOLVED FURTHER, That the Executive Committee authorizes USAC staff to proceed with the March 5, 1999, filing of the amended document titled "Report to the FCC: Evaluation of the Rural Health Care Program" to the FCC on behalf of USAC with direction to USAC staff to work closely with the FCC to implement the proposed changes as soon as possible.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

EXECUTIVE COMMITTEE MEETING

March 19, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held by conference call on Friday, March 19, 1999. The Chair, Ms. Lisa Rosenblum, called the meeting to order at 8:34 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino, called the roll for Mr. Robert Haga, Acting Secretary. :

Four of the six members of the Committee were present, representing a quorum	
Gold, Heather	Rosenblum, Lisa
Parrino, Cheryl	Sanders, Dr. Jay
Two members were absent:	
Gumper, Frank	Ouye, Kathleen
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Bailey, Lee	USAC – RHC Division
Hogerty, Martha	USAC Board Member
Howard, Cathy	USAC

ACTION ITEMS:

1. **Contract with Arthur Andersen for the Pre-disbursement Audit for the Rural Health Care Program** -- Ms. Parrino explained that the FCC has required that a new pre-disbursement audit of the Rural Health Care Program be conducted prior to the issuance of the commitment letters. The FCC did not accept the audit submitted by the original firm hired by the Rural Health Care Corporation. Arthur Andersen is currently the only firm that continues to be interested in the engagement. As contracts over \$100,000 must be approved by the Executive Committee in place of the Board in-between Board meetings, this was brought to the Committee for consideration.

Commitment letters cannot be sent out until the Chairman of the FCC signs off on a

new rural health care program pre-disbursement audit. Currently, approximately \$900,000 is waiting to be committed. Concern was expressed that the price is high in proportion to the amount of money being committed especially considering that USAC has already paid \$30,000 for the first audit, which was subsequently rejected by the FCC. Ms. Parrino explained that the cost is high, but that it is the lowest Arthur Andersen would go considering the short turnaround time requested and considering that this is the busiest time of the year for Arthur Andersen. In order to reduce the cost of the audits, another recourse for USAC to consider would be to recover the \$30,000 already paid in light of the rejected audit. Ms. Parrino clarified that the FCC did not accept the original audit because the FCC was unable to determine if adequate procedures were in place.

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

RESOLVED, That the USAC Executive Committee authorizes the USAC CEO to enter into a contract with Arthur Andersen to conduct the pre-disbursement audit for the Rural Health Care Program, and

RESOLVED FURTHER, That the Executive Committee authorizes the CEO of USAC to seek recovery of the \$30,000 paid for the first pre-disbursement audit of the Rural Health Care Program that was subsequently rejected by the FCC.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 9:10 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

EXECUTIVE COMMITTEE MEETING

March 25, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held by conference call on Thursday, March 25, 1999. The Chair, Ms. Lisa Rosenblum, called the meeting to order at 3:15 a.m. Eastern Time. Mr. Robert Haga, Acting Secretary called the roll.

Five of the six members of the Committee were present, representing a quorum:	
Gold, Heather	Gumper, Frank
Rosenblum, Lisa	Parrino, Cheryl
Sanders, Dr. Jay	
One member was absent:	
Ouye, Kathleen	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Gault, Bob	Mintz, Levin, et. al.
Kiser, Cherie	Mintz, Levin, et. al.

ACTION ITEMS:

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session for purposes of discussing a confidential agenda item.

1. **Negotiations with Mr. Lee Bailey** Per Committee resolution of March 3, 1999, the position of President of the Rural Health Care Division was eliminated and the CEO of USAC was directed to discuss with Mr. Lee Bailey, the individual currently occupying that position, the implementation of this decision. The Committee reviewed preliminary discussions between the CEO and Mr. Bailey, and his desire to engage counsel. The Committee discussed the need to cut costs consistent with existing employment agreements, and the legal options provided to USAC in the agreement with Mr. Bailey. The Committee directed Ms. Parrino to continue discussions with Mr.

Bailey and his counsel with the goal of reducing the administrative budget for the program to an amount commensurate with the support mechanism.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 4:15 p.m. Eastern Time

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

April 5, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held by conference call on Monday, April 5, 1999. Ms. Cheryl Parrino, CEO of USAC and a member of the Committee called the meeting to order at 12:09 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Ms. Cheryl Parrino, called the roll for Mr. Robert Haga, Acting Secretary.

Five of the six members of the Committee were present, representing a quorum:	
Gold, Heather	Gumper, Frank
Ouye, K.G.	Parrino, Cheryl
Sanders, Dr. Jay	
One member joined the meeting in progress:	
Rosenblum, Lisa	
Officers of the Corporation present:	
Haga, Robert – Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Gault, Bob	Mintz, Levin, Cohn, et al.
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.

ACTION ITEMS:

1. **USAC Financial Audit** – Ms. Parrino explained that in accordance with the rules, Arthur Andersen filed a draft of the USAC financial audit with the FCC on April 1, 1999. The agreed upon procedures audit should be completed by the end of the week of April 5, 1999.
2. **RHC Pre-Disbursement Audit** – Ms. Parrino briefed the Committee on the events that have led to the decision to once again engage Deloitte and Touche to perform the RHC pre-disbursement audit. Ms. Parrino explained that per Committee resolution of March 19, 1999, she contacted Deloitte and Touche to determine their reason for withdrawing from the bid for the audit and to pursue the recovery of the \$30,000 already paid to them. However, before they could get to the issue of the

recovery of the money, Deloitte and Touche indicated that they are still interested in the audit and wanted to work with USAC to do whatever is necessary to meet the expectations of USAC and the FCC.

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 12:23 p.m. for purposes of discussing a Confidential agenda item.

3. **Update on Negotiations with Mr. Lee Bailey** – Per Committee resolution of March 3, 1999, the position of President of the Rural Health Care Division was eliminated and the CEO of USAC was directed to discuss with Mr. Lee Bailey, the President of RHCD, the implementation of this decision. Ms. Parrino has been meeting with Mr. Bailey along with Mr. Gault of Mintz, Levin, Cohn, et al., USAC’s counsel and have failed to come to a resolution. Ms. Parrino asked Mr. Gault to give a brief history and outline of events to date regarding the negotiations, which Mr. Gault did.

On a motion duly made and seconded, the Executive Committee adopted the following resolution. Ms. Parrino and Dr. Sanders abstained.

RESOLVED, That the USAC Executive Committee directs the USAC CEO to send a letter to Mr. Bailey reducing his salary pursuant to the constraints put on USAC by the FCC regarding the reduction of administrative expenses of the Rural Health Care Program, rather than eliminating the position of President of the Rural Health Care Division.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:50 p.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

April 20, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) was held at The Westin Grand Hotel, 2350 M Street, N.W., Washington, D.C., on Tuesday, April 20, 1999. Ms. Lisa Rosenblum, Chair of the USAC Board of Directors, called the meeting to order at 8:43 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to Cheryl Parrino (CEO of USAC) called the roll for Mr. Robert Haga, Acting Secretary.

Four members were present, representing a quorum:	
Gold, Heather	Ouye, Kathleen
Parrino, Cheryl	Rosenblum, Lisa
Two members were absent:	
Gumper, Frank	Sanders, Dr. Jay
Other Board members present:	
Hess, Kevin	
Officers of the Corporation present:	
Haga, Robert – Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Bellucci, Vicky	MCIWorldCom
Harrison, Gina	NECA
Howard, Cathy	USAC
Kiser, Cherie	Mintz, Levin, Cohn, et al.
Levy, Ken	NECA
Mukhoty, Sumita	FCC – CCB
Ricker, John	NECA

ACTION ITEMS:

1. **Approval of Minutes** – On a motion duly made and seconded, the Committee approved the minutes, as distributed, of the Executive Committee meeting of Monday and Tuesday, January 25 & 26, 1999; Wednesday, March 3, 1999; Friday, March 19, 1999 (Ms. Ouye abstained); Thursday, March 25, 1999 (Ms. Ouye abstained); and Monday, April 5, 1999.
2. **The Status of the USAC Financial and Agreed Upon Procedures Audits for the Period September 17, 1997, to December 31, 1998** – Ms. Parrino reviewed the status of the financial audit of USAC being performed by Arthur Andersen. As part of that audit, the FCC recommended that Arthur Andersen also audit a number of carriers to determine the reliability of the revenue base that is used in setting the contribution factor. The cost of this audit is estimated to be \$100,000. Approval for the additional costs is required in order for the USAC CEO to go forward with the audit. Once a good audited base is established, Ms. Parrino envisions only conducting a financial audit like this once every two years, or if conducted annually, to use a smaller sample. The final cost for the audit is now estimated to be \$100,000 or more, which is more than the \$80,000 originally budgeted.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize the USAC CEO to pay for additional costs for the financial and agreed upon procedures audit, up to \$150,000, if actual costs exceed the estimate because of significant additional work with the FCC staff, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to authorize the USAC CEO to pay for additional costs for the supplemental audit of carriers books, up to \$150,000, if the costs of the supplemental audit exceed \$100,000, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to increase the budget by \$120,000 to reflect the current estimate of the audits.

3. **Report on Accounts Receivable and Collection Efforts** – Ms. Parrino reported that USAC staff continues to work with the FCC in pursuing those carriers that have not paid their Universal Service Bills. The FCC continues to periodically issue Notices of Apparent Liability.
4. **Revisions to the Pre-Merger Consolidated Budget** – Ms. Parrino reported that revisions were made to the pre-merger consolidated budget to reflect changes in amounts for the PricewaterhouseCoopers contract with the Rural Health Care Division and for USAC common costs that were allocated in error. She stated, however, that these revisions do not change the estimated annual budget as approved by the Board at the January 1999 quarterly meeting. The revisions only changed the merger savings, which decreased from 15 percent to 13 percent.
5. **3rd Quarter 1999 USAC Common Budget** – Ms. Parrino stated that on an annual basis, USAC is on target with the budget. She further noted that for the third quarter, common costs will be more for the High Cost and Schools and Libraries programs and significantly less for the Low Income and Rural Health Care programs due to a reallocation among programs. Other budget changes are a result of an

increase in audit expenses and an increase in payroll.

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

RESOLVED, That the USAC Executive Committee supports the recommendation made by the Rural Health Care Committee to reduce the second and third quarter budgets filed in the Report to reflect a reallocation of USAC common expenses other than compensation, and

RESOLVED FURTHER, That the USAC Executive Committee supports the recommendation made by the Rural Health Care Committee to increase the third quarter budget filed in the Report to reflect the allocation method for Billing and Collection that is currently authorized by the Commission, and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors approve a 3rd Quarter 1999 USAC common budget of \$663,500.

6. **3rd Quarter 1999 USAC Consolidated Budget** – Ms. Parrino reported that the actual costs for 1998 were less than the budgeted amount. Referring to Attachment B, Ms. Parrino provided revisions to reflect current amounts as provided by the Rural Health Care Division. Under the "Revised Annual Budget," "Outside Services" increased from \$2,115,600 to \$2,250,600, which changes the "Total Direct Costs" to \$34,168,000 and the "Total Consolidated" to \$37,125,000. Under the "Revised 3rd Quarter," "Outside Services" increased from \$388,000 to \$402,000, which changes the "Total Direct Costs" to \$7,841,100 and the "Total Consolidated" to \$8,592,300. USAC also needs to make an adjustment with the next quarterly filing to true up the difference between budgeted administrative costs collected and actual administrative expenses incurred.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 3rd Quarter 1999 USAC consolidated budget of \$8,592,300, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to seek clarification to ensure that the recommended true-up procedure is consistent with the rules.

7. **3rd Quarter 1999 Revenue Projection and Resolution on April 30, 1999, Filing with the FCC for the 3rd Quarter of 1999** – Ms. Parrino reviewed the information in the agenda item memo. She also informed the Committee of concerns expressed by members of the High Cost & Low Income Committee over the last sentence of the proposed resolution: "Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders." As Mr. Haga explained to the High Cost & Low Income (HCLI) Committee and as Ms. Parrino reiterated, there are approximately ten days between the Committee meeting and the filing date. The final numbers are based on the information USAC receives between the meeting and the filing date. The USAC

Committee and Board meetings are scheduled close to the filing date, so that staff can present numbers to the Board members that are as true as possible. The HCLI Committee members want to be informed of the variance between the projections approved and the actual projections filed. The Executive Committee agreed and directed staff to bring back to the next quarterly Committee meeting a history of the variance between approved numbers and actual numbers filed. The Committee will then evaluate the variance and determine whether further review is required.

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

RESOLVED, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for calendar year 1998, adjusted for revenues reported for January through June 1998, at its meeting on April 20, 1999, recommends to the USAC Board of Directors that the staff be authorized to proceed with the required April 30, 1999, filing to FCC on behalf of USAC. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders.

8. **Distribution of Excess Netting Credits Procedures** – Ms. Parrino explained that these procedures address the providers' concern that they are required to wait until the fund year-end to receive a distribution of program funds that exceed their Universal Service Fund contribution obligation for the Rural Health Care Program. The procedures also address the issue for any contributing service provider that has elected to net for the Schools & Libraries Program that wants to receive a direct reimbursement of excess support in advance of year-end. Mr. Haga said that USAC wants to calculate the estimated reimbursement before the fund year-end by using the first quarter contribution numbers to project the total contributions for the entire year. There is also the question as to why the providers have to have eligible telecommunications carrier (ETC) status for the Rural Health Care Program but not for the Schools & Libraries Program. The FCC is reviewing the ETC issue.

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

RESOLVED, That the USAC Executive Committee, having reviewed the Distribution of Excess Netting Credits Procedure at its meeting on April 20, 1999, recommends to the USAC Board of Directors that the staff be authorized to proceed with implementation of the stated procedures for processing the distribution of excess netting credits to ETCs under the Rural Health Care Program and contributing Service Providers electing to net for the Schools & Libraries Program.

9. **Form 457 Reported Revenue Decreases Greater than 45 Percent** – Mr. Haga explained that this issue stems from a review of the six-month revenues (January – June 1998) as reported on FCC Form 457. While it is normal for revenues to fluctuate from filing to filing, some companies are reporting a decrease in total revenues greater than 45 percent from the same period one year prior. The use of the 45 percent range has no significance other than that seemed to be where there was a good cutoff point. USAC will be sending letters to the delinquent companies requesting documentation to support the revenues reported.

10. **Authorization for Purchase of Computer Equipment** – Mr. Haga explained that when USAC merged, a Request for Proposal (RFP) was issued to solicit computer vendors for a system for the merged entity. Internet Intelligence Group of Maryland was chosen for computer products and helpdesk support based on price and the ability to meet the requirements in the RFP. In an effort to avoid obsolescence of computer equipment, upgrades will be necessary on an ongoing basis. The total cost of computers is now estimated to be above \$100,000, which requires Board authorization. USAC is requesting approval for a capped amount of \$175,000 to cover the entire package and any unexpected additional costs.

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

RESOLVED that, the USAC Executive Committee recommends to the USAC Board of Directors that the Chief Executive Officer be given authorization to approve all expenses or contracts valued at or below a 1999 annual amount of \$175,000 for computer hardware and software.

11. **Seeking Tax Exempt Status for USAC** – Ms. Parrino stated that USAC has evaluated the benefits of filing for tax exempt status. USAC would realize a small savings in costs by gaining this status. The Board directed staff to seek input from the FCC and NECA and to report their findings at the next quarterly meeting.
12. **Report on FCC Form 457 Late Filing Fee** – Ms. Parrino reported that although there is not much data to work with yet and the letters went out later than anticipated, the late filing fee seems to have had an impact on the carriers that were notified of the penalty if their filings were late. All the major contributors reported on time. Approximately \$100,000 in late fees has been assessed thus far.

On a motion duly made and seconded, the Committee unanimously agreed to go into Executive Session at 9:15 a.m. Eastern Time for purposes of discussing Confidential agenda items.

On a motion duly made and seconded, the Executive Committee unanimously agreed to go into Open Session at 10:00 a.m. Eastern Time for purposes of reporting actions taken during Executive Session.

13. **Organizational Structure** – Ms. Rosenblum reported the action taken during **Executive Session**.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to realign salaries for the new corporate structure over time rather than by realigning all salaries on January 1, 2000. Realignment would occur in either of two ways: (1) by freezing the salaries that are above comparable salaries or above the range for the position level until inflation brings the salary within the appropriate range, or (2) by filling vacancies at the appropriate salary level, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to approve the proposed position levels and the recommended salary ranges for those position levels, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt a policy that pay increases will be awarded based solely on merit, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt a range of 0-6 percent for increases for 1999, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors to adopt a policy that allows management to award pay increases as either an increase to the base salary or a lump sum payment.

14. **CEO Contract** – Ms. Rosenblum reported that no action was taken on this issue. Ms. Kiser gave Board members an update on the contract negotiations and will circulate a draft copy of the contract to the Board members when it is ready.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:05 a.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

July 22, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Executive Committee was held on Thursday, July 22, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee, called the meeting to order at 12:05 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

All six members were present, representing a quorum:	
Gold, Heather	Ouye, Kathleen
Parrino, Cheryl	Rosenblum, Lisa
Gumper, Frank	Sanders, Jay
Officers of the Corporation present:	
Haga, Robert – Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Barash, Scott	USAC
Faunce, Donna	USAC
Kiser, Cherie	Mintz, Levin
Ricker, John	NECA

ACTION ITEMS:

- 1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the meeting of April 20, 1999, as distributed. Mr. Gumper abstained from voting on the motion since he was not available to participate in the April meeting.
- 2. Criteria for Determining Whether a Financial Interest Constitutes a Conflict of Interest.** Ms. Parrino discussed the Code of Ethics for USAC employees adopted by the Board of Directors on October 20, 1998, and the need for guidelines to be used in determining whether a conflict of interest exists. Mr. Gumper expressed concern that the \$5000 level for a financial interest may be too low; however, he thought that the guidelines provided enough flexibility and he favored adoption. 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 proposed guidelines for determining if a conflict of interest exists for employees having a financial interest greater than \$5000 in one of the stakeholders of the programs that USAC administers.

3. **Establishment of a Training and Education Policy for USAC.** Ms. Parrino noted that the budget approved by the Board of Directors presently includes funds for training of personnel. This item would not represent the need for additional funds, but rather would provide USAC with a policy for use of those funds. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee reviewed the proposed *Training and Education Policy* and recommends that the USAC Board of Directors approve the policy for USAC employees.

4. **Policy on Board Member Attendance at Board Meetings.** Ms. Parrino informed the Committee that recommendations have been made encouraging USAC to adopt a policy concerning Board member attendance consistent with the policies of other non-profit corporations. Ms. Parrino reviewed possible policies based either on consecutive number of Board meetings missed or a percentage of Board meetings missed over a certain period. Further discussion led to the adoption of an amendment to the resolution to establish a policy based on percentage of Board meetings missed over a certain period. 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 adopt the following policy regarding Board member attendance at board meetings:

- Directors should not miss more than one-half (1/2) of the number of regular or special Board meetings (either in person or by telephone) held in any twelve (12) month period, unless the USAC Board Chairman provides an exception for illness or other good reason.
 - USAC shall inform the FCC Chairperson if a director misses more than one-half (1/2) of the number of Board meetings in any twelve (12) month period and shall seek his or her guidance.
5. **Criteria for and the Selection of a USAC Secretary and Treasurer.** Ms. Parrino briefly discussed the proposed criteria. Members of the Committee then discussed the duties to be carried out by the Secretary and Treasurer and whether these positions would be more appropriately undertaken by the Directors or the Officers of the Corporation. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC Executive Committee, after reviewing the proposed criteria, recommends that the USAC Board of Directors adopt the criteria for use in selecting a Secretary and a Treasurer, and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors determine to fill the positions of Secretary and Treasurer with staff officers elected by the Board, and

RESOLVED FURTHER, That the USAC Executive Committee recommends that the USAC Board of Directors elect Mr. D. Scott Barash as Secretary and Mr. Robert Haga as Treasurer of the Universal Service Administrative Company.

6. **4th Quarter 1999 Common and Consolidated Budget.** Ms. Parrino recommended that the Committee approve the 4th Quarter 1999 Common and Consolidated Budget and noted that it included an accounting procedure change that would include the NECA costs associated with data collection for the High Cost Program as a USAC expense. The Committee expressed concern that these costs are not within USAC's control. Members of the Committee approved the accounting procedure change but indicated that the Board should make it clear in all FCC filings and financial statements that the Board of Directors has no control over this expense because FCC Rules require that NECA perform this task. The Committee directed staff to talk to FCC staff about the change in the accounting procedure and the ability to give USAC control over these expenses. 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 approval of a 4th Quarter 1999 USAC common budget of \$718,500, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the USAC Board of Directors approval of a 4th Quarter 1999 USAC consolidated budget of \$9,140,800.

Information Items

1. **Contract Review.** Mr. Haga informed members of the Executive Committee that a Contract Review information item would be forwarded to them for consideration prior to the Board meeting on Tuesday, July 27, 1999.

There being no further business to attend to, the meeting was adjourned at 12:45 p.m. Eastern Time.

Robert W. Haga
Acting Secretary/Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING****August 30, 1999****MINUTES**

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, August 30, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee called the meeting to order at 12:12 p.m. Eastern Time. Ms. Donna Faunce called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Five members were present, representing a quorum:	
Rosenblum, Lisa	Parrino, Cheryl
Gold, Heather	Sanders, Jay
Gumper, Frank	
One member joined the call in progress:	
Ouye, K.G.	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary and Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Faunce, Donna	USAC
Pozo-Olano, Jodie	USAC

ACTION ITEMS:

- 1. Approval of the Outline and Plan for the Two-Year Annual Report to the FCC.**
Mr. Blackwell briefly described the FCC Order directing USAC to prepare an annual report. Mr. Blackwell said that the draft outline before the Committee included all of the information required by the FCC except for detail concerning contractor performance. Ms. Pozo-Olano further described the information that would be presented in the report. The Committee recommended streamlining the Report, and recommended that national data be used along with some illustration. The Committee asked the staff to prepare a shorter "handout" document (approximately

five pages) for the Board to use at their meetings with the FCC Commissioners and legislators in October. This handout should include the information regarding the USAC streamlining and efficiencies and the information in Sections II and V of the annual report. The handout should consist of text with headers to highlight key points. The Committee agreed to meet again in one or two weeks to approve the outline for the handout. The Committee suggested that staff prepare individual packets for each Commissioner and each Member of Congress that the Board plans to visit in October.

Information Items:

1. **NECA Contract Renewal Issues.** Ms. Parrino introduced and discussed long-term goals for structuring USAC's outsourcing and provided the Committee with an update of the status of the discussions with NECA and other potential vendors. Ms. Parrino then provided the Committee with information concerning USAC's Request for Information and the response that was submitted and discussed potential transition costs and operational impacts. The Committee recommended that the information received in the Request for Information (RFI) be used as a benchmark in the negotiations and indicated that it continues to support a competitive process. The Committee supported the staff recommendation to continue with the course of action approved at the Board meeting and to report back to the Committee and the Board in October.
2. **Miscellaneous.** The Committee briefly discussed proposed meetings in October scheduled to coincide with the Quarterly Board Meeting and USAC's two-year anniversary.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:58 p.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

September 14, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Tuesday, September 14, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee called the meeting to order at 12:32 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary called the roll.

Four members were present, representing a quorum:	
Rosenblum, Lisa	Parrino, Cheryl
Gumper, Frank	Sanders, Jay
Two members joined the call in progress:	
Gold, Heather	Ouye, K.G.
Officers of the Corporation present:	
Haga, Robert - Acting Secretary and Treasurer	
Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Faunce, Donna	USAC
Pozo-Olano, Jodie	USAC

ACTION ITEMS:

- 1. Procedures for Requesting Approval and Reimbursing Board Members to Attend Events Other Than Board Meetings.** Ms. Parrino informed the Committee that procedures were needed to implement the direction USAC had received from the FCC concerning reimbursement of expenses to Board Members for events other than Board Meetings. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee approves the procedures and Request for Approval form reviewed at its September 14, 1999 Committee meeting for approving and reimbursing USAC Board of Directors for attending events other than Board Meetings.

2. **Revised Outline for the USAC Anniversary Report.** Mr. Blackwell and Ms. Pozo-Olano briefly described the revised outline for the USAC Anniversary Report. Members of the Committee expressed their support for the revised outline. On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee approves the revised outline and format for the USAC Anniversary Report as reviewed at its September 14, 1999 Committee meeting.

Information Items:

1. **Agenda for FCC Chairman Kennard's Visit to the USAC Office on October 25.** The Committee discussed the agenda for the FCC Chairman's visit to the USAC office. Committee members expressed their desire to keep presentations informal and interactive. Further, the Committee decided that Committee chairs should make the presentations and that all Board members should be invited to participate in an open session, rather than dividing time between the Committees of the Board.
2. **Meetings Scheduled with FCC Commissioners and Legislators for Executive Committee members.** Mr. Blackwell provided a brief update concerning efforts to schedule meetings for the Executive Committee members following the October Board meetings.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 12:58 p.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

October 4, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, October 4, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee called the meeting to order at 11:14 a.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Four of the six members were present, representing a quorum:	
Gumper, Frank	Rosenblum, Lisa
Parrino, Cheryl	Sanders, Jay
One member joined the call in progress:	
Ouye, K.G.	
One member was absent:	
Gold, Heather	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer & VP of Operations	Moore, Kate - President of the Schools & Libraries Division
Others present for the meeting:	
Name	Company
Barash, Scott	General Counsel
Blackwell, Mel	USAC
Howard, Cathy	USAC

The Executive Committee immediately went into Executive Session for purposes of discussing **Confidential and Proprietary** agenda items. The following is the action taken during the Executive Session.

ACTION ITEMS:

1. **Selection of Public Accounting Firm for Performance of the 1999 USAC Audit.** Ms. Parrino informed the Committee that the Schools & Libraries Audit Subcommittee and the Rural Health Care Committee, respectively, each met earlier this 4th day of October to approve the recommendation to the Executive Committee that Arthur Andersen be engaged to perform the operational and beneficiary audits of the Rural Health Care and Schools & Libraries Programs, and both did subsequently approve the recommendation. On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the Executive Committee, having reviewed all three proposals submitted in response to USAC's Request for Proposals, and upon the recommendations of the Rural Health Care Committee and the Schools and Libraries Audit Subcommittee, has determined to engage Arthur Andersen for the 1999 USAC Audit of its financial statements and an agreed-upon procedures audit of its internal control environment for all of its functions, and

FURTHER RESOLVED, That the Executive Committee, having reviewed all three proposals submitted in response to USAC's Request for Proposals, and upon the recommendation of the Rural Health Care Committee and Schools and Libraries Audit Subcommittee, has determined to engage Arthur Andersen for the 1999 beneficiary audit of the Rural Health Care and Schools and Libraries Programs.

Ms. Parrino stated that she is preparing a document for all the Board members that details the cost of each audit of USAC at the direction of the Rural Health Care Committee. The Executive Committee agreed that this should be done.

2. **Committee Approval of the Contingent Purchase of Customer Location Input Data for the Hybrid Cost Proxy Model (HCPM).** Ms. Parrino informed the Committee that the High Cost & Low Income Committee met on October 1, 1999, to approve the following recommendation to the Executive Committee. On a motion duly made and seconded, the Executive Committee adopted the following resolution:

RESOLVED, That the USAC Executive Committee, having reviewed the proposed cost of the Road Surrogate customer location input data, and upon the recommendation of the High Cost & Low Income Committee, authorizes up to \$220,000 for the purchase of the data contingent upon the FCC adopting its use in the Hybrid Cost Proxy Model.

Information Items:

1. **NECA Contract Renewal Issues.** The Committee discussed the status of the contract renewal. The Committee agreed to meet again after October 7 to discuss this item further as new information is expected on October 7.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 11:47 a.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

October 21, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Thursday, October 21, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee, called the meeting to order at 2:04 p.m. Eastern Time. Mr. Robert Haga, Acting Secretary, called the roll.

Five of the six members were present, representing a quorum:	
Gold, Heather	Rosenblum, Lisa
Gumper, Frank	Sanders, Jay
Parrino, Cheryl	
One member joined the meeting in progress:	
Ouye, K. G.	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	Moore, Kate - President of the Schools & Libraries Division
Others present for the meeting:	
Name	Company
Barash, Scott	USAC
Blackwell, Mel	USAC
Howard, Cathy	USAC
Thurber, Steve	Mintz, Levin, et al.

ACTION ITEMS:

- 1. Approval of the Minutes.** On a motion duly made and seconded, the Committee unanimously approved the minutes of the meeting of July 22, August 30, and September 14, 1999, as distributed, and approved the minutes of the meeting of October 4, 1999, with the changes as noted at the meeting. (Ms. Gold abstained from voting on the October 4 minutes since she was not available to participate in that meeting.)

2. **Selection of a USAC Secretary and Treasurer.** Ms. Parrino explained the reasoning behind the resolutions as set forth in the agenda item. She stated that several Board members have indicated an interest in one or both of these officer positions. She noted that the USAC By-laws allow for a Board member to hold more than one officer position; however, the Executive Committee members agreed that two different members should hold each position in order to avoid overburdening any one member. The Executive Committee also agreed that the assistants should be elected rather than personally chosen by the elected Officer to avoid a turnover of assistants as Board members either resign or depart the Board. The Executive Committee recognized that the By-laws require an annual election of officers; however, they expressed a desire for officers to hold the position for a minimum of two years given that the Board only meets quarterly and it would probably take a couple meetings to feel comfortable with the new position.

The Executive Committee discussed two options for the start of the terms: (1) put forth a new slate of officers in January 2000 for a two-year term, or (2) put forth a slate to fill the vacancies only at the January 2000 meeting and then elect all new officers in January 2001 as six of the board member terms are up then and it would seem logical to keep all the officer two-year terms in line with each other. Recommendations will be brought forth at the January 2000 quarterly meeting.

As to the Nominating Committee, Ms. Parrino suggested that the Committee should consist of Board members not interested in holding either of the two Officer positions and that the membership should be a balance of representation of the Board members. The Executive Committee amended the second resolution to reflect its direction to Ms. Parrino to contact certain members of the Board to ascertain their willingness to sit on the Nominating Committee.

On a motion duly made and seconded, the Committee voted 5-1 to adopt the following resolution:

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors determine that the position of USAC Treasurer and USAC Secretary will be held by two different Board members and that the positions of USAC Assistant Treasurer and USAC Assistant Secretary will be held by staff members.

On a motion duly made and seconded, the Committee voted unanimously to adopt the following amended resolution:

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors request that the Chair of the Board of Directors appoint a Nominating Committee to bring a recommended slate of candidates or candidate for the position of Secretary and a recommended slate of candidates or candidate for the position of Treasurer to the Board of Directors for its consideration at its January 25, 2000, Board meeting, and directs Ms. Parrino to contact Board members Mr. Wheeler, Mr. Hess, Mr. Lineberry, and Ms. Hogerty to determine if they are willing to serve on the Nominating Committee.

On a motion duly made and seconded, the Committee voted unanimously to adopt the following resolution:

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors request the Nominating Committee to place Mr. D. Scott Barash on the ballot for Assistant Secretary and Mr. Robert Haga on the ballot for Assistant Treasurer of the Universal Service Administrative Company.

3. **Modification of USAC Investment Guideline.** Ms. Parrino informed the Committee that this issue is before the Committee because of a question raised by a staff member of the FCC regarding a possible conflict of interest in our investment guidelines when USAC investment managers invest in firms that contribute or receive monies from the Universal Service Fund, specifically in the firms' commercial paper. After investigating the matter, she said that staff felt there is no conflict since USAC investment personnel have no relation to program operations and USAC obtains no equity or voting interest in an issuer. Ms. Parrino also stated that by further restricting USAC's investments, the earnings that could be achieved would be limited.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to retain the existing USAC investment guidelines, which allow short-term investments in commercial paper issued by fund participants.

4. **Approval of Contracting and Bidding Timeline.** See Executive Session.
5. **Approval of Staff Recommendation Regarding Tax-Exempt Status.** Ms. Parrino reported that after extensive investigation into the matter of whether USAC should file for tax-exempt status, it was determined that it is not advisable due to the small savings USAC would gain and the uncertainty of whether USAC could qualify under one of the exemptions. The FCC expressed no opinion on whether USAC should seek such status.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve the recommendation of USAC staff that USAC should not seek tax-exempt status at this time.

6. **Approval of 1st Quarter 2000 USAC Common and Consolidated Budget and Information on Estimated 2000 Budget.** Ms. Parrino distributed a revised Attachment C, Consolidated Budget spreadsheet, which now has the explanations fields filled in. She also distributed a revised resolution noting the correct consolidated budget amount.

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

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to approve a 1st Quarter 2000 USAC common budget of \$733,000, and

RESOLVED FURTHER, That the USAC Executive Committee recommends to the

USAC Board of Directors to approve a 1st Quarter 2000 USAC consolidated budget of \$~~10,907,000~~11,876,900.

7. **Approval of a Statement of Ethical Conduct for Members of the USAC Board of Directors.** Ms. Parrino expressed that she felt that this document has been much improved since the draft document submitted to the Board in January 1999; it addresses the uniqueness of the makeup of the Board.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve the proposed *Statement of Ethical Conduct for Members of the USAC Board of Directors*.

8. **Ethics Disclosures by Three Employees of a Financial Interest of \$5,000 or More.** See Executive Session.
9. **Miscellaneous.**

None.

Information Items:

1. **Agenda for Visits to the FCC Commissioners and Congresspersons.** Mr. Blackwell will have packets of information about USAC ready for the Executive Committee to take with them to give to the Commissioners and Congresspersons. Ms. Parrino reported that Commissioner Tristani is unable to meet with the Committee but that her assistant will be available.
2. **Contract Review.** See Executive Session.
3. **Miscellaneous.** Mr. Haga reported that the FCC revised the contribution rules in accordance with the Fifth Circuit decision. The FCC has initiated a stopgap measure in which the carriers will file their revised revenue amounts excluding international revenues if their interstate revenue is less than 8 percent of their total interstate and international revenue. The FCC stated the filing should be made by December 1, 1999, and requested that USAC file a letter with the FCC with the revised contribution base before December 10 so that the FCC will use the revised numbers for the 1st Quarter 2000 contribution factors. Committee action to approve the new numbers will be required sometime in early December 1999.

On a motion duly made and seconded, the Committee unanimously voted to go into **Executive Session** at 2:47 p.m. Eastern Time for purposes of discussing USAC contracts and ethics disclosures by three USAC employees.

Executive Session:

a4. Approval of Contracting and Bidding Timeline.

i2. Contract Review.

Ms. Parrino combined these two items in discussion as the bidding timeline is affected by USAC contracts. She provided a summary of the status and the rationale for the suggested timeline.

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

RESOLVED, That the USAC Executive Committee recommends that the USAC Board of Directors approve the contracting and bidding timeframe set forth herein.

a8. Ethics Disclosures by Three Employees of a Financial Interest of \$5,000 or More. The Executive Committee reviewed the analysis presented by staff.

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

RESOLVED, That the Executive Committee determines that the USAC CEO and General Counsel have properly applied the USAC Code of Ethics and the guidelines adopted by the USAC Board of Directors for determining whether a financial interest exceeding \$5000 constitutes a conflict of interest in the cases of three USAC employees as presented before the Executive Committee this day.

There being no further business to attend to, the meeting was adjourned at 3:08 p.m. Eastern Time.

Robert Haga
Acting Secretary and Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

December 6, 1999

MINUTES

A special meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held on Monday, December 6, 1999, via telephone conference call. Ms. Lisa Rosenblum, Chair of the Committee, called the meeting to order at 2:06p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

All six members were present, representing a quorum:	
Gold, Heather	Gumper, Frank
Ouye, K.G.	Parrino, Cheryl
Rosenblum, Lisa	Sanders, Dr. Jay
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Barash, Scott	General Counsel
Howard, Cathy	USAC

ACTION ITEMS:**1. Resolution on Revisions to Contribution Base and Updated Schools and Libraries Program Data for the First Quarter 2000 for Filing with the FCC.**

Ms. Parrino informed the Committee that it was necessary to revise the revenue base for USAC's 1st Quarter 2000 projections that was filed with the FCC on November 2 because of this summer's decision by the United States Court of Appeals for the Fifth Circuit in which it directed the FCC to provide an exemption for carriers which had minimal international revenues. The FCC ordered carriers to file a request for exemption with USAC by December 1.

Ms. Parrino stated that the revised filing also includes revised High Cost numbers to adjust for changes approved by the High Cost and Low Income Committee during its December 1, 1999, conference call, and an estimate of the remaining funds from Year 1 for the Schools & Libraries Program.

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

RESOLVED, That the USAC Executive Committee, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1999, authorizes staff to proceed with filing the revisions with the FCC on behalf of USAC as soon as possible. If the revenue estimate in the filing varies from the revenue estimate included in Board materials by an amount greater than \$2.5 billion, staff will seek Executive Committee approval to file the revised revenue estimate.

2. **Miscellaneous.** No issues were brought to the attention of the Committee.

Information Items:

1. **Update on USAC Annual Report Outline and Timeline.** Ms. Parrino stated that the outline has not changed much since the document shown them at the last quarterly meeting. A draft of the report should be available at the next quarterly meeting in January 2000 and a final report by the end of February 2000. The report is due to the FCC by March 31 of each year. USAC welcomes Board member comments.
2. **Corporate Financial and Legal Issues.** With the consent of the Board, the Chair deferred this item until the end of the Agenda. See Executive Session.
3. **Status of Request for Proposal for the Administration of the Rural Health Care Program and the Schools & Libraries Program.** Mr. Barash reported that the process is on schedule. Outreach efforts have been made to locate potential vendors. The big five accounting firms have been contacted in addition to other major vendors.
4. **Miscellaneous.**
 - o Ms. Parrino and Mr. Haga explained that the FCC issued a Public Notice on October 27, 1999, seeking comments on procedures for collecting data for long-term local number portability, numbering administration, telecommunications relay services, and universal service support mechanism. USAC also filed a letter with the FCC seeking to be designated as the entity responsible for the data collection for these programs. Several entities filed comments, and USAC plans to file reply comments consistent with the Boards direction on this matter. The FCC has yet to rule on the issue.

The Executive Committee went into Executive Session at 1:18p.m. for purposes of discussing corporate financial and legal issues.

Executive Session:

2. **Corporate Financial and Legal Issues.**

On a vote by acclamation, the Executive Committee **directed** USAC staff to provide the Committee with a copy of the legal advice forthcoming from outside counsel on the corporate financial and legal issues discussed by the Committee.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 2:43 p.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

December 22, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held by telephone conference call on Wednesday, December 22, 1999. Mr. Frank Gumper, Vice-chair of the Committee, called the meeting to order at 3:06p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Five of the six members were present, representing a quorum:	
Gold, Heather	Parrino, Cheryl
Gumper, Frank	Sanders, Dr. Jay
Ouye, K. G.	
The Chair arrived while the meeting was in progress and assumed the duties of the Chair at that time:	
Rosenblum, Lisa	
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	
Others present for the meeting:	
Name	Company
Barash, Scott	General Counsel
Howard, Cathy	USAC
Pryor, Michael	Mintz, Levin, Cohn et. al.

ACTION ITEMS:

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

Executive Session

Information Items:

1. **USAC Financial Issues.** Mr. Barash explained to the Committee that, pursuant to the Committee's request, Mr. Pryor, USAC's outside counsel, would be presenting legal advice to the Committee concerning financial reporting matters. The Committee discussed with Mr. Pryor and Mr. Barash the information presented.

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

RESOLVED, That the USAC Executive Committee, having discussed these financial reporting matters with counsel, directs USAC counsel to prepare a written analysis of these issues for submission to the Federal Communications Commission staff members. The Committee further DIRECTED the Chair of the Committee to investigate the possibility of meeting with the Chairman's office concerning these financial reporting issues.

2. **Investment in Government Instruments.** The Committee discussed with counsel the USAC Investments Policy in light of the possible outcomes of the financial reporting issues discussed previously. (See Item 1.)
3. **Status of Billing, Collection, and Disbursement Request for Proposals (RFP).** The contracting and bidding timeline previously approved by the Committee called for an RFP to be issued in January 2000 for USAC's billing, collection, and disbursement work. USAC staff recommended a delay in the issuance of this RFP until after the financial reporting issues discussed above are resolved. (See Item #1.)

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

RESOLVED, That the USAC Executive Committee determined to delay the issuance of the Billing and Collection RFP until certain USAC financial issues are resolved.

4. **Makeup of the Executive Committee.** Ms. Parrino informed the Committee that the USAC Nominating Committee is recommending a restructuring of the Executive Committee from a six-member committee consisting of the chair of the Board of Directors, the chairs of the Committees, an at large representative, and the CEO of USAC, to a nine-member committee consisting of the chairs of the Committees, the four officers of USAC-chair, vice-chair, secretary, and treasurer, the most recent past chair of the Board of Directors, and the CEO of USAC.

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

RESOLVED, That the USAC Executive Committee directs the USAC Nominating Committee to forward to the USAC Board of the Directors the recommendation to restructure the Executive Committee from a six-member committee consisting of the chair of the Board of Directors, the chairs of the Committees, an at large representative, and the CEO of USAC, to a nine-member committee consisting of the chairs of the Committees, the four officers of USAC-chair, vice-chair, secretary, and treasurer, the most recent past chair of the Board of Directors, and the CEO of USAC.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 4:08 p.m. Eastern Time.

Robert Haga
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**EXECUTIVE COMMITTEE MEETING**

December 30, 1999

MINUTES

A meeting of the Executive Committee of the Universal Service Administrative Company (USAC) Board of Directors was held in by telephone conference call on Thursday, December 30, 1999. Ms. Lisa Rosenblum, Chair of the Committee, called the meeting to order at 1:04 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Four of the six members were present, representing a quorum:	
Gumper, Frank	Rosenblum, Lisa
Parrino, Cheryl	Sanders, Dr. Jay
One member arrived while the meeting was in progress:	
Gold, Heather	
One member was absent:	
Ouye, Kathleen	
Other Board members present:	
Name	Company
Bryant, Anne	National School Board Association
Eichler, Ed	Pigeon Telephone Co.
Hogerty, Martha	Missouri Public Counsel
Thoms, Allan	Iowa Utilities Board
Wheeler, Tom	Cellular Telecommunications Industry Association
Others present for the meeting:	
Name	Company
Barash, Scott	General Counsel
Howard, Cathy	USAC

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

Executive Session: Information Items

1. **USAC Financial Issues.** The Committee discussed the legal advice presented to the Committee by outside counsel concerning USAC financial reporting matters and prepared an agenda for a conference call with Ms. Kathryn Brown of the Federal Communications Commission scheduled for January 3, 2000.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 2:00 p.m. Eastern Time.

Robert Haga
Acting Secretary