

USAC

UNIVERSAL SERVICE
ADMINISTRATIVE CO

1201 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20004

RECEIVED

DEC 1 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Robert Haga
Attorney

Voice: (202) 661-4695
Fax: (202) 661-4784
E-mail: rhaga@universalservice.org

December 1, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
TW-A325
Washington, D.C., 20554

In Re: Third Report and Order in CC Docket 97-21/^{Fourth} Order on Reconsideration in CC docket No. 97-21, and Eighth Order on Reconsideration in CC Docket 96-45, FCC 98-306, released November 20, 1998

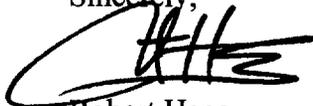
Dear Ms. Salas:

Pursuant to the Commission's November 19, 1998, Order and Part 54.701 (c) and (d) of its rules (47 C.F.R. § 54.701(c) & (d)), I am filing draft copies of all documents necessary to effectuate the merger, as well as draft copies of amended by-laws and amended articles of incorporation.

These documents necessary to effectuate the merger are the Merger Agreement, Resolutions adopted by each of the Boards, Notices of meetings to adopt the Merger Agreement, and the Certificate of Merger. The By-laws and articles of incorporation are also attached separately.

Please contact me if you have any questions or if you require any additional information.

Sincerely,



Robert Haga

No. of Copies rec'd 0+2
List A B C D E

Attachments

cc: Larry Strickling
Lisa Zaina
Lisa Gelb
Melissa Waksman
Lisa Boehley
Sharon Webber

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER dated as of December 11, 1998, by and among the signatories hereto, including: (1) Universal Service Administrative Company, a Delaware stock corporation ("USAC"), and (2) one or both of: Rural Health Care Corporation, a Delaware nonstock nonmember corporation ("RHCC"), and Schools and Libraries Corporation, a Delaware nonstock nonmember corporation ("SLC"). (The signatories hereto may sometimes be referred to herein individually as a "Party" and collectively as the "Parties.")

To effect a merger of the Parties and in consideration of the mutual covenants and agreements set forth herein the Parties hereby agree to the terms and conditions of the merger and the mode of carrying the same into effect as follows:

1. Merger of RHCC and SLC into USAC

At the Effective Time (as defined), each Party other than USAC ("Non-surviving Corporation(s)") shall be merged (the "Merger") with and into USAC, which shall be the Merger's surviving corporation, all pursuant to the provisions set forth in Paragraph 9. The corporate existence of USAC shall continue unaffected and unimpaired by the Merger.

At the Effective Time, the separate corporate existence of Non-surviving Corporation(s) shall cease and thereupon Non-surviving Corporation(s) and USAC shall be a single corporation, USAC (hereinafter sometimes referred to as the "Surviving Corporation"). The Surviving Corporation shall be governed by the laws of the State of Delaware.

2. Vesting of Assets and Liabilities of the Parties in USAC

At the Effective Time, all rights, immunities, privileges, powers and franchises of each of the Parties, both of a public and a private nature, all property, real, personal and mixed, all debts due on account, and all other things in action or belonging to each of the Parties, and each and every other interest, shall vest in the Surviving Corporation without further act or deed as effectually as they were vested in the Parties. The Surviving Corporation shall thereafter assume and be responsible for all debts, liabilities, obligations and duties of each of the Parties. All debts, liabilities, obligations and duties shall thereafter attach to the Surviving Corporation and may be enforced against it to the same extent as if such debts, liabilities, obligations and duties had been incurred or contracted by it; but the liabilities of each Party or of their directors or officers shall not be affected, nor shall the rights of creditors thereof or of any person dealing with each Party, or any liens upon the property of any Party, be impaired by the Merger. All rights of creditors and all liens upon the property of the Parties shall be preserved unimpaired. Any action or proceedings pending by or against the Parties may be prosecuted to judgment the same as if the Merger had not taken place, which judgment shall bind the Surviving Corporation, or the Surviving Corporation may be proceeded against or substituted in its place. If at any time after the Effective Time the Surviving Corporation shall conclude that any further assignments or assurances in law or any other things are necessary or desirable to vest, perfect or confirm, on record or otherwise, in the Surviving Corporation, the title to any property or rights acquired or to be acquired by reason of, or as a result of, the Merger, Non-surviving Corporation(s) and the officers and directors of Non-surviving Corporation(s) shall execute and deliver all such proper deeds, assignments and assurances in law and do all things necessary or proper to vest, perfect or confirm title to such property or rights in the Surviving Corporation and otherwise to carry out the purpose of this Agreement, and the officers and directors of Non-surviving Corporation(s) and the officers and directors of the Surviving Corporation are fully authorized in the name of Non-surviving Corporation(s) or otherwise to take any and all such action.

3. Name

The name of the Surviving Corporation shall be Universal Service Administrative Company.

4. Certificate of Incorporation

The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of USAC except that at the Effective Time Article 3 shall thereupon be amended to read in its entirety as do Article 3 set forth in the Certificate of Incorporation, attached hereto as Appendix I, which Certificate of Incorporation, as amended hereby and so attached, is made a part of this Agreement with the same force and effect as if herein set forth in full. Such Certificate of Incorporation shall be the Surviving Corporation's Certificate of Incorporation until the same shall thereafter be amended from time to time in accordance with applicable law.

5. Bylaws

The Bylaws of the Surviving Corporation shall be as set forth in the Bylaws attached hereto as Appendix II. Such Bylaws shall be the Bylaws of the Surviving Corporation until the same shall thereafter be amended from time to time in accordance with applicable law, the Certificate of Incorporation of the Surviving Corporation and its Bylaws.

6. Directors of the Surviving Corporation

The initial members of the Board of Directors of USAC from and after the Effective Time shall include each person identified in Appendix III, subject to the Bylaws of the Surviving Corporation and any applicable laws or regulations.

7. Officers

At the Effective Time the persons identified in Appendix IV shall be the officers of the Surviving Corporation, in the indicated offices, and shall hold such offices, subject to the Bylaws of the Surviving Corporation, from and after the Effective Time.

8. Director and Office Vacancies

If at the Effective Time a vacancy shall exist in the Board of Directors or any of the offices of the Surviving Corporation, such vacancy shall thereafter be filled in the manner provided by the Bylaws of the Surviving Corporation.

9. Procedural Provisions

(a) *Submission to Vote*

This Agreement and Plan of Merger shall be submitted to the members of the board(s) of directors of Non-surviving Corporation(s) at meetings separately called for the purpose of approval and held in accordance with the General Corporation Law of the State of Delaware and the Certificates of Incorporation and Bylaws of Non-surviving Corporation(s).

This Agreement and Plan of Merger shall be submitted to the stockholder at a meeting called for the purpose of approval and held in accordance with the General Corporation Law of the State of Delaware and the Certificates of Incorporation and Bylaws of USAC.

(b) Effective Time of the Merger

Provided that the directors of Non-surviving Corporation(s) shall have met and shall have approved and adopted this Agreement and Plan of Merger by the vote of two-thirds of the total number of directors of each such corporation who have the right to vote and provided further that at a special meeting the stockholder of USAC shall have approved and adopted this Agreement and Plan of Merger and provided further that this Agreement and Plan of Merger or an appropriate certificate in respect thereof, has been filed in accordance with the General Corporation Law of the State of Delaware, the Merger shall become effective (the "Effective Time") when such documents are filed or at such later time as may be specified in such documents.

(c) Filing

This Agreement and Plan of Merger, or an appropriate certificate thereof, shall be filed with the Secretary of State of the State of Delaware.

10. Assets, Liabilities, Reserves, Accounts, etc.

At the Effective Time, the assets, liabilities, reserves and accounts of each Party shall be taken upon the books of the Surviving Corporation at the amounts at which they, respectively, are then carried on the books of such corporation, subject to such adjustments, or eliminations of intercompany items, if any, as may be appropriate in giving effect to the Merger.

11. Corporate Acts of Non-surviving Corporation(s)

All corporate acts, plans, policies, approval and authorizations of Non-surviving Corporation(s), their or its Board of Directors, committees elected or appointed by the Board of Directors, officers and agents, which were valid and effective immediately prior to the Effective Time shall be taken for all purposes as the acts, plans, policies, approvals and authorizations of the Surviving Corporation, and shall be as effective and binding thereon as the same were with respect to Non-surviving Corporation(s). The employees and agents of Non-surviving Corporation(s) shall become the employees and agents of the Surviving Corporation.

12. Termination

The Parties' obligation to effect the Merger shall be conditioned upon no statute, rule, regulation, executive order, decree or injunction having been enacted, entered, promulgated or enforced by any court or governmental authority that prohibits the consummation of the Merger on the terms contemplated hereby and all regulatory prerequisites to the Merger having been satisfied. This Agreement and the Merger shall be terminated and abandoned if such condition shall not have been satisfied by December 31, 1998. In the event of the termination and abandonment of this Agreement and the Merger pursuant to the provisions of this Paragraph 12, this Agreement shall become void and have no effect, without any liability on the part of any of the Parties, or their directors or officers, in respect thereof.

13. Certificate Holders

Non-surviving Corporation(s) have not issued any certificates evidencing capital contribution. USAC's sole stockholder shall be the sole stockholder of the surviving corporation.

14. Miscellaneous

(a) *Governing Law*

This Agreement and Plan of Merger shall be construed in accordance with the laws of the State of Delaware.

(b) *Notice of Material Facts*

Each Party shall give to the other Parties prompt notice of any claim, event or transaction that would or does materially and adversely affect its business, properties, operations or financial condition.

(c) *Cooperation in Carrying Out Agreement*

The Parties agree to cooperate in carrying out the provisions of this Agreement and Plan of Merger to the end that the Merger contemplated herein may be duly consummated, and to carry on business and conduct their affairs in, and only in, the usual and customary manner in accordance with law and in accordance with past practice.

(d) *No Rights or Remedies in Third Parties*

Except as otherwise expressly provided in this Agreement and Plan of Merger, nothing herein expressed or implied is intended, or shall be construed, to confer upon or to give any person, firm or corporation other than the Parties any rights or remedies under or by reason of this Agreement and Plan of Merger.

(e) *Indemnification*

For a period of six years after the Effective Time, (i) all rights to indemnification existing as of the Effective Time in favor of the current and former directors, officers and employees of the Parties as provided for in the Certificates of Incorporation, Bylaws and board resolutions of each Party shall continue in full force and effective in respect of such persons; and (ii) the Surviving Corporation shall maintain in effect coverage at least equivalent to the policies of directors' and officers' liability insurance maintained by each Party at the Effective Time; *provided, however,* that the Surviving Corporation shall not be obligated to pay premiums with respect to officer and directors of Non-surviving Corporation(s) in excess of 150% of the amount per annum that Non-surviving Corporation(s) paid for policies as in effect on September 1, 1998.

15. Execution of Counterparts

This Agreement and Plan of Merger may be executed in any number of counterparts.

16. Entire Agreement

This Agreement and Plan of Merger shall constitute the entire agreement among the Parties with respect to the subject matter hereof.

17. Severability

In the event that, for any reason, any provision of this Agreement and Plan of Merger is construed to be invalid, the invalidity of such provision is not to be considered or held to impair or invalidate any other provision of this Agreement and Plan of Merger.

18. Filing of Required Documents

The Parties hereby agree to cause the filing in a timely manner of such documents as are required, in the opinion of their respective counsel, to be filed with any applicable governmental authority.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been executed effective as of the day and year first above written.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been adopted and certified by each Party and re-executed in accordance with the Delaware Corporation Law.

oOo

SCHOOLS AND LIBRARIES CORPORATION
(a Delaware nonstock corporation)

By _____
[Name] [Title]

Certified:

[Name] [Secretary]

RURAL HEALTH CARE CORPORATION
(a Delaware nonstock corporation)

By _____
[Name] [Title]

Certified:

[Name] [Secretary]

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
(a Delaware stock corporation)

By _____
[Name] [Title]

Certified:

[Name] [Secretary]

APPENDIX I

**CERTIFICATE OF INCORPORATION
OF
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

1. The name of the Corporation is UNIVERSAL SERVICE ADMINISTRATIVE COMPANY.
2. The Registered Office of the Corporation in the State of Delaware is to be located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The Registered Agent in charge thereof is CORPORATION TRUST COMPANY.
3. The purpose of the Corporation is to engage in any lawful act or activity, consistent with Federal Communications Commission ("FCC") Orders and Rules, for which corporations may be organized under the General Corporation Law of Delaware. The Corporation does not contemplate pecuniary gain or profit and is organized for nonprofit purposes.
4. The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) and all such shares shall be common stock with a par value of \$0.01 per share. The National Exchange Carrier Association, Inc. shall be the sole stockholder of the Corporation and shall act in compliance with the FCC Rules and Orders when exercising its stockholder duties and powers. The Corporation shall not have members.
5. The name and mailing address of the sole incorporator is David F. Hoyle, Secretary of National Exchange Carrier Association, Inc., 100 South Jefferson Road, Whippany, NJ 07981.
6. After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, after the Corporation has received any payment for any of its common stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised, consistent with FCC Rules and Orders, either by the stockholder or the Board of Directors of the Corporation.
7. No director of the Corporation shall be personally liable to the Corporation or its stockholder for monetary damages for breaches of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholder; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the General Corporation Law of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or amendment of this Article SEVEN shall adversely affect any rights or any person pursuant to this Article SEVEN with respect to acts or omissions occurring prior to such repeal or amendment.
8. The Corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, under which the Corporation is organized or in any amendment thereto, in the manner now or hereafter prescribed by law and all rights conferred upon stockholder in said Certificate of Incorporation or any amendment thereto are granted subject to the aforementioned reservation.

I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this seventeenth day of September, 1997.

David F. Hoyle, Sole Incorporator

APPENDIX II

BY-LAWS
OF
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
(a Delaware corporation)

ARTICLE I
STOCKHOLDER

1. **STOCKHOLDER.** The National Exchange Carrier Association, Inc. (“NECA”) shall be the sole stockholder of the Corporation and shall act in compliance with the Federal Communications Commission’s (“FCC” or “Commission”) Rules and Orders when exercising its stockholder duties and powers.

2. **CERTIFICATES REPRESENTING STOCK.** Certificates representing stock in the Corporation shall be signed by, or in the name of, the Corporation (i) by the Chairperson or Vice-Chairperson of the Board of Directors, if any, or by the Chief Executive Officer or a Vice President and (ii) by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation. Any or all the signatures on any such certificate may be a facsimile. In case any officer, transfer agent, or registrar, who has signed or whose facsimile signature has been placed upon a certificate, shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent, or registrar at the date of issue.

Whenever the Corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, the certificates representing shares of any such class or series, shall set forth thereon the statements prescribed by the Delaware General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The Corporation may issue a new certificate of stock in place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of the lost, stolen, or destroyed certificate, or such owner’s legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

3. **STOCK TRANSFER.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the Corporation shall be made only on the stock ledger of the Corporation by the registered holder thereof, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a registrar, if any, and on surrender of the

certificate or certificates for such shares of stock properly endorsed and payment of all taxes due thereon.

4. MEANING OF CERTAIN TERMS. As used herein in respect of the right to notice of a meeting of the stockholder or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term “share” or “shares” or “share of stock” or “shares of stock” refers to an outstanding share or shares of stock.

PROXY REPRESENTATION. The stockholder may authorize another person or persons to act for him or her by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his or her attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

VOTING. Each share of stock shall entitle the holder thereof to one vote. Subject to the FCC’s Orders^{1/} and Rules^{2/} with regard to the appointment of directors, directors shall be elected by a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Any other action shall be in compliance with FCC Rules and FCC Orders and shall be authorized by a majority of the votes cast except (i) where the Delaware General Corporation Law prescribes a different percentage of votes and/or a different exercise of voting power, or (ii) as may be otherwise prescribed by the provisions of the Corporation’s certificate of incorporation and these By-Laws. In the election of directors, or for any other action, voting need not be by ballot.

5. STOCKHOLDER ACTION WITHOUT MEETING. Any action required by the Delaware General Corporation Law to be taken at any annual or special meeting of the stockholder, or any action which may be taken at any annual or special meeting of the stockholder, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holder of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and such action shall be in compliance with FCC Rules and Orders. Prompt notice of the taking of the corporate action without a meeting by less than a unanimous written consent shall be given to the stockholder who has not consented in writing. Action taken pursuant to this paragraph shall be subject to the provisions of Section 228 of the Delaware General Corporation Law and in compliance with FCC Rules and Orders.

^{1/} Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal-State Joint Board on Universal Service, Report and Order and Second Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 97-253, 12 FCC Rcd 18400 (1997); Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal-State Joint Board on Universal Service, Third Report and Order and Fourth Order on Reconsideration and Eighth Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 98-306, released on November 20, 1998 (collectively, “FCC Orders”).

^{2/} 47 C.F.R. §§ 54.701 through 54.717 (“FCC Rules”).

ARTICLE II DIRECTORS

1. FUNCTIONS AND DEFINITION. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation. Pursuant to 47 C.F.R. § 54.703(f), no member of the Board of Directors shall receive compensation for their service on the Board but each such member shall be entitled to receive reimbursement for expenses directly incurred as a result of his or her participation on the USAC Board. In accordance with 47 C.F.R. § 54.705, the Board shall make the necessary selection of service provider, at-large, incumbent local exchange carrier, and interexchange carrier representatives for the Schools and Libraries Committee, the Rural Health Care Committee, and the High Cost and Low Income Committee. The use of the phrase “whole board” as used in these By-Laws refers to the total number of directors that the Corporation would have if there were no vacancies.

2. QUALIFICATIONS AND NUMBER. The qualifications and number of directors shall be determined in accordance with FCC Rule 47 C.F.R. § 54.701. The number of directors may be increased or decreased by the stockholder at the direction of the Commission. Upon adoption of these By-Laws, the Board of Directors shall consist of nineteen persons in the following composition: (i) Three directors shall represent incumbent local exchange carriers (“ILEC”), with one director representing the Bell Operating Companies and GTE, one director representing other ILECs with annual operating revenues in excess of \$40 million, and one director representing ILECs with annual operating revenues of \$40 million or less; (ii) Two directors shall represent interexchange carriers, with one director representing interexchange carriers with more than \$3 billion in annual operating revenues and one director representing interexchange carriers with annual operating revenues of \$3 billion or less; (iii) One director shall represent commercial mobile radio service (“CMRS”) providers; (iv) One director shall represent competitive local exchange carriers (“CLEC”); (v) One director shall represent cable operators; (vi) One director shall represent information service providers; (vii) Three directors shall represent schools that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501; (viii) One director shall represent libraries that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501; (ix) Two directors shall represent rural health care providers that are eligible to receive supported services pursuant to 47 C.F.R. § 54.601; (x) One director shall represent low-income consumers; (xi) One director shall represent state telecommunications regulators; (xii) One director shall represent state consumer advocates; (xiii) One director shall be the Corporation’s Chief Executive Officer. A director shall cease to be a director of the Corporation and shall be subject to removal by the stockholder with the prior written approval of the Chairperson of the FCC if such director (a) changes his or her affiliation (as defined in this Section 2) with the entity that made him or her eligible for membership on the Board, and (b) upon such change is not affiliated with the entity or constituency that nominated him or her.

3. TERM. Any director may resign at any time upon written notice to the Corporation. The terms of the directors who initially will serve upon adoption of these By-Laws shall be staggered with the term of six members expiring on October 1, 1999, those of another six members will expire on October 1, 2000, and those of the remaining five members will expire on October 1, 2001 (the “Initial Terms”). The USAC Board shall determine when the initial terms of particular directors will expire. The USAC Board will maintain continuity by providing that the first set of Board members whose terms will expire will be representative of industry and non-industry groups with multiple representatives on the Board. Otherwise, unless a director is removed or resigns, he or she will serve a term of three years pursuant to 47 C.F.R. § 54.703(d); provided, however, that the Chief Executive Officer shall hold office as a director so long as he or she holds the office of Chief Executive.

4. NOMINATION AND ELECTION OF BOARD MEMBERS. Nomination and selection of the Board (except for the Chief Executive Officer) shall be conducted and annual elections of successors to members whose terms are expiring shall be held pursuant to 47 C.F.R. § 54.703(c). Upon selection of the new director(s) by the FCC Chairperson, the Board will elect such director(s). In accordance with 47 C.F.R. § 54.703(d), if a Board member (other than the Chief Executive Officer) vacates his or her seat prior to the completion of his or her term, the Board will notify the FCC Common Carrier Bureau Chief of such vacancy, and a successor will be chosen to serve the remaining term of the vacating director in accordance with the nomination and selection process in 47 C.F.R. § 54.703(c). The member selected by the FCC Chairperson to fill the vacated Board seat will be elected by the Board members.

5. REAPPOINTMENT OF INCUMBENT BOARD MEMBERS. There shall be no limitation on additional terms for Board members. At the end of his or her term, an incumbent may be re-elected pursuant to the process outlined in Section 4 above and pursuant to 47 C.F.R. § 54.703(c).

6. MEETINGS.

TIME. Meetings shall be held at such time as the Board shall fix. Special meetings of the Board may be called by the Chairperson of the Board at any time. Special meetings of the Board of Directors must be called by the Chairperson of the Board or Secretary, to be held not more than fifteen (15) days after receipt of a request made in compliance with these By-Laws.

PLACE. Pursuant to 47 C.F.R. § 54.703(e), all meetings of the Board shall be open to the public and held in Washington, D.C.; provided, however that actions involving proprietary or confidential information may be taken at meetings held in private.

CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the request of the Chairperson of the Board, if any, the Vice-Chairperson of the Board, if any, the Chief Executive Officer, or of three of the directors in office.

NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors there at. When an action taken by a committee will be discussed at a special meeting, notice to committee members shall be required in sufficient time for the convenient assembly of the directors there at. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he or she attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

QUORUM AND ACTION. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, and except as otherwise provided by the Delaware General Corporation Law, the vote of the majority of the directors present at a

meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these By-Laws that govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board, may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

CHAIRPERSON OF THE MEETING. The Chairperson of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairperson of the Board, if any and if present and acting, or the Chief Executive Officer, if present and acting, or any other director chosen by the Board, shall preside.

MINUTES OF THE MEETING. All actions taken at Board meetings, including open sessions to the public, conference call meetings and closed executive sessions where proprietary matters are discussed and reviewed, shall be recorded by the Secretary of the Corporation in written minutes. These written minutes shall be made available to the public within three weeks after the meeting has been conducted and no later than one week prior to the next Board meeting. Actions that involve proprietary information shall be summarized in sufficient detail to inform the public of the action taken but without infringing on any privacy rights.

7. REMOVAL OF DIRECTORS. As provided by the Delaware General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause. Removal may only occur upon the affirmative vote of the stockholder or the majority of Board members that are not facing removal, and upon the prior written approval of the FCC Chairperson. Upon the removal of one or more directors, the FCC Common Carrier Bureau Chief will initiate a nomination and selection process in accordance with 47 C.F.R. § 54.703(c) to replace the director(s) removed. Upon selection of the new director(s) by the FCC Chairperson, the Board will elect such director(s), who shall serve the remaining term of the removed director(s).

8. COMMITTEES.
HIGH COST AND LOW INCOME COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(c), the Board shall appoint a High Cost and Low Income Committee, which shall have the power and authority to act on behalf of the Corporation (unless: (i) the Committee's action is with respect to Board approval of a budget or such action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the high cost and low-income support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the high cost and low income support mechanisms; (ii) development of applications and associated instructions as needed for the high cost and low income support mechanisms; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of audits of beneficiaries under the high cost and low income support mechanisms; and (v) development and implementation of other functions unique to the high cost and low income support mechanisms; as well as the setting of high cost and low-income support that USAC will disburse to eligible telecommunications carriers. The budgets prepared by the High Cost and Low Income Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budget prepared by the Committee unless such modification is approved

by a two-thirds vote of a quorum of the Board. The High Cost and Low Income Committee does not have the power to act on behalf of the Corporation on issues related to USAC's billing, collection and disbursement functions. The Board shall not have the power to remove the Committee or to materially modify the power and authority of the Committee, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705(c)(2), the Committee will consist of nine (9) USAC Board members, including two ILEC representatives (one shall represent rural telephone companies, as that term is defined in 47 U.S.C. § 153(37) and one shall represent non-rural telephone companies), one interexchange carrier representative, one wireless representative, one CLEC representative, one low income representative, one state consumer advocate representative, one state telecommunications regulator representative and USAC's Chief Executive Officer.

MEETINGS. The High Cost and Low Income Committee meetings shall be open to the public and shall be held in Washington, D.C.

RURAL HEALTH CARE COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(b), the Board shall appoint a Rural Health Care Committee, which shall have the power and authority to act on behalf of the Corporation (unless: (i) the Committee's action is with respect to Board approval of a budget or the action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the rural health care support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the rural health care support mechanism; (ii) development of applications and associated instructions as needed for the rural health care support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) calculation of support levels under § 54.609; (v) performance of outreach and education functions; (vi) review of bills for services that are submitted by rural health care providers; (vii) monitoring demand for the purpose of determining when the \$400 million cap has been reached; (viii) performance of audits of beneficiaries under the rural health care support mechanism; and (ix) development and implementation of other functions unique to the rural health care support mechanism. The budgets prepared by the Rural Health Care Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budget prepared by the Committee unless such modification is approved by a two-thirds vote of a quorum of the Board. The Rural Health Care Committee does not have the power to act on behalf of the Corporation in matters related to USAC's billing, collection and disbursement functions. The Board shall not have the power to remove the Committee or to materially modify the Committee's power and authority, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705, the Committee will consist of eight (8) USAC Board members, including two rural health care provider representatives, one service provider representative, two at-large representatives elected by the Board, one state telecommunications regulator, one state consumer advocate, and USAC's Chief Executive Officer.

MEETINGS. The Rural Health Care Committee meetings shall be open to the public and shall be held in Washington, D.C.

SCHOOLS AND LIBRARIES COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(a), the Board shall appoint a Schools and Libraries Committee, which shall have the

power and authority to act on behalf of the Corporation (unless: (i) the Committee's action is with respect to approval of a budget or the action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the schools and libraries support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the schools and libraries support mechanism; (ii) development of applications and associated instructions as needed for the schools and libraries support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of outreach and education functions; (v) review of bills for services that are submitted by schools and libraries; (vi) monitoring demand for the purpose of determining when the \$2 billion trigger has been reached; (vii) implementation of the rules of priority in accordance with § 54.507(g) of this chapter; (viii) review and certification of technology plans when a state agency has indicated that it will not be able to review such plans within a reasonable time; (ix) the classification of schools and libraries as urban or rural and the use of the discount matrix established in § 54.505(c) of this chapter to set the discount rate to be applied to services purchased by eligible schools and libraries; (x) performance of audits of beneficiaries under the schools and libraries support mechanism; and (xi) development and implementation of other functions unique to the schools and libraries support mechanism. The budgets prepared by Schools and Libraries Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budget prepared by the Committees unless such modification is approved by a two-thirds vote of a quorum of the Board. The Schools and Libraries Committee does not have the power or authority to act on behalf of the Corporation in matters related to USAC's billing, collection, and disbursement functions. The Board shall not have the power or authority to remove the Committee or to materially modify the Committee's power and authority, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705(a)(2), the Committee will consist of seven (7) members of USAC's Board of Directors, including three school representatives, one library representative, one service provider representative, one at-large representative elected by the Board, and USAC's Chief Executive Officer.

MEETINGS. The Schools and Libraries Committee meetings shall be open to the public and shall be held in Washington, D.C.

GENERAL.

OTHER COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each such committee and member thereof shall serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation with the exception of any authority the delegation of which is prohibited by Section 141 of the Delaware General Corporation Law, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

SUBCOMMITTEES. Each committee, through a resolution, may establish subcommittees and determine the composition thereof. A subcommittee shall have, only, such of the committee's authority as is delegated to it by the committee.

REPORTS. All committees and subcommittees shall keep books of separate minutes. All committees shall report all their actions at every regular meeting of the Board of Directors, or as often as may be directed by the Board. All subcommittees shall report all their actions to the committee which appointed them, at every regular meeting of that committee, or as often as may be directed by that committee.

9. **WRITTEN ACTION.** Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee. These minutes shall be made available to the public in accordance with Article II, Section 6 of these By-Laws.

ARTICLE III **OFFICERS**

The officers of the Corporation shall consist of a Chief Executive Officer (who upon selection shall become a director), a Secretary, a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairperson of the Board, a Vice-Chairperson of the Board, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate. Except as may otherwise be provided in the resolution of the Board of Directors choosing him or her, no officer other than the Chairperson or Vice-Chairperson of the Board, if any, need be a director at the time the Board of Directors chooses him or her as an officer. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing him or her, each officer shall be chosen for a one calendar year term and until his or her successor shall have been chosen and qualified. Elections of officers shall be the first order of business in the first Board of Directors meeting at the beginning of the calendar year.

All officers of the Corporation shall have such authority and perform such duties in the management and operation of the Corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or an Assistant Secretary of the Corporation shall record all of the proceedings of all meetings and actions in writing of the stockholder, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board shall assign to him or her. Any officer may be removed, with or without cause, by the Board of Directors. Any vacancy in any office may be filled by the Board of Directors.

ARTICLE IV **CORPORATE SEAL**

The corporate seal shall be in such form as the Board of Directors shall prescribe.

ARTICLE V **FISCAL YEAR**

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

ARTICLE VI
CONTROL OVER BY-LAWS

Subject to the provisions of the certificate of incorporation, the provisions of the Delaware General Corporation Law and FCC Rules and Orders, the power to amend, alter or repeal these By-Laws and to adopt new By-Laws may be exercised by the stockholder or the Board of Directors.

ARTICLE VII
GENERAL PROVISIONS

1. **CONTRACTS.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances and shall be in compliance with the FCC Orders and Rules.

2. **INDEMNIFICATION.** In accordance with Section 145 of the General Corporation Law of Delaware, the Corporation shall indemnify any director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made for any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a director, officer, employee or agent has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the two paragraphs above (Section

145(a) and (b) of the General Corporation Law of Delaware), or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Any indemnification under subsections (a) and (b) of Section 145 of the General Corporation Law of Delaware (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholder.

Expenses (including attorneys' fees) incurred by a director, officer, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized by the General Corporation Law of Delaware. The indemnification and advancement of expenses provided by, or granted pursuant to, the General Corporation Law of Delaware shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, vote of stockholder (in compliance with FCC Rules and Orders) or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under Section 145 of the General Corporation Law of Delaware.

The foregoing right of indemnification shall in no way be exclusive of any other rights of indemnification to which any such person may be entitled under any By-Law, agreement, vote of the Stockholder or disinterested directors or otherwise, and shall inure to the benefit of the heirs, executors and administrators of such person.

3. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, to the full extent allowable under Section 145(g) of the Delaware General Corporation Law.

4. ADDITIONAL FCC REQUIREMENTS. The Corporation is subject to certain FCC audit, budget, record keeping, information sharing and nondisclosure requirements which are specifically described in the FCC Order and Rules.

ARTICLE VIII DISSOLUTION

Subject to compliance with the FCC Order and Rules and approval by the FCC Chairperson, if it should be deemed advisable in the judgment of the Board of Directors of the Corporation that the Corporation should be dissolved, the Board by a majority of the whole Board, at any meeting called for that purpose, shall adopt a resolution to dissolve the Corporation, shall cause notice of the adoption of said resolution and notice of a meeting of the stockholder to take action upon said resolution, to be mailed to the stockholder entitled to vote thereon pursuant to the provisions of the Delaware General Corporation Law.

Upon approval of said dissolution by the stockholder entitled to vote thereon, a certificate of dissolution shall be filed with the Secretary of State pursuant to and in accordance with the provisions of the Delaware General Corporation Law, and shall become effective in accordance with such law. Upon such certificate becoming effective in accordance with the Delaware General Corporation Law, the Corporation shall be dissolved.

APPENDIX III

USAC Board of Directors*

David Abramson
Public Affairs Director
3 Com Corporation
5400 Bayfront Plaza - M/S 1515
Santa Clara, CA 95052-8145

Regulatory Attorney
General Communication, Inc.
2550 Denali St., Suite 1000
Anchorage, AK 99503

Anne L. Bryant
Executive Director
National School Boards Association (NSBA)
1680 Duke St.
Alexandria, VA 22314-3493

John Anthony Butler
President
Butler Enterprises
624 Ramapo Road
Teaneck, NJ 07666

Edwin H. Eichler
President
Pigeon Telephone Company
7585 W. Pigeon Road
Pigeon, MI 48755

Heather Burnett Gold
Vice President – Regulatory & External Affairs
Intermedia Communications
1200 19th St., N.W. – Suite 500
Washington, D.C. 20036

Frank Gumper
Vice President – Long Range Public Policy
Bell Atlantic
1095 Avenue of the Americas
34th Floor - Room 3420
New York, NY 10036

Kevin Hess
Vice President – Federal Affairs
TDS TELECOM
301 S. Westfield Road
Madison, WI 53717

Martha Hogerty
Missouri Public Counsel
Office of the Public Counsel
Harry S. Truman Building
311 W. High St., Suite 250
Jefferson City, MO 65101

James Jackson

* These are the directors of the Corporation as of the date of this filing. A modification to this list will be made consistent with applicable laws or regulations and with USAC Bylaws when additional board members are approved by the FCC Chairman and elected by the USAC board consistent with FCC Rules (47 C.F.R. § 54.703).

Donald Lynch

Senior Vice President, Financial Operations and Local
Markets
MCI Telecommunications Corporation
8521 Leesburg Pike - Suite 700
Vienna, VA 22182

Dr. Henry Marockie

President, Council of Chief State School Officers
State Superintendent of Schools
West Virginia Department of Education
Building 6, Room B-358
1900 Kanawha Boulevard, East
Charleston, WV 25305

Kathleen G. Ouye

City Librarian
San Mateo Public Library
55 West Third Street
San Mateo, CA 94402-1592

Lisa Rosenblum

Senior Vice President of Regulatory and
Legal Affairs of the Telephony and Data Services Division
Cablevision Systems Corporation
1 Media Crossways
Woodbury, NY 11797-2013

Jay H. Sanders, M.D.

President and CEO
The Global Telemedicine Group
1317 Vincent Place
McLean, VA 22101

Brian Talbott

Executive Director
American Association of Educational Service Agencies
Western Office Eastern Office
4106 South Lee Street 1801 N. Moore St.
Spokane, WA 99203 Arlington, VA 22209

Allan Thoms

Chair
Iowa Utilities Board
Lucas State Office Building
321 East 12th Street
Des Moines, Iowa 50319

Tom Wheeler

President
Cellular Telecommunications Industry Association
1250 Connecticut Ave., NW, Suite 200
Washington, D.C. 20036

APPENDIX IV

USAC Officers*

Cheryl L. Parrino

Chief Executive Officer

Universal Service Administrative Company

583 D'Onofrio Drive

Suite 201

Madison, WI 53719

Robert W. Haga

Acting Secretary & Treasurer

Universal Service Administrative Company

1201 Pennsylvania Avenue, NW

Suite 300

Washington, D.C. 20004

* These are the current officers of the corporation. The list of officers will be modified consistent with laws and regulations and USAC Bylaws, as appropriate when the USAC board considers the election of officers as its first order of business at its first yearly board meeting consistent with the Bylaws.

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF:
SCHOOLS AND LIBRARIES CORPORATION**

BE IT RESOLVED THAT:

1. The form, terms and provisions of the draft Agreement and Plan of Merger (the "Agreement") by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation in the form presented to the Board of Directors be and are hereby approved and each of the officers of the Corporation be and is hereby authorized to enter into a merger agreement in substantially the form of the Agreement.
2. Upon the execution and delivery of the Agreement by all parties thereto, the Corporation be and is hereby authorized to perform its obligations thereunder, subject to approval of the Agreement pursuant to section 255(d) of the General Corporation Law of Delaware.
3. Each of the officers of the Corporation be and is hereby authorized to prepare, execute, deliver and/or file any other document(s) and to take all other lawful action, as necessary to effect the transactions contemplated by the Agreement, subject to approval of the Agreement pursuant to section 255(d) of the General Corporation Law of Delaware.
4. All prior lawful action taken or caused to be taken by any officer of the Corporation in connection with the transactions contemplated by the Agreement are hereby authorized and ratified.

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF:
RURAL HEALTH CARE CORPORATION**

BE IT RESOLVED THAT:

1. The form, terms and provisions of the draft Agreement and Plan of Merger (the "Agreement") by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation in the form presented to the Board of Directors be and are hereby approved and each of the officers of the Corporation be and is hereby authorized to enter into a merger agreement in substantially the form of the Agreement.
2. Upon the execution and delivery of the Agreement by all parties thereto, the Corporation be and is hereby authorized to perform its obligations thereunder, subject to approval of the Agreement pursuant to section 255(d) of the General Corporation Law of Delaware.
3. Each of the officers of the Corporation be and is hereby authorized to prepare, execute, deliver and/or file any other document(s) and to take all other lawful action, as necessary to effect the transactions contemplated by the Agreement, subject to approval of the Agreement pursuant to section 255(d) of the General Corporation Law of Delaware.
4. All prior lawful action taken or caused to be taken by any officer of the Corporation in connection with the transactions contemplated by the Agreement are hereby authorized and ratified.

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF:
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

BE IT RESOLVED THAT:

1. The form, terms and provisions of the draft Agreement and Plan of Merger (the "Agreement") by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation in the form presented to the Board of Directors be and are hereby approved and each of the officers of the Corporation be and is hereby authorized to enter into a merger agreement, in substantially the form of the Agreement, and to submit the Agreement to the Corporation's stockholder for approval at a special meeting thereof held upon the due notice of such meeting as required by law.
2. Upon the execution and delivery of the Agreement by all parties thereto, the Corporation be and is hereby authorized to perform its obligations thereunder, subject to approval of the Agreement by the Corporation's stockholder.
3. Each of the officers of the Corporation be and is hereby authorized to prepare, execute, deliver and/or file any other document(s) and to take all other lawful action, as necessary to effect the transactions contemplated by the Agreement, subject to approval of the Agreement by Corporation's stockholder.
4. All prior lawful action taken or caused to be taken by any officer of the Corporation in connection with the transactions contemplated by the Agreement are hereby authorized and ratified.

**NOTICE OF MEETING OF THE BOARD OF DIRECTORS OF
RURAL HEALTH CARE CORPORATION**

To the members of the Board of Directors of Rural Health Care Corporation:

NOTICE IS HEREBY GIVEN that a meeting of the Board of Directors of Rural Health Care Corporation shall take place at 1250 24th Street, NW, Washington, D.C., on December 11, 1998 beginning at the hour of 10:00 a.m. local time. At the meeting, the Board of Directors will consider and vote upon the Agreement and Plan of Merger by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation (the "Agreement"). A copy of the Agreement is attached. The affirmative vote of two-thirds of the whole Board of Directors (including vacancies) is required to approve the Agreement. Accordingly, your vote is important and you are urged to attend the meeting.

By order of the Board of Directors

[name], Secretary

**NOTICE OF MEETING OF THE BOARD OF DIRECTORS OF
SCHOOLS AND LIBRARIES CORPORATION**

To the members of the Board of Directors of Schools and Libraries Corporation:

NOTICE IS HEREBY GIVEN that a meeting of the Board of Directors of Schools and Libraries Corporation shall take place at the Ronald Reagan International Trade Center, 1301 Pennsylvania Avenue, NW, Washington, D.C., on December 15, 1998 beginning at the hour of 9:30 a.m. local time. At the meeting, the Board of Directors will consider and vote upon the Agreement and Plan of Merger by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation (the "Agreement"). A copy of the Agreement is attached. The affirmative vote of two-thirds of the whole Board of Directors (including vacancies) is required to approve the Agreement. Accordingly, your vote is important and you are urged to attend the meeting.

By order of the Board of Directors

Debra Kriete, Secretary

**NOTICE OF SPECIAL MEETING OF THE STOCKHOLDER OF
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

To: National Exchange Carrier Association, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of the sole stockholder of Universal Service Administrative Company shall take place at 100 South Jefferson Road, Whippany, NJ on December 21, 1998 beginning at the hour of 2:00 p.m. local time. At the meeting, the sole stockholder, National Exchange Carrier Association, Inc., will consider and vote upon the Agreement and Plan of Merger by and among Universal Service Administrative Company, Rural Health Care Corporation and Schools and Libraries Corporation (the "Agreement"). A copy of the Agreement is attached. The affirmative vote of National Exchange Carrier Association, Inc. is required to approve the Agreement.

By order of the Board of Directors

Robert Haga, Secretary

**CERTIFICATE OF MERGER OF:
SCHOOLS AND LIBRARIES CORPORATION AND
RURAL HEALTH CARE CORPORATION INTO
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

The undersigned corporation DOES HEREBY CERTIFY THAT:

FIRST: The name and state of incorporation of each of the constituent corporations of the merger are as follows:

<u>NAME</u>	<u>STATE OF INCORPORATION</u>
Schools and Libraries Corporation	Delaware
Rural Health Care Corporation	Delaware
Universal Service Administrative Company	Delaware

SECOND: An agreement of merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Sections 251, 255 and 257 of the Delaware General Corporation Law.

THIRD: The name of the surviving corporation with respect to the merger is Universal Service Administrative Company.

FOURTH: The certificate of incorporation of Universal Service Administrative Company, which is surviving the merger, shall be the certificate of incorporation of the surviving corporation, except that Article 3 of the certificate of incorporation shall be amended to read in its entirety as follows: "3. The purpose of the Corporation is to engage in any lawful act or activity, consistent with Federal Communications Commission ("FCC") Orders and Rules, for which corporations may be organized under the General Corporation Law of Delaware. The Corporation does not contemplate pecuniary gain or profit and is organized for nonprofit purposes."

FIFTH: The executed agreement of merger is on file at the principal place of business of the surviving corporation, the address of which is: 1201 Pennsylvania Ave., N.W., Washington, DC 20004.

SIXTH: A copy of the agreement of merger will be furnished by the surviving corporation on request and without cost to any stockholder or member of any constituent corporation.

Dated: December 31, 1998

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

By: _____
Robert Haga, Secretary

BY-LAWS
OF
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
(a Delaware corporation)

ARTICLE I
STOCKHOLDER

1. **STOCKHOLDER.** The National Exchange Carrier Association, Inc. (“NECA”) shall be the sole stockholder of the Corporation and shall act in compliance with the Federal Communications Commission’s (“FCC” or “Commission”) Rules and Orders when exercising its stockholder duties and powers.

2. **CERTIFICATES REPRESENTING STOCK.** Certificates representing stock in the Corporation shall be signed by, or in the name of, the Corporation (i) by the Chairperson or Vice-Chairperson of the Board of Directors, if any, or by the Chief Executive Officer or a Vice President and (ii) by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation. Any or all the signatures on any such certificate may be a facsimile. In case any officer, transfer agent, or registrar, who has signed or whose facsimile signature has been placed upon a certificate, shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent, or registrar at the date of issue.

Whenever the Corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, the certificates representing shares of any such class or series, shall set forth thereon the statements prescribed by the Delaware General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The Corporation may issue a new certificate of stock in place of any certificate theretofore issued by it and alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of the lost, stolen, or destroyed certificate, or such owner’s legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

3. **STOCK TRANSFER.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the Corporation shall be made only on the stock ledger of the Corporation by the registered holder thereof, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a

registrar, if any, and on surrender of the certificate or certificates for such shares of stock properly endorsed and payment of all taxes due thereon.

4. MEANING OF CERTAIN TERMS. As used herein in respect of the right to notice of a meeting of the stockholder or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term “share” or “shares” or “share of stock” or “shares of stock” refers to an outstanding share or shares of stock.

PROXY REPRESENTATION. The stockholder may authorize another person or persons to act for him or her by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his or her attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the Corporation generally.

VOTING. Each share of stock shall entitle the holder thereof to one vote. Subject to the FCC’s Orders^{1/} and Rules^{2/} with regard to the appointment of directors, directors shall be elected by a plurality of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Any other action shall be in compliance with FCC Rules and FCC Orders and shall be authorized by a majority of the votes cast except (i) where the Delaware General Corporation Law prescribes a different percentage of votes and/or a different exercise of voting power, or (ii) as may be otherwise prescribed by the provisions of the Corporation’s certificate of incorporation and these By-Laws. In the election of directors, or for any other action, voting need not be by ballot.

5. STOCKHOLDER ACTION WITHOUT MEETING. Any action required by the Delaware General Corporation Law to be taken at any annual or special meeting of the stockholder, or any action which may be taken at any annual or special meeting of the stockholder, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holder of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and such action shall be in compliance with FCC Rules and Orders. Prompt notice of the taking of the corporate action without a meeting by less than a unanimous written consent shall be given to the stockholder who has not consented in writing. Action taken pursuant to this paragraph

^{1/} Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal-State Joint Board on Universal Service, Report and Order and Second Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 97-253, 12 FCC Rcd 18400 (1997); Changes to the Board of Directors of the National Exchange Carrier Association, Inc. and Federal-State Joint Board on Universal Service, Third Report and Order and Fourth Order on Reconsideration and Eighth Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 98-306, released on November 20, 1998 (collectively, “FCC Orders”).

^{2/} 47 C.F.R. §§ 54.701 through 54.717 (“FCC Rules”).

shall be subject to the provisions of Section 228 of the Delaware General Corporation Law and in compliance with FCC Rules and Orders.

ARTICLE II **DIRECTORS**

1. **FUNCTIONS AND DEFINITION.** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation. Pursuant to 47 C.F.R. § 54.703(f), no member of the Board of Directors shall receive compensation for their service on the Board but each such member shall be entitled to receive reimbursement for expenses directly incurred as a result of his or her participation on the USAC Board. In accordance with 47 C.F.R. § 54.705, the Board shall make the necessary selection of service provider, at-large, incumbent local exchange carrier, and interexchange carrier representatives for the Schools and Libraries Committee, the Rural Health Care Committee, and the High Cost and Low Income Committee. The use of the phrase "whole board" as used in these By-Laws refers to the total number of directors that the Corporation would have if there were no vacancies.

2. **QUALIFICATIONS AND NUMBER.** The qualifications and number of directors shall be determined in accordance with FCC Rule 47 C.F.R. § 54.701. The number of directors may be increased or decreased by the stockholder at the direction of the Commission. Upon adoption of these By-Laws, the Board of Directors shall consist of nineteen persons in the following composition: (i) Three directors shall represent incumbent local exchange carriers ("ILEC"), with one director representing the Bell Operating Companies and GTE, one director representing other ILECs with annual operating revenues in excess of \$40 million, and one director representing ILECs with annual operating revenues of \$40 million or less; (ii) Two directors shall represent interexchange carriers, with one director representing interexchange carriers with more than \$3 billion in annual operating revenues and one director representing interexchange carriers with annual operating revenues of \$3 billion or less; (iii) One director shall represent commercial mobile radio service ("CMRS") providers; (iv) One director shall represent competitive local exchange carriers ("CLEC"); (v) One director shall represent cable operators; (vi) One director shall represent information service providers; (vii) Three directors shall represent schools that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501; (viii) One director shall represent libraries that are eligible to receive discounts pursuant to 47 C.F.R. § 54.501; (ix) Two directors shall represent rural health care providers that are eligible to receive supported services pursuant to 47 C.F.R. § 54.601; (x) One director shall represent low-income consumers; (xi) One director shall represent state telecommunications regulators; (xii) One director shall represent state consumer advocates; (xiii) One director shall be the Corporation's Chief Executive Officer. A director shall cease to be a director of the Corporation and shall be subject to removal by the stockholder with the prior written approval of the Chairperson of the FCC if such director (a) changes his or her affiliation (as defined in this Section 2) with the entity that made him or her eligible for membership on the Board, and (b) upon such change is not affiliated with the entity or constituency that nominated him or her.

3. **TERM.** Any director may resign at any time upon written notice to the Corporation. The terms of the directors who initially will serve upon adoption of these By-Laws shall be staggered with the term of six members expiring on October 1, 1999, those of another six members will expire on October 1, 2000, and those of the remaining five members will expire on October 1, 2001 (the "Initial Terms"). The USAC Board shall determine when the initial

terms of particular directors will expire. The USAC Board will maintain continuity by providing that the first set of Board members whose terms will expire will be representative of industry and non-industry groups with multiple representatives on the Board. Otherwise, unless a director is removed or resigns, he or she will serve a term of three years pursuant to 47 C.F.R. § 54.703(d); provided, however, that the Chief Executive Officer shall hold office as a director so long as he or she holds the office of Chief Executive.

4. NOMINATION AND ELECTION OF BOARD MEMBERS. Nomination and selection of the Board (except for the Chief Executive Officer) shall be conducted and annual elections of successors to members whose terms are expiring shall be held pursuant to 47 C.F.R. § 54.703(c). Upon selection of the new director(s) by the FCC Chairperson, the Board will elect such director(s). In accordance with 47 C.F.R. § 54.703(d), if a Board member (other than the Chief Executive Officer) vacates his or her seat prior to the completion of his or her term, the Board will notify the FCC Common Carrier Bureau Chief of such vacancy, and a successor will be chosen to serve the remaining term of the vacating director in accordance with the nomination and selection process in 47 C.F.R. § 54.703(c). The member selected by the FCC Chairperson to fill the vacated Board seat will be elected by the Board members.

5. REAPPOINTMENT OF INCUMBENT BOARD MEMBERS. There shall be no limitation on additional terms for Board members. At the end of his or her term, an incumbent may be re-elected pursuant to the process outlined in Section 4 above and pursuant to 47 C.F.R. § 54.703(c).

6. MEETINGS.
TIME. Meetings shall be held at such time as the Board shall fix. Special meetings of the Board may be called by the Chairperson of the Board at any time. Special meetings of the Board of Directors must be called by the Chairperson of the Board or Secretary, to be held not more than fifteen (15) days after receipt of a request made in compliance with these By-Laws.

PLACE. Pursuant to 47 C.F.R. § 54.703(e), all meetings of the Board shall be open to the public and held in Washington, D.C.; provided, however that actions involving proprietary or confidential information may be taken at meetings held in private.

CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the request of the Chairperson of the Board, if any, the Vice-Chairperson of the Board, if any, the Chief Executive Officer, or of three of the directors in office.

NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors there at. When an action taken by a committee will be discussed at a special meeting, notice to committee members shall be required in sufficient time for the convenient assembly of the directors there at. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he or she attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any

business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

QUORUM AND ACTION. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as herein otherwise provided, and except as otherwise provided by the Delaware General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these By-Laws that govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board, may participate in a meeting of the Board, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

CHAIRPERSON OF THE MEETING. The Chairperson of the Board, if any and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairperson of the Board, if any and if present and acting, or the Chief Executive Officer, if present and acting, or any other director chosen by the Board, shall preside.

MINUTES OF THE MEETING. All actions taken at Board meetings, including open sessions to the public, conference call meetings and closed executive sessions where proprietary matters are discussed and reviewed, shall be recorded by the Secretary of the Corporation in written minutes. These written minutes shall be made available to the public within three weeks after the meeting has been conducted and no later than one week prior to the next Board meeting. Actions that involve proprietary information shall be summarized in sufficient detail to inform the public of the action taken but without infringing on any privacy rights.

7. REMOVAL OF DIRECTORS. As provided by the Delaware General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause. Removal may only occur upon the affirmative vote of the stockholder or the majority of Board members that are not facing removal, and upon the prior written approval of the FCC Chairperson. Upon the removal of one or more directors, the FCC Common Carrier Bureau Chief will initiate a nomination and selection process in accordance with 47 C.F.R. § 54.703(c) to replace the director(s) removed. Upon selection of the new director(s) by the FCC Chairperson, the Board will elect such director(s), who shall serve the remaining term of the removed director(s).

8. COMMITTEES.
HIGH COST AND LOW INCOME COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(c), the Board shall appoint a High Cost and Low Income Committee, which shall have the power and authority to act on behalf of the Corporation (unless: (i) the

Committee's action is with respect to Board approval of a budget or such action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the high cost and low-income support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the high cost and low income support mechanisms; (ii) development of applications and associated instructions as needed for the high cost and low income support mechanisms; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of audits of beneficiaries under the high cost and low income support mechanisms; and (v) development and implementation of other functions unique to the high cost and low income support mechanisms; as well as the setting of high cost and low-income support that USAC will disburse to eligible telecommunications carriers. The budgets prepared by the High Cost and Low Income Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budget prepared by the Committee unless such modification is approved by a two-thirds vote of a quorum of the Board. The High Cost and Low Income Committee does not have the power to act on behalf of the Corporation on issues related to USAC's billing, collection and disbursement functions. The Board shall not have the power to remove the Committee or to materially modify the power and authority of the Committee, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705(c)(2), the Committee will consist of nine (9) USAC Board members, including two ILEC representatives (one shall represent rural telephone companies, as that term is defined in 47 U.S.C. § 153(37) and one shall represent non-rural telephone companies), one interexchange carrier representative, one wireless representative, one CLEC representative, one low income representative, one state consumer advocate representative, one state telecommunications regulator representative and USAC's Chief Executive Officer.

MEETINGS. The High Cost and Low Income Committee meetings shall be open to the public and shall be held in Washington, D.C.

RURAL HEALTH CARE COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(b), the Board shall appoint a Rural Health Care Committee, which shall have the power and authority to act on behalf of the Corporation (unless: (i) the Committee's action is with respect to Board approval of a budget or the action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the rural health care support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the rural health care support mechanism; (ii) development of applications and associated instructions as needed for the rural health care support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) calculation of support levels under § 54.609; (v) performance of outreach and education functions; (vi) review of bills for services that are submitted by rural health care providers; (vii) monitoring demand for the purpose of determining when the \$400 million cap has been reached; (viii) performance of audits of beneficiaries under the rural health care support mechanism; and (ix) development and implementation of other functions unique to the rural health care support mechanism. The budgets prepared by the Rural Health Care Committee shall be subject to Board review as part of

the Administrator's combined budget. The Board shall not modify the budget prepared by the Committee unless such modification is approved by a two-thirds vote of a quorum of the Board. The Rural Health Care Committee does not have the power to act on behalf of the Corporation in matters related to USAC's billing, collection and disbursement functions. The Board shall not have the power to remove the Committee or to materially modify the Committee's power and authority, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705, the Committee will consist of eight (8) USAC Board members, including two rural health care provider representatives, one service provider representative, two at-large representatives elected by the Board, one state telecommunications regulator, one state consumer advocate, and USAC's Chief Executive Officer.

MEETINGS. The Rural Health Care Committee meetings shall be open to the public and shall be held in Washington, D.C.

SCHOOLS AND LIBRARIES COMMITTEE.

AUTHORITY. By order of the Federal Communications Commission and 47 C.F.R. § 54.705(a), the Board shall appoint a Schools and Libraries Committee, which shall have the power and authority to act on behalf of the Corporation (unless: (i) the Committee's action is with respect to approval of a budget or the action is presented by the Chief Executive Officer to the Board for review, and (ii) the Board disapproves such action by a two-thirds vote) on issues relating to programmatic aspects of the schools and libraries support mechanisms. These powers include the authority to make decisions concerning: (i) how the Administrator projects demand for the schools and libraries support mechanism; (ii) development of applications and associated instructions as needed for the schools and libraries support mechanism; (iii) administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations; (iv) performance of outreach and education functions; (v) review of bills for services that are submitted by schools and libraries; (vi) monitoring demand for the purpose of determining when the \$2 billion trigger has been reached; (vii) implementation of the rules of priority in accordance with § 54.507(g) of this chapter; (viii) review and certification of technology plans when a state agency has indicated that it will not be able to review such plans within a reasonable time; (ix) the classification of schools and libraries as urban or rural and the use of the discount matrix established in § 54.505(c) of this chapter to set the discount rate to be applied to services purchased by eligible schools and libraries; (x) performance of audits of beneficiaries under the schools and libraries support mechanism; and (xi) development and implementation of other functions unique to the schools and libraries support mechanism. The budgets prepared by Schools and Libraries Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budget prepared by the Committees unless such modification is approved by a two-thirds vote of a quorum of the Board. The Schools and Libraries Committee does not have the power or authority to act on behalf of the Corporation in matters related to USAC's billing, collection, and disbursement functions. The Board shall not have the power or authority to remove the Committee or to materially modify the Committee's power and authority, without FCC approval.

COMPOSITION AND VOTING. Pursuant to 47 C.F.R. § 54.705(a)(2), the Committee will consist of seven (7) members of USAC's Board of Directors, including three

school representatives, one library representative, one service provider representative, one at-large representative elected by the Board, and USAC's Chief Executive Officer.

MEETINGS. The Schools and Libraries Committee meetings shall be open to the public and shall be held in Washington, D.C.

GENERAL.

OTHER COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each such committee and member thereof shall serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation with the exception of any authority the delegation of which is prohibited by Section 141 of the Delaware General Corporation Law, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

SUBCOMMITTEES. Each committee, through a resolution, may establish subcommittees and determine the composition thereof. A subcommittee shall have, only, such of the committee's authority as is delegated to it by the committee.

REPORTS. All committees and subcommittees shall keep books of separate minutes. All committees shall report all their actions at every regular meeting of the Board of Directors, or as often as may be directed by the Board. All subcommittees shall report all their actions to the committee which appointed them, at every regular meeting of that committee, or as often as may be directed by that committee.

9. WRITTEN ACTION. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee. These minutes shall be made available to the public in accordance with Article II, Section 6 of these By-Laws.

ARTICLE III
OFFICERS

The officers of the Corporation shall consist of a Chief Executive Officer (who upon selection shall become a director), a Secretary, a Treasurer, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairperson of the Board, a Vice-Chairperson of the Board, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate. Except as may otherwise be provided in the resolution of the Board of Directors choosing him or her, no officer other than the Chairperson or Vice-Chairperson of the Board, if any, need be a director at the time the Board of

Directors chooses him or her as an officer. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing him or her, each officer shall be chosen for a one calendar year term and until his or her successor shall have been chosen and qualified. Elections of officers shall be the first order of business in the first Board of Directors meeting at the beginning of the calendar year.

All officers of the Corporation shall have such authority and perform such duties in the management and operation of the Corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or an Assistant Secretary of the Corporation shall record all of the proceedings of all meetings and actions in writing of the stockholder, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board shall assign to him or her. Any officer may be removed, with or without cause, by the Board of Directors. Any vacancy in any office may be filled by the Board of Directors.

ARTICLE IV
CORPORATE SEAL

The corporate seal shall be in such form as the Board of Directors shall prescribe.

ARTICLE V
FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

ARTICLE VI
CONTROL OVER BY-LAWS

Subject to the provisions of the certificate of incorporation, the provisions of the Delaware General Corporation Law and FCC Rules and Orders, the power to amend, alter or repeal these By-Laws and to adopt new By-Laws may be exercised by the stockholder or the Board of Directors.

ARTICLE VII
GENERAL PROVISIONS

1. **CONTRACTS.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances and shall be in compliance with the FCC Orders and Rules.

2. **INDEMNIFICATION.** In accordance with Section 145 of the General Corporation Law of Delaware, the Corporation shall indemnify any director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees)

judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made for any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

To the extent that a director, officer, employee or agent has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the two paragraphs above (Section 145(a) and (b) of the General Corporation Law of Delaware), or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Any indemnification under subsections (a) and (b) of Section 145 of the General Corporation Law of Delaware (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such subsections. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the stockholder.

Expenses (including attorneys' fees) incurred by a director, officer, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized by the General Corporation Law of Delaware. The indemnification and advancement of expenses provided by, or granted pursuant to, the General

Corporation Law of Delaware shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, vote of stockholder (in compliance with FCC Rules and Orders) or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under Section 145 of the General Corporation Law of Delaware.

The foregoing right of indemnification shall in no way be exclusive of any other rights of indemnification to which any such person may be entitled under any By-Law, agreement, vote of the Stockholder or disinterested directors or otherwise, and shall inure to the benefit of the heirs, executors and administrators of such person.

3. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, to the full extent allowable under Section 145(g) of the Delaware General Corporation Law.

4. ADDITIONAL FCC REQUIREMENTS. The Corporation is subject to certain FCC audit, budget, record keeping, information sharing and nondisclosure requirements which are specifically described in the FCC Order and Rules.

ARTICLE VIII DISSOLUTION

Subject to compliance with the FCC Order and Rules and approval by the FCC Chairperson, if it should be deemed advisable in the judgment of the Board of Directors of the Corporation that the Corporation should be dissolved, the Board by a majority of the whole Board, at any meeting called for that purpose, shall adopt a resolution to dissolve the Corporation, shall cause notice of the adoption of said resolution and notice of a meeting of the stockholder to take action upon said resolution, to be mailed to the stockholder entitled to vote thereon pursuant to the provisions of the Delaware General Corporation Law.

Upon approval of said dissolution by the stockholder entitled to vote thereon, a certificate of dissolution shall be filed with the Secretary of State pursuant to and in accordance with the provisions of the Delaware General Corporation Law, and shall become effective in accordance with such law. Upon such certificate becoming effective in accordance with the Delaware General Corporation Law, the Corporation shall be dissolved.

**CERTIFICATE OF INCORPORATION
OF
UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

1. The name of the Corporation is UNIVERSAL SERVICE ADMINISTRATIVE COMPANY.
2. The Registered Office of the Corporation in the State of Delaware is to be located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The Registered Agent in charge thereof is CORPORATION TRUST COMPANY.
3. The purpose of the Corporation is to engage in any lawful act or activity, consistent with Federal Communications Commission ("FCC") Orders and Rules, for which corporations may be organized under the General Corporation Law of Delaware. The Corporation does not contemplate pecuniary gain or profit and is organized for nonprofit purposes.
4. The total number of shares of stock which the Corporation shall have authority to issue is One Hundred (100) and all such shares shall be common stock with a par value of \$0.01 per share. The National Exchange Carrier Association, Inc. shall be the sole stockholder of the Corporation and shall act in compliance with the FCC Rules and Orders when exercising its stockholder duties and powers. The Corporation shall not have members.
5. The name and mailing address of the sole incorporator is David F. Hoyle, Secretary of National Exchange Carrier Association, Inc., 100 South Jefferson Road, Whippany, NJ 07981.
6. After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, after the Corporation has received any payment for any of its common stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised, consistent with FCC Rules and Orders, either by the stockholder or the Board of Directors of the Corporation.
7. No director of the Corporation shall be personally liable to the Corporation or its stockholder for monetary damages for breaches of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholder; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the General Corporation Law of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or amendment of this Article SEVEN shall adversely affect any rights or any person pursuant to this Article SEVEN with respect to acts or omissions occurring prior to such repeal or amendment.
8. The Corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, under which the Corporation is organized or in any amendment thereto, in the manner now or hereafter prescribed by law and all rights conferred upon stockholder in said Certificate of Incorporation or any amendment thereto are granted subject to the aforementioned reservation.

I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this seventeenth day of September, 1997.

David F. Hoyle, Sole Incorporator