

USAC

UNIVERSAL SERVICE
ADMINISTRATIVE CO.

Date: 09/22/2000
Invoice #: UINV0040015794
Filer 499 ID: 811765

Mall Payment To:
Universal Service Administrative Company
PO. Box 371719
Pittsburgh, PA. 15251-7719

U.S. Republic Communications, Inc.
c/o Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880
Attention: John Casey

STATEMENT OF ACCOUNT

Date	Detail of Charges	Amount	Total
	Previous Balance		\$ 184,406.10
	Total Current Charges:		\$ 0.00

Date	Detail of Payments/Credits	Amount	
09/14/2000	High Cost Fund Credit	(193,823.73)	
09/14/2000	High Cost Fund Credit	(63,124.88)	
09/14/2000	Low Income Fund Credit	(49,074.78)	
09/14/2000	Low Income Fund Credit	(13,484.10)	
09/14/2000	Schools & Libraries Fund Credit	(190,445.01)	
09/14/2000	Schools & Libraries Fund Credit	(35,866.36)	
09/14/2000	Rural Health Care Fund Credit	(1,288.65)	
	Total Payments/Credits:		\$ (547,107.51)
	Balance Due USAC:		\$ (362,701.41)

Benny McCl...
973-884-8598

Payment must be received by 10/13/2000 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 09/14/2000 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598

USAC
UNIVERSAL SERVICE
ADMINISTRATIVE CO.

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT. 06880

Date: 09/22/2000
 Invoice #: UINV0030022821
 Filer 499 ID: 820411

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 0.00
09/14/2000	High Cost Program Charges	140,820.24	
09/14/2000	High Cost Program Charges	70,410.12	
09/14/2000	Low Income Program Charges	30,080.62	
09/14/2000	Low Income Program Charges	15,040.31	
09/14/2000	Schools & Libraries Program Charge	80,011.40	
09/14/2000	Schools & Libraries Program Charge	40,005.70	
	Total Current Charges:		\$ 376,368.39

Detail of Payments/Credits:

Date		Amount	Total
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 376,368.39

Payment must be received by 10/13/2000 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 09/14/2000 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598

copy sent to [unclear]
10/13



Date: 10/20/2000
 Invoice #: MISC811765
 Filer 499 ID: 811765

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

U.S. Republic Communications, Inc.
 c/o Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: John Casey

STATEMENT OF ACCOUNT

Detail of Charges:

Date	Amount	Total
	Previous Balance	\$ (362,701.41)
	Total Current Charges:	\$ 0.00

Detail of Payments/Credits:

Date	Amount
	Total Payments/Credits:
	Balance Due USAC:

\$ 0.00
 \$ (362,701.41)

Payment must be received by 11/13/2000 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 10/13/2000 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598

USAC
 UNIVERSAL SERVICE
 ADMINISTRATIVE CO.

Date: 10/19/2000
 Invoice #: UINV0040024817
 Filer 499 ID: 820411

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

STATEMENT OF ACCOUNT

Detail of Charges:

Date	Amount	Total
	Previous Balance	\$ 376,368.39
10/13/2000	High Cost Program Charges	71,400.04
10/13/2000	Low Income Program Charges	16,427.67
10/13/2000	Schools & Libraries Program Charge	40,331.66
10/13/2000	Rural Health Care Program Charges	306.26

Total Current Charges:

\$ 128,465.63

Detail of Payments/Credits:

Date	Amount
	Total Payments/Credits: \$ 0.00
	Balance Due USAC: \$ 504,834.02

Total Payments/Credits: \$ 0.00

Balance Due USAC: \$ 504,834.02

Payment must be received by 11/13/2000 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 10/13/2000 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598

Handwritten: 973-563-4434 to S. Johnson NJ Wh. Man. NJ 07981



Date: 11/19/2000
 Invoice #: UDNV0040026829
 Filer 499 ID: 820411

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 504,834.02
11/15/2000	High Cost Program Charges	71,400.04	
11/15/2000	Low Income Program Charges	16,427.67	
11/15/2000	Schools & Libraries Program Charge	40,331.66	
11/15/2000	Rural Health Care Program Charges	306.26	
11/15/2000	Late Payment Penalty	886.28	
	Total Current Charges:		\$ 129,351.91

Detail of Payments/Credits:

Date		Amount	
11/15/2000	Cr. Transfer from 811765	(362,701.41)	
	Total Payments/Credits:		\$ (362,701.41)
	Balance Due USAC:		\$ 271,484.52

Payment must be received by 12/15/00 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 11/15/2000 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598



**UNIVERSAL SERVICE
ADMINISTRATIVE CO.**

Date: 11/20/2000
Invoice #: MISC811765
Filer 499 ID: 811765

Mail Payment To:
Universal Service Administrative Company
PO Box 371719
Pittsburgh, PA 15251-7719

U.S. Republic Communications, Inc.
c/o Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880
Attention: John Casey

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ (362,701.41)
11/15/2000	Cr. Transfer to 820411	362,701.41	
	Total Current Charges:		\$ 362,701.41

Detail of Payments/Credits:

Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 0.00

Payment must be received by 12/15/00 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 11/15/2000 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598

SENT BY: ALLIANCE GROUP SVCS, 203 221 8703, JUN-20-01 1:54 PM, Page 1

USAC

**UNIVERSAL SERVICE
ADMINISTRATIVE CO.**

Date: 12/20/2000
Invoice #: UNV0040028791
Flier 499 ID: 820411

Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880
Attention: Accounts Payable

Mail Payment To:
Universal Service Administrative Company
PO Box 371719
Pittsburgh, PA 15251-7719

②

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 271,484.52
12/15/2000	High Cost Program Charges	71,400.04	
12/15/2000	Low Income Program Charges	16,427.67	
12/15/2000	Schools & Libraries Program Charge	40,331.66	
12/15/2000	Rural Health Care Program Charges	306.26	
12/15/2000	Late Payment Penalty	1,066.00	
	Total Current Charges:		\$ 129,531.63

Detail of Payments/Credits:

Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 401,016.15

Payment must be received by 01/16/2001 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 12/17/2000 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598

USAC
UNIVERSAL SERVICE
ADMINISTRATIVE CO.

Date: 01/22/2001
 Invoice #: UINV0040030938
 Filer 499 ID: 820411

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 401,016.15
01/16/2001	High Cost Program Charges	36,964.69	
01/16/2001	Low Income Program Charges	9,193.39	
01/16/2001	Schools & Libraries Program Charge	29,461.62	
01/16/2001	Rural Health Care Program Charges	101.54	
01/16/2001	Late Payment Penalty	2,029.50	
01/16/2001	Late Filing Penalty	339.93	
	Total Current Charges:		\$ 78,090.67

Detail of Payments/Credits:

Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 479,106.82

Payment must be received by 02/14/2001 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 01/16/2001 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598



Date: 02/20/2001
 Invoice #: UINV0040033411
 Filer 499 ID: 820411

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 479,106.82
02/14/2001	High Cost Program Charges	36,964.69	
02/14/2001	Low Income Program Charges	9,193.39	
02/14/2001	Schools & Libraries Program Charge:	29,461.62	
02/14/2001	Rural Health Care Program Charges	101.54	
02/14/2001	Late Payment Penalty	2,893.20	
	Total Current Charges:		\$ 78,614.44

Detail of Payments/Credits:

Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 557,721.26

Payment must be received by 03/15/2001 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 02/14/2001 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598

USAC

UNIVERSAL SERVICE
ADMINISTRATIVE CO.

Date: 03/21/2001
Invoice #: UINV0040035586
Filer 499 ID: 820411

Mall Payment To:

Universal Service Administrative Company
PO Box 371719
Pittsburgh, PA 15251-7719

Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880
Attention: Accounts Payable

STATEMENT OF ACCOUNT

Detail of Charges:			
Date		Amount	Total
	Previous Balance		\$ 557,721.26
03/15/2001	High Cost Program Charges	36,964.69	
03/15/2001	Low Income Program Charges	9,193.39	
03/15/2001	Schools & Libraries Program Charge	29,461.62	
03/15/2001	Rural Health Care Program Charges	101.54	
02/28/2001	811765 Credit Transfer.	362,701.41	
03/15/2001	Late Payment Penalty	3,560.91	
	Total Current Charges:		\$ 441,983.56
Detail of Payments/Credits:			
Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 999,704.82

Payment must be received by 04/16/2001 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 03/15/2001 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598



Date: 04/23/2001
 Invoice #: UINV0040037784
 Filer 499 ID: 820411

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

Mall Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

STATEMENT OF ACCOUNT

Detail of Charges:			
Date		Amount	Total
	Previous Balance		\$ 637,003.41
04/16/01	High Cost Program Charges	37,879.42	
04/16/01	Low Income Program Charges	9,498.32	
04/16/01	Schools & Libraries Program Charge:	30,458.56	
04/16/01	Rural Health Care Program Charges	146.61	
04/16/01	Late Payment Penalty	4,404.04	
	Total Current Charges:		\$ 82,386.95
Detail of Payments/Credits:			
Date		Amount	
	Total Payments/Credits:		\$ 0.00
	Balance Due USAC:		\$ 719,390.36

Payment must be received by 05/15/2001 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 04/16/2001 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598

MAY-29-2001 TUE 02:33 PM EARLY LENNON

FAX NO. 618 348 8525

P. 02/02

USAC
UNIVERSAL SERVICE
ADMINISTRATIVE CO.

Date: 05/22/2001
 Invoice #: UINV0040041781
 Filer 499 ID: 820411

Mail Payment To:
 Universal Service Administrative Company
 PO Box 371719
 Pittsburgh, PA 15251-7719

Alliance Group Services, Inc.
 1221 Post Road East
 Westport, CT 06880
 Attention: Accounts Payable

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 637,003.41
05/15/2001	High Cost Program Charges	3,428.81	} 7,656.94
05/15/2001	Low Income Program Charges	859.78	
05/15/2001	Schools & Libraries Program Charges	2,757.08	
05/15/2001	Rural Health Care Program Charges	13.27	
05/15/2001	Late Payment Penalty	4,853.27	
	Total Current Charges:		\$ 11,912.21

Detail of Payments/Credits:

Date		Amount	
05/15/2001	High Cost Fund Credit	(17,225.31)	
05/15/2001	Low Income Fund Credit	(4,319.27)	
05/15/2001	Schools & Libraries Fund Credit	(13,850.74)	
05/15/2001	Rural Health Care Fund Credit	(66.67)	
	Total Payments/Credits:		\$ (35,461.99)
	Balance Due USAC:		\$ 613,453.64

Payment must be received by 06/14/2001 to avoid late payment charges
 Please remit pink copy with payment to ensure proper credit
 Transactions occurring after 05/15/2001 are not reflected on this statement
 Direct questions to the Fund Administrator - (973) 884-8598



**UNIVERSAL SERVICE
ADMINISTRATIVE CO.**

Date: 06/26/2001
Invoice #: UINV0040046539
Filer 499 ID: 820411

Mail Payment To:

Universal Service Administrative Company
PO Box 371719
Pittsburgh, PA 15251-7719

Alliance Group Services, Inc.
900 Comerica Bldg
Kalamazoo, MI 49007
Attention: Patrick D Crocker

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		\$ 695,840.58
06/14/2001	High Cost Program Charges	3,428.81	
06/14/2001	Low Income Program Charges	859.78	
06/14/2001	Schools & Libraries Program Charge:	2,757.08	
06/14/2001	Rural Health Care Program Charges	13.27	
06/14/2001	Late Payment Penalty	5,457.64	
	Total Current Charges:		\$ 12,516.58

Detail of Payments/Credits:

Date		Amount	
06/14/2001	High Cost Fund Credit	(17,225.31)	
06/14/2001	Low Income Fund Credit	(4,319.27)	
06/14/2001	Schools & Libraries Fund Credit	(13,850.74)	
06/14/2001	Rural Health Care Fund Credit	(66.67)	
	Total Payments/Credits:		\$ (35,461.99)
	Balance Due USAC:		\$ 672,895.17

Payment must be received by 07/13/2001 to avoid late payment charges
Please include your Filer 499 ID# with your payment to ensure proper credit
Transactions occurring after 06/14/2001 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598



Invoice #: UBDI0000003457
Filer 499 ID: 820411
Date: 07/20/2001

Universal Service Administrative Company

Alliance Group Services, Inc.
900 Comerica Bldg
Kalamazoo, MI 49007
Attention: Patrick D Crocker

Mail Payment To:
Universal Service Administrative Company
135 S. LaSalle, Dept 1259
Chicago, IL 60674-1259

STATEMENT OF ACCOUNT

Date	Detail of Charges:	Amount
	Current Balance	\$1,035,596.58
07/16/2001	High Cost Support Mechanism Charges	\$21,774.41
07/16/2001	Low Income Support Mechanism Charges	\$3,884.79
07/16/2001	Schools & Libraries Support Mechanism Charges	\$16,852.61
07/16/2001	Rural Health Care Support Mechanism Charges	\$82.02
07/16/2001	Late Filing Fee - 499A	\$370.70
07/16/2001	Late Payment Fee	\$39,349.28
	Total Current Charges:	\$82,313.81
Date	Detail of Payments/Credits:	Amount
	Total Payments/Credits:	\$0.00
	Balance Due USAC:	\$1,117,910.39

Payment must be received by 08/15/2001 to avoid late payment charges

Please remit pink copy with payment to ensure proper credit

Transactions occurring after 07/16/2001 are not reflected on this statement

Direct questions to the Billing and Disbursement Contact Center at 703-322-5100

EXHIBIT I

USAC staff recommendations and minutes meeting of Board of

Administrator-January 25, 2000

NECA

NATIONAL EXCHANGE CARRIER ASSOCIATION INC

*Form 499-A Data Collection Agent
80 South Jefferson Road
Whippany, NJ 07981
973-884-8094
Fax: 973-560-4434
fnieto@neca.org*

FAX TRANSMISSION COVER SHEET

Date: 06/21/01
To: Larry Breton
Fax: 616-349-8525
Sender: Fabio Nieto

YOU SHOULD RECEIVE 5 PAGE (S), INCLUDING THIS COVER SHEET. IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL 973-560-4400.

Larry,

Feel free to contact me with any questions.

Thank you,
Fabio Nieto
National Exchange Carrier Association

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**Universal Service Administrative Company
Board of Directors Meeting**

ACTION ITEM

**Approval of Reporting Requirements for Companies Involved in the
Transfer and/or Sale of Assets**

Issue:

Board approval of reporting requirements for the FCC contribution reports for companies involved in the transfer and/or sale of assets.

Background – Analysis – Justification:

Commission rules require carriers that contribute to the Universal Service Fund to file semi-annual worksheets reporting on their revenue from the public. The requirement to file a worksheet is determined by whether the carrier is providing interstate telecommunications services to the public on the date of the filing. In order to formalize the policy and procedures to implement the FCC rules, the Board is asked to review and adopt procedures for companies involved in the transfer and/or sale of assets.

Proposed Requirements for Filing Forms:

(Assumes revenue for reporting period is *not de minimis*.)

- 1) If a company is dissolved at the filing date, even though it may have generated revenue during the time period being reported on the filing due date, the company is not required to complete a form, and therefore the company does not incur contribution liabilities in the future.

Example: a company dissolves on 2/1/99; the filing due date for revenue generated January – December 1998 is due April 1, 1999; therefore, the company is not required to file and will not incur any USF obligations for 3Q99 and 4Q99. This company will also not need to file on September 1, 1999. This procedure reinforces the fact that a current liability exists, regardless of the method by which that liability is calculated.

Question Presented: If a company is dissolved on 2/1/99 and USAC is currently billing this company, then when does the company's liability end? Is it at the end of the 1Q99, or at the end of invoices utilizing the last form the company filed (*i.e.*, June 1999- 2Q99)?

Answer: a company facing this situation must complete the entire quarter's invoices that include the dissolution date, which in this example includes January, February, and March 1999. This supports a quarterly funding obligation tied to a quarterly rate.

- 2) If a company is no longer providing interstate telecommunications services at the filing date, but provides intrastate and/ or international only or provides other non-telecommunications services, the company does not need to report the telecommunications revenue it generated during the time period reported on the filing due date.

Example: A company no longer provides interstate telecommunications after 2/1/99; the filing due date for revenue generated January – December 1998 is April 1, 1999; therefore, the company does not have to file on April 1, 1999, nor does it need to file on September 1, 1999. This company would be required to continue making payments into the fund for January, February, and March. This procedure is based on the fact that the USF obligation is a current liability borne only by companies that are currently providing interstate telecommunications services.

Companies in Bankruptcy:

- 1) Determination of what invoices fall under pre- and post-petition: Because an entire quarter's liability is incurred on the first day of the quarter, and because each monthly invoice represents one-third of that quarter's liability, USAC cannot collect any invoices for the entire quarter (even though the last third of a bankrupt company's quarterly contribution may not be sent in the form of an invoice until mid-March).

Example: A company filed for bankruptcy on 2/1/99. All open invoices prior to and including March 1999 must be taken off current invoicing, and be reported on the Proof of Claim filed with the appropriate bankruptcy court.

Reporting of revenue that was generated pre-petition: A company filing Chapter 11 on 2/1/99 is still responsible for completing the Form 499 Telecommunications Reporting Worksheet due on April 1, 1999, (reporting January 1 through December 31, 1998, revenue) and September 1, 1999, (reporting January 1 through June 30, 1999, data), even though the revenue was generated prior to the Chapter 11 petition date.

Question Presented: What if a company insists that because all of the revenue on the April 1 form was revenue generated prior to its bankruptcy petition date, any liabilities incurred because of that revenue is also protected?

Answer: FCC rules state that in order to calculate current universal service liability, a firm must calculate a rate against prior period revenue. The FCC could have also required a firm to calculate a rate against estimated future revenue, against their number of employees, or against their number of minutes of service, etc. The key is that it is considered a current liability regardless of how the liability is calculated. In addition, in its 10/6/99 Memorandum Opinion & Order & 17th Order on Reconsideration, the FCC reiterated the use of prior period revenues to calculate current obligation.

- 2) The USF obligation is not a tax; therefore, universal service obligations cannot be treated as a non-dischargeable tax liability in the bankruptcy proceeding.

Sale of Customer Base Asset (does not involve a Bankruptcy):

- 1) The date of sale listed on the Asset Purchase Agreement or similar document is the key date when completing the following procedures; not the date the purchaser starts using the assets or the date the FCC approves the sale.

Example: Company A only sells a portion of its customer base (not the Customer Base) on 2/15/99 to Company B, and is still in operation. Company A is responsible for reporting Sold Customer Base revenue for the period January 1 – December 31, 1998, on the April 1 worksheet. Company A must also report Sold Customer Base revenue for January 1 through February 15, 1999 on the September 1 worksheet. Company B must report Sold Customer Base revenue for February 15 through June 30, 1999, on the September 1, 1999, worksheet.

It is encouraged that Company A (selling party) review the Asset Purchase Agreement to insure that the agreement reflects the continued universal service obligation (until June 2000) of Company A for assets that Company B (purchasing party) is receiving, and include an estimate of that obligation in the agreement. It is the responsibility of the seller to include this in the sale agreement. Company A must not pro-rate invoices.

Example: Company A sells its entire Customer Base to Company B on 2/15/99. Company A is dissolved on 2/15/99. Company A is responsible for paying contributions through the end of 1Q99 (January, February, and March 1999). Company B must pay April through June 1999 invoices. Company B is responsible for reporting the customer base revenue for January 1 through December 31, 1998, on its April 1, 1999, worksheet (even though the revenue was generated by the customer base while owned by Company A). For calculating Company B's July through December 1999 invoices, we will take the April 1999 form filed by Company B and subtract the September 1998 filings for both Company A and B.

Sale of Customer Base Asset (Bankruptcy involved):

- 1) Company A in Bankruptcy (filed prior to 1Q99) sells entire customer base to Company B on 2/15/99. Company A must complete paying post-petition invoices until the end of that quarter (January, February, and March 1999). Company A does not have any future obligation, unless it pursues more customers and generate new revenue. They must report the new revenue from the new customers on the next applicable worksheet. Company B does not have to report any revenue, or pay any obligations as a result of the purchased assets, until September 1999. On the September form, Company B will report revenue generated 2/15/99 – 6/30/99.

- 2) Company A in Bankruptcy (filed prior to 1Q99) sell to Company B on 2/15/99. Company A must pay post-petition invoices and is responsible for reporting January 1 – February 15, 1999, invoices on its September 1999 form. Company B must report February 15 forward revenue on its worksheet. Because Company B will not have an obligation from revenue generated by the customer base purchased by Company A in bankruptcy, there is no need to include a continued obligation in the sale price.

Recommended USAC Executive Committee Action:

APPROVAL OF THE FOLLOWING USAC EXECUTIVE COMMITTEE RESOLUTION:

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

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING USAC BOARD OF DIRECTORS RESOLUTION:

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

Bellucci, Vicky – <i>by telephone</i>	MCIWorldCom
Blackwell, Mel	USAC
Flannery, Irene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Moore, Kate	USAC
Ricker, John	NECA
Snegireff, Petre	PricewaterhouseCoopers

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Board approved the minutes, as distributed, of the quarterly meeting of Tuesday, October 26, 1999.

On a motion duly made and seconded, the Board unanimously agreed at 9:03 a.m. Eastern Time to go into *Executive Session* for the purpose of discussing USAC financial and corporate issues, and to discuss current procurement issues. On a motion duly made and seconded, the Board unanimously agreed at 9:32 a.m. Eastern Time to adjourn from *Executive Session* and reconvene in Open Session to report out the discussion and the action of the Board.

Executive Session

- i13. Corporate and Financial Issues.** USAC has been notified informally by FCC staff that the FCC is considering categorizing the Universal Service Fund as "federal funds" for accounting and financial reporting purposes. The FCC and USAC staff are working together to determine the ramifications of such a change. USAC has communicated its need to the FCC for formal written direction from the FCC prior to making significant operational changes. Ms. Parrino will keep the Board members informed as developments warrant.

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

Action Items (Continued)

- a2. Annual Election of Officers, Officers' Terms, Election of Committee Chairs and Vice-Chairs, and Restructuring of the Executive Committee.** Ms. Parrino summarized the

resolutions as recommended by the Nominating Committee.

On a motion duly made and seconded, the Board unanimously (*except as noted*) adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice- chairs shall also be elected annually; (2) the first election for Committee chairs and vice-chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee to elect Mr. Frank Gumper as Chair of the Board of Directors; Dr. Henry Marockie as Vice-chair, Mr. Ed Eichler as Secretary, and Mr. Wayne Rehberger as Treasurer for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors elects Ms. Cheryl L. Parrino as CEO of the Universal Service Administrative Company for the term of one year that shall begin at the conclusion of January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting (*Ms. Parrino abstained.*); and,

RESOLVED FURTHER, That the USAC Board of Directors elects Mr. D. Scott Barash as Assistant Secretary and Mr. Robert Haga as Assistant Treasurer of USAC for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee to restructure the Executive Committee, and that, effective at the conclusion of the January 2000 Board meeting, the Executive Committee of the USAC Board of Directors shall consist of the following nine members: the Chair of the High Cost and Low Income Committee, the Chair of the Rural Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC; and,

RESOLVED FURTHER, That the USAC Board of Directors appoints to the Executive Committee, effective at the conclusion of the January 2000 Board meeting, the following members of the USAC Board of Directors: the Chair of the High Cost and Low Income Committee, the Chair of the Rural

Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC.

The Board expressed concern that nine members on the Executive Committee is more than is customary for such a committee and DIRECTED the members to monitor the meetings throughout the upcoming year for any problems due to such a large group and to recommend any changes in membership to the Board if the Committee feels such an action is warranted.

Ms. Parrino clarified for the Board that Committee Chairs and Vice-Chairs are elected by the full Board but at the recommendation of each respective Committee. In the past, the Board has not rejected any recommendations from the Committees for Committee Chairs and Vice-Chairs.

On behalf of the whole Board, Mr. Gumper thanked Ms. Rosenblum for her service as Chair on the Board. He announced that since he will be taking over the Chair of the Board position, he intends to step down as a member of the Schools and Libraries Committee. Ms. Rosenblum stated that the appointment of a new member to the Schools and Libraries Committee to replace Mr. Gumper would take place under the Miscellaneous Action Item of the meeting. Ms. Parrino informed the Board that Mr. Gumper represented service providers on the Schools and Libraries Committee.

- a3. Approval of an Uncollectible Write-off Policy.** Ms. Parrino reported that the Executive Committee is recommending to the Board to adopt a policy establishing how to handle uncollectible contributions. USAC staff cannot and does not recommend writing off uncollectible amounts; only the FCC has the authority to waive or otherwise modify a carrier's contribution requirement.

On a motion duly made and seconded, the Board unanimously adopted the following resolution: RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to establish an accounting reserve against uncollectible accounts receivable in conformity with generally accepted accounting principles and to direct staff to continue the current practice of stating accounts receivable balances from all companies regardless of collectibility in the accounts receivable aging analysis.

- a4. Approval of Reporting Requirements for Companies Involved in the Transfer and/or Sale of Assets.** Mr. Haga explained that USAC has followed the policies set forth in the issue paper; staff is now requesting formal Board approval of the procedures. The Board DIRECTED staff to clearly state in the procedures that parties to a sale of assets may negotiate arrangements to handle the reporting of revenue with respect to those assets and that USAC would honor specific obligations when provided with documentation which obligates one party

to report the revenues associated with the assets for Universal Service purposes.

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

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

- a5. Modification of USAC Investment Strategy.** Ms. Parrino informed the Board that the FCC has requested USAC to move its investments into federal government-issued securities. Board members questioned the authority of the FCC to make such a request in light of the fact that such a change could potentially decrease the returns on the investments. The following resolution was duly made and seconded, but no action was taken on the motion: Resolved, that the USAC Board of Directors accepts the recommendation of the Executive Committee to retain the existing USAC investment guidelines and adopt the investment strategy presented by the staff herein until such time as circumstances require or allow a change in this investment approach.

The Board discussed the actions staff had taken, consistent with current investment guidelines, and determined additional information should be provided to the Board and that the Executive Committee should take action soon to adopt or reject the revised investment strategy. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors directs staff to retain the USAC investment guidelines that have been in place since January 3, 2000, until such time as the CEO is able to clarify with the FCC which entity has the proper authority to make changes to USAC's investment strategy, and directs the CEO to report the findings to the Executive Committee for further review.

The Board DIRECTED staff to produce a document detailing the pros and cons of the current strategy versus the strategy proposed by the FCC and to send a copy to each member.

- a6. Approval of a Statement of Ethical Conduct for Members of the USAC Board of Directors.** Mr. Barash explained to the Board that the Executive Committee, upon review of the Statement as presented to them by the Nominating Committee at its recent quarterly meeting, noted that the document did not indicate to whom a Board member should report to if a conflict should occur or for advice on whether a known upcoming situation may constitute an ethical conflict. Therefore, the Executive Committee passed a resolution adding this information to the document. Mr. Barash distributed a copy of the revised document to the Board and