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Fund Agreement

This agreement is made on July 14, 2006, between the Washington Utilities & Transportation Commission (the "Commission"), an agency of the State of Washington, Verizon Northwest ("Verizon" or the "Donor"), and the Greater Everett Community Foundation (the "Foundation"), a publicly supported charitable organization that is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The parties agree as follows:

1. **FUND SOURCE.** As a condition of the settlement entered into voluntarily by Verizon and approved by the Commission in Docket UT-050814 (the "Verizon Merger docket"), Verizon has agreed to provide \$1,250,000 to establish a fund to be named the Verizon-MCI Merger Order Public Purpose Fund ("the Fund"). This Fund will be so identified by the Foundation in all relevant literature, reports, promotional material, and other public documents. The Fund is subject to conditions, restrictions, and direction by the Commission under terms of orders in the Verizon Merger docket. Upon receipt of the funds, the Foundation will inform the Commission and the terms of this fund agreement will be in effect.

2. **PURPOSE OF FUND.** The purpose of the Fund is to offset harm resulting from the merger of Verizon and MCI as explained by the Commission in its Order 07 in Docket UT-050814, particularly at paragraphs 212, 213 and 221; and Paragraphs 33 and 35 of Order 09 as clarified in Order 12. Pursuant to the Commission's Orders, projects to be funded will be required to do one or more of the following: 1) Provide residential and small business consumer education or outreach; 2) Improve access to telecommunication and information services; 3) Make services more readily available to the public; or 4) Benefit a broad range of consumers. See attached Docket UT-050814 for more details. Grantees must meet the eligibility criteria set out in paragraphs 23 through 31 of Commission Order 09 in Docket UT-050814. Projects must meet the project funding criteria set out in paragraphs 32 through 38 of Order 09 and must not be ineligible for the reasons described in paragraphs 39 through 44 of that order. The Commission's Orders 07, 09 and 12, and any future amendments that may be made to those Orders, are incorporated by reference in this Fund Agreement.

3. **NATURE OF FUND.** The Fund shall be administered by the Foundation as a:

Community Fund

Field of Interest Fund

Designated Agency Endowment

Scholarship Endowment

Non-Endowed Fund
(pass through)

An Advisory Committee will be established to assist with grant selection. The Committee will consist of representatives of Verizon, the Public Counsel Section of the Attorney General's office, and the Commission, as well as members selected by the Foundation, at least one of whom shall be an individual with knowledge or experience in the telecommunications industry. In addition, a public member will be selected by consensus among the administrator and representatives of Verizon, Public Counsel, and the Commission. The public member shall represent the interests of the community.

4. NATURE OF GRANTS. Advisors may recommend grants from the Fund exclusively for charitable purposes. These recommendations are advisory only.

The Fund is not an endowment fund, and all of the fund shall be used for grants, according to the terms of this agreement.

The Fund is an endowment fund, meaning that the principal may not be used:

Grants will be made in an annual amount currently equal to five percent (5%) of the Fund balance after the Fund has reached a minimum balance of \$25,000 and achieved four quarters of earnings.

Other: _____

5. NATURE OF PROPERTY. The Fund is the property of the Foundation. The Fund will include the initial contribution and any subsequent contributions specifically designated for the Fund and accepted by the Foundation. The Foundation has sole and final authority and discretion as to the sale, resale, investment and reinvestment of the Fund as part of the Foundation's investment portfolio and may commingle the Fund with other Foundation funds, provided, however, that the separate identity of the Fund will be maintained and distributions from the Fund will be clearly identified as such and made in accordance with this Agreement.

6. VARIANCE POWER. The Foundation will hold the Fund subject to its Articles of Incorporation and Bylaws, as amended and restated from time to time. However, the Foundation may not modify any recommendation or condition on the distribution of the Fund set forth by the Commission. In the event that the Foundation believes any recommendation or condition is obsolete, incapable of fulfillment or inconsistent with the exempt purposes of the Foundation, it shall notify the Commission of its intention to exercise variance power.

7. FEES. A management fee will be charged by the Foundation for administration of this fund according to the schedule of fees appended hereto.

8. The Foundation shall report periodically to the Commission on the status of the fund and grant decisions. All funds shall be expended by June 30, 2009. If funds are remaining after that date, the Foundation shall deposit those funds in a separate interest-bearing account and maintain that fund until the Commission consults with Verizon, Public Counsel and Commission Staff and provides instruction, consistent in purpose with the original order, to the Foundation regarding the distribution of remaining funds.

9. COMPLETE AGREEMENT. This Agreement represents the entire agreement between the parties. The Agreement may not be modified, except in writing and signed by all parties.

The parties agree to the foregoing provisions and to the Foundation's Fund Agreement Policies, except as provided herein.

Washington Utilities and Transportation Commission

By: Carole Washburn Date: 7-12-06

Carole Washburn, Executive Secretary

Verizon Northwest, Inc., Donor

By: Gregory M. Romano Date: 7-12-06

Gregory M. Romano, General Counsel

Greater Everett Community Foundation

By: Maddy Metzger-Utt Date: 7-13-06

Maddy Metzger-Utt, Executive Director

By: Mark Nesse Date: 7/13/06

Mark Nesse, Board President

Revised Budget for the Verizon/MCI Public Purpose Fund Grant Distribution

1. Greater Everett Community Foundation Fee: 1% of total settlement = \$12,500
Plus any interest and earnings that are received from the fund
2. Consultant time & expense (see detail below):
 - Time = \$30,000 (240 hours @ \$125 – discounted from \$150 p/hour)
 - Expenses = \$5,000 (mileage, lodging, food)
 - Contingency = \$2,500

TOTAL FEES = \$50,000

Reasons for increase:

- Participation of the parties to the settlement in the grantmaking process
- Increased travel for site visiting in Central & Eastern WA
- Progress reports to the WUTC
- Increased need for facilitation and potential problem solving due to the addition of Verizon to the Advisory Committee

Budget Detail

Outreach --- 27 hours @ \$125 = \$3,375

- Interview parties to the settlement for guidance in writing the RFP: 10 hours
- Identify and discuss funding opportunity with prospective applicants: 10 hours
- Network w/ other community foundations in Washington: 2 hours
- Develop RFP distribution list: 5 hours

Convene Advisory Committee & GEFCF Board --- 36 hours @ \$125 = \$4,500

- Identify & interview prospective committee members from Verizon, Office of Public Counsel, WUTC and an outside telecommunications expert: 14 hours
- Prep, convene and orient advisory committee; plan 2 additional meetings (1st cut applications & development of funding recommendations): 20 hours
- Prep & present funding recommendations to the GEFCF Board: 2 hours

Grants Process --- 141 hours @ \$125 = \$17,625 + \$2,500 contingency

- Write RFP & design application materials: 15 hours
- Convert for posting on GEFCF website and promote through other websites: 2 hours
- Provide technical assistance to grantseekers: 10 hours
- Screen grant applications for eligibility and funding criteria fit: 4 hours
- Proposal review; make 1st cut: 10 hours
- Continue review by site visiting top proposals throughout Washington state: 75 hours
- Write proposal summaries for committee review: 20 hours
- Analyze proposals and develop funding recommendations for committee review: 5 hours
- At request of WUTC, and in the event of a challenge to the funding recommendations of the Advisory Committee, provide proposal summaries and rationale for funding to the Commission: 20 hours (contingency)

Grant Administration --- 36 hours @ \$125 = \$4,500

- Develop grant award letters, denial letters and grant agreements: 6 hours
- Negotiate grant agreements with grantees: 10 hours
- Remaining grant monitoring activities to be completed by GECF
- Problem solving as needed: 10 hours
- Progress reports to WUTC: 10 hours

Expenses -- \$5,000 (increase of \$4,000 to cover travel to Central & Eastern WA)

- Includes mileage, lodging, food