ORIGINAL

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION T-14014
November 22, 1989

R E S O L U T I O N

RESOLUTION T-14014. (REQUESTING APPROVAL OF SEVERAL PROPOSALS BY THE TELECOMMUNICATIONS EDUCATION TRUST).

BACKGROUND

1. Pursuant to D.87-12-067, the Telecommunications Education Trust (Trust) has been established to promote consumer education and understanding of the telecommunications system.

2. The Disbursements Committee (DC) has five members; and was also established by D.87-12-067.

3. The Trust agreement which governs the operation of the Trust was signed by the Trustee (the Bank of California), and the Commission in May of 1988.

4. The Bank of California has sold its Trust Department to Banker's Trust Company of California (Banker's). Banker's does not provide the same kind of investment advisory services as those provided by the Bank of California.

5. The Disbursements Committee has found a minority-owned investment advisor called Amervest, who can supplement the work of Banker's in handling Trust funds.

6. The Legal Division has reviewed the proposed amended Trust agreement and the proposed agreement with Amervest.

7. The Commission approved the hiring of outside legal counsel for the Trust in Resolution 13006. The Resolution allowed the Disbursements Committee to expend up to $20,000 for the outside law firm of Silk, Alder and Colvin.

8. The Trust will soon use up the $20,000 previously allocated for outside counsel.

9. The Disbursements Committee has determined that an independent audit of the Trust itself is appropriate and necessary to ensure the proper operation of the Trust.

10. The Trust has concluded its first funding cycle and awarded funds for 32 projects.

11. The Legal Division of the Commission has issued an opinion which requires that substantive changes in the agreements between the Trust and grantees must be submitted to the Commission for their approval.

12. One of the Trust grantees, the Congress of California Seniors (Congress), has requested a $9,000 increase in the amount of their grant, raising the total to $55,860. The Congress made this request because of a misunderstanding between the Trust and the Congress which led to no funds being provided for printing the material to be distributed by the Congress (See Appendix C). The Disbursements Committee supports this request, and recommends Commission approval.

13. Several of the grantees have requested non-substantive modifications in their grant agreements. The Disbursements Committee has approved them and is notifying the Commission of these non-substantial changes. (See Appendix C)

DISCUSSION

The current Trust agreement needs to be modified for several reasons;

1) The new Trustee (Banker's) has requested several clarifications in the Trust document.

2) The agreement was not formally restated after being amended by the Commission by D88-11-030.

3) If the contract with Amervest is to be approved, the Trust Agreement needs to be modified (the new Trust Agreement, highlighting all the recommended changes, is attached as Appendix A. Appendix B is a clean copy of the proposed new agreement. Appendix D is a memo from our outside counsel explaining the proposed changes).

The Disbursements Committee recommends that the Commission approve the contract with Amervest, a well-regarded minority-owned business enterprise, to maximize the income from Trust assets, while also maintaining the absolute safety of the Trust's assets. Amervest has a competitive fee structure and a very good reputation for enhancing income. The firm currently serves as an investment advisor for nearly $2 billion in assets for the City of Los Angeles.

In a comparison of 32 short to intermediate-term funds (as reported in the Frank Russell Performance Summary), Amervest ranked near the 5th highest percentile for performance over a five year period. Over the past two to four years, Amervest (per the same study) has rated in the top 25th percentile in comparison with other portfolios. In a separate study conducted

on behalf of the California Community Foundation involving four investment advisory services, Amervest registered the best performance in the category of risk adverse, limited maturity investments.

The Disbursements Committee has determined that an independent audit of the Trusts' finances is appropriate because it would attest to the integrity of the Trust. Since the Trust has completed its' first application cycle, the Disbursements Committee recommends that the Commission authorize the expenditure of up to $6,000 for this purpose.

The Disbursements Committee has expended the $20,000 previously authorized for outside legal counsel. The DC recommends the Commission authorize the expenditure of an additional $20,000 for outside counsel for the coming year.

The Disbursements Committee recommends that the Commission approve a substantial modification to one grantee agreement. This modification, an increase of $9,000 for the Congress of California Seniors (Congress) is necessary because of a misunderstanding between the Trust and the Congress, and will be used exlusively for printing the educational material to be distributed by the Congress.

The Disbursements Committee is also advising the Commission of six non-substantial modifications in the grant agreements which have been proposed by grantees. See Appendix C for the details of the modifications.

FINDINGS

1. The Disbursements Committee recommends the Trust Agreement be modified as proposed in Appendix A.

2. We find that it is reasonable to modify the Trust Agreement as proposed in Appendix A.

3. The Disbursements Committee recommends that the Commission authorize the Disbursements Committee to enter into the contract (see Appendix E) between the Trust and Amervest, to serve as the investment advisor for the Trust.

4. We find that it is reasonable to authorize the Disbursements Committee to enter into the contract with Amervest to maximize the return on the Trust's investments, while also providing for the absolute security of the Trust's assets.

5. The Disbursements Committee recommends the Commission authorize the DC to expend up to $6,000 the services of an independent auditor to review the Trust's expenditures and income.

6. We find that it is reasonable to audit the Trust and authorize the DC to expend up to $6,000 for this purpose.

7. The Disbursements Committee recommends that the Commission authorize the DC to spend up to $20,000 in the next year for outside legal counsel to protect the Trust.

8. We find it is reasonable to authorize the DC to spend up to $20,000 in the next year on outside legal counsel.

9. The Disbursements Committee recommends that the Commission approve a modification in the grant agreement with the Congress of California Seniors (Congress) which could increase the grant amount by $9,000 to a total of $55,680.

THEREFORE, IT IS ORDERED that;

1. The Trust Agreement is modified as proposed in Appendix A.

2. The Disbursements Committee is authorized to enter into the contract with Amervest as proposed in Appendix E.

3. The Disbursements Committee is authorized to expend up to $6,000 for the services of an independent outside audit to review the Trust's expenditures and income.

4. The Disbursements Committee is authorized to expend up to $20,000 in the next year for outside counsel.

5. The Disbursements Committee is authorized to modify the agreement between the Trust and the Congress to increase the Congress' grant by $9,000 to $55,680.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 22, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Wesley Franklin

WESLEY FRANKLIN
Acting Executive Director

APPENDIX A

~~RATEPAYER~~ AMENDED AND RESTATED

TELECOMMUNICATIONS EDUCATION TRUST AGREEMENT

(Draft Showing Changes)

This ~~RATEPAYER~~ Amended and Restated Telecommunications Education Trust Agreement (the "Trust" or "Trust Agreement"), is entered into on this _____ day of _____ _____, ~~1988~~ 1989 by and between ~~PACIFIC BELL~~ ~~A CALIFORNIA CORPORATION, AND~~ Wesley M. Franklin, Acting Executive Director of the California Public Utilities Commission ("CPUC") on behalf of the CPUC and ~~BANK OF~~ ~~CALIFORNIA~~ Bankers Trust Company of California, N.A. ("Bank"), as Trustee. ~~WHEREAS, AS CPUC DECISION 87-12-067, ISSUED DECEMBER 22, 1987, AND PACIFIC BELL, EXPECTS TO TRANSFER $16.5 MILLION TO THE INTERIM TRUSTEES, AND WHEREAS, THE PURPOSE OF THE TRUST IS TO PROMOTE RATEPAYER EDUCATION AND UNDERSTANDING OF THE TELECOMMUNICATIONS SYSTEM,~~ The purpose of this Trust is to promote ratepayer education and understanding of the telecommunications system, by means, including, but not limited to, mass media programs, educational forums, community outreach efforts or grants to selected groups; provided however, that the distribution of the principal or income of the Trust shall not jeopardize the federal or state income tax exemption of the Trust. This Amended and Restated Trust Agreement is a continuation and modification of that certain Trust Agreement (the "Interim Trust"), effective December 31, 1987, between Pacific Bell and Richard N. Rose and Kristina Veaco (the "Interim Trustees") whereby Pacific Bell, pursuant to CPUC Decision 87-12-067, transferred $16.5 million to the Interim Trustees to be used to further the

goal of ratepayer educational efforts. A copy of the Interim Trust is attached hereto as Exhibit "A". This Amended and Restated Trust Agreement is also a continuation and modification of that certain Trust Agreement which was entered into pursuant to CPUC Decision 87-12-067, dated December 22, 1987, in Pacific Bell's general rate case (A.85-01-034).

I. GENERAL

1.1 Trust Assets. The assets of this Trust shall consist of the ~~[illegible]~~ initial Trust fund of SIXTEEN AND ONE-HALF MILLION DOLLARS ($16.5 million), plus ~~[illegible]~~ earnings and less disbursements. The Trustee shall hold the Funds in trust for the primary benefit of Pacific Bell ratepayers, and except as provided in Article II of this Trust Agreement, or otherwise as directed by the CPUC, payments from the Trust shall be made solely for the purpose of promoting "ratepayer education and understanding of the telecommunications system, and to educate ratepayers about their service options in the increasingly competitive telecommunications environment" in accordance with CPUC Decision 87-12-067, and for reasonable expenses of administering this Trust.

1.2 Qualifications for Exemption from Federal and State Income Taxes. Pursuant to CPUC Decision 87-12-067, Pacific Bell shall seek exemption of this Trust from federal and state income taxes as a social welfare organization under Internal Revenue Code of 1986 Section 501(c)(4) and California Revenue and Taxation Code Section 23701(f), respectively.

1.3 Acceptance of Trust. The Trustee accepts the Trust subject to all of the terms and conditions of this Trust Agreement. [illegible]

[illegible]

[illegible]/DISTRIBUTIONS

[illegible]

[illegible]

[illegible]

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~~members shall be entitled to receive a salary or other compensation from the Trust.~~

~~2.3 Liability of Trustee. The Trustee shall incur no liability for any distribution it makes according to the written directions of the Disbursements Committee or CPUC. Any payment by the Trustee may be made by mailing its check to the address furnished in writing by the Disbursements Committee or CPUC.~~

~~2.4 Taxes. The Trustee shall from time to time charge against and pay out of the Trust Fund taxes that are lawfully levied or assessed upon or because of the Trust Fund or the income thereof.~~

~~III. POWERS OF TRUSTEE~~

~~The Trustee shall have the authority and responsibility to invest and reinvest Trust assets in accordance with the standards established in Section 1.3. The Trustee shall also have all the powers necessary to hold in trust and manage the assets of the Trust, including, but not by way of limitation, the power:~~

~~3.1 To establish bank accounts, including with its own commercial department, and to collect and receive the income of the Trust and any and all property of the Trust. The Trustee, on written direction from the Committee, may invest the Trust funds until directed otherwise in writing in U.S. Treasury obligations and mutual funds.~~

1.4 Authority of CPUC. All decisions regarding payment of amounts or disbursements of funds by the Trust shall be made by the CPUC, after a review of the recommendations of the Disbursements Committee ("Committee"). In addition to any other power and authority, (From 1.4) the CPUC shall have the power to conclusively decide any question

involving this Trust, including but not limited to any disagreement between the Disbursements Committee and the Trustee.

II. DISBURSEMENTS COMMITTEE

2.1 General Powers. (From 9/88 Modification to 87-12-067) The Committee shall make recommendations to the CPUC regarding disbursements of Trust funds and, except as provided in Section 1.4, (From 3.1) the Committee shall make all decisions regarding investments (From 1.4) and the Trustee shall be subject to the direction and control of the CPUC and the Committee.

2.2 Membership. (From 9/88...) The Committee shall consist of five members: a representative from Pacific Bell, a representative from the Division of Ratepayer Advocates ("DRA") of the CPUC, the CPUC's Public Advisor, and two representatives of consumer groups. (From 1.4) The Committee shall elect annually a Chairperson, Vice Chairperson and Recording Secretary. Each Committee member shall provide the Trustee, the Public Advisor of the CPUC, and the Chairperson of the Committee with his/her address and telephone number.

The Committee shall act by majority vote. Each Committee member shall be entitled to one vote. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. If the Committee is

unable to make a decision on a particular disbursement, or its members are otherwise deadlocked, the Public Advisor shall seek to mediate the dispute.

The members of the Committee, in the performance of their duties under this Trust Agreement, and in the actions taken by the Committee shall at all times be subject to the outstanding orders issued by the CPUC. Any member of the Committee may be removed at any time by the CPUC, by notice, in writing to the Trustee and members of the Committee. Subject to approval by the CPUC, and unless the CPUC directs otherwise, Pacific Bell or its successor and DRA shall each have the right, from time to time, and at any time, to name a successor to or to replace its designee as a Committee member. In the event either consumer representative on the Committee resigns or becomes ineligible to serve on the Committee, the Public Advisor of the CPUC, in consultation with Pacific Bell and DRA, shall recommend another consumer representative to fill the vacancy on the Committee. Any changes in the membership of the Committee shall be promptly communicated in writing to the Trustee and the Public Advisor of the CPUC.

2.3 <u>Disbursements</u>. [From 9/88...] <u>To establish a program of disbursements for each year, the Committee shall meet at least annually</u>. [From 2.1] The Committee shall have as a goal, the disbursement of at least Three Million Dollars

($3 million) per year out of the assets of the Trust over a five-year period.

(From 9/88...) The Committee shall make recommendations to the CPUC with regard to disbursement of Trust funds to promote ratepayer education and understanding of the telecommunications system, including, but not limited to, mass media programs, educational forums, community outreach efforts or grants to selected groups. (From 2.1) Disbursement recommendations may be made even if ratepayers of other telephone companies would thereby be provided with educational benefits by the proposal. No recommendation shall be made for disbursement of any assets of the Trust which would jeopardize the federal or state income tax exemption of this Trust. Any questions to whether a proposed disbursement may jeopardize the tax exempt status of the Trust shall be determined by the General Counsel of the Public Utilities Commission. Except as provided in Section 2.4, no disbursement recommendation shall be made which would give access to or benefit from Trust funds by a member of the Committee, or any officer, agent, director, client or person or entity affiliated with any such member.

The CPUC shall consider the Committee's disbursement recommendations and make a final determination. The Trustee, on the written directions from the Committee shall disburse the funds in accordance with such directions. At the end of five years of disbursements, the Trustee shall

disburse the remaining balance in the Trust in year six on the same basis as provided in this Section 2.3.

(From 2.2) 2.4 Reimbursement of Expenses. The Committee members, except the representatives of Pacific Bell, the DRA, and the Public Advisor of the CPUC, shall be entitled to reimbursement or direct payment from the Trust for reasonable expenses incurred by them in the performance of their duties hereunder. The representatives of Pacific Bell and DRA and the Public Advisor of the CPUC shall not be entitled to reimbursement or direct payment from the Trust for any expenses incurred by them in the performance of their duties hereunder. No Committee members shall be entitled to receive a salary or other compensation from the Trust.

(From 3.1) 2.5 Investments. The Committee shall be responsible for directing the investments of the Trust. It shall carry out that responsibility by giving, directly or through an investment advisor or investment manager, directions to the Trustee of the manner in which the Trust funds are to be invested. In directing the Trustee to make investments, the Committee and any investment advisor or investment manager, appointed by the Committee pursuant to Sections 2.5 and 2.6, is limited to investments which come within this investment list: (1) direct obligations of the United States of America or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations, debentures,

bonds or other evidence of indebtedness issued or guaranteed by any the following: Federal Home Loan Bank System, Federal Farm Credits, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Association, Student Loan Marketing Association, or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories of Standard & Poor's Corporation and Moody's Investors Services; (3) repurchase agreements with solvent banking or other financial institutions fully secured by collateral security described in (1) or (2) and continuously having a market value of 102% of the amount invested so long as such underlying obligations or securities are in the possession of the Trustee or third party agent; (4) government money market portfolios (mutual funds) restricted to obligations described in (1) or (2) above; (5) interest bearing Certificates of Deposit in FDIC insured banks, up to $100,000 per issuer. In directing the Trustee to make investments within this investment list, the Committee is entitled to rely on advice it receives from one or more investment advisors or managers which the Committee believes to be competent.

2.6 Investment Advisor. The Committee may enter into an agreement to obtain the services of an investment advisor or investment manager, provided that such agreement is approved in advance by the CPUC.

III. ~~POWERS OF~~ TRUSTEE

(From 1.3) 3.1 Trustee's Standard of Care. The Trustee shall perform such duties and only such duties as are specifically set forth in this Agreement. In carrying out each of its ~~[illegible]~~ duties under the Trust, the Trustee shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the Trust.

(From 3.2) 3.2 Management. The Trustee shall have the powers necessary to hold in trust and manage the assets of the Trust subject to the provisions of Section 2.5, including, but not by way of limitation, the powers:

3.2.1 To establish bank accounts, including with its own commercial department, and to collect and receive the income of the Trust and any and all property of the Trust, ~~[illegible]~~ and to act as custodian of any such income or property.

3.2.2 To extend the time of payment of any obligation owing to the Trust, and to deposit any property with and to delegate discretionary powers to any protective, reorganization or similar committee, including the power to

pay expenses, compensation, and assessments levied with respect to the deposited property.

3.2.3 To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, to commence or defend legal proceedings for or against the Trust, and to represent the Trust in all proceedings in any court of law or equity or before any other tribunal, subject to prior approval by the Executive Director of the CPUC.

3.2.4 To sue or defend in connection with any property held at any time by the Trust, the related costs and attorneys' fees to be a charge against the Trust, subject to prior approval by the Executive Director of the CPUC.

3.2.5 To appoint agents, including, without limitation, appraisers, actuaries, accountants, or legal counsel.

[From 2.1] 3.3 Distribution. The Trustee shall make such distributions of Trust funds as are directed in writing by the CPUC or by the Committee, and the Trustee shall make such reports to the Committee of such distributions as the Committee may reasonably request.

[From 3.1] 3.4 Investment. The Trustee shall make such investments of the Trust funds as are directed in writing by the Committee or its investment advisor or investment manager, and the Trustee shall make such reports

to the Committee of such investments as the Committee shall reasonably request.

[From 2.4] 3.5 Taxes. The Trustee shall from time to time charge against and pay out of the Trust Fund taxes that are lawfully levied or assessed upon or become payable with respect to the Trust Fund or the income thereof.

[From 6.1] 3.6 Compensation. The Trustees shall be entitled to reasonable compensation for its services as Trustee under this Trust Agreement at a rate to be agreed upon from time to time between the Trustee and the Committee.

[From 6.2] 3.7 Expenses. The Trustee shall deduct from and charge against the assets of the Trust reasonable administrative expenses, including but not limited to, bank fees, liability insurance for the Committee members, fees paid to appraisers, actuaries, accountants and legal counsel, if any, and compensation of the Trustee.

[From 2.3] 3.8 Liability. The Trustee shall incur no liability for any distribution it makes according to the written directions of CPUC, or the Committee. The Trustee shall incur no liability for any investment it makes according to the written directions of the Committee or its investment advisor or investment manager. Any payment by the Trustee may be made by mailing its check to the address furnished in writing by the Committee or CPUC.

IV. BOOKS, RECORDS AND REPORTS

4.1 Books and Records; Annual Reports. The Trustee shall keep accurate books and records reflecting investments, receipts, disbursements and any other transactions engaged in by the Trust, and the expenditures for each of the separate programs or activities funded by the Trust shall be accounted for separately. The books and records shall be open to inspection at all reasonable times by the CPUC, the Committee or its designated representatives, or any member of the Committee.

As soon as reasonably practicable after the end of each month, the Trustee shall submit a statement to the Executive Director of the CPUC and to each member of the Committee, setting forth the following information:

a. Disbursement of funds for the preceding month and the identity of those receiving the disbursements.

b. Purchase, sale, redemption or exchange of Trust investments.

c. Receipt of income on invested assets.

d. Other disbursements.

e. List of Trust assets showing market values, cost and estimated monthly income of all holdings.

As soon as reasonably practicable after the end of each calendar year, the Trustee shall submit an annual statement to the Executive Director of the CPUC and to each member of the Committee, setting forth the following information:

a. Disbursement of funds for the preceding year and the identity of those receiving the disbursements.

b. Purchase, sale, redemption or exchange of Trust investments.

c. Receipt of income on invested assets.

d. Other disbursements.

e. List of Trust assets showing market values, cost and estimated annual income of all holdings.

V. RESIGNATION OR REMOVAL OF TRUSTEE

The Trustee may resign at any time by giving thirty (30) days' prior written notice to the Executive Director of the CPUC; provided however, such resignation shall not become effective until the appointment of a successor trustee. The CPUC may remove the Trustee at any time upon the giving of thirty (30) days' prior written notice to the Trustee and the members of the Disbursements Committee. Upon the removal or resignation of the Trustee, the CPUC may appoint a successor trustee or trustees, which may be a corporation, one or more individuals, or a combination thereof. Any successor trustee shall have the same rights, powers and duties as its predecessor.

~~VI. COMPENSATION OF TRUSTEE; EXPENSES~~

~~6.1 Compensation of Trustee. The Trustee shall be entitled to reasonable compensation for its services as~~

[illegible]

[illegible]

[illegible]

VII. AMENDMENT, REVOCATION AND TERMINATION

The Trust may be amended, extended, terminated or revoked at any time pursuant to order of the CPUC. Upon revocation or termination, the assets of the Trust shall be distributed by the Trustee in accordance with this Trust Agreement. Until final distribution of the Trust assets, the Trustee shall continue to have all the powers provided under this Trust Agreement as are necessary and expedient for the orderly liquidation and distribution of the assets of the Trust.

VIII. MISCELLANEOUS

8.1 Indemnification. The Trust shall indemnify and hold harmless the [illegible] members of the Committee and its officers, employees, agents, successors and

assigns, ~~[illegible]~~ against all liabilities, demands, claims, actions, losses, taxes, expenses (including reasonable attorneys' fees) arising out of acts or omissions with respect to this Trust, except in the case of willful misconduct, gross negligence, fraud or criminal acts.

§7.2 No Liability. Pacific Bell, Pacific Telesis Group and Pacific Bell's affiliated companies and their respective officers, directors, agents, employees, successors, and assigns, shall have no liability to the CPUC, the Disbursements Committee, Trustee or any other person or entity for any act or omission arising out of or in any way connected to this Trust, the purposes of this Trust, the disbursements or disbursement decisions made by the Committee.

§7.3 Reversion of Assets Prohibited. No portion of the assets in the Trust shall revert to Pacific Bell or be diverted to purposes other than ratepayer education as set forth in CPUC Decision 87-12-067 or subsequent modifications thereof.

§7.4 Termination of Trust. Unless earlier or later terminated or extended by the CPUC, this Trust shall terminate ~~[illegible]~~ by May 30, 1995.

§7.5 Applicable Law; Severability. This Agreement shall be construed in accordance with the laws of the State of California. If any provision of this Agreement is held

invalid or unenforceable, the invalidity or unenforceability shall not affect any other provision, and it shall be construed and enforced as if the invalid or unenforceable provision had not been included.

§7.6 Notice. Wherever in this Agreement notice is provided or required to be given, such notice shall be transmitted by first class mail, Federal Express or FAX.

§7.7 Resignation of Interim Trustees. The Interim Trustees shall resign and execute the statement, which is attached hereto, as Exhibit "B" and incorporated by reference herein, upon the approval of the Trust by the CPUC.

~~PACIFIC BELL~~

~~By:~~ _____

~~Title:~~ _____

~~Date Signed:~~ _____

~~BANK OF CALIFORNIA~~
BANKERS TRUST OF CALIFORNIA, N.A.

By: _____

Title: _____

Date Signed: _____

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: _____

Title: _____

Date Signed: _____

APPENDIX B

AMENDED AND RESTATED

TELECOMMUNICATIONS EDUCATION TRUST AGREEMENT

This Amended and Restated Telecommunications Education Trust Agreement (the "Trust" or "Trust Agreement"), is entered into on this _____ day of _____, 1989, by and between Wesley M. Franklin, Acting Executive Director of the California Public Utilities Commission ("CPUC") on behalf of the CPUC and Bankers Trust Company of California, N.A. ("Bank"), as Trustee. The purpose of this Trust is to promote ratepayer education and understanding of the telecommunications system, by means, including, but not limited to, mass media programs, educational forums, community outreach efforts or grants to selected groups; provided however, that the distribution of the principal or income of the Trust shall not jeopardize the federal or state income tax exemption of the Trust. This Amended and Restated Trust Agreement is a continuation and modification of that certain Trust Agreement (the "Interim Trust"), effective December 31, 1987, between Pacific Bell and Richard N. Rose and Kristina Veaco (the "Interim Trustees") whereby Pacific Bell, pursuant to CPUC Decision 87-12-067, transferred $16.5 million to the Interim Trustees to be used to further the goal of ratepayer educational efforts. A copy of the Interim Trust is attached hereto as Exhibit "A". This Amended and Restated Trust Agreement is also a continuation and modification of that certain Trust Agreement which was

entered into pursuant to CPUC Decision 87-12-067, dated December 22, 1987, in Pacific Bell's general rate case (A.85-01-034).

I. GENERAL

1.1 Trust Assets. The assets of this Trust shall consist of the initial Trust fund of SIXTEEN AND ONE-HALF MILLION DOLLARS ($16.5 million), plus earnings and less disbursements. The Trustee shall hold the Funds in trust for the primary benefit of Pacific Bell ratepayers, and except as provided in Article II of this Trust Agreement, or otherwise as directed by the CPUC, payments from the Trust shall be made solely for the purpose of promoting "ratepayer education and understanding of the telecommunications system, and to educate ratepayers about their service options in the increasingly competitive telecommunications environment" in accordance with CPUC Decision 87-12-067, and for reasonable expenses of administering this Trust.

1.2 Qualifications for Exemption from Federal and State Income Taxes. Pursuant to CPUC Decision 87-12-067, Pacific Bell shall seek exemption of this Trust from federal and state income taxes as a social welfare organization under Internal Revenue Code of 1986 Section 501(c)(4) and California Revenue and Taxation Code Section 23701(f), respectively.

1.3 Acceptance of Trust. The Trustee accepts the Trust subject to all of the terms and conditions of this Trust Agreement.

1.4 Authority of CPUC. All decisions regarding payment of amounts or disbursements of funds by the Trust shall be made by the CPUC, after a review of the recommendations of the Disbursements Committee ("Committee"). In addition to any other power and authority, the CPUC shall have the power to conclusively decide any question involving this Trust, including but not limited to any disagreement between the Disbursements Committee and the Trustee.

II. DISBURSEMENTS COMMITTEE

2.1 General Powers. The Committee shall make recommendations to the CPUC regarding disbursements of Trust funds and, except as provided in Section 1.4, the Committee shall make all decisions regarding investments and the Trustee shall be subject to the direction and control of the CPUC and the Committee.

2.2 Membership. The Committee shall consist of five members: a representative from Pacific Bell, a representative from the Division of Ratepayer Advocates ("DRA") of the CPUC, the CPUC's Public Advisor, and two representatives of consumer groups. The Committee shall elect annually a Chairperson, Vice Chairperson and Recording Secretary. Each Committee member shall provide the Trustee,

the Public Advisor of the CPUC, and the Chairperson of the Committee with his/her address and telephone number.

The Committee shall act by majority vote. Each Committee member shall be entitled to one vote. Votes of members of the Committee shall be recorded on all matters voted on or decided by the Committee. If the Committee is unable to make a decision on a particular disbursement, or its members are otherwise deadlocked, the Public Advisor shall seek to mediate the dispute.

The members of the Committee, in the performance of their duties under this Trust Agreement, and in the actions taken by the Committee shall at all times be subject to the outstanding orders issued by the CPUC. Any member of the Committee may be removed at any time by the CPUC, by notice, in writing to the Trustee and members of the Committee. Subject to approval by the CPUC, and unless the CPUC directs otherwise, Pacific Bell or its successor and DRA shall each have the right, from time to time, and at any time, to name a successor to or to replace its designee as a Committee member. In the event either consumer representative on the Committee resigns or becomes ineligible to serve on the Committee, the Public Advisor of the CPUC, in consultation with Pacific Bell and DRA, shall recommend another consumer representative to fill the vacancy on the Committee. Any changes in the membership of the Committee shall be promptly

communicated in writing to the Trustee and the Public Advisor of the CPUC.

2.3 Disbursements. To establish a program of disbursements for each year, the Committee shall meet at least annually. The Committee shall have as a goal, the disbursement of at least Three Million Dollars ($3 million) per year out of the assets of the Trust over a five-year period.

The Committee shall make recommendations to the CPUC with regard to disbursement of Trust funds to promote ratepayer education and understanding of the telecommunications system, including, but not limited to, mass media programs, educational forums, community outreach efforts or grants to selected groups. Disbursement recommendations may be made even if ratepayers of other telephone companies would thereby be provided with educational benefits by the proposal. No recommendation shall be made for disbursement of any assets of the Trust which would jeopardize the federal or state income tax exemption of this Trust. Any questions to whether a proposed disbursement may jeopardize the tax exempt status of the Trust shall be determined by the General Counsel of the Public Utilities Commission. Except as provided in Section 2.4, no disbursement recommendation shall be made which would give access to or benefit from Trust funds by a member of the

Committee, or any officer, agent, director, client or person or entity affiliated with any such member.

The CPUC shall consider the Committee's disbursement recommendations and make a final determination. The Trustee, on the written directions from the Committee shall disburse the funds in accordance with such directions. At the end of five years of disbursements, the Trustee shall disburse the remaining balance in the Trust in year six on the same basis as provided in this Section 2.3.

2.4 Reimbursement of Expenses. The Committee members, except the representatives of Pacific Bell, the DRA, and the Public Advisor of the CPUC, shall be entitled to reimbursement or direct payment from the Trust for reasonable expenses incurred by them in the performance of their duties hereunder. The representatives of Pacific Bell and DRA and the Public Advisor of the CPUC shall not be entitled to reimbursement or direct payment from the Trust for any expenses incurred by them in the performance of their duties hereunder. No Committee members shall be entitled to receive a salary or other compensation from the Trust.

2.5 Investments. The Committee shall be responsible for directing the investments of the Trust. It shall carry out that responsibility by giving, directly or through an investment advisor or investment manager, directions to the Trustee of the manner in which the Trust funds are to be invested. In directing the Trustee to make

investments, the Committee and any investment advisor or investment manager, appointed by the Committee pursuant to Sections 2.5 and 2.6, is limited to investments which come within this investment list: (1) direct obligations of the United States of America or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations, debentures, bonds or other evidence of indebtedness issued or guaranteed by any the following: Federal Home Loan Bank System, Federal Farm Credits, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Association, Student Loan Marketing Association, or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories of Standard & Poor's Corporation and Moody's Investors Services; (3) repurchase agreements with solvent banking or other financial institutions fully secured by collateral security described in (1) or (2) and continuously having a market value of 102% of the amount invested so long as such underlying obligations or securities are in the possession of the Trustee or third party agent; (4) government money market portfolios (mutual funds) restricted to obligations described in (1) or (2) above; (5) interest bearing Certificates of Deposit in FDIC insured banks, up to $100,000 per issuer. In directing the Trustee to make investments within this investment list, the

Committee is entitled to rely on advice it receives from one or more investment advisors or managers which the Committee believes to be competent.

2.6 Investment Advisor. The Committee may enter into an agreement to obtain the services of an investment advisor or investment manager, provided that such agreement is approved in advance by the CPUC.

III. TRUSTEE

3.1 Trustee's Standard of Care. The Trustee shall perform such duties and only such duties as are specifically set forth in this Agreement. In carrying out each of its duties under the Trust, the Trustee shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the Trust.

3.2 Management. The Trustee shall have the powers necessary to hold in trust and manage the assets of the Trust subject to the provisions of Section 2.5, including, but not by way of limitation, the powers:

3.2.1 To establish bank accounts, including with its own commercial department, and to collect and receive the income of the Trust and any and all property of

the Trust, and to act as custodian of any such income or property.

3.2.2 To extend the time of payment of any obligation owing to the Trust, and to deposit any property with and to delegate discretionary powers to any protective, reorganization or similar committee, including the power to pay expenses, compensation, and assessments levied with respect to the deposited property.

3.2.3 To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, to commence or defend legal proceedings for or against the Trust, and to represent the Trust in all proceedings in any court of law or equity or before any other tribunal, subject to prior approval by the Executive Director of the CPUC.

3.2.4 To sue or defend in connection with any property held at any time by the Trust, the related costs and attorneys' fees to be a charge against the Trust, subject to prior approval by the Executive Director of the CPUC.

3.2.5 To appoint agents, including, without limitation, appraisers, actuaries, accountants, or legal counsel.

3.3 Distribution. The Trustee shall make such distributions of Trust funds as are directed in writing by the CPUC or by the Committee, and the Trustee shall make such

reports to the Committee of such distributions as the Committee may reasonably request.

3.4 Investment. The Trustee shall make such investments of the Trust funds as are directed in writing by the Committee or its investment advisor or investment manager, and the Trustee shall make such reports to the Committee of such investments as the Committee shall reasonably request.

3.5 Taxes. The Trustee shall from time to time charge against and pay out of the Trust Fund taxes that are lawfully levied or assessed upon or become payable with respect to the Trust Fund or the income thereof.

3.6 Compensation. The Trustees shall be entitled to reasonable compensation for its services as Trustee under this Trust Agreement at a rate to be agreed upon from time to time between the Trustee and the Committee.

3.7 Expenses. The Trustee shall deduct from and charge against the assets of the Trust reasonable administrative expenses, including but not limited to, bank fees, liability insurance for the Committee members, fees paid to appraisers, actuaries, accountants and legal counsel, if any, and compensation of the Trustee.

3.8 Liability. The Trustee shall incur no liability for any distribution it makes according to the written directions of CPUC, or the Committee. The Trustee shall incur no liability for any investment it makes

according to the written directions of the Committee or its investment advisor or investment manager. Any payment by the Trustee may be made by mailing its check to the address furnished in writing by the Committee or CPUC.

IV. BOOKS, RECORDS AND REPORTS

4.1 Books and Records; Annual Reports. The Trustee shall keep accurate books and records reflecting investments, receipts, disbursements and any other transactions engaged in by the Trust, and the expenditures for each of the separate programs or activities funded by the Trust shall be accounted for separately. The books and records shall be open to inspection at all reasonable times by the CPUC, the Committee or its designated representatives, or any member of the Committee.

As soon as reasonably practicable after the end of each month, the Trustee shall submit a statement to the Executive Director of the CPUC and to each member of the Committee, setting forth the following information:

a. Disbursement of funds for the preceding month and the identity of those receiving the disbursements.

b. Purchase, sale, redemption or exchange of Trust investments.

c. Receipt of income on invested assets.

d. Other disbursements.

e. List of Trust assets showing market values, cost and estimated monthly income of all holdings.

As soon as reasonably practicable after the end of each calendar year, the Trustee shall submit an annual statement to the Executive Director of the CPUC and to each member of the Committee, setting forth the following information:

a. Disbursement of funds for the preceding year and the identity of those receiving the disbursements.

b. Purchase, sale, redemption or exchange of Trust investments.

c. Receipt of income on invested assets.

d. Other disbursements.

e. List of Trust assets showing market values, cost and estimated annual income of all holdings.

V. RESIGNATION OR REMOVAL OF TRUSTEE

The Trustee may resign at any time by giving thirty (30) days' prior written notice to the Executive Director of the CPUC; provided however, such resignation shall not become effective until the appointment of a successor trustee. The CPUC may remove the Trustee at any time upon the giving of thirty (30) days' prior written notice to the Trustee and the members of the Disbursements Committee. Upon the removal or resignation of the Trustee, the CPUC may appoint a successor trustee or trustees, which may be a corporation, one or more

individuals, or a combination thereof. Any successor trustee shall have the same rights, powers and duties as its predecessor.

VI. AMENDMENT, REVOCATION AND TERMINATION

The Trust may be amended, extended, terminated or revoked at any time pursuant to order of the CPUC. Upon revocation or termination, the assets of the Trust shall be distributed by the Trustee in accordance with this Trust Agreement. Until final distribution of the Trust assets, the Trustee shall continue to have all the powers provided under this Trust Agreement as are necessary and expedient for the orderly liquidation and distribution of the assets of the Trust.

VII. MISCELLANEOUS

7.1 Indemnification. The Trust shall indemnify and hold harmless the members of the Committee and its officers, employees, agents, successors and assigns, against all liabilities, demands, claims, actions, losses, taxes, expenses (including reasonable attorneys' fees) arising out of acts or omissions with respect to this Trust, except in the case of willful misconduct, gross negligence, fraud or criminal acts.

7.2 No Liability. Pacific Bell, Pacific Telesis Group and Pacific Bell's affiliated companies and their

respective officers, directors, agents, employees, successors, and assigns, shall have no liability to the CPUC, the Disbursements Committee, Trustee or any other person or entity for any act or omission arising out of or in any way connected to this Trust, the purposes of this Trust, the disbursements or disbursement decisions made by the Committee.

7.3 Reversion of Assets Prohibited. No portion of the assets in the Trust shall revert to Pacific Bell or be diverted to purposes other than ratepayer education as set forth in CPUC Decision 87-12-067 or subsequent modifications thereof.

7.4 Termination of Trust. Unless earlier or later terminated or extended by the CPUC, this Trust shall terminate by May 30, 1995.

7.5 Applicable Law; Severability. This Agreement shall be construed in accordance with the laws of the State of California. If any provision of this Agreement is held invalid or unenforceable, the invalidity or unenforceability shall not affect any other provision, and it shall be construed and enforced as if the invalid or unenforceable provision had not been included.

7.6 Notice. Wherever in this Agreement notice is provided or required to be given, such notice shall be transmitted by first class mail, Federal Express or FAX.

7.7 Resignation of Interim Trustees. The Interim Trustees shall resign and execute the statement, which is attached hereto, as Exhibit "B" and incorporated by reference herein, upon the approval of the Trust by the CPUC.

CALIFORNIA PUBLIC
UTILITIES COMMISSION

By:_____

Title:_____

Date Signed:_____

BANKERS TRUST OF CALIFORNIA, N.A.

By:_____

Title:_____

Date Signed:_____

APPENDIX C

TELECOMMUNICATIONS EDUCATION TRUST

Established by the California Public Utilities Commission

3580 Wilshire Boulevard, Suite 1660, Los Angeles, CA 90010
(213) 738-8743 FAX (213) 383-2046

November 2, 1989

RECEIVED
PUBLIC ADVISOR
NOV 3 1989

Memorandum

To: Robert T. Feraru

From: Terri Jones TJ

Re: Recommended amendments to TET grant agreements.

The following is a summary of the changes to grant agreements the Disbursements Committee of the Trust has recommended. The first six represent "insubstantial" changes to agreements: none of them alters the amount of funding to be provided by the Trust, nor materially changes the scope of work nor the length of the grant period as approved by the PUC. These, in the Disbursements Committee's view, come under the heading of the kinds of changes about which the PUC should be advised simply as a matter of information.

The seventh recommended change, to the grant made to the Congress of California Seniors, does entail increasing the amount of the grant. Since the authority to do so rests solely with the Public Utilities Commission, this recommended change obviously would require formal approval from the Commissioners.

1. Grant number 89-001G, KRCB Public Television, Sonoma. KRCB Community Public Television has been funded by the Trust to develop, produce, and disseminate a series of public service announcements and a public affairs program for Latino audiences. The requested amendment is to modify slightly the time frame, to allow for more simultaneous production of the program and announcements. The project end date will not change.

2. Grant number 89-016G, Richstone Family Center, Los Angeles. Richstone has been funded by the Trust to establish a multi-lingual crisis-prevention telephone counseling service utilizing volunteers working in their homes. The requested amendment, suggested by the project's community advisory board, is to devote more time at the beginning of the two-year project to recruiting and training the volunteer counselors, and to begin actual service delivery to clients in April, 1990, rather than in January, 1990.

3. Grant number 89-023G, Union of Pan Asian Communities, San Diego. The Trust grant is supporting a consortium effort by UPAC and the Chicano Federation of San Diego County to provide basic consumer information in five languages to their communities. The two agencies realized a modest cost savings in the start up phase of the project, and requested an amendment to allow them to utilize these funds ($2,325) to install facsimile machines to enable them to communicate more efficiently with each other.

4. Grant number 89-083G, La Raza Information Center, San Francisco. La Raza Information Center has been funded by the Trust to develop and produce a fotonovela to help Spanish-language dependent consumers improve their telecommunications skills. Amendment is to designate the new agency director as project director for the grant.

5. Grant number 89-086G, La Cooperativa Campesina de California, Sacramento. La Cooperativa has been funded by the Trust to establish an 800 audiotext service to provide employment and social service information to Spanish-speaking farmworkers in Northern California. The requested amendment would allow La Cooperativa to pilot the system by providing Spanish language earthquake relief information to consumers in Monterey, Santa Cruz, and San Benito counties, where such information is otherwise unavailable. The cost and timing of the original project will be unaffected.

6. Grant number 89-088G, California/Nevada Community Action Association, Sacramento. Cal/Neva has been funded by the Trust to develop an educational program for low-income consumers to be delivered through community action agencies around the state. The requested amendment would allow modest shifts among budget line items, and would accelerate the development of Spanish-

language video materials from the second to the first year of the project. Neither the overall expenditures nor the length of the project would change.

The foregoing changes seem to the Disbursements Committee to require no formal approval from the Commission, since they do not significantly change the funding, scope, or timing of projects the Commission has already approved.

7. Grant number 89-040G, Congress of California Seniors Education and Research Fund, Oakland. The Congress of California Seniors has received a grant of $46,860 from the Trust in order to distribute to its network of seniors' agencies basic materials to help older consumers make good choices with regard to telephone service.

The Congress originally requested $77,120 dollars for a one-year program, a sum felt by the Disbursements Committee to be too high for the project as proposed. The Trust suggested some means of reducing costs -- including the use by the Congress of research and brochures developed by other Trust grantees -- and, through negotiation, the grant amount of $46,860 was agreed upon.

The Congress has since re-evaluated its ability to obtain in sufficient numbers and to use materials developed for a 'generic' TET audience, and has asked the Trust for an additional $9,000 in order to adapt those materials and print them in sufficient quantities to serve the Congress' clients. The Disbursements Committee has considered this request, and recommends to the Public Utilities Commission that the additional $9,000 be granted and the grant agreement be modified accordingly.

cc: Carl Oshiro
Michael Amato
Jack Eckley
Anthony Samson

APPENDIX D

SILK, ADLER & COLVIN
A LAW CORPORATION
RUSS BUILDING, SUITE 1010
235 MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94104
(415) 421-7555
FAX (415) 421-0712

TO: California Public Utilities Commission

DATE: 10/20/89

FILE NO: ratecpuc.mem

FROM: Thomas Silk

COPIES TO:

SUBJECT: Telecommunications Education Trust

The purpose of this memorandum is to explain the changes made to the Telecommunications Education Trust Agreement (formerly the Ratepayer Education Trust Agreement) and to discuss briefly the Investment Advisory Agreement.

The amendments to the Trust Agreement are designed to accomplish two basic purposes. The Trust Agreement required amending due to the fact that the introduction of an investment advisor eliminated the former investment duties imposed on the bank trustee. In the course of exercising its oversight responsibilities over the administration of the Trust, the Disbursements Committee concluded that investment performance could be improved consistent with safety. It then embarked upon a search for an appropriate investment advisor and selected Amervest. That choice was based both on Amervest's outstanding performance in investing in government-related securities and in Amervest's low fee. The Committee has worked with Amervest in developing the secure investment list which appears in Section 2.5 of the Trust Agreement and, also, on Schedule B to the Investment Advisory Agreement. The investment procedures will be as follows: Amervest will make investments from that investment list, the bank will carry out written investment instructions, and the Committee will oversee the investments, assuring that they come within the approved investment list and reviewing the monthly reports of the bank and the investment advisor.

The Trust Agreement was also revised to incorporate the changes made by the CPUC, since the inception of the Trust, in the duties and responsibilities of the Committee and the CPUC.

I have enclosed three documents: the Amended and Restated Telecommunications Education Trust Agreement; the Amended and Restated Telecommunications Education Trust Agreement (Draft Showing Changes); and the Investment Advisory Agreement. The remainder of this memorandum considers those documents.

AMENDED AND RESTATED
TELECOMMUNICATIONS EDUCATION TRUST AGREEMENT
(Draft Showing Changes)

Introductory

The introductory portion of the Trust Agreement has been revised to reflect accurately the name of the Trust (now the Telecommunications Education Trust rather than the Ratepayer Education Trust); to eliminate Pacific Bell, which is no longer an active Trustor; to replace the Bank of California with Bankers Trust of California; and to disclose the history of the Trust Agreement.

Section 1.1. The changes here are formal and merely update the description of the Trust assets.

Section 1.2. No change.

Section 1.3. From prior Section 1.3 to prior Section 3.5, substantial changes were made. Those changes are shown by hatchmarks to provisions which have been deleted or revised.

Section 1.4. This new section gathers together all of the various provisions contained in the prior version of the Trust Agreement relating to the authority of the CPUC. In this section, as well as others, the source of the new language is contained in brackets, as here "[from 1.4]" meaning that the following material was taken from Section 1.4 of the prior agreement.

Section 2.1. The first phrase in the sentence was taken from the September, 1988 CPUC modification to the prior order, providing that the role of the Committee with regard to disbursements is simply to make recommendations to the CPUC. The investment function, on the other hand, is performed by the Committee.

Section 2.2. This is a recasting of the language approved by the CPUC revising the membership of the Committee and providing for its operating procedures.

Section 2.3. The first sentence incorporates the change made by the CPUC, and the remainder of the section is taken from former Section 2.1. and from the CPUC modification.

Section 2.4. No change from prior Section 2.2.

Section 2.5. This clarifies the investment responsibility, making plain that the Committee is responsible for directing the investments to the Trust, setting forth its relationships with the investment advisor and Trustee, and limiting the permissible investments to those listed.

Section 2.6. This new section expressly authorizes the Committee to obtain the services of an investment advisor pursuant to an agreement approved in advance by the CPUC.

Section 3.1. The Trustee's standard of care is unchanged, except that it expressly applies only to the duties which are imposed on the Trustee. The Bank trustee no longer has an investment role but performs primarily a custodial role.

Section 3.2. This section is largely unchanged but makes clear that the Trustee has no investment responsibility.

Section 3.3. The Trustee is to make distributions which must be in writing and either by the CPUC or by the Committee, and it is obligated to make reports.

Section 3.4. With regard to investments, the Trustee, similarly executes investments that are directed in writing by the Committee or the investment advisor and must make reports.

Section 3.5. No change from prior Section 2.4.

Section 3.6. No change from prior Section 6.1.

Section 3.7. No change from prior Section 6.2.

Section 3.8. No change from prior Section 2.3 except that it is now clear that the Trustee is not liable for investments if it simply follows the written directions given to it by the Committee or the investment advisor.

Section 4.1. This is the same as the prior section except that monthly reports are required also which conforms with past practice.

V. No change.

VI. No change.

Section 7.1. The indemnification provision has been revised to make clear that the indemnification obligation of the Trust runs only to the Committee and not, also, to the Trustee as the prior version had mistakenly provided.

Section 7.2. No change.

Section 7.3. No change.

Section 7.4. No change except that the precise outer termination is specified rather than a formula.

Section 7.5. No change.

Section 7.6. No change except that written notices may be transmitted by Federal Express or FAX as well as first class mail.

INVESTMENT ADVISORY AGREEMENT

There are several provisions of the Investment Advisory Agreement that might be stressed.

The investments by the investment advisor are limited to the permissible investments under Paragraph 2 and Schedule B, which is the same investment list that is contained in Paragraph 2.5 of the revised Trust Agreement.

The investment advisor has the same prudent person standard of liability with regard to investments that the Bank trustee formerly did (Section 10).

The investment advisor is obligated to provide monthly written reports to the Committee (Section 6) and all notices for the Committee are to be sent to a central address for distribution by Terri Jones, as appropriate (Section 13).

Respectfully submitted,

Thomas Silk

APPENDIX E

INVESTMENT ADVISORY AGREEMENT

THIS AGREEMENT made this_____, 1989 by and between the Disbursement Committee of the Telecommunications Education Trust, hereinafter called the "Owner" and Amervest Company, Inc., hereinafter called the "Advisor".

WITNESSETH:

WHEREAS, Owner and Adviser wish to enter into an agreement (the "Agreement") setting forth the terms upon which Adviser will furnish investment advice to Owner with respect to a specified part of Owner's portfolio:

NOW, THEREFORE, in consideration of the premises and covenants hereinafter contained, Owner and Adviser hereby agree as follows:

1. THE ACCOUNT. On and after the Commencement Date (as hereinafter defined) Adviser will furnish to Owner investment advice regarding such part of Owner's investments as may be specified to Adviser from time to time by Owner. The part of Owner's investments which is specified in the attached schedule "A" and all investments and reinvestments thereof from time to time and cash and other assets resulting therefrom is hereinafter called the "Account".

2. INVESTMENT AUTHORITY. Adviser will supervise and direct the investments of the Account, subject to such limitations as specified by Owner in schedule "B". Account may: (a) buy, sell, exchange, convert and otherwise trade in eligible securities as defined in Owner's instructions; and (b) place orders for the execution of securities transactions with or through such brokers, dealers or issuers as Adviser may select.

3. INVESTMENT OBJECTIVES AND RESTRICTIONS. It will be Owner's responsibility to inform Adviser of the investment objectives of the Account and of any changes or modifications therein as well as any specific investment restrictions applicable hereto and to give Adviser prompt written notice if Owner deems any investments recommended or made for the Account to be in violation of such objectives and restrictions. Unless Owner notifies Adviser in writing of specific restrictions, the investments recommended for, or made on behalf of, the Account shall be deemed not to be restricted under the current or future laws of any state or by virtue of the terms of any other contract or instrument purporting to bind Owner and Adviser.

4. TRANSACTION PROCEDURES. All transactions authorized by this agreement shall be carried out through the Trustee of the Account, and Adviser shall not act as custodian of any assets of the Account nor Adviser act as broker for the Account. Copies of any agreements with such Trustee and of any amendments thereto, shall be promptly furnished to Adviser. During the term of this Agreement, Owner shall not give the broker(s) or Trustee any instructions regarding the investment or reinvestment of any assets of the Account. The broker(s) shall be instructed to forward to Owner or its Trustee, simultaneously with transmittal thereof to Adviser, confirmations of all transactions relating to the Account as well as monthly statements with respect thereto. Adviser shall not be liable to Owner for any act or omission of any Trustee or broker(s). Nothing in this paragraph shall prohibit Owner from requiring the Trustee to send a copy to Owner of any information which Trustee sends to Adviser.

5. ALLOCATION OF BROKERAGE. Adviser may place orders for the execution of transactions with or through such brokers, dealers or banks as Adviser may select and, complying with Section 28(e) of the Securities Exchange Act of 1934, may pay a commission on transactions in excess of the amount of commission another broker or dealer would have charged.

6. PERIODIC MONTHLY REPORTS. Within ten working days subsequent to the end of the month, Adviser will provide Owner with a listing of securities and any other assets held in the Account at their carrying values as well as their market values on the last business day of the prior month. In addition, Adviser will provide Owner with a transaction statement showing the investment activities in the prior month and the income/loss resulting from such activities.

7. COMMENCEMENT DATE. Adviser shall commence rendering its service hereunder on _____.

8. COMPENSATION TO ADVISER. Owner will pay to Adviser as full compensation for its services hereunder, an annual fee of 25 basis points payable pro-rata monthly in arrears, based upon the daily average book value of the Account in the preceding calendar month. The daily average book value of the Account equals the sum of each day's book value divided by the number of days in the month. If Adviser shall serve for less than the whole of any monthly period, its compensation determined as provided above shall be calculated and shall be payable on a pro-rata basis for the period for which it has served as Adviser hereunder. The compensation is subject to review and change at each anniversary of the Commencement Date.

9. SERVICES TO OTHER CLIENTS. It is understood that Adviser performs investment advisory services for various clients and may give advice, and take action, with respect to any of those which may differ from the advice given, or the timing or nature of action taken, with respect to the Account. Adviser shall have no obligations to purchase or sell for the Account any security which Adviser, its principals, affiliates or employees may purchase or sell for themselves or for any other clients.

10. LIABILITY OF ADVISER. In carrying out each of its responsibilities under this Agreement, the Adviser shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the Agreement.

11. CONFIDENTIALITY. Adviser shall keep all information relating to the Account and its investments confidential, including but not limited to the Account's holdings and its investment records.

12. ASSIGNMENT. No assignment (as that term is defined in the Investment Advisers Act of 1940) of this Agreement shall be made by Adviser without prior written consent of Owner.

13. NOTICES. All notices, advice and other communications required or contemplated by this Agreement shall be in writing. All such written communications to Owner, other than invoices, shall be addressed as follows:

Chair, Disbursements Committee
c/o Terri Jones
Telecommunications Education Trust
3580 Wilshire Boulevard, Suite 1660
Los Angeles, CA 90010

All invoices of Adviser shall be addressed as follows:

Chair, Financial Subcommittee of the Disbursements Committee
c/o Terri Jones
Telecommunications Educations Trust
3580 Wilshire Boulevard, Suite 1660
Los Angeles, CA 90010

All such communications to Adviser shall be addressed as follows:

Mr. Peter Cheung
Managing Director
Amervest Company, Inc.
1875 Century Park East, Suite 1740
Los Angeles, California 90067

Either party hereto may by written notice designate from time to time a different address.

14. EFFECTIVE PERIOD; TERMINATION. This Agreement shall be effective in accordance with paragraph 4 hereinabove, and shall remain in effect thereafter until terminated on thirty days prior written notice given by either party to the other. Such termination shall be without the payment of any penalty and without liability of either party to the other, except that such termination shall not relieve Adviser of any liability for any act or omission, or relieve Owner of any liability for any compensation due to Adviser accrued but unpaid, prior to the effective date of such termination.

15. GOVERNING LAW. This agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by Owner and Adviser.

"Owner"

By: _____

Amervest Company, Inc.
"Adviser"

By: Peter Cheung, CFA
Managing Director

Schedule A

The "Account" will consist of the below-mentioned cash, securities and instruments of valuable consideration so designated by Owner to Adviser for the latter's advice.

(1) Cash: _____

(2) Securities: _____

_____

_____

_____

_____

_____

_____

(3) Others: _____

_____

_____

Schedule B

Permissible Investments

The following securities will be authorized investments for the Telecommunications Education Trust:

(a) Direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and securities which represent an undivided interest in such direct obligations) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America;

(b) Obligations, debentures, bonds or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Federal Farm Credits, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Association, Student Loan Marketing Association, or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories of Standard & Poor's Corporation and Moody's Investors Services;

(c) Repurchase agreements with solvent banking or other financial institutions fully secured by collateral security described in clauses (a) and (b) of this listing, continuously having a market value of 102% of the amount invested so long as such underlying obligations or securities are in the possession of the Trustee or a third party agent;

(d) Units of government money market mutual funds restricted to obligations described in (a) and (b) above; and

(e) Interest bearing certificates of deposit in FDIC insured banks, up to $100,000 per issuer.