

2008 Board of Directors Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

January 23, 2008

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Wednesday, January 23, 2008. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:00 a.m. Eastern Time. Fourteen of 16 Board members were present (there are three vacancies), representing a quorum:

Anderson, D. Michael	Joseph, Kevin – <i>by telephone</i>
Barash, Scott – Acting CEO	Kragel, Dr. Peter – Secretary
Boyle, Anne	Lubin, Joel
Bryant, Dr. Anne	Sanders, Dr. Jay
Campbell, Anne	Simon, Phyllis – <i>by telephone</i>
Jackson, Jimmy – Vice Chair	Talbott, Dr. Brian – Chair
Jortner, Wayne – Treasurer	Williams, Jason – <i>by telephone</i>

Ms. Lee Schroeder joined the meeting by telephone at 9:10 a.m. Eastern Time. She did not participate in the discussion or vote on items a1 and a2. Ms. Schroeder departed the meeting at 10:40 a.m. Eastern Time. She did not participate in the discussion of or vote on the items considered in Executive Session.

Members of the Board not present:

McClure, David

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Dr. William – Vice President, Rural Health Care Division
Erwin, W.B. – Vice President, Finance, and Assistant Treasurer
Holcombe, Jamie – Vice President, Information Systems
Majcher, Karen – Vice President, High Cost & Low Income Division
Scott, Wayne – Vice President, Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beard, Jay	USAC
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Castro, Mauricio	USAC
Cunningham, Christina	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Friend, Daniel	USAC
Gallant, Pam	USAC
Gerensky-Greene, Mitko	USAC
Hughes, Jeff	USAC
Hunt, David	FCC
Iversen, Eric	USAC
King, Sola	USAC
LeNard, David	USAC
Machcinski, Thaddeus	FCC
Mann, Connie	USAC
McCloud, Robert	USAC
Mitchell, Jeff	USAC
Mondenge, Yvie	USAC
Nuzzo, Patsy	USAC
Perry, John	Solix
Rasmussen, Mary	USAC
Reynolds, Renee	USAC
Rodriguez, Jose	FCC

<u>NAME</u>	<u>COMPANY</u>
Spiller, Bob	USAC
Stankus, Paul	USAC
Tilton, Michelle	USAC
Trew, Anne Marie	USAC
Uzoukwu, Gene	USAC
Watterson, Stefani	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a1. Annual Election of Committee Chairs and Vice Chairs, and Election and Appointment of Corporate Officers.** Dr. Sanders, Chair of the Nominating Committee, introduced this item to the Board.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

Election of Board Chair, Vice Chair, Secretary and Treasurer

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and elects **Dr. Brian Talbott** as Chair and **Jimmy Jackson** as Vice Chair of the Board, **Dr. Peter Kragel** as Secretary of the corporation, and **Wayne Jortner** as Treasurer of the corporation, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns such position or from the Board, is removed by resolution of the Board, or such member's Board term expires.

Election of Committee Chairs and Vice Chairs

RESOLVED, that the USAC Board of Directors accepts the recommendation of the Audit Committee and elects **Jason Williams** as Chair and **David McClure** as Vice Chair of the **Audit Committee**, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board, or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the High Cost & Low Income Committee and elects **Joel Lubin** as Chair and **Anne Boyle** as Vice Chair of the **High Cost & Low Income Committee**, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board, or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Rural Health Care Committee and elects **Dr. Jay Sanders** as Chair and **Dr. Peter Kragel** as Vice Chair of the **Rural Health Care Committee**, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board, or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors accepts the recommendation of the Schools & Libraries Committee and elects **Anne Campbell** as Chair and **Dr. Anne Bryant** as Vice Chair of the **Schools & Libraries Committee**, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board, or such member's Board term expires.

Appointment of USAC Staff Members as Assistant Secretary and Assistant Treasurer

RESOLVED, that the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee and appoints **David A. Capozzi** as Assistant Secretary of the corporation and **W.B. Erwin** as Assistant Treasurer of the corporation, each for a term that begins immediately following the conclusion of this Board meeting (whether by adjournment, postponement or recess) and ends when such person's successor has been appointed, such person resigns from the position, his employment with USAC terminates for whatever reason, or such person is removed by the Acting CEO or CEO or by resolution of the Board.

- a2. Resolutions Honoring Board Members Whose Terms Have Expired.** Dr. Talbott noted that pending notification from the FCC of new appointments to the USAC Board of Directors, this item was deleted. Dr. Talbott announced the resignation of Mr. Jonathan Lee from the Board, and, on behalf of the Board, thanked Mr. Lee for his service to USAC.

- a3. **Approval of Board of Directors Meeting Minutes of October 23, 2007.** On a motion duly made and seconded, the Board approved the minutes as written of the Board meeting of October 23, 2007.
- a4. **Reports from the Committee Chairs: Audit Committee, Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.** The Committee Chairs reported on issues discussed and actions taken by their respective committees since the October 2007 quarterly meetings. Dr. Sanders reported on the Rural Health Care Committee meetings; Ms. Campbell reported on the Schools & Libraries Committee meetings; Mr. Lubin reported on the High Cost & Low Income Committee meetings; Mr. Williams reported on the Audit Committee meeting; and Dr. Talbott reported on the Executive Committee meetings.
- a5. **Approval of April 2009 – January 2010 Board of Directors Quarterly Meeting Schedule.** Mr. Barash introduced this item to the Board.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors adopts the following Board of Directors and Committee quarterly meetings schedule for April 2009 – January 2010:

Executive Committee	Programmatic Committees & Board of Directors
April 23, 2009	April 27-28, 2009 <i>(Easter Sunday is April 12)</i>
July 23, 2009	July 27-28, 2009
October 22, 2009	October 26-27, 2009
January 21, 2010	January 25-26, 2010 <i>(Monday, 1/18/10 is the MLK holiday)</i>

- a6. **Approval of 2nd Quarter 2008 and 2008 Annual USAC Common and Consolidated Budgets.** Mr. Belden introduced this item to the Board, noting that the budget was shared with the Board in the October quarterly meeting. Mr. Belden stated that a consolidated 2008 annual budget of \$194.5 million is proposed, which is \$73.5 million (61%) higher than the 2007 consolidated budget and \$53.6 million (38%) higher than the preliminary budget presented at the October 2007 Board meeting. Mr. Belden noted that USAC’s base administrative costs are budgeted at 5% over 2007. Drivers of the higher proposed amount in 2008 include:
 - A substantial increase in the number and type of audits USAC has been directed to perform by the FCC Office of Inspector General (OIG) for the 2007-08 FCC OIG USF audit program. These changes have increased the budget for external audit expenses by \$53.4 million.

- Projected transition costs of \$12.3 million associated with changing the information technology (IT) vendor and a budgeted change of the operations support vendor during 2008 for the Schools and Libraries and Rural Health Care programs.
- Increased programmatic support services contract costs of \$3.9 million for the Rural Health Care program to process additional applications submitted under the Rural Health Care Pilot Program.
- Fourteen proposed new full-time positions for 2008 representing approximately 8% personnel increase over current staffing levels.

Mr. Belden also noted that the 2008 common budget of \$32.8 million is \$4 million (11%) lower than the 2007 common budget primarily due to lower anticipated costs in 2008 to complete the second round of the FCC OIG contributor revenue audits. The 2008 budget includes funding for contributor revenue audits and associated project management costs, outside counsel expenses, training and temporary labor to support the financial systems modernization project, and a change to the USAC capital equipment accounting policy, which will result in the cost of hardware purchases less than \$5,000 and internally developed software less than \$25,000 being expensed in the period acquired rather than amortized over the estimated useful life of the asset.

Dr. Bryant noted that while USAC has learned a great deal from past audits, the FCC should identify the outcomes that they are looking for that will improve the running of the programs and substantiate the cost of audits that is almost greater than the cost of administering the programs. Ms. Campbell questioned if the budget for the audits included the \$21.48 million to be transferred to the FCC. Mr. Belden stated that the budget did not include the transfer of funds as those funds are not USAC administrative expenses. Mr. Barash stated that the FCC OIG has provided directives for the audit program and work is underway.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors approves a 2nd Quarter 2008 USAC common budget of \$8.4 million and a 2008 annual USAC common budget of \$32.8 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2nd Quarter 2008 USAC consolidated budget of \$49.9 million and a 2008 annual USAC consolidated budget of \$194.5 million.

- a7. **Approval of 2nd Quarter 2008 Revenue Projections for the February 29, 2008 Universal Service Fund Contribution Base Filing.** Mr. Erwin introduced this item to the Board, noting that the contribution factor is projected to be 11.5%. Mr. Barash noted that the actual contribution base for 2nd Quarter 2008 will be developed from the projected collected revenues that will be reported by carriers in February 2008.

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

RESOLVED, that the USAC Board of Directors, having reviewed at its meeting on January 23, 2008, a summary of the current status of the Universal Service Fund (USF) contribution base filing information, authorizes staff to proceed with the required filing to the FCC on behalf of USAC using a preliminary estimate of \$18.68 billion for the USF projected contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a8. **Consideration of Proposed USAC Office Space Plan and Authorization to Execute a Lease.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of an updated office space plan and entering into a lease for additional office space shall be conducted in *Executive Session*.

- a9. **Consideration of Proposed Litigation Settlement.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter is subject to the *attorney-client privilege related to pending litigation*.

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

RESOLVED, that the discussion of the proposed litigation settlement shall be conducted in *Executive Session*.

- a10. **Consideration of Selection of a Vendor for Development of USAC's Internal Controls Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended the discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the contract for developing an internal controls program shall be conducted in ***Executive Session***.

- a11. Consideration of Expenditures to Implement Changes to USAC Financial Systems Required by the USF Oversight Order (FCC 07-150).** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Board of Directors determines that consideration of funding to make the necessary changes to USAC financial systems required to comply with *USF Oversight Order (FCC 07-150)* shall be conducted in ***Executive Session***.

- a12. Miscellaneous.** Solicit ideas for April 2008 Board Agenda. Dr. Talbott reminded Board members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Talbott, Mr. Jackson or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Assistant Treasurer's Report.** This report was provided for informational purposes. No discussion was held.
- i2. External Relations Report.** This report was provided for informational purposes. No discussion was held.
- i3. USAC Site Visit Program Quarterly Report.** This report was provided for informational purposes. No discussion was held.
- i4. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i5. Disposition of Contributor Appeals.** This report was provided for informational purposes. No discussion was held.

- i6. **Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** Mr. Scott presented this item to the Board noting that due to the confidentiality of the Contributor audits the format of the report has been adjusted.
- i7. **Status Report on the FCC OIG USF Audit Program.** In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in *Executive Session*, Mr. Capozzi recommended that this discussion be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration* as well as *investigatory records*, and also may relate to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the USAC Board of Directors determines that consideration and discussion of the status report on the FCC Office of Inspector General USF audit program be conducted in *Executive Session*.

- i8. **Report on the Audit of the FCC's Financial Statements for the Year Ending September 30, 2007.** Mr. Scott presented this item to the Board, noting that the FCC received an unqualified or "clean" opinion.
- i9. **Update on Procurement Matters.** This report was provided for informational purposes. No discussion was held.
- i10. **Status Report on Implementation of FCC-USAC Memorandum of Understanding.** Mr. Barash presented this item to the Board, noting that progress has continued with the development of the execution matrix and submission of data to the FCC. Implementation steps with a target completion date of 4th Quarter 2007 were completed on time or are in progress with completion scheduled for early 1st Quarter 2008. This item will be removed from future agendas, but Board updates will be provided as circumstances warrant.
- i11. **Rural Health Care Pilot Program Update.** Dr. England presented this item to the Board, noting that the FCC announced 69 projects were approved covering 42 states and the territories of American Samoa, Guam, and Puerto Rico; and the FCC increased the amount of available Pilot Program funding to a total of \$417 million over three years. Dr. Sanders applauded the FCC for its efforts in coordinating the Pilot Program with other national program initiatives.
- i12. **USAC 2007 Accomplishments.** Mr. Barash presented this item to the Board, noting the many changes and accomplishments that occurred during the year, including:

- Continued execution of the Rural Health Care and Schools and Libraries strategy for procuring and implementing information technology (IT) and operations support services. Although the strategy changed in the first half of 2007, a contract with SAIC has been signed for IT support services and the procurement for operations support services is in process.
- Implementation by USAC of requirements specified in the FCC – USAC Memorandum of Understanding.
- Continued development and implementation of system enhancements for High Cost & Low Income Support Mechanism administration.
- Initiating work with the FCC to plan and implement the Rural Health Care Pilot Program.
- In the Schools and Libraries Program, processed funding commitments are 20% ahead of last year as of December 31, 2007. Invoice processing has surpassed targets with 98% of invoices processed within 20 days, with an average per invoice processing time of five days. Sixty-six percent of appeals were processed within 90 days.
- Round 1 of FCC OIG USF audit program was completed on time and under budget.

i13. USAC 2008 Objectives. Mr. Barash presented this item to the Board, noting key objectives for 2008 include:

- Maintain an effective and productive working relationship with the FCC.
- Complete procurement and continue implementation of Rural Health Care and Schools and Libraries IT and operations support services.
- Continue, in conjunction with the FCC, planning and implementation of the Rural Health Care Pilot Program.
- Execute Round 2 of the 2007-2008 FCC OIG USF audit program.
- Continue development and rollout of the USAC financial systems modernization.
- Continue development and rollout of systems enhancements for High Cost and Low Income Support Mechanism administration.
- Define and implement the next phase of the USAC site visit program.

i14. Approval of USAC 2007 Annual Report to the FCC and Congress. Mr. Iversen, USAC Director of External Relations, presented this item to the Board, noting that the Executive Committee had approved USAC's 2008 Annual Report and requested that the Board also review the report and send him any feedback.

i15. Miscellaneous.

At 10:40 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into **Executive Session** for the purpose of discussing the confidential and proprietary items noted above. The Board then recessed until 10:55 a.m. Eastern Time at which time it reconvened in **Executive Session**.

EXECUTIVE SESSION:

- a8. Consideration of Proposed USAC Office Space Plan and Authorization to Execute a Lease.** Mr. Belden introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes USAC management to proceed with leasing additional office space at 2000 L Street, N.W., Washington, D.C. consistent with the course of action proposed by USAC management. Such authority is contingent upon negotiation of acceptable lease terms and conditions and subject to obtaining necessary FCC approvals.

- a9. Consideration of Proposed Litigation Settlement.** Mr. Capozzi introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors approves settlement of the litigation between USAC and the bankruptcy estate of Incomnet Communications Corp. in accordance with the terms and conditions described by counsel herein, thereby resolving all claims between the parties.

- a10. Consideration of Selection of a Vendor for Development of USAC's Internal Controls Program.** Mr. Belden introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to Grant Thornton, LLP, to develop an internal controls program for USAC in an amount not-to-exceed \$1,323,518, subject to obtaining necessary FCC approvals.

- a11. Consideration of Expenditures to Implement Changes to USAC Financial Systems Required by the USF Oversight Order (FCC 07-150).** Mr. Barash introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors accepts management's recommendation and approves funding in an amount not-to-exceed \$216,200 for changes to USAC's financial systems necessary to support the requirements of the *USF Oversight Order* (FCC 07-150).

i7. Status Report on FCC OIG USF Audit Program. Mr. Scott presented this item to the Board.

At 11:50 a.m. Eastern Time, the Board adjourned from **Executive Session** and reconvened in **Open Session**. Dr. Talbott reported that in **Executive Session** the Board considered and took action on items a8, a9, a10, a11, and discussed items i7 above.

On a motion duly made and seconded, the Board adjourned at 11:51 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

April 29, 2008

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday April 29, 2008. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:01 a.m. Eastern Time. Thirteen of 17 Board members were present (there are two vacancies), representing a quorum:

Anderson, Mike	McClure, Dave – <i>by telephone</i>
Barash, Scott – Acting CEO	Sanders, Dr. Jay
Bryant, Dr. Anne	Simon, Phyllis
Campbell, Anne	Tate, Joycelyn
Jortner, Wayne – Treasurer	Talbott, Dr. Brian – Chair
Kragel, Dr. Peter – Secretary – <i>by telephone</i>	Williams, Jason – <i>by telephone</i>
Lubin, Joel	

Mr. Kevin Joseph and Ms. Lee Schroeder joined the meeting by telephone at 9:05 a.m. Eastern Time. Neither voted on item a1.

Members of the Board not present:

Boyle, Anne

Jackson, Jimmy – Vice Chair

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Dr. William – Vice President, Rural Health Care Division

Erwin, W. B. – Vice President of Finance and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Systems

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Bellavia, Leslie	USAC
Brooks, Whitney	USAC
Emmanuel, Jillian	USAC
Iversen, Eric	USAC
King, Sola	USAC
Machcinski, Thaddeus	FCC
Malebranche, Sandra	Telecordia
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Panton, Marci	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Rovetto, Ed	USAC
Simms, Tiffany	USAC
Trew, Anne Marie	USAC
Watterson, Stefani	USAC
Yee, Kim	FCC

ACTION ITEMS:

a13. Election of Directors to the USAC Board of Directors. Dr. Talbott introduced this item to the Board.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Wayne Jortner, Dr. Anne Bryant, Anne Campbell, Joel Lubin, Lee Beatty Schroeder and Kevin Joseph to the USAC Board of Directors each for a term beginning effective as of April 29, 2008 and continuing until December 31, 2010; and

RESOLVED FURTHER, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Jocelyn Tate to complete the unexpired term of Debra Berlyn, who resigned from the Board, for a term beginning effective as of April 29, 2008 and continuing until December 31, 2008; and

RESOLVED FURTHER, that each of the aforementioned directors shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws, or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws.

- a14. Approval of Board of Directors Meeting Minutes of January 23, 2008.** On a motion duly made and seconded, the Board approved the minutes as written of the Board meeting of January 23, 2008. Ms. Tate abstained from voting, noting that she was not a member of the Board at the time of the January meeting.
- a15. Reports from the Committee Chairs: Audit Committee, Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries Committee.** The committee chairs reported on issues discussed and actions taken by their respective committees since the January 2008 quarterly meetings. Dr. Sanders reported on the Rural Health Care Committee meeting; Ms. Campbell reported on the Schools & Libraries Committee meeting; Mr. Lubin reported on the High Cost & Low Income Committee meeting; Mr. Williams reported on the Audit Committee meeting; and Mr. Barash reported on the Executive Committee meetings.
- a16. Approval of 3rd Quarter 2008 and Revised 2008 Annual USAC Common and Consolidated Budgets.** Mr. Belden introduced this item to the Board, noting that the requested budget increases are the result of an additional \$950,000 for professional fees associated with the FCC OIG USF audit program and \$282,000 for rent associated

with leasing of additional office space at 2000 L Street, N.W., Washington, D.C. In response to Board questions, Mr. Barash indicated that USAC analyzes each requested new position before requesting Board approval to determine if a contractor or employee could best perform the necessary work. Mr. Belden noted that the expense for contractors is often twice that of an employee. Criteria used to determine the best approach includes whether the work will be consistent and permanent. Ms. Campbell requested that future consolidated budgets include the previous annual budget, the original current annual budget and the revised budget. Mr. Erwin agreed to provide this information in future budgets.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors approves a 3rd Quarter 2008 USAC common budget of \$8.6 million and a revised 2008 annual USAC common budget of \$34.1 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2008 USAC consolidated budget of \$52.7 million and a revised 2008 annual USAC consolidated budget of \$193.9 million.

- a17. **Approval of 3rd Quarter 2008 Revenue Projections for the May 30, 2008 Universal Service Fund Contribution Base Filing.** Mr. Erwin introduced this item to the Board, noting that the current contribution factor was up slightly at 11.4%.

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

RESOLVED, that the USAC Board of Directors, having reviewed at its meeting on April 29, 2008, a summary of the current status of the Universal Service Fund (USF) contribution base filing information, authorizes staff to proceed with the required filing to the FCC on behalf of USAC using a preliminary estimate of \$18.92 billion for the USF projected contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a6. **Consideration of Proposed Litigation Settlement.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter is subject to the *attorney-client privilege related to pending litigation*.

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

RESOLVED, that the discussion of the proposed litigation settlement in the Advanced Telecommunication Network, Inc. bankruptcy matter shall be conducted in ***Executive Session***.

- a7. **Consideration of USF Stakeholder Engagement Strategy.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Board of Directors determines that consideration and discussion of the USAC stakeholder engagement strategy and supporting procurement strategy shall be conducted in ***Executive Session***.

- a8. **Consideration of Revised Costs for 2008 Meeting Planning Services.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the agreement for meeting planning services shall be conducted in ***Executive Session***.

- a9. **Consideration of Modification to Year 2 Project Management Services Contract for FCC Office of Inspector General USF Audit Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Board of Directors determines that consideration of whether to modify the not-to-exceed contract value for the existing contract

for project management support services supporting the second year of the FCC OIG USF audit program effort shall be conducted in **Executive Session**.

- a10. Miscellaneous.** Solicit ideas for July 2008 Board Agenda. Dr. Talbott reminded Board members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Talbott, Mr. Jackson or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Assistant Treasurer's Report.** This report was provided for informational purposes. No discussion was held.
- i6. External Relations Report.** This report was provided for informational purposes. No discussion was held.
- i7. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i8. Disposition of Contributor Appeals.** This report was provided for informational purposes. No discussion was held.
- i5. Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** This report was provided for informational purposes. No discussion was held.
- i6. Semiannual Status Report on Ongoing USAC Audits.** This report was provided for informational purposes. No discussion was held.
- i7. Semiannual Status Report on Actions Taken on Final USAC Audits.** This report was provided for informational purposes. No discussion was held.
- i8. Status Report on FCC Office of Inspector General USF Audit Program.** Mr. Scott presented this item to the Board, noting that as of April 18, 91% of the audits have been announced, 69% of the entrance conferences have been conducted, and 32% of the field audit work is complete. Mr. Scott also noted that Schools and Libraries have 48% of the field work complete, while High Cost and Low Income have 21% of the field work complete.

As of March 31, FCC OIG USF audit program costs were approximately \$29.3 million. Program expenses have been higher than originally budgeted due to the fact that the

OIG did not provide the auditees to be sampled until November 2007, which has required additional training for the increased number of auditors required to meet the July 31, 2008 requirement to provide data to the FCC. All auditors have committed to meeting the FCC deadline. Dr. Bryant questioned if the audit data system could provide an analysis of the efficiency of each of the audit firms. Mr. Barash commented that through this round of audits the data will be available for Board and committee review.

- i9. Update on Procurement Matters.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that the discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i10. Rural Health Care Pilot Program Update.** Dr. England presented this item to the Board, noting that the first Pilot Program application has been posted; two training sessions have been conducted with very positive feedback from participants; and weekly conference calls are being conducted with participants.
- i11. Introduction to USAC's Complaint Handling Process.** Mr. Barash presented this item to the Board, noting that USAC has created a team consisting of one employee from each programmatic group and Financial Operations to manage complaints for their respective groups. The team meets regularly to ensure a standardized and consistent approach across the organization. Mr. Blackwell noted that while all of the March complaints were in the Schools and Libraries program, most of the complaints were applicants requesting information concerning the status of their applications. He clarified that in some cases, a full explanation of applicant status cannot be provided if the FCC or law enforcement are involved with some aspect of the application. Mr. Blackwell informed the Board that he had visited the USAC call center and conducted two focus groups concerning proper handling of complaints.
- i12. Miscellaneous.**
- i12 – 1. Consideration of Personnel Matter.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of the evaluation of the Acting Chief Executive Officer be conducted in *Executive Session* because it is a *personnel matter*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of a personnel matter regarding the evaluation of the Acting Chief Executive Officer shall be conducted in *Executive Session*.

At 10:05 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Board then recessed until 10:20 a.m. Eastern Time at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a6. Consideration of Proposed Litigation Settlement.** Mr. Capozzi introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors approves settlement of the litigation between USAC and the bankruptcy estate of Advanced Telecommunication Network, Inc. in accordance with the terms and conditions described by counsel herein, thereby resolving all claims between the parties.

- a8. Consideration of Revised Costs for 2008 Meeting Planning Services.** Mr. Iversen introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed USAC management's recommendation, approves revision of the contract currently in place between USAC and ConferenceDirect to increase the contract amount by \$43,651 to a total not-to-exceed amount of \$136,337.

- a12. Consideration of Modification to Year 2 Project Management Services Contract for FCC Office of Inspector General USF Audit Program.** Mr. Belden introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors, accepts the recommendation of USAC management and hereby authorizes management to modify the contract between USAC and Washington Consulting Inc. to provide project management services related to the second year of the FCC OIG USF audit program in an amount not-to-exceed \$1,950,000.

i9. Update on Procurement Matters. Mr. Belden presented this item to the Board.

At 10:50 a.m. Eastern Time the Board continued in **Executive Session** with only USAC officers, members of the Board and FCC representatives present.

a7. Consideration of USF Stakeholder Engagement Strategy. Mr. Iversen introduced this item to the Board.

The resolutions included in the issue paper were moved and seconded. Following discussion, the Board determined to modify the resolutions as set forth below, which were then moved, seconded and adopted as follows:

RESOLVED, that the USAC Board of Directors, having reviewed USAC management's recommendation and based on discussion with management hereby approves non-renewal of the contract between Bearing Point and USAC for site visit services when the current contract expires on November 18, 2008, and the modification of the contract for the remainder of its term to reduce the number of site visits to be conducted by Bearing Point and for Bearing Point to provide transition assistance to USAC with the existing not-to-exceed price of the agreement not to be modified; and

RESOLVED FURTHER, that the USAC Board of Directors direct management to present to the Board at the July 2008 meetings its plans for transition from Bearing Point to an internal USAC-managed site visit program.

At 11:15 p.m. Eastern Time the Board continued in ***Executive Session*** with only members of the Board present.

i12. Miscellaneous. Consideration of Personnel Matter. Dr. Talbott presented this item to the Board.

At 11:33 p.m. Eastern Time, the Board adjourned from ***Executive Session*** and immediately reconvened in ***Open Session*** at which time Dr. Talbott reported that in ***Executive Session*** the Board took action on items a6, a7, a8, a9, and discussed items i9 and i12 above.

On a motion duly made and seconded, the Board adjourned at 12:31 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

June 19, 2008

MINUTES

A non-quarterly joint meeting of the Rural Health Care Committee, the Schools & Libraries Committee and the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Thursday, June 19, 2008. At the request of Dr. Peter Kragel, Vice Chair of the Rural Health Care Committee, and Anne Campbell, Chair of the Schools & Libraries Committee, Dr. Talbott chaired the combined meeting. The meeting was called to order at 12:02 p.m. Eastern Time with quorums of six of eight Rural Health Care Committee members present, six of seven Schools & Libraries Committee members present and 12 of 19 Board members present. Following is a list of the attendees:

Barash, Scott – Acting CEO
Boyle, Anne – *by telephone*
Campbell, Anne – School & Libraries Committee Chair – *by telephone*
Gillan, Joseph – *by telephone*
Jackson, Jimmy – Board Vice Chair – *by telephone*
Jortner, Wayne – USAC Treasurer – *by telephone*
Knowles, Rex – *by telephone*
Kragel, Dr. Peter – Rural Health Care Committee Vice Chair and USAC Secretary – *by telephone*
McClure, David – *by telephone*
Schroeder, Lee – *by telephone*
Simon, Phyllis – *by telephone*
Talbott, Dr. Brian – Board Chair – *by telephone*

Dr. Anne Bryant, Schools & Libraries Committee Vice Chair, joined the meeting by telephone at 12:14 pm. Eastern Time. She did not vote on or participate in the discussion of item a1.

Ms. Joycelyn Tate joined the meeting at 12:35 p.m. Eastern Time. She did not vote on or participate in the discussion of items a1 or a2.

Members of the Board not present:

Anderson, D. Michael

Joseph, Kevin

Lubin, Joel

Sanders, Dr. Jay

Williams, Jason

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools and Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Bill – Vice President, Rural Health Care Division – *by telephone*

Erwin, W.B. – Vice President of Finance and Assistant Treasurer

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Cain, Jonathan	Mintz Levin
Carroll, Kristy	USAC – <i>by telephone</i>
Iversen, Eric	USAC
Nuzzo, Patsy	USAC
Reed, David	FCC
Rodriguez, Jose	FCC
Trew, Anne Marie	USAC

ACTION ITEMS:

a18. Election of Directors to the USAC Board of Directors. Dr. Talbot introduced this item to the Board.

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

RESOLVED, that the USAC Board of Directors having received the selections from the Chairman of the FCC pursuant to 47 C.F.R. § 54.703(c)(3) and pursuant to Article II, § 4 of the USAC By-laws hereby elects Joseph Gillan to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2008, and Rex M. Knowles to the USAC Board of Directors for a term beginning June 19, 2008 and continuing until December 31, 2009; and

RESOLVED FURTHER, that each of the aforementioned directors shall remain a director until such director's: (i) resignation, (ii) removal pursuant to Article II, § 7 of the USAC By-laws and the provisions of the Delaware General Corporation Law, (iii) election of a successor pursuant to Article II, § 4 of the USAC By-laws or (iv) action by the stockholder of the corporation pursuant to the Article I of the USAC By-laws.

- a19. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

On a motion duly made and seconded, the Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

RESOLVED, that the USAC Schools & Libraries Committee determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

RESOLVED, that the USAC Board of Directors determines that consideration of the contract for Rural Health Care and Schools and Libraries Support Mechanisms operational support services shall be conducted in *Executive Session*.

INFORMATION ITEMS:

- i1. Miscellaneous. Discussion of FCC OIG USF Audit Program Status.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to *pre-decisional matters before the Federal Communications Commission*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the FCC OIG USF audit program shall be conducted in *Executive Session*.

At 12:09 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above.

EXECUTIVE SESSION

- a2. Consideration of Contract for the Rural Health Care and Schools & Libraries Support Mechanisms Operational Support Services.** Mr. Barash presented this item to the Schools & Libraries and Rural Health Care Committees and the Board. Mr. Barash, other members of the USAC management team and counsel for the company answered questions from Board members concerning the procurement process, discussions held with the FCC concerning the procurement, and next steps in completing the procurement.

On a motion duly made and seconded and after discussion, the Rural Health Care and Schools & Libraries Committees and the Board adopted the following resolutions:

RESOLVED, that the USAC Rural Health Care Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED]¹, for a [REDACTED] term in an

¹ Information concerning the recommend vendor, the term and the not-to-exceed cost of the contract has been redacted from these minutes because the procurement is under review at the FCC and a contract has not been

amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

RESOLVED, that the USAC Schools & Libraries Committee having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

RESOLVED, that the USAC Board of Directors having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to engage [REDACTED], for a [REDACTED] term in an amount not-to-exceed [REDACTED], to provide operational support services to the Rural Health Care and Schools and Libraries Support Mechanisms.

Mr. Knowles abstained from voting noting his recent nomination to the Board of Directors.

- i1. Miscellaneous. FCC OIG USF Audit Program Status.** Mr. Barash discussed this item with the Board.

At 12:45 p.m. Eastern Time, on a motion duly made and seconded, the Schools & Libraries and Rural Health Care Committees and the Board adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Dr. Talbott reported that action was taken on item a2 above and item i1 above was discussed in *Executive Session*.

On a motion duly made and seconded, the Committee adjourned at 12:47 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

awarded to the selected vendor. Once the FCC has approved the procurement and a contract award has been made, the minutes will be revised.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

July 29, 2008

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday July 29, 2008. Mr. Jimmy Jackson, Vice Chair, called the meeting to order at 9:05 a.m. Eastern Time. Eighteen of the 19 Board members were present representing a quorum:

Anderson, Mike	Kragel, Dr. Peter – Secretary
Barash, Scott – Acting CEO	Lubin, Joel
Boyle, Anne	McClure, Dave
Bryant, Dr. Anne	Sanders, Dr. Jay
Campbell, Anne	Schroeder, Lee – <i>by telephone</i>
Jortner, Wayne – Treasurer	Simon, Phyllis
Gillan, Joe	Talbott, Brian – Chair – <i>by telephone</i>
Jackson, Jimmy – Vice Chair	Tate, Joycelyn
Knowles, Rex	Williams, Jason

Mr. Kevin Joseph joined the meeting by telephone at 9:07 a.m. Eastern Time. He did not vote on item a1.

Officers of the corporation present:

Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division

Capozzi, David – Acting General Counsel and Assistant Secretary

England, Dr. William – Vice President, Rural Health Care Division

Erwin, W. B. – Vice President of Finance and Assistant Treasurer

Holcombe, Jamie – Vice President of Information Systems

Majcher, Karen – Vice President, High Cost & Low Income Division

Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Brooks, Whitney	USAC
Dansby, Tiffeny	USAC
Gallant, Pam	USAC
Garay, Bill	FCC
Hultquist, Mary	USAC
Iversen, Eric	USAC
King, Sola	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rovetto, Ed	USAC
Simms, Tiffany	USAC
Tavakoli, Kevan	USAC
Trew, Anne Marie	USAC
Wood, Jennifer	USAC
Yee, Kim	FCC

ACTION ITEMS:

- a20. Approval of Board of Directors Meeting Minutes of April 29 and June 19, 2008.** On a motion duly made and seconded, the Board approved the minutes as written of the Board meeting of April 29 and June 19, 2008.
- a21. Reports from the Committee Chairs: Audit Committee, Executive Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools &**

Libraries Committee. The committee chairs reported on issues discussed and actions taken by their respective committees since the April 2008 quarterly meetings. Dr. Sanders reported on the Rural Health Care Committee meeting; Ms. Campbell reported on the Schools & Libraries Committee meeting; Mr. Lubin reported on the High Cost & Low Income Committee meeting; Mr. Williams reported on the Audit Committee meeting; and Mr. Jackson reported on the Executive Committee meetings.

- a22. Approval of 4th Quarter 2008 and Revised 2008 Annual USAC Common and Consolidated Budgets.** Mr. Belden introduced this item to the Board proposing a revised 2008 annual consolidated budget of \$201.6 million, which represents a net increase of \$7.7 million, which represents a 4% increase over the revised annual budget approved by the Board at its April 2008 meeting. Included in the revised budget is an additional \$8.7 million for the FCC Office of Inspector General (OIG) USF audit program. As discussed in more detail below, the additional funding is all related to High Cost Support Mechanism beneficiary audits and will be used to pay for additional work directed by the FCC for 15 of the Round 1 2006-2007 High Cost beneficiary audits, for additional hours required to complete Round 2 2007-2008 High Cost audits, and for the Round 3 2008-2009 audit program start-up costs. The proposed increase is offset by a \$1.0 million reduction to professional fees related to the FCC OIG USF audits, which includes a \$0.6 million reduction for project management and the movement of \$0.4 million from professional fees to the capital budget for costs associated with development of a centralized post audit tracking system.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions, with Ms. Boyle voting no:

RESOLVED, that the USAC Board of Directors approves a 4th Quarter 2008 USAC common budget of \$7.4 million and a revised 2008 annual USAC common budget of \$33.1 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2008 USAC consolidated budget of \$61.0 million and a revised 2008 annual USAC consolidated budget of \$201.6 million.

- a23. Approval of 4th Quarter 2008 Revenue Projections for the August 29, 2008 Universal Service Fund Contribution Base Filing.** Mr. Erwin presented this item to the Board, noting that on June 11, 2008 the FCC announced a 3rd Quarter 2008 contribution factor of 11.4%. Based on a rolling four-quarter average, Mr. Erwin recommends the Board approve a preliminary estimated contribution base of \$19.04 billion. This estimated contribution base would result in a contribution factor of 11.4%. The actual contribution base will be filed with the FCC on August 29, 2008.

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

RESOLVED, that the USAC Board of Directors, having reviewed at its meeting on July 29, 2008, a summary of the current status of the Universal Service Fund (USF) contribution base filing information, authorizes staff to proceed with the required filing to the FCC on behalf of USAC using a preliminary estimate of \$19.04 billion for the USF projected contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a5. **Consideration of Proposed Litigation Settlement.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter is subject to the *attorney-client privilege related to pending litigation*.

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

RESOLVED, that the discussion of the proposed litigation settlement in the Global Crossing Liquidating Trust bankruptcy matter shall be conducted in *Executive Session*.

- a6. **Consideration of Program Specific USF Stakeholder Engagement Strategies.** Mr. Eric Iversen, Director of External Relations, presented this item to the Board, noting that at the April 2008 meeting the Board discussed the BearingPoint site visit contract set to expire in November. In April, two strategies were discussed: one to let the BearingPoint contract expire and make a clean break; and the second to ramp-down the contract with a phased transition of a modified site visit program in-house to USAC. The Board requested details of the strategy allowing USAC to assume internal control be provided to the Board and the programmatic committees at their next quarterly meetings.

Mr. Iversen stated that a goal of the USF Stakeholder Engagement Strategy is to engage program stakeholder audiences in education and communications about opportunities for USF support designed to promote knowledge of and compliance with program rules and positive program outcomes. Mr. Iversen indicated that this strategy would reduce cost and define clear roles for the External Relations Division, which will continue to include outreach activities such as site visits. The external relations team would serve as the hub for planning, development, and execution, with the four program divisions and

the USAC Finance team serving as spokes. The external relations team will support a variety of engagement activities, ranging from how to use presentation tools to developing program reference materials to planning and executing group trainings and workshops.

Ms. Simon questioned how the program would be evaluated. Mr. Iversen stated that an increase in the quality of outreach should directly correlate with the decrease in appeals, increase in clean applications received and increase the ability to process the applications more quickly. Further evaluation and feedback from participants will provide USAC with information on the success and direction of the program. Dr. Bryant requested a report be presented at the October meeting on the progress of the program. Dr. Bryant stated that the construct of the program was good and noted that cross-training would be an important part of the program. Ms. Campbell expressed concern regarding the reduced number of site visits in the Schools and Libraries Program. Mr. Barash thanked the Board for the input and committed to providing reports on the program next quarter and on a regular basis thereafter.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution, with Ms. Campbell voting no:

RESOLVED, that the USAC Board of Directors, having reviewed USAC management's recommendation, approves the set of proposed program-specific USF stakeholder engagement strategies and hereby authorizes USAC management to proceed with plans and commitments for implementation of the proposed activities.

- a7. Consideration of Banking and Investment Services Contract Award.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the contract for banking and investment services shall be conducted in *Executive Session*.

- a8. **Consideration of Request to Reimburse a Board Member to Attend an Event Other Than a USAC Board or Committee Meeting or Event.** Mr. Jackson introduced this item to the Board, which is a request by Ms. Campbell to attend a USAC Schools and Libraries Support Mechanism applicant training. Ms. Campbell thanked the Board for consideration of this item noting that it is important for the Chair of the Schools & Libraries Committee to understand the content of training and be available to interact with participants. Dr. Bryant provided historical background, noting that the requirement of Board approval for any member to be reimbursed for non-quarterly meeting expenses was the policy to ensure that any such reimbursement is disclosed and fully considered by the Board to avoid any appearance of impropriety. Ms. Simon noted that Board members have attended training sessions held in their respective geographic area, thus reducing expense.

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

RESOLVED, that in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings*, the USAC Board of Directors hereby authorizes management to reimburse Ms. Anne Campbell, Chair of the Schools & Libraries Committee, for travel expenses incurred by her in attending the Schools and Libraries Division fall 2008 training in Los Angeles, California.

- a9. **Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Audit.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the exercise of the contract renewal option with PricewaterhouseCoopers LLP to perform the USAC annual financial audit, agreed-upon procedures review and internal controls review shall be conducted in *Executive Session*.

- a10. **Consideration of Renewal of Project Management Services Contract to Support Round 3 of the FCC OIG USF Audit Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of whether to exercise the second of four one-year, priced renewal options with Washington Consulting, Inc. for provision of project management support services for year three of the FCC OIG USF audit program shall be conducted in ***Executive Session***.

- a11. Establishment of an Executive Compensation Committee.** Mr. Barash presented this item to the Board, noting that the FCC, in a letter to Dr. Talbott, directed USAC to establish an Executive Compensation Committee of the Board and to develop a performance-based compensation plan for USAC executives and corporate officers. Mr. Barash noted that Dr. Talbott had worked with several Board members to develop the composition of the Committee and thanked those Board members for their willingness to serve.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors, pursuant to Article II, Section 8 of the USAC By-Laws, hereby establishes an Executive Compensation Committee to oversee the compensation of the corporation's executives as set forth in a charter to be prepared by the Committee for adoption by the Board, and consistent with the policies and practices of the corporation and laws and regulations applicable to the corporation; and

RESOLVED FURTHER, that the USAC Board of Directors hereby appoints **D. Michael Anderson, Dr. Anne Bryant, Jimmy Jackson, Dr. Peter Kragel and Phyllis Simon** to the Executive Compensation Committee of the USAC Board of Directors, each for a term that begins immediately following the adoption of this resolution and ends when such member's successor has been elected or when such member resigns from the Committee or the Board, is removed by resolution of the Board, or such member's Board term expires; and

RESOLVED FURTHER, that the USAC Board of Directors hereby appoints **Dr. Peter Kragel** as Chair of the Executive Compensation Committee for a term that begins immediately following the adoption of this resolution and ends when a successor has been

appointed or when the Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair's Board term expires; and

RESOLVED FURTHER, that USAC Board of Directors hereby directs the Executive Compensation Committee to convene as soon as practicable to prepare and submit to the Board for adoption by majority vote a charter; and

RESOLVED FURTHER, that the USAC Board of Directors, may by majority vote, adopt a charter for or on behalf of the Executive Compensation Committee if the Committee fails to prepare and submit to the Board a charter within a reasonable period of time; and

RESOLVED FURTHER, that the USAC Board of Directors may by a vote of two-thirds of the Board in attendance at a meeting, reject or modify any action of the Executive Compensation Committee or take action on behalf of the Committee.

- a12. Miscellaneous.** Solicit Ideas for the July 2008 Board Meeting Agenda. Mr. Jackson reminded Board members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Talbott, Mr. Jackson or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

- i1. Assistant Treasurer's Report.** This report was provided for informational purposes. No discussion was held.
- i9. External Relations Report.** This report was provided for informational purposes. Mr. Williams requested information regarding the Congressional inquiries received. Mr. Barash noted that these queries are tracked and in response to Mr. Williams's request stated that USAC staff will report on Congressional inquiries to Board members wishing to receive the information.
- i10. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.

- i11. **Disposition of Contributor Appeals.** This report was provided for informational purposes. No discussion was held.

- i5. **Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings.** This report was provided for informational purposes. No discussion was held.

- i6. **Acceptance of USAC 2007 Financial Audit and Agreed Upon Procedures Review.** Mr. Scott presented this item to the Board, noting that USAC received a clean opinion for the 2007 Financial Audit.

- i7. **Semiannual Status Report on Actions Taken on Final USAC Audits.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended this discussion be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration* as well as *investigatory records*, and also may relate to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the semiannual status report on actions taken on final USAC audits shall be conducted in *Executive Session*.

- i8. **Update on Procurement Matters.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i12. **Rural Health Care Pilot Program Update.** This report was provided for informational purposes. No discussion was held.

- i10. **Mid-Year Report on USAC 2008 Objectives.** Mr. Barash discussed first-half 2008 accomplishments with the Committee and described USAC's objectives for the remainder of the year. Dr. Bryant commended Mr. Barash for his leadership and the USAC staff for being a staff skilled at problem solving.

- i11. **FCC-USAC MOU Status Update.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended that discussion of this item be conducted in **Executive Session** because this matter relates to **pre-decisional matters before the FCC**.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the FCC-USAC Memorandum of Understanding shall be conducted in **Executive Session**.

At 10:06 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into **Executive Session** for the purpose of discussing the confidential and proprietary items noted above. The Board then recessed until 10:27 a.m. Eastern Time at which time it reconvened in **Executive Session**.

EXECUTIVE SESSION:

- a5. **Consideration of Proposed Litigation Settlement.** Mr. Capozzi presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors approves settlement of the litigation between USAC and the Global Crossing Liquidating Trust in accordance with the terms and conditions described by counsel herein, thereby resolving all claims between the parties.

- a7. **Consideration of Banking and Investment Services Contract Award.** Mr. Erwin presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors having reviewed the recommendation of USAC management, hereby authorizes management, upon receiving FCC approval, to award [REDACTED].

- a13. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Audit.** Mr. Scott presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of USAC management and the USAC Audit Committee and authorizes management to exercise the first of three one-year, priced renewal options with PricewaterhouseCoopers LLP to conduct the 2008 USAC financial audit, agreed-upon procedures review, and internal controls review required pursuant to 47 C.F.R. Part 54 and Federal Communications Commission directives.

- a10. Consideration of Renewal of Project Management Services Contract to Support Round 3 of the FCC OIG USF Audit Program.** Mr. Belden presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to exercise, subject to FCC approval, the second of four one-year renewal options available under the existing contract with Washington Consulting Inc. to provide project management services for the third year of the FCC OIG USF audit program in an amount not to exceed \$1,714,440.

- i8. Update on Procurement Matters.** Mr. Belden presented this item to the Board.

At 10:50 a.m. Eastern Time the Board continued in **Executive Session** with only USAC officers, members of the Board and FCC representatives present.

i11. FCC-USAC MOU Status Update. Mr. Barash presented this item to the Board.

After discussion, on a motion duly made by Dr. Sanders, amended by Mr. Gillan and seconded, the Committee adopted the following resolution, with Mr. Williams voting no:

RESOLVED, that the USAC Board of Directors directs management to consult with and obtain from outside counsel an analysis of the FCC's proposed changes to the FCC-USAC Memorandum of Understanding to ensure the Board fulfills its fiduciary duties to USAC, and for management to work constructively with the FCC to ensure the objectives of universal service are advanced; and

FURTHER RESOLVED, that management shall report to the Board the analysis received from outside counsel concerning the FCC proposed changes to the MOU.

i7. Status Report on FCC Office of Inspector General USF Audit Program. Messrs. Barash and Belden presented this item to the Board.

At 1:06 p.m. Eastern Time, the Board adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Mr. Jackson reported that in **Executive Session** the Board took action on items a5, a7, a9, a10, and discussed items i7 and i8 and discussed and took action on item i11 above.

On a motion duly made and seconded, the Board adjourned at 1:08 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

September 5, 2008

MINUTES

A non-quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Friday, September 5, 2008. Dr. Brian Talbott, Chair of the Board, called the meeting to order at 1:03 p.m. Eastern Time. Sixteen of 19 Board members were present, representing a quorum:

Anderson, D. Michael – *by telephone*
Barash, Scott – Acting CEO
Bryant, Dr. Anne – *by telephone*
Campbell, Anne – *by telephone*
Jackson, Jimmy – Vice Chair – *by telephone*
Jortner, Wayne – Treasurer – *by telephone*
Joseph, Kevin – *by telephone*
Kragel, Dr. Peter – *by telephone*

Knowles, Rex – *by telephone*
Lubin, Joel – *by telephone*
McClure, David – *by telephone*
Sanders, Dr. Jay – *by telephone*
Talbot, Dr. Brian – Chair – *by telephone*
Tate, Jocelyn – *by telephone*
Williams, Jason – *by telephone*

Members of the Board not present:

Gillan, Joe
Schroeder, Lee
Simon, Phyllis

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Capozzi, David – Acting General Counsel and Assistant Secretary

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Cain, Jonathan, Esq.	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
Kiser, Cherie, Esq.	Cahill, Gordon & Reindel, LLP
Nuzzo, Patsy	USAC

ACTION ITEMS:

- a1. Consideration of Proposed Revisions to Memorandum of Understanding Between FCC and USAC. **In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter is subject to the attorney-client privilege and relates to pre-decisional matters pending before the Federal Communications Commission.**

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

RESOLVED, that the USAC Board of Directors determines that consideration of the proposed revised Memorandum of Understanding between the FCC and USAC shall be conducted in ***Executive Session***.

At 1:07 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into ***Executive Session*** for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

- a1. **Consideration of Proposed Revisions to Memorandum of Understanding Between FCC and USAC.** Dr. Talbott introduced this item to the Board and informed the Board of recent developments in discussions with FCC staff regarding proposed changes to certain terms of the MOU. The Board then held an extensive discussion that included a presentation by Ms. Kiser concerning the fiduciary duties of the Board and individual Board members under the Delaware General Corporation Law. Messrs. Capozzi and Cain responded to questions from Board members.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution, with Mr. Anderson, Mr. McClure and Ms. Tate voting no and Mr. Jortner abstaining:

RESOLVED, that the USAC Board of Directors accepts the terms and conditions set forth in the Memorandum of Understanding (MOU) proposed by the Federal Communications Commission (FCC) on July 24, 2008, and hereby directs USAC management to execute the MOU.

At 2:30 p.m. Eastern Time, the Board voted to move out of ***Executive Session*** and immediately reconvened in ***Open Session***, at which time Dr. Talbott reported that the Board considered and took action on item a1 above in ***Executive Session***.

On a motion duly made and seconded, the Board adjourned at 2:31 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

October 28, 2008

MINUTES

The quarterly meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Tuesday October 28, 2008. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:00 a.m. Eastern Time. Twelve of 19 Board members were present representing a quorum:

Barash, Scott – Acting CEO	Kragel, Dr. Peter – Secretary
Campbell, Anne	Lubin, Joel
Jortner, Wayne – Treasurer	McClure, Dave – <i>by telephone</i>
Gillan, Joe	Schroeder, Lee – <i>by telephone</i>
Jackson, Jimmy – Vice Chair	Simon, Phyllis
Knowles, Rex	Talbott, Dr. Brian – Chair

Members of the Board not present:

Anderson, D. Michael
Bryant, Dr. Anne
Boyle, Anne
Joseph, Kevin
Sanders Dr. Jay
Tate, Joycelyn
Williams, Jason

Officers of the corporation present:

Capozzi, David – Acting General Counsel and Assistant Secretary
Belden, Richard – Chief Operating Officer

Blackwell, Mel – Vice President, Schools & Libraries Division
 England, Dr. William – Vice President, Rural Health Care Division
 Erwin, W. B. – Vice President of Finance and Assistant Treasurer
 Holcombe, Jamie – Vice President of Information Systems
 Majcher, Karen – Vice President, High Cost & Low Income Division
 Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince	FCC – <i>by telephone</i>
Beard, Jay	USAC
Betancourt, Laura	USAC
Brooks, Whitney	FCC
Dansby, Tiffeny	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Garber, Michelle	USAC
Henzey, Terry	KPMG
Hultquist, Mary	USAC
Iversen, Eric	USAC
Jacobsen, Phil	KPMG
Machcinski, Thad	FCC
McKinley, Larry	FCC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Rovetto, Ed	USAC

Trew, Anne Marie	USAC
Winstead, Laura N.	FCC
Yee, Kim	FCC

ACTION ITEMS:

Approval of Board of Directors Meeting Minutes of July 29, 2008 and September 5, 2008. On a motion duly made and seconded, the Board approved the minutes as written of the July 29, 2008 and September 5, 2008 Board meetings.

Reports from the Committee Chairs. The committee chairs reported on issues discussed and actions taken by their respective committees since the July 2008 quarterly meetings. Ms. Campbell reported on the Schools & Libraries Committee meeting; Mr. Lubin reported on the High Cost & Low Income Committee meeting; Dr. Kragel reported on the Rural Health Care and Executive Compensation Committee meetings; and Dr. Talbott reported on the Audit and Executive Committee meetings.

Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs. Dr. Talbott introduced this item to the Board.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors establishes a Nominating Committee for the purpose of recommending to the USAC Board of Directors at its January 2009 meeting nominations for the elected USAC officer positions; and

RESOLVED FURTHER, that the USAC Board of Directors appoints Dr. Jay Sanders as Nominating Committee chair and D. Michael Anderson and Anne Campbell as members of the Nominating Committee; and

RESOLVED FURTHER, that the USAC Board of Directors directs each committee of the Board to bring to the Board at the January 27, 2009 meeting nominations for chair and vice chair of their respective committee.

Approval of 1st Quarter 2009 Consolidated and Common Budgets and Information on the Estimated 2009 Annual Budget. Mr. Belden introduced this item to the Board, noting that USAC management estimated a consolidated 2009 annual budget of \$233.2 million, which is \$31.6 million (16%) higher than the final 2008 consolidated budget of \$201.6 million approved by the Board. Mr. Belden stated that the proposed consolidated budget increase for 2009 is entirely attributable to the expanded size and scope of Round 3 of the FCC Office of Inspector General (OIG) Universal Service Fund (USF) audit program. USAC management estimates a \$37.9 million (40%) increase over the 2008 budget for Round 2, to a total of \$130.5 million. USAC administrative expenses, excluding expenses attributable to the FCC OIG USF audit program, are projected to be \$101.3 million, which is \$6.3 million (6%) lower than the 2008 program administration and operations portion of the budget. Mr. Belden also noted that USAC management is recommending a significant number of new positions to meet the requirements of FCC mandates.

Mr. Gillan questioned the cost variance between the rounds of the FCC OIG USF audit program. Mr. Belden stated that Round 1 included audits for the Low Income and Rural Health Care Programs, which are less complex audits. Further, Mr. Belden noted the increase in the number of audits in Round 2 and the expansion of the Schools and Libraries Program beneficiary audits from a disbursement level to an entity level are all factors in the increased cost.

On a motion duly made and seconded and after discussion, the Board adopted the following resolutions:

RESOLVED, that the USAC Board of Directors approves a 1st Quarter 2009 USAC common budget of \$11.3 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2009 USAC consolidated budget of \$60.5 million.

Approval of 1st Quarter 2009 Revenue Projections for the December 2, 2008 Universal Service Fund Contribution Base Filing. Mr. Erwin introduced this item to the Board, noting that based on using the rolling four-quarter average method to estimate the contribution base, USAC staff recommended the Board approve a preliminary estimated contribution base of \$19.06 billion. Mr. Erwin also noted that the FCC had announced a 4th Quarter 2008 contribution factor of 11.4%. Mr. Erwin stated that approximately 6,508 FCC Form 499-Q notifications were distributed to carriers in early October 2008 and the Universal Service Fund contribution base for 1st Quarter 2009 (1Q2009) will be developed from the projected collected revenues that will be reported by carriers in November 2008. Mr. Erwin

reported that the estimated contribution factor was lower due to the FCC Form 499 true-up and lower disbursements in the High Cost Program, resulting in an estimated 1Q2009 contribution factor of 9.4%.

Mr. Lubin reiterated his previous question regarding the feasibility of using rolling quarters to smooth the changes to the contribution factor. Mr. Erwin stated that information was presented to the FCC for consideration of this matter in May 2007, and USAC reminds the FCC of this matter monthly. However, to date no response has been received. Mr. Lubin noted that the current USF contribution methodology makes the quarterly fluctuation in the contribution factor more visible to consumers, while using a rolling quarter method would stabilize the contribution factor by smoothing-out fluctuations.

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

RESOLVED, that the USAC Board of Directors, having reviewed at its meeting on October 28, 2008, a summary of the current status of the Universal Service Fund (USF) contribution base filing information, authorizes staff to proceed with the required filing to the FCC on behalf of USAC using a preliminary estimate of \$19.06 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

Consideration of Meeting Planning Services Contract Award. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the proposals to select a firm for the provision of meeting planning services shall be conducted in *Executive Session*.

Consideration of Executive Compensation Committee Charter and Proposed Executive Compensation Plan. Dr. Kragel presented this item to the Board noting that discussion regarding the charter would be held in Open Session, while discussion concerning the executive compensation plan would be held in **Executive Session**. Dr. Kragel then provided a summary of the Executive Compensation Committee charter.

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

RESOLVED, that the USAC Board of Directors, having reviewed the draft Executive Compensation Committee Charter recommended by the Executive Compensation Committee, hereby adopts the Charter as recommended.

In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended that discussion of the proposed Performance-Based Compensation Plan for USAC Executives and Officers be discussed in **Executive Session** because the proposed plan relates to **internal personnel matters**.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the proposed compensation plan for officers and executives shall be conducted in **Executive Session**.

Consideration of High Cost and Low Income Program Operations Support Options. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended that discussion of this item be conducted in **Executive Session** because this matter relates to USAC's **procurement strategy and contract administration**.

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

RESOLVED, that the USAC Board of Directors determines that discussion of the proposed course of action regarding the administrative support

services required to administer the High Cost and Low Income Programs shall be conducted in *Executive Session*.

Biennial Review of USAC Employee Ethical Standards. Mr. Capozzi introduced this item to the Board, noting that the USAC Employee Ethical Standards are reviewed by the Board every two years to ensure USAC employees are continuously held to appropriately high ethical standards. Mr. Capozzi stated that USAC management recommends the Board adopt revisions to the USAC Employee Statement of Ethical Conduct, which includes the following substantive changes:

- Adding a statement that, as a condition to employment, USAC employees are required to sign the USAC Employee Confidentiality Agreement within five business days of starting work at USAC.
- Revising the procedures for outside employment or corporate or non-profit board membership (where the employee, including USAC officers, receives some form of compensation) to require written permission in all cases from the employee's division head in consultation with the USAC General Counsel.
- Prohibiting employees, including USAC officers, from being employed by, serving on the board of, or receiving compensation in any form from outside sources where the source is an entity with a USF reporting obligation or beneficiary of or service provider (or subcontractor to a service provider) to a universal service support mechanism

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of management and approves the *USAC Statement of Ethical Conduct for Employees, Definition of Gifts Prohibited, Definition of Financial Interest, and Outside Employment* with the modifications recommended by management.

Authorization to File Comments and Reply Comments in Response to Notice of Inquiry In the Matter of Comprehensive Review of Universal Service Fund Management, Administration, and Oversight. Dr. Talbott introduced this item to the Board, noting that draft Comments will be circulated to the Board prior to filing comments with the FCC.

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

RESOLVED, that the USAC Board of Directors, hereby authorizes USAC management to timely file on behalf of USAC comments and reply comments *In the Matter of Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, WC Docket 05-195, Notice of Inquiry, FCC 08-189*, released by the FCC on September 12, 2008. Draft comments shall be provided to all Board members, and the Executive Committee shall review and approve the comments and reply comments before they are filed with the Commission.

Miscellaneous. Solicit Ideas for January 2009 Board Meeting. Dr. Talbott reminded Board members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Talbott, Mr. Jackson, or Mr. Barash between quarterly meetings.

INFORMATION ITEMS:

Assistant Treasurer's Report. This report was provided for informational purposes. No discussion was held.

External Relations Report. This report was provided for informational purposes. No discussion was held.

Bankruptcy and Other Litigation Matters Report. This report was provided for informational purposes. No discussion was held.

Disposition of Contributor Appeals. This report was provided for informational purposes. No discussion was held.

Quarterly Summary of Audit Reports Finalized at Programmatic and Executive Committee Meetings. This report was provided for informational purposes. No discussion was held.

Semiannual Status Report on Ongoing USAC Audits. This report was provided for informational purposes. No discussion was held.

Semiannual Status Report on Actions Taken on Final USAC Audits. This report was provided for informational purposes. No discussion was held.

FCC Office of Inspector General USF Audit Program Status Update. Mr. Scott presented this item to the Committee, noting that as required, the Round 2 FCC OIG USF audit program data was provided to the FCC by the July 31 deadline. Mr. Scott reported that 44 Schools and Libraries and 12 High Cost Program beneficiary audits from Round 2 have been deemed final. The remaining audits are in various stages of quality assurance review and USAC will continue to work toward moving the remaining Round 2 audits to final review by the Board committees.

Mr. Scott reported that auditor training for Round 3 is complete for those auditors working on the School and Libraries and the High Cost Program beneficiary audits. Training was well attended by the auditing firms. Mr. Scott also noted that the FCC Inspector General addressed the auditors concerning professionalism and appropriate auditor behavior. Mr. Barash commented that a meeting is scheduled with the audit firm partners to discuss expectations as to how to best act as USAC representatives while in the field. Mr. Scott informed the Committee that pre-audit data collection has begun, commenting on the extensive amount of data preparation required. Mr. Scott anticipated that some audits would be announced by Thanksgiving

Mr. Scott then recommended that the Board discuss individual audit firm performance in ***Executive Session***. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in ***Executive Session***, Mr. Capozzi recommended that discussion of this item be conducted in ***Executive Session*** because this matter relates to USAC's ***procurement strategy and contract administration***.

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

RESOLVED, that the USAC Board of Directors determines that further discussion of the audit status associated with this item shall be conducted in *Executive Session*.

Procurement Update. Mr. Barash introduced this item to the Board.

In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended that discussion of this item be conducted in **Executive Session** because this matter relates to USAC's **procurement strategy and contract administration**.

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

RESOLVED, that the USAC Board of Directors determines that the discussion of the procurement matters associated with this item shall be conducted in Executive Session.

FCC-USAC Memorandum of Understanding Status Update. Mr. Barash presented this item to the Board, noting that USAC is currently working on a draft of the Execution Matrix for the 2008 FCC-USAC Memorandum of Understanding (MOU) to be sent to the FCC in response to the FCC Managing Director's request of October 1, 2008. Mr. Barash noted the significant changes based on the requirements of the MOU, including changes in procurement and increased reporting requirements.

Mr. Knowles requested an explanation of the highest risk factors presented by the MOU. Mr. Barash noted procurement as the highest risk factor, commenting that the Federal Acquisition Regulation (FAR) system has 31 parts and will present substantial ongoing compliance challenges for USAC given that the FAR and associated enabling statutes were designed for use by federal agencies not private companies such as USAC. Mr. Barash also noted that the MOU substantially increases the number of reports USAC must submit to the FCC on a regular basis.

Rural Health Care Pilot Program Update. This report was provided for informational purposes. No discussion was held.

Personnel Matter Discussion. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended this discussion be conducted in **Executive Session** because it relates to a **personnel matter**.

At 10:25 a.m. Eastern Time, on a motion duly made and seconded, the Board moved into **Executive Session** for the purpose of discussing the confidential and proprietary items noted above. The Board then recessed until 10:40 a.m. Eastern Time at which time it reconvened in **Executive Session**.

EXECUTIVE SESSION:

i8. FCC Office of Inspector General USF Audit Program Status Update. Mr. Scott presented this item to the Board.

Mr. Lubin departed the meeting at 11:00 a.m. He did not participate in the discussion of or vote on the following items.

i9. Procurement Update. Mr. Barash presented this item to the Board.

a6. Consideration of Meeting Planning Services Contract Award. Mr. Iversen presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors accepts the recommendation of USAC management and authorizes USAC to award a contract to DLH & Associates, Inc., to provide meeting planner services for a one-year period, with an option to renew for a period of one year, commencing on or about December 1, 2008, in a total two-year amount not-to-exceed \$113,600.

At 11:20 a.m. Eastern Time, Dr. Talbott requested that only Board members, officers and representatives of the FCC remain for discussion of the next item.

a8. Consideration of High Cost and Low Income Operations Support Options. Mr. Barash, Mr. Belden and Ms. Majcher presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed USAC management's recommendation, approves the course of action proposed by USAC management regarding High Cost and Low Income Program administration support options.

At 11:37 a.m. Eastern Time, Dr. Talbott requested that only Board members, Mr. Barash, Mr. Belden and Mr. Capozzi remain for discussion of the next item.

a7. Consideration of Executive Compensation Committee Charter and Proposed Executive Compensation Plan. Dr. Kragel presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the proposed draft Performance-Based Compensation Plan for USAC Corporate Officers and Other Executives, accepts the recommendation of the USAC Executive Compensation Committee and hereby approves the draft Plan and authorizes the USAC Executive Compensation Committee Chair to submit the draft Plan to the Managing Director of the Federal Communications Commission (FCC) pursuant to the July 9, 2008 letter from the FCC Managing Director to the Chair of the USAC Board of Directors.

At 11:53 a.m. Eastern Time, Dr. Talbott requested that only Board remain for discussion of the next item.

i12. Personnel Matter Discussion. Dr. Talbott presented this item to the Board.

At 12:02 p.m. Eastern Time, the Board adjourned from *Executive Session* and immediately reconvened in *Open Session* at which time Dr. Talbott reported that in *Executive Session* the Board took action on items a6, a7 and a8, and discussed items i8, i9, and i12 above. In taking action on item a7, and consistent with the direction of the High Cost & Low Income Committee, the Board directed staff to prepare and present to the Board during the January quarterly meetings an implementation plan for this matter.

On a motion duly made and seconded, the Board adjourned at 12:02 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary