

# 2009 Board of Directors Meetings Minutes

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**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**  
**BOARD OF DIRECTORS MEETING**

January 16, 2009

**MINUTES**

A 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, January 16, 2009. Dr. Brian Talbott, Board Chair, called the meeting to order at 12:03 p.m. Eastern Time. Thirteen of 18 Board members were present, representing a quorum:

Anderson, D. Michael – <i>by telephone</i>	Knowles, Rex – <i>by telephone</i>
Barash, Scott – Acting CEO	Kragel, Dr. Peter – <i>by telephone</i>
Boyle, Anne – <i>by telephone</i>	Sanders, Dr. Jay – <i>by telephone</i>
Campbell, Anne – <i>by telephone</i>	Schroeder, Lee – <i>by telephone</i>
Gillan, Joseph – <i>by telephone</i>	Simon, Phyllis – <i>by telephone</i>
Jortner, Wayne – Treasurer – <i>by telephone</i>	Talbott, Dr. Brian – Chair – <i>by telephone</i>
Joseph, Kevin – <i>by telephone</i>	

Members of the Board not present:

Bryant, Dr. Anne  
Jackson, Jimmy  
Lubin, Joel  
McClure, David  
Tate, Jocelyn

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>
Amalifitano, Vince	FCC – <i>by telephone</i>
Nuzzo, Patsy	USAC

**ACTION ITEMS:**

- a1. Election of Directors to the USAC Board of Directors and Committee Appointments.  
**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 Dr. Brian Talbott, Carolyn Ridley, Dr. Peter J. Kragel, Joseph Gillan, Gene Kimmelman and Geoff Feiss to the USAC Board of Directors each for a term beginning effective January 1, 2009 and continuing until December 31, 2011; 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; and

**RESOLVED FURTHER**, that the USAC Board of Directors accepts the recommendation of the Board Nominating Committee and hereby appoints Rex Knowles to the Audit Committee, Geoff Feiss to the High Cost & Low Income Committee, Gene Kimmelman to the High Cost & Low Income Committee, Joseph Gillan to the Rural Health Care Committee, Carolyn Ridley to the Schools & Libraries Committee, and Joel Lubin to the Executive Compensation Committee.

- a4. **Resolutions Honoring Board Members Whose Services Have Recently Concluded.** Dr. Talbott requested that the Board consider this item prior to the remaining items on the agenda. Dr. Talbott thanked, on behalf of the Board, Jimmy Jackson, Jocelyn Tate and Jason Williams for their contributions to the Board during their tenure as Board members. Dr. Talbott also personally expressed his gratitude to Jimmy Jackson for his contributions as Vice Chair of the Board during his tenure as a member of 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 hereby expresses its sincere appreciation to Mr. James Jackson, Ms. Joycelyn Tate, and Mr. Jason Williams for their dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes them the best in their future endeavors.

- a2. **Consideration of Employee Benefits Consulting Services Contract Extension.** Mr. Belden 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 determines that consideration of the contract for employee benefits consulting services shall be conducted in *Executive Session*.

- a3. **Consideration of Contract for Office Furniture and Installation.** Mr. Belden 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 consideration of the contract for office furniture systems and installation services shall be conducted in ***Executive Session***.

At 12:10 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 items noted above.

**EXECUTIVE SESSION:**

- a2. **Consideration of Employee Benefits Consulting Services Contract Extension.** 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 two year contract extension to Independent Benefits Services to provide employee benefits consulting services to USAC through benefits year 2010 at a not-to-exceed price of \$120,000.**

- a3. **Consideration of Contract for Office Furniture and Installation.** 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 engage Price Modern of Washington to provide office furniture systems and installation services to USAC for the fixed price of \$168,651.71 and grants USAC management the authority to increase the contract amount up to an additional \$16,865.00 to cover any unforeseen requirements identified during construction bringing the total authorization to a not-to-exceed level of \$185,516.71.**

At 12:33 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 items a2 and a3 above in *Executive Session*.

On a motion duly made and seconded, the Board adjourned at 12:34 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**January 27, 2009**

**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 January 27, 2009. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:02 a.m. Eastern Time. Fifteen of 18 Board members were present (there is one vacancy), representing a quorum:

Anderson, D. Michael	Lubin, Joel
Boyle, Anne	McClure, Dave – <i>by telephone</i>
Bryant, Dr. Anne	Ridley, Carolyn
Feiss, Geoff	Sanders, Dr. Jay
Gillan, Joseph	Schroeder, Lee
Jortner, Wayne – Treasurer	Simon, Phyllis
Knowles, Rex	Talbott, Dr. Brian – Chair
Kragel, Dr. Peter – Secretary	

Members of the Board not present:

Barash, Scott  
Campbell, Anne  
Kimmelman, Gene

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>
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Falkowitz, Ed	USAC
Gelman, Sheryl	USAC
Iversen, Eric	USAC
Kiser, Cherie	Cahill Gordon – <i>by telephone</i>
King, Sola	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Tavakoli, Kevan	USAC
Watterson, Stefani	USAC
Williams, Lisa	USAC
Yee, Kim	FCC

**ACTION ITEMS:**

- a1. Annual Election of Committee Chairs and Vice Chairs and Election and Appointment of Corporate Officers.** 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 accepts the recommendation of the USAC Nominating Committee and elects Dr. Brian Talbott as Chair and Michael Anderson 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.

**RESOLVED**, that the USAC Board of Directors accepts the recommendation of the Audit Committee and elects David McClure as Chair and Rex Knowles 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 Joseph Gillan 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.

**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. **Approval of Board of Directors Meeting Minutes of October 28, 2008.** On a motion duly made and seconded, the Board approved the minutes as written of the Board meeting of October 28, 2008.
- a3. **Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation 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 2008 quarterly meetings. Dr. Sanders reported on the Rural Health Care Committee meeting; Dr. Bryant reported on the Schools & Libraries Committee meeting; Mr. Lubin reported on the High Cost & Low Income Committee meeting; Dr. Kragel reported on the Executive Compensation Committee; and Dr. Talbott reported on the Audit and the Executive Committee meetings.
- a4. **Approval of 2<sup>nd</sup> Quarter 2009 and 2009 Annual USAC Common and Consolidated Budgets.** Mr. Belden introduced this item to the Board. A motion was made, which was then seconded, to approve the budget proposed by USAC management as set forth in the issue paper for this matter.

The Board then engaged in a substantial discussion, including a discussion of the Board's fiduciary duties to USAC and the USF, concerning the FCC Office of Inspector General (OIG) USF audit program and the extent of USAC's obligation to conduct the audit program as directed by the FCC Inspector General. On a motion duly made and seconded, the Board voted, with Mr. Gillan voting no, to table the proposed budget resolutions under consideration. The Board then continued its discussion, and, on a motion duly made and seconded, with Mr. Gillan voting no, approved the following resolutions:

**RESOLVED**, that the USAC Board of Directors has previously expressed to the Federal Communications Commission its significant concerns about the effectiveness of the FCC OIG USF audit program given the large costs associated with the program, which USAC is conducting at the direction of the FCC Inspector General;

**RESOLVED FURTHER**, that the Board recognizes and supports the importance of a cost-efficient and effective audit program of USF contributors and support mechanism beneficiaries to protect the USF against waste, fraud and abuse and to help reduce incidences of improper payments; and

**RESOLVED FURTHER**, that the Board requests the Executive Committee of the Board meet with Commission staff with the objective of working with

the Commission to develop and implement an effective and cost-efficient audit program of USF contributors and support mechanism beneficiaries.

On a motion duly made and seconded, the Board then voted unanimously to take the proposed budget resolutions off the table. The Board then discussed revising the proposed budget to remove \$2,950,000 proposed by USAC management for expenses associated with planning and preparation for Round 4 of the FCC OIG USF audit program. On a motion duly made and seconded the proposed budget motions were so revised by reducing the 2009 annual common budget by \$500,000.<sup>1</sup> The Board then adopted the following resolutions with all voting in the affirmative, except for Dr. Sanders who voted no:

**RESOLVED**, that the USAC Board of Directors approves a 2<sup>nd</sup> Quarter 2009 USAC common budget of \$12.3 million and a 2009 annual USAC common budget of \$49.1 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 2<sup>nd</sup> Quarter 2009 USAC consolidated budget of \$68.5 million and a 2009 annual USAC consolidated budget of \$239.8 million.

- a5. **Approval of 2<sup>nd</sup> Quarter 2009 Revenue Projections for the March 2, 2009 Universal Service Fund Contribution Base Filing.** Mr. Erwin introduced this item to the Board. In response to a question from Mr. Feiss, Mr. Erwin explained that the large increase in the contribution factor that typically occurs between the 1<sup>st</sup> and 2<sup>nd</sup> quarters each year is due to a true-up of the estimates to actual Form 499-A filings that occurs prior to calendar year-end.

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 27, 2009, 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 \$18.98 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a6. **Consideration of High Cost and Low Income Program Operations Plan.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive*

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<sup>1</sup> The remaining \$2,000,000 will not be included in the support mechanism budgets for 2009.

**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**.

- a7. Consideration of Revision to 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, the Board adopted the following resolution:

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

- a8. Approval of April 2010 – January 2011 Board of Directors Quarterly Meeting Schedule.** Dr. Talbott 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 adopts the following Board of Directors and Committee quarterly meetings schedule for April 2010 – January 2011:

<b>Executive Committee</b>	<b>Programmatic Committees &amp; Board of Directors</b>
April 22, 2010	April 26-27, 2010
July 22, 2010	July 26-27, 2010
October 21, 2010	October 25-26, 2010
January 20, 2011	January 24-25, 2011

**a9. a9.1 – Miscellaneous.** Solicit ideas for April 2009 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. Anderson or Mr. Barash between quarterly meetings.

**a9.2 – Resolution Honoring Board Members Whose Service Has Recently Concluded.** Dr. Talbott presented this item to the Board and thanked Mr. Joseph for his service to the USAC Board of Directors.

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

**RESOLVED**, that the USAC Board of Directors hereby expresses its sincere appreciation to Mr. Kevin Joseph for his dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes him the best in his future endeavors.

**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. **Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i4. **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.** Mr. Scott presented this item to the Board.
- i6. **Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2008.** This report was provided for informational purposes. No discussion was held.
- i7. **FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Board.
- i8. **Procurement Update – Confidential & Proprietary.** 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*.

- i9. **FCC-USAC Memorandum of Understanding Status Update.** Mr. Belden presented this item to the Board.
- i10. **USAC 2008 Accomplishments.** Mr. Belden presented this item to the Board.
- i11. **USAC 2009 Objectives.** Mr. Belden presented this item to the Board.
- i13. **Miscellaneous. Discussion of the Performance Audits of the High Cost & Low Income and the Schools & Libraries Committee by the FCC Office of Inspector General.** 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.*

At 11:25 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 11:36 a.m. Eastern Time at which time it reconvened in **Executive Session**.

**EXECUTIVE SESSION:**

**i13. Miscellaneous.** Mr. Capozzi and Ms. Cheri Kiser, Esq., of Cahill Gordon, discussed this matter with the Board.

Mr. Gillan departed the meeting at 12:35 p.m. He did not vote on or take discuss items a6, a7, i8, or i12 below.

**a6. Consideration of High Cost and Low Income Program Operations Plan.** 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 USAC management's proposed transition plan, approves the course of action recommended by USAC management and approved by the High Cost & Low Income Committee for High Cost and Low Income Program administration support.

**a7. Consideration of Revision to Banking and Investment Services Contract Award.** 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 and the FCC Managing Director's November 17, 2008 directive, hereby revises the contract award approval made on July 29, 2008 and authorizes management to award a contract to Bank of America for a two-year term with two one-year renewal options to provide banking operations and investment services to USAC and the USF.

- a9. Consideration of Modification to Year 2 Project Management Services Contract for FCC Office of Inspector General 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, 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 third year of the FCC OIG USF audit program in an amount not-to-exceed \$1,950,000.

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

At 12:53 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 a9, and discussed items i8 and i13 and above. Dr. Bryant noted that Commission staff's continued delay in approving the contract award for Schools and Libraries and Rural Health Care Support Mechanisms Program operations support recommended by USAC management and approved by the Schools & Libraries and Rural Health Care Committees is, as of January 1, 2009, resulting in approximately \$600,000 per month in additional costs to these programs and delaying much needed process and technology infrastructure improvements.

Mr. Feiss departed the meeting at 12:54 p.m. He did not participate in the discussion on item i12 below.

- i12. Approval of USAC 2008 Annual Report to the FCC and Congress.** Mr. Iversen presented this item to the Board.

On a motion duly made and seconded, the Board adjourned at 12:56 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**January 27, 2009**

**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 28, 2009. Dr. Peter Kragel, Secretary of the corporation, called the meeting to order at 9:00 a.m. Eastern Time with a quorum of 13 of the 18 Board members present (there is one vacancy):

Barash, Scott – Acting Chief Executive Officer	Knowles, Rex
Boyle, Anne	Kragel, Dr. Peter – Secretary
Bryant, Dr. Anne	Lubin, Joel
Campbell, Anne	McClure, Dave – <i>by telephone</i>
Feiss, Geoff	Ridley, Carolyn
Gillan, Joseph	Simon, Phyllis – <i>by telephone</i>
Jortner, Wayne – Treasurer	

Ms. Lee Schroeder joined the meeting by telephone at 9:03 a.m. Eastern Time. She did not vote on item a1.

Members of the Board not present:

Anderson, D. Michael  
Kimmelman, Gene  
Sanders, Dr. Jay  
Talbott, Dr. Brian

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  
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
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Carroll, Kristy	USAC
Dearborn, Philip	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Iversen, Eric	USAC
Jackson, Ebony	USAC
King, Sola	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Rodriguez, Jose	FCC
Yee, Kim	FCC

**ACTION ITEMS:**

- a6. Approval of Board of Directors Meeting Minutes of January 16, 2009 and January 27, 2009.** On a motion duly made and seconded, the Board approved the minutes as written of the meetings of January 16, 2009 and January 27, 2009.
- a7. Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation 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 2009 quarterly meetings. Ms. Campbell reported for the Schools & Libraries Committee; Mr. Lubin reported for the High Cost & Low Income Committee; Dr. Kragel reported for the Executive Committee, the Rural Health Care Committee and the Executive Compensation Committee; and Mr. McClure reported for the Audit Committee.

- a8. **Approval of 3rd Quarter 2009 and Revised 2009 Annual USAC Common and Consolidated Budgets.** Mr. Belden presented this item to the Board, noting that \$600,000 was reallocated from the expense budget to the capital budget in connection with the High Cost and Low Income Program Operations transition from a contractor to USAC in-house staff, and approximately \$400,000 was removed from the budget for Round 4 of the FCC OIG USF audit program as directed by the Board during its January 27, 2009 meeting.

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 2009 USAC common budget of \$13.2 million and a revised 2009 annual USAC common budget of \$49.3 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 3rd Quarter 2009 USAC consolidated budget of \$57.1 million and a revised 2009 annual USAC consolidated budget of \$236.3 million.

- a9. **Approval of 3rd Quarter 2009 Revenue Projections for the June 1, 2009 Universal Service Fund Contribution Base Filing.** 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 at its meeting on April 28, 2009, 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 \$18.91 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a10. **Consideration of Contract for Review of USAC Accounting for Budgetary Transactions.** 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 recommended contract award to acquire consulting services to review USAC's accounting for budgetary transactions shall be conducted in ***Executive Session***.

- a6. **Miscellaneous.** Solicit ideas for the July 2009 Board Agenda. Dr. Kragel reminded Board members that they may offer suggestions for agenda items at each quarterly meeting. Ideas may be submitted to Dr. Talbott, Mr. Anderson or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. **Assistant Treasurer's Report.** This report was provided for informational purposes. No discussion was held.
- i5. **External Relations Report.** This report was provided for informational purposes. No discussion was held.
- i6. **Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i7. **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. **FCC Office of Inspector General USF Audit Program 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 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 discussion of the FCC Office of Inspector General USF Audit Program Status Update shall be conducted in *Executive Session*

i9. **Procurement 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 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. **FCC-USAC Memorandum of Understanding Status Update.** Mr. Barash presented this item to the Board, noting that the company continues to devote a substantial amount of staff resources to implementing the requirements of the September 9, 2008 MOU, and staff plans to bring to the Board in July a draft set of recommended changes to the MOU, which, if approved by the Board, will be submitted to the FCC for consideration. Mr. Jortner requested that staff provide to the Board an estimate of the costs incurred in implementing and continuing to comply with the terms of the MOU. Mr. Barash stated that this information would be compiled and provided as soon as practicable.

i11. **USAC Internal Controls Program Update.** Mr. Belden presented this item to the Board.

i12. **FCC Office of Inspector General USF Audit Program Overview of Audit Quality Assurance Processes.** Mr. Barash and Mr. Scott presented this item to the Board. In response to a question from Mr. Feiss, Mr. Scott stated that he has previously instructed USAC staff and outside auditors to apprise auditees of the status of various aspects of the

audit.

- i13. Miscellaneous. Discussion of Prior Period Adjustments and Contribution Factor Impacts.** Mr. Barash presented this item to the Board, noting that approximately two years ago, at the direction of the Board, USAC management sent FCC staff information on the impacts of prior period adjustments on the USF contribution factor and a proposal for mitigating these impacts. To date, the FCC has not addressed this matter. Mr. Barash stated that USAC staff would refresh this matter with the Board at the July 2009 meeting.

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:**

- a5. Consideration of Contract for Review of USAC Accounting for Budgetary Transactions.** 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 award a contract to Cotton & Company for the consulting services described in this issue paper at a price not-to-exceed \$98,160; and hereby authorizes management to increase the contract amount, if necessary, up to an additional \$9,816 to cover any unforeseen requirements identified during the engagement bringing the total authorization to a not-to-exceed level of \$107,976.

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

- i9. Procurement Update.** Mr. Barash and Mr. Belden presented this item to the Board.

At 11:50 a.m. Eastern Time, the Board adjourned from **Executive Session** and immediately reconvened in **Open Session** at which time Dr. Kragel reported that in **Executive Session** the Board took action on item a5 and discussed items i8 and i9 above.

On a motion duly made and seconded, the Board adjourned at 11:52 a.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**July 28, 2009**

**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 28, 2009. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:02 a.m. Eastern Time with a quorum of 13 of the 17 Board members present (there are two vacancies):

Anderson, D. Michael – Vice Chair – <i>by telephone</i>	Jortner, Wayne – Treasurer
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary
Boyle, Anne	Ridley, Carolyn
Bryant, Dr. Anne	Sanders, Dr. Jay
Campbell, Anne	Simon, Phyllis – <i>by telephone</i>
Feiss, Geoff	Talbott, Dr. Brian – Chair
Gillan, Joseph	

Mr. Rex Knowles joined the meeting at 9:05 a.m. Eastern Time. He did not participate in the discussion of or vote on item a1. Ms. Lee Schroeder joined the meeting by telephone at 9:06 a.m. Eastern Time. She did not participate in the discussion of or vote on item a1. Mr. Joel Lubin joined the meeting at 9:07 a.m. Eastern Time. He did not participate in the discussion of or vote item a1. Mr. David McClure joined the meeting at 9:30 a.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2, a3 and a4; he did not vote on the motions to consider items a5, a6, a7 and a8 in Executive Session; and he did not participate in the discussion of items i1, i2, i3, i4 and i5.

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, Bill – 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>
Biasillo, Enzo	USAC
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Carroll, Kristy	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Gallagher, Corey	USAC
Gaskins, Maria	USAC
Gonzales, Veronica	USAC
Hultquist, Mary	USAC
Iversen, Eric	USAC
Jackson, Ebony	USAC
Longheed, Matthew	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Trew, Anne Marie	USAC

**ACTION ITEMS:**

- a11. Approval of Board of Directors Meeting Minutes of April 28, 2009.** On a motion duly made and seconded, the Board approved the minutes as written of the meeting of April 28, 2009.

- a12. Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation 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 2009 quarterly meetings. Ms. Campbell reported for the Schools & Libraries Committee; Mr. Gillan reported for the High Cost & Low Income Committee; Dr. Kragel reported for the Rural Health Care Committee and the Executive Compensation Committee; Mr. McClure reported for the Audit Committee; and Dr. Brian Talbott reported for the Executive Committee.
- a13. Approval of 4th Quarter 2009 and Revised 2009 Annual USAC Common and Consolidated Budgets.** Mr. Belden presented this item to the Board, noting that management recommends the Board approve a reduction in the USAC operating budget by \$24.5 million to \$210.6 million. The reduction is attributable to removal of Low Income Support Mechanism and Rural Health Care Support Mechanism beneficiary audits associated with Round 3 of the FCC Office of Inspector General USF audit program

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

**RESOLVED**, that the USAC Board of Directors approves a 4th Quarter 2009 USAC common budget of \$0.1 million and a revised 2009 annual USAC common budget of \$36.9 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 4th Quarter 2009 USAC consolidated budget of \$24.5 million and a revised 2009 annual USAC consolidated budget of \$210.6 million.

- a14. Approval of 4th Quarter 2009 Revenue Projections for the September 1, 2009 Universal Service Fund Contribution Base Filing.** Mr. Erwin presented this item to the Board, noting that support mechanism funding demand is slightly lower than last quarter due to prior period adjustments and implementation of the Sprint-Nextel and Verizon High Cost Support Mechanism funding caps. Mr. Erwin also stated that he estimates the 4th Quarter 2009 contribution factor will be approximately 11.2% based on USF contributor reported revenue subject to USF assessment being \$18.6 billion, and if the amounts actually projected by the carriers on the Form 499-Qs due on August 1, 2009 are closer to \$18 billion, then the contribution factor will be approximately 11.7%. Mr. Barash stated that once review of the Form 499-Qs submitted by USF contributors in August is complete, it is possible that carrier revenue projections may be below \$18 billion, which would further increase the USF contribution factor.

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

**RESOLVED**, that the USAC Board of Directors, having reviewed at its meeting on July 28, 2009, 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 \$18.66 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a15. **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 consideration 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*.

- a6. **Consideration of FCC OIG USF Audit Program Follow-Up Work, USAC Beneficiary and USF Contributor Compliance Audit Program (BCAP), and Improper Payments Information Act (IPIA) Assessment Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that consideration of this matter be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data constitutes a discussion of *internal rules and procedures* and relate 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 Executive Committee determines that discussion of the Improper Payments Information Act Assessment Plan and Beneficiary Compliance Audit Program shall be conducted in *Executive Session*.

- a7. **Consideration of Renewal of Project Management Services Contract to Support USAC's USF Contributor and Support Mechanism Beneficiary Audit Program.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that consideration 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 a one-year, priced renewal option for provision of project management support services for USAC's beneficiary and contributor compliance audit and IPIA assessment programs shall be conducted in *Executive Session*.

- a8. **Consideration of Proposed Revisions to September 2008 FCC-USAC Memorandum of Understanding.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that consideration 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 revisions to the 2008 Memorandum of Understanding between the FCC and USAC shall be conducted in *Executive Session*.

- a9. **Miscellaneous.** Solicit ideas for the October 2009 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. Anderson or Mr. Barash between quarterly meetings.

Dr. Talbott stated that he has a personnel matter for discussion with 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 is *personnel matter*.

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 personnel matter identified by Dr. Talbott shall be discussed in *Executive Session*.

**INFORMATION ITEMS:**

- i1. **Assistant Treasurer's Report.** This report was provided for informational purposes. Dr. Bryant noted that Mr. Jortner was not able to attend the Investment Committee meeting of February 18, 2009 and only the USAC management committee members were present. Dr. Bryant suggested, with Mr. Jortner and Mr. Barash in agreement, that if Mr. Jortner, who is the only USAC Board member on the committee, is unable to attend the meeting, then the meeting should be rescheduled.
  
- i8. **External Relations Report.** This report was provided for informational purposes. Ms. Campbell requested an update on outreach and education for support mechanism beneficiaries and USF contributors at the next quarterly Board meeting.
  
- i9. **Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
  
- i10. **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. **FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Board, noting that using the compliance attest examination audit approach required by the FCC Office of Inspector General (OIG) in the FCC OIG USF audit program identified a 15.7 percent improper payment rate in Round 1 of the High Cost Support Mechanism beneficiary audits. Mr. Scott also noted that USAC performed follow-up work using a performance audit approach on beneficiaries whose audits were disclaimed or received adverse findings, with results from the follow-up work reducing the reported improper payment rate to 2.74 percent, and USAC staff is in the process of preparing a report on the results of the follow-up work, which will be provided to the Board and the FCC OIG. Mr. Scott stated that similar follow-up work would be required for Round 2 and 3 audits.

In response to a question from Mr. Lubin, Mr. Barash reported that in Round 1 of the FCC OIG USF audit program High Cost Support Mechanism beneficiary audits, one error resulting in improper payments was attributable to USAC, with no errors attributable to USAC in Round 2. In the Round 1 Schools and Libraries Support Mechanism beneficiary audits, one \$250 improper payment was attributable to USAC.

Mr. Scott reported that the Schools & Libraries Committee had now reviewed all Round 2 reports, and Round 3 reports would soon start flowing to the committees for review. Mr. Scott also reported that the FCC Office of Managing Director (OMD) had requested information from USAC to assist OMD in its review of the FCC OIG's finding that 100 percent of the Low Income Support Mechanism payments made by USAC to beneficiaries were improper for a certain time period analyzed by the OIG. Mr. Scott stated that USAC staff disagrees with the OIG's conclusion.

- i7. **Procurement 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 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*.

- i8. **FCC-USAC Memorandum of Understanding Status Update.** Mr. Barash presented this item to the Committee, noting that all but one of the remaining requirements from the MOU that USAC can implement deal with procurement requirements USAC staff is discussing with Commission staff as part of the Rural Health Care and Schools and Libraries Programs operations support services procurement and the USAC financial systems modernization procurement.
- i9. **USAC Internal Controls Program Update.** This report was provided for informational purposes. No discussion was held.
- i10. **Mid-Year Report on USAC 2009 Objectives.** Mr. Barash presented this item to the Board, noting that USAC has either achieved or made substantial progress toward the corporate objectives presented to the Board in January 2009. Mr. Barash also noted that, as in previous years, unexpected challenges have arisen requiring USAC to address new matters. Mr. Barash stated that although there is much to do, and we continue to face significant challenges, management is optimistic that strong performance will continue throughout the remainder of the year.
- i11. **Treatment of Prior Period Adjustments.** 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 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 discussion of the treatment of prior period adjustment shall be conducted in *Executive Session*.

At 10:17 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 10:30 a.m. Eastern Time at which time it reconvened in *Executive Session*.

**EXECUTIVE SESSION:**

- a5. **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, 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, subject to management obtaining any necessary approvals from Federal Communications Commission staff, the second of three one-year, priced renewal options with PricewaterhouseCoopers LLP to conduct the 2009 USAC annual financial audit, agreed-upon-procedures review, and internal controls review.

- a6. **Consideration of FCC OIG USF Audit Program Follow-Up Work, USAC Beneficiary and USF Contributor Compliance Audit Program (BCAP), and Improper Payments Information Act Assessment Program.** Mr. Barash presented 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 reviewed USAC management's recommendation, approves the continued development by USAC management of programs to address beneficiary compliance and support the FCC in meeting its Improper Payments Information Act compliance obligations; and

**RESOLVED FURTHER**, that the USAC Board of Directors, having reviewed USAC management's recommendation, authorizes USAC management to incur necessary start-up expenses for the programs as outlined in the proposed 4Q2009 common and consolidated budgets.

- a7. **Consideration of Renewal of Project Management Services Contract to Support USAC's USF Contributor and Support Mechanism Beneficiary Audit Program.** Mr. Belden presented this item to the Board.

On a motion duly made, 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 receipt of any necessary FCC approvals, the third of four one-year renewal options available under the existing contract with Washington Consulting, Inc. to provide project management services for the FCC Office of Inspector General USF audit program follow-up work and the proposed USAC beneficiary and contributor compliance audit program in an amount not to exceed \$1.8 million.

- a8. Consideration of Proposed Revisions to September 2008 FCC-USAC Memorandum of Understanding.** Mr. Barash 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 USAC Executive Committee and management's recommendation, approves the proposed revisions to the 2008 FCC-USAC Memorandum of Understanding and authorizes management to initiate discussions with FCC staff regarding the proposed revisions.

- i7. Procurement Update.** Mr. Belden presented this item to the Board.

- i11. Treatment of Prior Period Adjustments.** Messrs. Barash and Belden presented this item to the Board.

At 12:23 p.m. Eastern Time, with only the Board, Ms. Nuzzo and Mr. Capozzi present, the Board continued in **Executive Session** to discuss item i12 below.

- i12. Miscellaneous. Personnel Matter.** Dr. Talbott presented this item to the Board.

At 12:26 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 a5, a6, a7, and a8 and discussed items i7, i11 and i12 above. In addition, Mr. Barash reported that he was informed that the FCC Acting Inspector General has decided to withdraw the report issued by

the prior Inspector General that Mr. Scott discussed with the Board earlier in this meeting. In this report, the prior FCC Inspector General reported that 100 percent of the Low Income Support Mechanism payments made by USAC to beneficiaries were improper for a certain time period analyzed by the OIG.

On a motion duly made and seconded, the Board adjourned at 12:28 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

**BOARD OF DIRECTORS MEETING**

**October 27, 2009**

**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 27, 2009. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:00 a.m. Eastern Time, with a quorum of 14 of the 19 Board members present (there are two vacancies):

Barash, Scott – Acting Chief Executive Officer  
Bergmann, Scott  
Boyle, Anne  
Bryant, Dr. Anne – *by telephone*  
Campbell, Anne  
Feiss, Geoff  
Gillan, Joseph

Jacobs, Ellis  
Kragel, Dr. Peter – Secretary  
Lubin, Joel  
Ridley, Carolyn  
Sanders, Dr. Jay  
Simon, Phyllis  
Talbott, Dr. Brian – Chair

Members of the Board not present:

Anderson, D. Michael – Vice Chair

Jortner, Wayne – Treasurer

Schroeder, Lee

Mr. Rex Knowles joined the meeting at 9:06 a.m. Eastern Time. He did not participate in the discussion of or vote on items a1 or a2. Mr. David McClure joined the meeting at 9:31 a.m. Eastern Time. He did not participate in the discussion of or vote on items a1, a2, a3 and a4.

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. Bill – 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
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC
Iversen, Eric	USAC
Jackson, Ebony	USAC
Lougheed, Matthew	USAC
Mitchell, Jeff	USAC
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
Ragland, Tom	USAC
Reynolds, Daniel	USAC
Schrieber, Johnnay	USAC
Trew, Anne Marie	USAC
Yee, Kim	FCC

**ACTION ITEMS:**

**a16. Election of New Members to the USAC Board of Directors and Appointment of Board Members to Committees.**

On a motion duly made, 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 Scott K. Bergmann to the USAC Board of Directors for a term beginning effective October 27, 2009, and continuing until December 31, 2011; and

**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 Ellis Jacobs to the USAC Board of Directors for a term beginning effective October 27, 2009, and continuing until December 31, 2010; 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 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; and

**RESOLVED FURTHER**, that the USAC Board of Directors on behalf of the High Cost & Low Income Committee (Committee) hereby ratifies any and all votes on action items cast by Mr. Bergmann and/or Mr. Jacobs at the Committee meeting on October 26, 2009, which occurred after their respective selection by the Chairman of the Federal Communications Commission, but prior to their election to the Board and automatic appointment to the Committee.

Messrs. Bergmann and Jacobs did not vote on this item.

- a17. Approval of Board of Directors Meeting Minutes of July 28, 2009.** On a motion duly made and seconded, the Board approved the minutes, as written, of the meeting of July 28, 2009.
- a18. Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation 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 July 2009 quarterly meetings. Ms. Campbell reported for the Schools & Libraries Committee; Mr. Lubin reported for the High Cost & Low Income Committee; Dr. Sanders reported for the Rural Health Care Committee; Dr. Kragel reported for the Executive Compensation Committee; Mr. Knowles reported for the Audit Committee; and Dr. Brian Talbott reported for the Executive Committee.
- a19. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.** Dr. Talbott presented this item to the Committee.

On a motion duly made, 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 2010 meeting, nominations for the elected USAC officer positions; and

**RESOLVED FURTHER**, that the USAC Board of Directors appoints **Anne Campbell** as Nominating Committee chair and **Dr. Peter Kragel** and **Joe Gillan** 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 26, 2010 meeting, nominations for a chair and vice chair of each respective committee.

- a20. Approval of 1st Quarter 2010 USAC Common and Consolidated Budgets and Information on the Estimated 2010 Annual Budget.** Mr. Belden presented this item to the Board. The Board and USAC staff discussed the methodology for allocating USAC common costs to the support mechanism budgets.

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

**RESOLVED**, that the USAC Board of Directors approves a 1st Quarter 2010 USAC common budget of \$10.7 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$10.7 million for USAC common budget administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Board of Directors; and

**RESOLVED FURTHER**, that the USAC Board of Directors approves a 1st Quarter 2010 USAC consolidated budget of \$29.5 million; and

**RESOLVED FURTHER**, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$29.5 million for USAC consolidated budget administrative expenses in the required November 2, 2009 filing to the FCC on behalf of the Board of Directors.

- a21. Approval of Estimated 1st Quarter 2010 Revenue Projections for the December 2, 2009 Universal Service Fund Contribution Base Filing.** 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 a *pre-decisional matter 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 the discussion of the estimated 1st quarter 2010 revenue projections for the December 2, 2009 Universal Service Fund Contribution Base Filing associated with this item shall be conducted in *Executive Session*.

- a7. Miscellaneous.** Solicit ideas for the January 2010 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. Anderson or Mr. Barash between quarterly meetings.

**INFORMATION ITEMS:**

- i1. **Assistant Treasurer's Report.** This report was provided for informational purposes.
  
- i11. **External Relations Report.** This report was provided for informational purposes.
  
- i12. **USAC Stakeholder Engagement Strategy Update.** Mr. Iversen presented this item to the Board. The Board and USAC staff discussed various aspects of the proposed 2010 stakeholder engagement strategy.
  
- i13. **Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
  
- i14. **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.** This report was provided for informational purposes. No discussion was held.
  
- i7. **Semiannual Status Report on Ongoing USAC Audits.** This report was provided for informational purposes. No discussion was held.
  
- i8. **Semiannual Status Report on Actions Taken on Final USAC Audits.** This report was provided for informational purposes. No discussion was held.
  
- i9. **FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Board.
  
- i10. **Update on USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Improper Payments Information Act (IPIA) Assessment Program.** Mr. Barash presented this item to the Board, noting that USAC staff continues to answer questions from FCC staff and refine the proposed programs based on FCC staff requirements. Mr. Barash also noted that USAC is waiting for FCC staff to approve these programs.
  
- i11. **Procurement 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 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*.

**i12. Acceptance of USAC 2008 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott presented this item to the Board, noting that USAC received an unqualified opinion from PricewaterhouseCoopers LLP (PwC) on USAC's 2009 annual financial audit, and PwC did not identify any material items in the agreed-upon procedures review (AUP). Mr. Barash commended PwC on its professionalism, flexibility and excellent work, especially given the late start it had due to delays in receiving FCC staff approval to begin work.

**i13. 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 this item be conducted in *Executive Session* because this discussion involves a *personnel matter*.

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 personnel matter identified by Dr. Talbott shall be discussed in *Executive Session*.

At 10:23 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 10:50 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

**EXECUTIVE SESSION:**

- a6. **Approval of Estimated 1st Quarter 2010 Revenue Projections for the December 2, 2009 Universal Service Fund Contribution Base Filing.** Mr. Erwin presented this item to the Board.

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

**RESOLVED**, that the USAC Board of Directors, having reviewed at its meeting on October 27, 2009, a summary of the current status of the Universal Service Fund (USF) contribution base filing information, authorizes USAC staff to proceed with the required filing to the FCC on behalf of USAC using a preliminary estimate of \$17.2 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- i11. **Procurement Update.** Mr. Belden presented this item to the Committee.

At 11:29 a.m. Eastern Time, with only the members of the Board present, the Board continued in **Executive Session** to discuss item i13 below.

- i13. **Personnel Matter Discussion.** Dr. Talbott discussed this item with the Board.

At 12:00 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 item a6 and discussed items i11 and i13 above. On a motion duly made and seconded, the Board adjourned at 12:02 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary