

2010 Board of Directors Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
BOARD OF DIRECTORS MEETING

January 26, 2010

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 26, 2010. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:03 a.m. Eastern Time, with a quorum of 17 of the 18 Board members present (there is one vacancy):

Anderson, D. Michael – Vice Chair
Barash, Scott – Acting Chief Executive Officer
Bergmann, Scott – *by telephone*
Bryant, Dr. Anne
Campbell, Anne
Feiss, Geoff
Gillan, Joseph
Jacobs, Ellis
Jortner, Wayne – Treasurer

Kragel, Dr. Peter – Secretary – *by telephone*
Lubin, Joel
McClure, David – *by telephone*
Ridley, Carolyn
Sanders, Dr. Jay
Schroeder, Lee – *by telephone*
Simon, Phyllis
Talbott, Dr. Brian – Chair

Members of the Board not present:

Boyle, Anne

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:

NAME	COMPANY
Amalfitano, Vince	FCC – <i>by telephone</i>
Basillio, Enzo	USAC
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Emmanuel, Jillian	USAC
Falkowitz, Ed	USAC
Gallagher, Corey	USAC
Iversen, Eric	USAC
Jackson, Ebony	USAC
King, Sola	USAC
Lougheed, Matthew	USAC
Lowery, Craig	USAC
Mitchell, Jeff	USAC
Nuzzo, Patsy	USAC
O’Connor, Austin	USAC
Ragland, Tom	USAC
Schrieber, Johnnay	USAC

ACTION ITEMS:

- a1. Annual Election of Committee Chairs and Vice Chairs and Election and Appointment of Corporate Officers.** Dr. Talbott presented this item to the Board noting that existing committee chairs and vice chairs and corporate officers would remain in place until FCC nominations were received. Dr. Talbott stated that with the resignation of Mr. Rex Knowles from the Board, the Audit Committee Vice Chair was vacant, and the Audit Committee has recommended to the Board that Mr. Anderson be elected as Vice Chair of the Audit Committee.

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 the Audit Committee and elects D. Michael Anderson as Vice Chair of the Audit Committee, for a term that begins immediately following adoption of this resolution by the Board 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.

- a2. **Approval of Board of Directors Meeting Minutes of October 27, 2009.** On a motion duly made and seconded, the Board approved the minutes, as written, of the meeting of October 27, 2009.
- 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 2010 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; Mr. Barash reported for the Executive Compensation Committee; Mr. Anderson reported for the Audit Committee; and Dr. Brian Talbott reported for the Executive Committee.
- a4. **Approval of 2nd Quarter 2010 and 2010 Annual USAC Common and Consolidated Budgets.** Mr. Belden presented this item to the Board, noting that there have been no changes to the budget that was presented to the Board in October. Mr. Belden stated that the proposed \$138 million 2010 annual budget is \$72 million less than the 2009 budget with the majority of the reduction attributable to the wind-down of the FCC Office of Inspector General (OIG) USF audit program.

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 2010 USAC common budget of \$11.7 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$11.7 million for USAC common budget administrative expenses in the required January 29, 2010 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves an annual 2010 USAC common budget of \$44.2 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2nd Quarter 2010 USAC consolidated budget of \$31.0 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$31.0 million for USAC consolidated budget administrative expenses in the required January 29, 2010 filing to the FCC on behalf of the Board of Directors, and

RESOLVED FURTHER, that the USAC Board of Directors approves an annual 2010 USAC consolidated budget of \$138.0 million.

- a5. **Approval of Estimated 2nd Quarter 2010 Revenue Projections for the March 2, 2010 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 January 26, 2010, 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 \$17.30 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a6. **Approval of April 2011 – January 2012 Board of Directors Quarterly Meeting Schedule.** Mr. Barash presented this item to the Board. Ms. Campbell requested that the April 2011 quarterly Board and Committee meetings be moved from the planned April 25-26, 2011 dates to April 26-27, 2011, to enable Board members to avoid traveling on Easter Sunday.

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 2011 – January 2012:

Executive Committee	Programmatic Committees & Board of Directors
April 21, 2011	April 26-27, 2011 (<i>Tuesday and Wednesday; Easter Sunday is April 24, 2011.</i>)
July 21, 2011	July 25-26, 2011
October 20, 2011	October 24-25, 2011
January 26, 2012	January 30-31, 2012

- a7. Resolution Honoring Board Member Whose Service Has Recently Concluded.** Dr. Talbott presented this item to the Committee.

Mr. Rex Knowles was elected to the Board in 2008 to represent interexchange carriers with more than \$3 billion in annual operating revenues. Mr. Knowles’s knowledge of the communications industry, the FCC, and the High Cost and Low Income Support Mechanisms was of great benefit to the Board. During his term on the USAC Board, Mr. Knowles served on the High Cost & Low Income Committee and the Audit Committee as Vice Chair in 2007 and 2008. His knowledge, participation and guidance will be missed.

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. Rex Knowles for his dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes him the best in his future endeavors.

- a8. 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. 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.** This report was provided for informational purposes. No discussion was held.
- i6. **Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2009.** Mr. Scott presented this item to the Board.
- i7. **FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Board, noting that work on the remaining Round 2 audits that were delayed in starting at the request of the FCC Office of Inspector General (OIG) is complete, and the audits will be presented to the High Cost & Low Income (HCLI) Committee in February 2010. Mr. Scott also stated that follow-up work is being completed, where necessary, on Round 2 audits and the first seven reports will be brought to the HCLI Committee on Monday at its regular quarterly meeting, and the remaining eight reports will be presented to the Committee in February. Mr. Scott noted that the results of the follow-up work indicate that the original improper payment amount of \$19 million identified by the FCC OIG has been reduced to \$700,000. Finally, Mr. Scott noted that significant progress has been made in presenting Round 3 audit results to the committees, and, by the end of February 2010, all but 97 of the original 323 High Cost Program beneficiary audits will have been reviewed by the HCLI Committee, and all but 92 of the original 345 Schools and Libraries Program beneficiary audits will have been reviewed by the Schools & Libraries Committee.
- i8. **Update on USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Improper Payments Information Act (IPIA) Assessment Program.** Mr. Scott presented this item to the Board, noting while waiting for approval from the FCC to start these programs, USAC staff continues to work with the FCC Offices of the Managing Director and Inspector General on finalizing details for the new IPIA assessment program and BCAP.
- 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. Annual Report from the USAC Procurement Competition Advocate.** Mr. Belden presented this item to the Board, noting that in 2009 USAC conducted procurements having a total potential value of approximately \$54 million with approximately \$68,000 of value in the aggregate awarded on a sole source basis across three separate actions.
- i11. Approval of USAC 2009 Annual Report to the FCC and Congress.** Mr. Barash presented this item to the Board.
- i12. USAC Internal Controls Program 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 discussion of specific audit plans, internal controls, and/or confidential company data constitutes a discussion of *internal rules and procedures*.

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 USAC Internal Controls Program update shall be discussed in *Executive Session*.

- i13. USAC 2009 Accomplishments.** Mr. Barash presented this item to the Board, highlighting the following USAC 2009 accomplishments:
- Significantly improved relationship with FCC Commissioners and senior staff.
 - High Cost and Low Income Program operations successfully transferred from contractor to USAC personnel on time and under budget.
 - Rural Health Care and Schools and Libraries Program information technology infrastructure successfully moved from contractor premises to USAC-controlled collocation facility in accordance with revised schedule.
 - Round 3 of the FCC OIG USF audit program conducted successfully.

- Developed and proposed Improper Payments Information Act (IPIA) assessment program and USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP).
- USAC and USF again received clean audit opinions.
- Significant progress made in identifying and remediating internal control issues.
- Completed data center consolidation in USAC-controlled collocation facilities.
- Absorbed new staff while maintaining low employee turnover and high performance.
- Acquired and occupied substantial new office space on time and under budget.

Dr. Talbott thanked the staff on behalf of the Committee for its many accomplishments in 2009.

i14. USAC 2010 Objectives. Mr. Barash presented this item to the Board, noting that the issue paper identifies goals for 2010 in each of the program areas, USF contributor collections and overall management of the company. Mr. Barash highlighted the following 2010 key objectives for Board members:

- Provide support as FCC considers universal service policy changes; implement any program or administrative changes efficiently and effectively.
- Further stabilize information systems and implement enhancements to improve stakeholder service in 2010 and to prepare for potential policy changes in the future.
- Continue to implement USAC Stakeholder Engagement Strategy, including program-specific education, communication, and outreach plans.
- Implement USAC-designed IPIA assessment program and Universal Service Fund Beneficiary and USF Contributor Compliance Audit Program (BCAP).

i15. Miscellaneous.

i15-1. USF Contribution Factor Discussion. 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 2nd quarter 2010 revenue projections for the January 29, 2010 Universal Service Fund Contribution Base Filing associated with this item shall be conducted in *Executive Session*.

i15-2. Personnel Matter Discussion. 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 10:30 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 10:47 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

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

i12. USAC Internal Controls Program Update. Mr. Erwin presented this item to the Board.

i15-1. USF Contribution Factor Discussion. Mr. Belden presented this item to the Board.

At 12:01 p.m. Eastern Time, with only the members of the Board present, the Board continued in *Executive Session* to discuss item i15-2 below.

i15-2. Personnel Matter Discussion. Dr. Talbott presented this item to the Board.

At 12:10 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 discussed items i9, i12, i15-1 and i15-2 above. On a motion duly made and seconded, the Board adjourned at 12:11 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

April 27, 2010

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 27, 2010. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:01 a.m. Eastern Time, with a quorum of all 17 Board members present (there are two vacancies):

Abshire, Dr. Sheryl	Jacobs, Ellis
Anderson, D. Michael – Vice Chair	Jortner, Wayne – Treasurer
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary
Bergmann, Scott	Lubin, Joel
Boyle, Anne	McClure, David
Bryant, Dr. Anne	Ridley, Carolyn
Campbell, Anne	Sanders, Dr. Jay
Feiss, Geoff	Talbott, Dr. Brian – Chair
Gillan, Joseph	

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:

NAME	COMPANY
Beard, Jay	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Brooks, Whitney	USAC
Delmar, Teleshia	USAC
Garber, Michelle	USAC
Goode, Vernell	USAC

NAME	COMPANY
Hopper, Melissa	USAC
Iversen, Eric	USAC
Maharaj, Anil	USAC
Mitchell, Jeff	USAC
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Payne, Patti	USAC
Schrieber, Johnnay	USAC
Spiers, Cindy	FCC

ACTION ITEMS:

a7. Election of New Member and Reelection of Existing Members to the USAC Board of Directors. Dr. Talbott presented this item to the Committee.

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. Sheryl Abshire, D. Michael Anderson, the Honorable Anne C. Boyle, David P. McClure and Dr. Jay Sanders to the USAC Board of Directors each for a term beginning effective April 27, 2010 and continuing until December 31, 2012; 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.

a8. Annual Election of Committee Chairs and Vice Chairs and Election and Appointment of Corporate Officers. Ms. Campbell, Chair of the Nominating Committee presented the nominations.

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 elects **Dr. Brian Talbott** as Chair and **D. 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 upon adoption of this resolution 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 **David McClure** as Chair and **D. Michael Anderson** as Vice Chair of the **Audit Committee**, each for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair'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 **Joe Gillan** as Vice Chair of the **High Cost & Low Income Committee**, each for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair'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 upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair'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 upon the adoption of this resolution by the Board and ends when a successor to the Chair and/or Vice Chair has been elected, when the Chair or Vice Chair resigns from the Committee or the Board, is removed by resolution of the Board, or the Chair and/or Vice Chair'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 upon adoption of this resolution 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.

- a9. Approval of Board of Directors Meeting Minutes of January 26, 2010.** On a motion duly made and seconded, the Board approved the minutes, as written, of the meeting of January 26, 2010.
- a10. 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 matters discussed and actions taken by their respective committees since the January 2010 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. McClure reported for the Audit Committee; and Mr. Anderson reported for the Executive Committee.
- a11. Approval of 3rd Quarter 2010 USAC Common and Consolidated Budgets.** Mr. Belden presented this item to the Board, noting that there have been no changes to the budget that was presented to the Board in January.

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 2010 USAC common budget of \$11.1 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$11.1 million for USAC common budget

administrative expenses in the required April 30, 2010 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2010 USAC consolidated budget of \$35.9 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$35.9 million for USAC consolidated budget administrative expenses in the required April 30, 2010 filing to the FCC on behalf of the Board of Directors.

- a12. Approval of Estimated 3rd Quarter 2010 Revenue Projections for the June 1, 2010 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 27, 2010, 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 \$16.64 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a13. Resolutions Honoring Board Members Whose Service Has Recently Concluded.** Dr. Talbott presented 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 hereby expresses its sincere appreciation to Ms. Phyllis Simon for her dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

RESOLVED, that the USAC Board of Directors hereby expresses its sincere appreciation to Ms. Lee Schroeder for her dedicated service on the Board of Directors of the Universal Service Administrative Company and wishes her the best in her future endeavors.

- a8. **Consideration of Change to Investment Guidelines to Require Investment Committee to Meet Semi-Annually.** Mr. Barash presented this item to the Committee.

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

RESOLVED, that the USAC Board of Directors approves the Investment Committee recommendation to revise the Investment Guidelines to require semi-annual rather than quarterly meetings of the Investment Committee.

- a9. **Consideration of Contract Award for Site Recovery Manager Software Product.** In accordance with the approved criteria and procedures for conducting 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 software recovery licensing to support USAC's disaster recovery initiative shall be conducted in *Executive Session*.

- a10. **Miscellaneous.** Solicit ideas for the July 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. 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.
- i9. **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.** Mr. Scott presented this item to the Board.
- i9. **Update on USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance Program.** Mr. Scott presented this item to the Board, noting that USAC plans to pilot the Payment Quality Assurance Program with a limited number of support mechanism beneficiaries. In response to a question from the Board, Mr. Barash indicated that Board members may discuss the Payment Quality Assurance Program with their constituents, but requested that Board members not discuss BCAP yet as that program is still in the planning stages.
- i10. **Procurement Update.** In accordance with the approved criteria and procedures for conducting 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*.

- i11. **Update on the National Broadband Plan.** Mr. Barash presented this item to the Board.

- i12. **Preliminary Discussion of 3rd Quarter 2010 Universal Service Fund Contribution Factor.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because the assessment relates 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 preliminary 3rd Quarter 2010 USF contribution factor shall be conducted in *Executive Session*.

- i13. **USF Contributor Revenue Reporting and Billing Processing Overview.** Mr. Belden presented this item to the Board.

- i14. **USAC Information Systems Organizational Strategic Assessment Report.** 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 the assessment relates to *internal personnel matters and USAC's internal rules and procedures*.

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 USAC Information Systems organizational strategic assessment shall be conducted in *Executive Session*.

At 11:08 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 11:20 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a9. **Consideration of Contract Award for Site Recovery Manager Software Product.** 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 acquire the software recovery licensing listed in the issue paper from ePlus Technology, Inc. at a price not-to-exceed \$123,506.92 (including applicable taxes).

i10. Procurement Update. Mr. Belden presented this item to the Board.

i12. Preliminary Discussion of 3rd Quarter 2010 Universal Service Fund Contribution Factor. Mr. Belden presented this item to the Board.

At 11:54 p.m. Eastern Time, with only the members of the Board, Mr. Barash, Mr. Belden, and Mr. Capozzi present, the Board continued in **Executive Session** to discuss item i14 below.

i14. USAC Information Systems Organizational Strategic Assessment Report. Mr. Barash presented this item to the Board.

At 12:42 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 discussed and took action on item a9 and discussed items i10, i12 and i14 above. Also in **Executive Session**, the Board discussed USAC USF contributor process management, and requested that staff provide more information on this matter at the next quarterly Board meeting. On a motion duly made and seconded, the Board adjourned at 12:43 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

July 27, 2010

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 27, 2010. Dr. Brian Talbott, Board Chair, called the meeting to order at 9:01 a.m. Eastern Time, with a quorum of 12 of the 17 Board members present (there are two vacancies):

Abshire, Dr. Sheryl	Gillan, Joseph
Anderson, D. Michael – Vice Chair	Jortner, Wayne – Treasurer
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary
Boyle, Anne	Ridley, Carolyn
Campbell, Anne	Sanders, Dr. Jay
Feiss, Geoff	Talbott, Dr. Brian – Chair

Members of the Board not present:

Jacobs, Ellis

Lubin, Joel

McClure, Dave

Mr. Scott Bergmann and Dr. Anne Bryant joined the meeting at 9:07 a.m. Eastern Time. They did not participate in the discussion of or vote on items a1 and a2.

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:

NAME	COMPANY
Bellavia, Leslie	USAC
Berkland, Kristin	USAC
Betancourt, Laura	USAC
Biasillo, Enzo	USAC
Delmar, Teleshia	USAC
Garber, Michelle	USAC
Goode, Vernell	USAC
Hopper, Melissa	USAC
King, Sola	USAC
Lowery, Craig	USAC
Miller, Jack	Solix
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Parry, John	Solix
Schrieber, Johnnay	USAC

ACTION ITEMS:

- a14. Approval of Board of Directors Meeting Minutes of April 27, 2010.** On a motion duly made and seconded, the Board approved the minutes, as written, of the meeting of April 27, 2010.
- a15. 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 matters discussed and actions taken by their respective committees since the April 2010 quarterly meetings. Ms. Campbell reported for the Schools & Libraries Committee; Mr. Gillan 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. Anderson reported for the Audit Committee; and Dr. Talbott reported for the Executive Committee.
- a16. Approval of 4th Quarter 2010 and Revised 2010 Annual USAC Common and Consolidated Budgets.** Mr. Belden 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 approves a 4th Quarter 2010 USAC common budget of \$9.7 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a revised 2010 annual USAC common budget of \$34.8 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$1.3 million for USAC common expenses in the required August 2, 2010 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2010 USAC consolidated budget of \$29.4 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a revised 2010 annual USAC consolidated of \$110.2 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$13.8 million for USAC consolidated expenses in the required August 2, 2010 filing to the FCC on behalf of the Board of Directors.

- a17. Approval of 4th Quarter 2010 Estimated Revenue Projections for the September 1, 2010 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 July 27, 2010, 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 \$17.16 billion for the projected USF contribution base. Staff may make adjustments in accordance with the approved \$1.25 billion variance threshold.

- a18. 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 resolutions:

RESOLVED, that the discussion of the proposed litigation settlement between Movida Communications, Inc. and USAC shall be conducted in *Executive Session*.

- a6. Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Financial Audit and Agreed-Upon Procedures Review.** In accordance with the approved criteria and procedures for conducting 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 exercising the third and final priced renewal option under a competitively bid contract awarded to PricewaterhouseCoopers LLP to perform USAC's annual financial audit and Agreed-Upon Procedures review shall be conducted in *Executive Session*.

- a7. Consideration of Contract Extension for Meeting Planning Services.** In accordance with the approved criteria and procedures for conducting 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 a contract extension for meeting planning services shall be conducted in *Executive Session*.

- a8. Miscellaneous.**

a8-1. Solicit ideas for the October 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.

a8-2. Consideration of Confidential Personnel Matter. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that the discussion concerning a confidential *personnel matter* should occur in *Executive Session*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of a confidential personnel matter shall be conducted in *Executive Session*.

INFORMATION ITEMS:

- i1. Assistant Treasurer's Report.** This report was provided for informational purposes. No discussion was held.
- i10. External Relations Report.** This report was provided for informational purposes. No discussion was held.
- i11. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i12. Disposition of Contributor Appeals.** This report was provided for informational purposes. No discussion was held.
- i13. 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 2009 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott presented this item to the Board.

- i7. **FCC Office of Inspector General USF Audit Program Status Update.** Mr. Scott presented this item to the Board.

- i9. **USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance (PQA) Program Update.** Mr. Scott presented this item to the Board, noting that in July 2010 USAC received approval to award a contract to a vendor to provide support services for the PQA Program, and USAC is continuing to work with FCC staff to obtain approval to initiate procurement of audit services for BCAP.

- i9. **Procurement Update.** This report was provided for informational purposes. No discussion was held.

- i10. **Update on the National Broadband Plan.** This report was provided for informational purposes. No discussion was held.

- i11. **Preliminary Discussion of 4th Quarter 2010 Universal Service Fund Contribution Factor.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because the assessment relates 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 preliminary 4th Quarter 2010 USF contribution factor shall be conducted in *Executive Session*.

- i12. **Discussion of USF Contributor Processes and Information Regarding USF Contribution Base Trends.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that this matter be discussed in *Executive Session* because the report relates to specific *internal controls, and/or confidential company data*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

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

RESOLVED, that the USAC Board of Directors determines that discussion of USF contributor processes and USF contribution base trends shall be conducted in *Executive Session*.

- i13. USAC Information Systems Organizational Strategic Assessment Status Update.** Mr. Barash presented this item to the Board.
- i14. Preliminary Discussion on Program Operations In-Sourcing/Out-Sourcing 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 the assessment relates to *internal personnel matters and USAC's internal rules and procedures*.

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 USAC Information Systems organizational strategic assessment shall be conducted in *Executive Session*.

- i15. Semi-Annual Report on USAC Internal Controls.** This report was provided for informational purposes. No discussion was held.
- i16. Mid-Year Report on USAC 2010 Objectives.** Mr. Barash presented this item to the Board, noting that:
- USAC has established and is maintaining strong relationships with the universal service stakeholder community.
 - USAC has responded to a number of FCC staff requests for information in support of National Broadband Plan efforts.
 - For the first time, in 2010, USAC developed outreach plans tailored to each support mechanism and USF contributors.
 - USAC is preparing to implement the PQA program and is continuing to work with the FCC to initiate the procurement of audit services for BCAP. Although the PQA reviews will be well underway by September, at the current pace, it is unlikely that any BCAP audits will be initiated in 2010.
 - The High Cost and Low Income Program operations systems in-sourcing has been successfully completed. The in-house systems are now generating all beneficiary support payments.
 - The FCC OIG USF audit program will be completed this year.

- USAC will implement the FCC-mandated electronic payments initiative to support mechanism beneficiaries during 3rd Quarter 2010.

At 10:20 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 10:37 a.m. Eastern Time, at which time it reconvened in **Executive Session**.

EXECUTIVE SESSION:

- a6. **Consideration of Exercise of Contract Option with PricewaterhouseCoopers LLP to Perform Part 54 Annual Financial Audit and Agreed-Upon Procedures Review.** 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 USAC Audit Committee, hereby authorizes management, to exercise the third and final priced renewal option for PricewaterhouseCoopers LLP to perform USAC's annual financial audit and Agreed-Upon Procedures review, as required by 47 C.F.R. § 54.717, for a total not-to-exceed price of \$1,272,720, plus expenses incurred by PwC.

- a7. **Consideration of Contract Extension for Meeting Planning Services.** Mr. Belden presented this item to the Board.

On a motion duly made and seconded and after discussion, the Board adopted the following resolution, with Dr. Talbott abstaining:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to extend the current contract for meeting planning services in place between USAC and DLH & Associates to November 19, 2011, at no additional cost to USAC.

- i11. **Preliminary Discussion of 4th Quarter 2010 Universal Service Fund Contribution Factor.** Mr. Belden presented this item to the Board.

At 10:56 p.m. Eastern Time, the Board continued its discussion in **Executive Session** with only the members of the Board and officers of the corporation present. Mr. Bergmann departed the meeting at 11:06 a.m. Eastern Time.

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 Movida Communications, Inc. in accordance with the terms and conditions described by counsel, thereby resolving all claims between the parties.

i12. Discussion of USF Contributor Processes and Information Regarding USF Contribution Base Trends. Mr. Belden presented this item to the Board. During discussion of this item, Mr. Feiss departed the meeting at 11:45 a.m. Eastern Time; he did not vote on this item.

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

RESOLVED, that the USAC Board of Directors shall, in place of the USAC Executive Committee, assume responsibility for reviewing and deeming final all audits of USF contributors.

At 11:45 a.m. Eastern Time, the Board continued its discussion in **Executive Session** with only members of the Board present.

a8-2. Consideration of Confidential Personnel Matter. Dr. Talbott presented this item to the Committee. On a motion duly made and seconded and after discussion, the Board adopted resolutions regarding a confidential personnel matter.

At 11:45 a.m. Eastern Time, with only members of the Board and officers present, the Board continued its discussion in **Executive Session** to discuss item i14 below.

i14. Preliminary Discussion on Program Operations In-Sourcing/Out-Sourcing Options. Mr. Barash presented this item to the Board.

At 12:10 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 discussed and took action on items a5, a6, a7 and a8-2 and discussed items i11, i12 and i14 above.

OPEN SESSION:

i17. Miscellaneous. Dr. Talbott noted that the last several Board meetings have extended beyond the 12:00 p.m. scheduled end-time. He suggested that the Board meeting start at 8:30 a.m. rather than 9:00 a.m. The Board agreed to try an earlier start time change for the October 2010 meeting.

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

/s/ David A. Capozzi

Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

BOARD OF DIRECTORS MEETING

October 26, 2010

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 26, 2010. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:30 a.m. Eastern Time, with a quorum of 12 of the 17 Board members present (there are two vacancies):

Abshire, Dr. Sheryl	Jacobs, Ellis
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary
Bryant, Dr. Anne	Lubin, Joel
Campbell, Anne	Ridley, Carolyn
Feiss, Geoff	Sanders, Dr. Jay
Gillan, Joseph	Talbott, Dr. Brian – Chair

Members of the Board not present:

Anderson, D. Michael – Vice Chair
Boyle, Anne
McClure, Dave

Mr. Scott Bergmann joined the meeting at 8:31 a.m. Eastern Time. He did not vote on item a1. Mr. Wayne Jortner joined the meeting at 8:32 a.m. Eastern Time. He did not vote on item a1. Mr. David McClure jointed the meeting at 9:00 a.m. Eastern Time. He did not vote on items a1, a2 and a3.

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Case, David – Vice President of Finance and Assistant Treasurer
Capozzi, David – Acting General Counsel and Assistant Secretary
England, Dr. Bill – Vice President, Rural Health Care Division
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:

NAME	COMPANY
Beard, Jay	USAC
Beaver, Tracey	USAC
Bellavia, Leslie	USAC
Betancourt, Laura	USAC
Biasillo, Enzo	USAC
Fosso, Maurice	USAC
Garber, Michelle	USAC
Goode, Vernell	USAC
Iversen, Eric	USAC
King, Sola	USAC
Miller, Jack	Solix
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Parry, John	Solix
Reynolds, Daniel	USAC
Rodriguez, Jose	FCC
Theobald, Fred	USAC

ACTION ITEMS:

- a19. Approval of Board of Directors Meeting Minutes of July 27, 2010.** On a motion duly made and seconded, the Board approved the minutes, as written, of the meeting of July 27, 2010.
- a20. 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 matters discussed and actions taken by their respective committees since the July 2010 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 that the Executive Compensation Committee did not meet during the quarter; Dr. Talbott reported for the Audit Committee and the Executive Committee.
- a21. 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 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 2011 meeting nominations for the elected USAC officer positions; and

RESOLVED FURTHER, that the USAC Board of Directors appoints **Mike Anderson** 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 25, 2011 meeting nominations for a chair and vice chair of each respective committee; and

RESOLVED FURTHER, that the USAC Board of Directors may, at the discretion of the Board Chair, defer the election of officers, committee chairs, and committee vice chairs in the event that appointment of Board members to fill seats expiring on December 31, 2010, does not occur before the January 2011 quarterly Board of Directors meeting.

a22. Approval of 1st Quarter 2011 USAC Common and Consolidated Budgets and Information on the Estimated 2011 Annual Budgets. Mr. Belden 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 approves a 1st Quarter 2011 USAC common budget of \$9.6 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$9.6 million for USAC common budget administrative expenses in the required November 2, 2010 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2011 USAC consolidated budget of \$29.0 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$29.0 million for USAC consolidated budget administrative expenses in the required November 2, 2010 filing to the FCC on behalf of the Board of Directors.

a23. Approval of 1st Quarter 2011 Estimated Revenue Projections for the December 2, 2010 Universal Service Fund Contribution Base Filing. Mr. Belden presented this item to the Board. Mr. Barash suggested that the Board consider this matter as an information item rather than an action item because FCC rules do not require that the Board or a committee of the Board approve what is only an estimate of telecommunications carrier revenues subject to USF reporting and contribution requirements. Mr. Barash suggested that the Board continue to receive this information from USAC staff as part of the quarterly report on contribution matters. The sense of the Board was to affirm Mr. Barash's proposal to take this matter as an information item. Dr. Abshire then withdrew her motion that the Board approve this matter as an action item.

a24. Review of Statement of Ethical Conduct for Members of the USAC Board of Directors. Dr. Talbott 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 the Executive Committee, the USAC Acting CEO and counsel and adopts the revised *Statement of Ethical Conduct for Members of the USAC Board of Directors*.

a7. Biennial Review of USAC Employee Ethical Standards. 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 accepts the recommendation of the Executive Committee and USAC management and hereby adopts the revised USAC *Statement of Ethical Conduct for Employees, Definition of Gifts Prohibited, Definition of Financial Interest, and Outside Employment*.

- a8. **Appointment of an Assistant Treasurer.** 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 accepts the recommendation of the USAC Acting Chief Executive Officer and appoints **David Case** as Assistant Treasurer of the corporation, for a term that begins immediately upon adoption of this resolution 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.

- a9. **Action on One Contributor Revenue Audit.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because the report relates to specific *internal controls, and/or confidential company data*. In addition, **47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential**.

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 contributor revenue audit report labeled CR2008CP004 shall be conducted in *Executive Session*.

- a10. **Miscellaneous.**

a10-1. Solicit ideas for the October 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.

a10-2. Consideration of Confidential Personnel Matter. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in **Executive Session**, Mr. Capozzi recommended that the discussion concerning a confidential **personnel matter** should occur in **Executive Session**.

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

RESOLVED, that the USAC Board of Directors determines that discussion of a confidential personnel matter shall be conducted in **Executive Session**.

INFORMATION ITEMS:

- i1. Assistant Treasurer’s Report.** This report was provided for informational purposes. No discussion was held.

- i14. External Relations Report.** This report was provided for informational purposes. No discussion was held.

- i15. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.

- i16. Disposition of Contributor Appeals.** This report was provided for informational purposes. No discussion was held.

- i17. 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.** Mr. Scott presented this item to the Board.
- i9. **USAC Universal Service Support Mechanism Beneficiary and USF Contributor Compliance Audit Program (BCAP) and Payment Quality Assurance (PQA) Program Update.** Mr. Scott presented this item to the Board, noting that PQA was implemented in August, and USAC has been pleased with results to date with most of the sample period 1 cases closed and sample periods 2 and 3 reviews in progress. Mr. Scott also noted that USAC is continuing to work with FCC staff to obtain approval to initiate procurement of audit services for BCAP.
- i10. **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*.

- i11. **Quarterly Report on Universal Service Fund Contribution Matters.** In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because the assessment relates to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the discussion of USF contributor trends shall be conducted in *Executive Session*.

At 10:15 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:

- a9. Action on One USAC Internal Audit Division Contributor Revenue 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, with Ms. Ridley abstaining:

RESOLVED, that the USAC Board of Directors, having reviewed the USAC Internal Audit Division contributor revenue audit report labeled CR2008CP004, together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such audit report final.

- i10. Procurement Update.** This report was provided for informational purposes. No discussion was held.

- i11. Quarterly Report on Universal Service Fund Contribution Matters.** Mr. Belden presented this item to the Board.

At 11:50 a.m. Mr. Gillan departed the meeting. At 12:02 p.m. Dr. Abshire departed the meeting. At 12:06 p.m. Eastern Time, the Board continued its discussion in **Executive Session** with only members of the Board present. At 12:28 p.m. Messrs. Ellis and Feiss departed the meeting.

- a10-2. Consideration of Confidential Personnel Matter.** Dr. Talbott presented this item to the Board.

At 12:31 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 discussed and took action on item a9 and discussed items i10, i11 and a10-2 above. On a motion duly made and seconded, the Board adjourned at 12:32 p.m. Eastern Time.

/s/ David A. Capozzi

Assistant Secretary