

**Universal Service Administrative Company
High Cost & Low Income Committee Quarterly Meeting
Agenda**

Monday, January 30, 2012 8:00 a.m. – 12:00 p.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036
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<u>ACTION ITEMS</u>
a1. Approval of High Cost & Low Income Committee Meeting Minutes of October 24, 2011 and December 7, 2011
a2. Recommendation for Annual Election of Committee Chair and Vice Chair
a3. Approval of 2nd Quarter 2012 and 2012 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets
a4. Approval of 2nd Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the February 1, 2012 FCC Filing
a5. Action on Three USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a6. Action on Four USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a7. Consideration of Authority to Acquire Information Technology Services Support for Implementation of the Connect America Fund Order – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as aBOD08cf</i>
a8. Miscellaneous. Solicit ideas for the April 2012 Committee meeting agenda.

<u>INFORMATION ITEMS</u>
i1. High Cost and Low Income Support Mechanisms Update
i2. Update on Low Income Duplicate Data Review and Remediation
i3. Discussion of Administration of the Connect America Fund Order – Confidential & Proprietary – <i>Executive Session Recommended</i>
i4. Miscellaneous

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, April 23, 2012 1:30 p.m. – 3:00 p.m. Eastern Time USAC Offices, Washington, D.C.

To expedite navigation, please use the bookmarks located in the Navigation Pane.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C.

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, January 30, 2012

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, January 30, 2012. Mr. Joel Lubin, Committee Chair, called the meeting to order at 8:01 a.m. Eastern Time, with all eight Committee members present (there is one vacancy):

Barash, Scott – Acting Chief Executive Officer	Jacobs, Ellis
Bergmann, Scott	Jortner, Wayne
Feiss, Geoff	Lubin, Joel – Chair
Gillan, Joe – Vice Chair	Mitchell, Randy

Other Board of Directors (Board) members and officers of the corporation present:

Abshire, Sheryl – Member of the Board
Anderson, D. Michael – Member of the Board
Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools and Libraries Division
Campbell, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Greiner, Colleen – Vice President and Chief Information Officer
Majcher, Karen – Vice President, High Cost & Low Income Division
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Abebe, Hiwot	USAC
Ahn, Shane	USAC
Amalfitano, Vince – <i>by telephone</i>	FCC
Betancourt, Laura	USAC
Binder, Robert	USAC
Braxton-Johnson, Kianna	USAC
Caruso, Michael	USAC

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<u>NAME</u>	<u>COMPANY</u>
Davis, Craig	USAC
Delmar, Teleshia	USAC
Desrocher, Mike	USAC
Felton, Sharonda	USAC
Gallant, Pamela	USAC
Golkow, Susan	USAC
Gonzales, Veronica	USAC
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
Jacobs, David	USAC
Kahn, Sammy	USAC
Lathrop, Ray	NCTA
Lutz, Corey	USAC
Malychev, Victor	USAC
Miller, Jack	Solix, Inc.
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Parry, John	Solix, Inc.
Pertsevoi, Elizabeth	USAC
Rasmussen, Mary	USAC
Schrieber, Johnnay	USAC
Skadin, Andy	FCC

ACTION ITEMS:

- a1. Approval of High Cost & Low Income Committee Meeting Minutes of October 24, 2011 and December 7, 2011.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meetings of October 24, 2011 and December 7, 2011.
- a2. Recommendation for Annual Election of Committee Chair and Vice Chair.** Mr. Lubin presented this item noting that the FCC has not made selections to fill the seats of those Board members whose terms expired on December 31, 2011. Mr. Lubin recommended and the Committee agreed that, consistent with past practice, this item be deferred until those selections are made with the current chair and vice chair continuing to serve in their present positions.
- a3. Approval of 2nd Quarter 2012 and 2012 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2012 programmatic budget for the High Cost Support Mechanism of \$1.51 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$1.81 million for High Cost Support Mechanism administrative expenses in the required February 1, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2012 annual programmatic budget for the High Cost Support Mechanism of \$8.30 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2nd Quarter 2012 programmatic budget for the Low Income Support Mechanism of \$1.32 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$1.20 million for Low Income Support Mechanism administrative expenses in the required February 1, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 2012 annual programmatic budget for the High Cost Support Mechanism of \$4.57 million.

- a4. Approval of 2nd Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the February 1, 2012 FCC Filing.** Ms. Majcher presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on January 30, 2012, a summary of the 2nd Quarter 2012 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required February 1, 2012 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a5. Action on Three USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Delmar, Director of Internal Audit, presented this item to the Committee.

To expedite navigation, please use the bookmarks located in the Navigation Pane.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports listed in Exhibit I to the issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a6. Action on Four USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Delmar presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports listed in Exhibit I to the issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a7. Consideration of Authority to Acquire Information Technology Services Support for Implementation of the Connect America Fund Order.** 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 Committee adopted the following resolution:

RESOLVED, that the USAC High Cost & Low Income Committee determines that consideration of the recommended contract award to acquire temporary information technology staffing services shall be conducted in *Executive Session*.

- a8. Miscellaneous. Solicit Ideas for the April 2012 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the April 2012 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

INFORMATION ITEMS:

ii. High Cost and Low Income Support Mechanisms Update. Ms. Majcher presented this item to the Committee, noting that:

- On November 18, 2011, the FCC issued an order, known as the *Connect America Fund Order* (FCC 11-161) that comprehensively reforms the High Cost Program.
- USAC staff continues to improve operational processes to increase efficiencies in High Cost Program administration. These improvements will enable USAC staff to more effectively implement systems functionality necessary to address the program changes in the *Connect America Fund* order.
- In the *Connect America Fund Order*, the FCC denied Verizon Wireless' Petition for Reconsideration of the November 2007 Alltel-Atlantis Order.¹ Accordingly, USAC recovered interim cap support of over \$47 million dollars from Verizon in the November 2011 disbursements.
- In November 2011, USAC staff deployed a new Detailed Payment Data Search tool to the USAC website. This new tool enables stakeholders to review High Cost Program disbursements at a more granular level.
- USAC has developed a High Cost Program outreach plan for 2012, presenting proposed activities to educate and communicate with program audiences about how to understand and participate successfully in the High Cost Program.
- On December 6, FCC staff directed USAC to issue a request for proposals (RFP) for customer call center capabilities for the Lifeline Duplicate Resolution Process by January 16, 2012.² The FCC directed USAC to procure such capabilities in order to continue performing in-depth data validations (IDVs) in additional states. USAC is working with the FCC's Office of Managing Director to finalize the RFP.
- On December 5, the FCC's Enforcement Bureau released an Enforcement Advisory for Lifeline component of the Low Income Program. The Enforcement Advisory reminds ETCs that the Commission's rules require them to explain to consumers in plain, easily comprehensible language that that they are not permitted to receive more than one Lifeline subsidy

¹ See *Applications of ALLTEL Corporation, Transferor, and Atlantis Holdings LLC, Transferee for Consent to Transfer Control of Licenses, Leases and Authorizations*, WT Docket No. 07-128, Memorandum Opinion and Order, 22 FCC Rcd 19517, 19521, ¶ 9 (2007) (*ALLTEL-Atlantis Order*).

² Letter from Sharon E. Gillett, Chief, Wireline Competition Bureau, Federal Communications Commission, to D. Scott Barash, Acting Chief Executive Officer, Universal Service Administrative Company (USAC), DA 11-1986 (Wireline Comp. Bur. Dec. 6, 2011) (*DA 11-1986*).

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and to comply with state and federal certification procedures regarding documenting consumer eligibility.

- On September 23, 2011, the FCC Wireline Competition Bureau (WCB) issued a Public Notice seeking comment on USAC's proposal for disbursing Low Income Program support to eligible telecommunications carriers (ETCs) based upon claims for reimbursement of actual support payments made, instead of projected claims for support. Payments based on actual support payments will replace the current process by which USAC reimburses ETCs for Low Income Program support each month based on USAC's projection of payments and on a "true-up" calculated using an ETC's actual support payments.
- USAC has developed a Low Income Program outreach plan for 2012, presenting proposed activities to educate and communicate with program audiences about how to understand and participate successfully in the Low Income Program.

i2. Update on Low Income Duplicate Data Review and Remediation. Ms. Majcher presented this item to the Committee.

i3. Discussion of Administration of the Connect America Fund Order. 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 FCC*.

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

RESOLVED, that the discussion of the administration of the Connect America Fund Order shall be conducted in *Executive Session*.

At 9:02 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 9:15 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

a7. Consideration of Authority to Acquire Information Technology Services Support for Implementation of the Connect America Fund Order. Mr. Belden presented this item to the Committee.

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

To expedite navigation, please use the bookmarks located in the Navigation Pane.

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the recommendation of USAC management, hereby authorizes USAC management to spend an amount not-to-exceed \$1.6 million to acquire up to eight temporary information technology (IT) staff for a period of up to one year.

i3. Discussion of Administration of the Connect America Fund Order. Ms. Majcher presented this item to the Committee.

At 11:45 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. Lubin reported that the Committee in *Executive Session* took action on item a7 and discussed item i3 above. On a motion duly made and seconded, the Committee adjourned at 11:48 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
High Cost & Low Income Committee Quarterly Meeting
Agenda**

Monday, April 23, 2012 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036
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<u>ACTION ITEMS</u>
a1. Approval of High Cost & Low Income Committee Meeting Minutes of January 30, 2012
a2. Approval of 3rd Quarter 2012 High Cost and Low Income Support Mechanisms Programmatic Budgets
a3. Approval of 3rd Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the May 2, 2012 FCC Filing
a4. Action on Eight USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a5. Action on Five USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a6. Miscellaneous. Solicit ideas for July 2012 Committee meeting agenda.

<u>INFORMATION ITEMS</u>
i1. High Cost and Low Income Support Mechanisms Update
i2. Discussion of Administration of the Lifeline Modernization Order – Confidential & Proprietary – <i>Executive Session Recommended</i>
i3. Miscellaneous

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, July 30, 2012 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices, Washington, D.C.

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C.

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, April 23, 2012

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, April 23, 2012. Mr. Joel Lubin, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with all seven Committee members present (there is two vacancies):

Barash, Scott – Acting Chief Executive Officer	Jacobs, Ellis
Bergmann, Scott	Jortner, Wayne
Feiss, Geoff	Lubin, Joel – Chair
Gillan, Joe – Vice Chair	

Other Board of Directors (Board) members and officers of the corporation present:

Abshire, Sheryl – Member of the Board
Belden, Richard – Chief Operating Officer
Campbell, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig – Vice President, Rural Health Care
Greiner, Colleen – Vice President and Chief Information Officer
Jimenez, Jose – Member of the Board
Majcher, Karen – Vice President, High Cost & Low Income Division
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince – <i>by telephone</i>	FCC
Beard, Jay	USAC
Betancourt, Laura	USAC
Binder, Robert	USAC
Braxton-Johnson, Kianna	USAC
Delmar, Teleshia	USAC
Desrocher, Mike	USAC

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<u>NAME</u>	<u>COMPANY</u>
Emmanuel, Sherard	USAC
Falkowitz, Ed	USAC
Gallant, Pamela	USAC
Gonzales, Veronica	USAC
Guinan, Gabriela	USAC
Hughes, Jeff	USAC
Hughet, Pam	USAC
Iversen, Eric	USAC
Kahn, Sammy	USAC
Nuzzo, Patsy	USAC
Rasmussen, Mary	USAC
Schrieber, Johnnay	USAC
Skadin, Andy	FCC

ACTION ITEMS:

- a1. Approval of High Cost & Low Income Committee Meeting Minutes of January 30, 2012.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of January 30, 2012.
- a2. Approval of 3rd Quarter 2012 High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2012 programmatic budget for the High Cost Support Mechanism of \$1.53 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$1.53 million for High Cost Support Mechanism administrative expenses in the required May 2, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 3rd Quarter 2012 programmatic budget for the Low Income Support Mechanism of \$1.08 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$1.08 million for Low Income Support Mechanism administrative expenses in the required May 2, 2012 filing to the FCC on behalf of the Committee.

- a3. Approval of 3rd Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the May 2, 2012 FCC Filing.** Ms. Majcher presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on April 23, 2012, a summary of the 3rd Quarter 2012 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required May 2, 2012 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. Action on Eight USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Delmar, Director of Internal Audit, presented this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution with Mr. Feiss abstaining on the vote on audit report number HC2011BE007:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports listed in Exhibit I to this issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a5. Action on Five USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Delmar presented this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee adopted the following resolution with Messrs. Bergmann and Gillan voting no on approval of audit report number LI201BE031, and Mr. Lubin abstaining on audit report numbers LI2011BE029 and LI2011BE030:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit reports listed in Exhibit I to this issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

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- a6. Miscellaneous. Solicit Ideas for the July 2012 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the July 2012 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

INFORMATION ITEMS:

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee, noting that:
- Effective with January 2012 payments disbursed in February 2012, USAC staff successfully implemented a number of the new High Cost Program support provisions of the *Connect America Fund (CAF) Order* (FCC 11-161).
 - USAC staff is currently in the process of developing new operational processes and system changes for *CAF* initiatives that will begin 3rd Quarter 2012.
 - On February 3, 2012 the FCC released an order (DA 12-147) that revised and clarified certain rules adopted in the *CAF Order*. In addition, the order modified certain initial filing deadlines required by section 54.313 of the Commission's rules as necessary to comply with Paperwork Reduction Act (PRA) requirements.
 - On February 27, 2012 the FCC released a second order (DA 12-298) that revised and clarified certain rules adopted in the *CAF Order*. DA 12-298 directs USAC to disburse to Verizon Wireless in 2012 20 percent of the support it would have received for each ETC service area in the absence of its merger commitment (*see* FCC 08-258) and the *CAF Order*.
 - On February 6, 2012, the FCC released an order, known as the *Lifeline Modernization Order* (FCC-12-11) that comprehensively reforms the Low Income Program. The following changes to the Low Income Program are effective April 2, 2012: Lifeline reimbursement changes to an interim flat-rate of \$9.25; Link Up support is eliminated, except on Tribal lands for carriers that also receive High Cost Program support; and Toll Limitation Service (TLS) support is capped at \$3.00.
 - The *Lifeline Modernization Order* also directs USAC to continue conducting In-Depth Data Validations (IDVs) to check for duplicate Lifeline subscribers among carriers serving the same geographic areas. USAC staff is currently conducting Phase 4 IDVs.
 - The *Lifeline Modernization Order* further directs USAC to create a National Lifeline Accountability Database (NLAD) to “both eliminate

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existing duplicative support and prevent duplicative support in the future” with a target completion date of February 6, 2013.

- i2. Discussion of Administration of the Lifeline Modernization Order.** 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 FCC*.

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

RESOLVED, that the discussion of the Lifeline Modernization Order shall be conducted in *Executive Session*.

At 10:58 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 11:08 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- i2. Discussion of Administration of the Lifeline Modernization Order.** Ms. Majcher presented this item to the Committee.

At 12:00 p.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. Lubin reported that the Committee in *Executive Session* discussed item i2 above. On a motion duly made and seconded, the Committee adjourned at 12:02 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
High Cost & Low Income Committee Quarterly Meeting
Agenda**

Monday, July 30, 2012 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036

<u>ACTION ITEMS</u>
a1. Approval of High Cost & Low Income Committee Meeting Minutes of April 23, 2012
a2. Recommendation for Election of Committee Chair and Vice Chair
a3. Approval of 4th Quarter 2012 and Revised 2012 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets
a4. Approval of 4th Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the August 2, 2012 FCC Filing
a5. Action on Six USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a6. Action on Two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i>
a7. Miscellaneous. Solicit ideas for the October 2012 Committee meeting agenda.

<u>INFORMATION ITEMS</u>
i1. High Cost and Low Income Support Mechanisms Update
i2. Lifeline Duplicate Identification Initiative Update – Confidential & Proprietary – <i>Executive Session Recommended</i>
i3. Miscellaneous

Next Scheduled USAC High Cost & Low Income Committee Meeting

Monday, October 29, 2012 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices, Washington, D.C.
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C.

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, July 30, 2012

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, July 30, 2012. Mr. Joel Lubin, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with seven of the eight Committee members present (there is one vacancy):

Barash, Scott – Acting Chief Executive Officer	Jacobs, Ellis
Brise, Ronald	Jortner, Wayne
Feiss, Geoff	Lubin, Joel – Chair
Gillan, Joe – Vice Chair	

Members of the committee not present:

Bergmann, Scott

Other Board of Directors (Board) members and officers of the corporation present:

Abshire, Sheryl – Member of the Board
Belden, Richard – Chief Operating Officer
Campbell, Anne – Member of the Board
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig – Vice President, Rural Health Care
Feiss, Geoff – Member of the Board
Greiner, Colleen – Vice President and Chief Information Officer
Jimenez, Jose – Member of the Board
Majcher, Karen – Vice President, High Cost & Low Income Division
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Talbot, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Amalfitano, Vince – <i>by telephone</i>	FCC
Betancourt, Laura	USAC

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<u>NAME</u>	<u>COMPANY</u>
Binder, Robert	USAC
Braxton-Johnson, Kianna	USAC
Delmar, Teleshia	USAC
Desrocher, Mike	USAC
Emmanuel, Sherard	USAC
Gallant, Pamela	USAC
Garrett, Erika	USAC
Gonzales, Veronica	USAC
Greene, Denise	USAC
Guinan, Gabriela	USAC
Hughes, Jeff	USAC
Hughet, Pam	USAC
Iversen, Eric	USAC
Kahn, Sammy	USAC
Little, Maria	USAC
Lougheed, Matt	USAC
Malychev, Victor	USAC
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
Parry, John	Solix
Pertsevoi, Elizabeth	USAC
Rasmussen, Mary	USAC
Simab, Habib	USAC
Skadin, Andy	FCC
Zhang, Larry	USAC
Zhao, Hang	USAC

ACTION ITEMS:

Mr. Lubin welcomed Mr. Brise' to the Committee.

- a1. **Approval of High Cost & Low Income Committee Meeting Minutes of April 23, 2012.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of April 23, 2012.
- a2. **Recommendation for Election of Committee Chair and Vice Chair.** Mr. Barash nominated, with Mr. Jortner seconding, Joel Lubin as Committee Chair and Joe Gillan as Committee Vice Chair.

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

RESOLVED, that the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors elect **Joel Lubin** as Chair and **Joe Gillan** as Vice Chair of the Committee 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.

- a3. Approval of 4th Quarter 2012 and Revised 2012 Annual High Cost and Low Income Support Mechanisms Programmatic Budgets.** Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2012 High Cost Support Mechanism programmatic budget of \$1.43 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$1.43 million for High Cost Support Mechanism administrative expenses in the required August 2, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost and Low Income Committee approves a revised 2012 High Cost Support Mechanism programmatic budget of \$5.82 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 4th Quarter 2012 annual Low Income Support Mechanism programmatic budget of \$0.83 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$0.08 million for Low Income Support Mechanism administrative expenses in the required August 2, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost and Low Income Committee approves a revised 2012 annual Low Income Support Mechanism programmatic budget of \$3.52 million.

- a4. Approval of 4th Quarter 2012 High Cost and Low Income Support Mechanisms Demand Projections for the August 2, 2012 FCC Filing.** Ms. Majcher presented this item to the Committee.

To expedite navigation, please use the bookmarks located in the Navigation Pane.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 30, 2012, a summary of the 4th Quarter 2012 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required August 2, 2012 filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a5. Action on Six USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Pamela Hughet, Manager of Internal Audit, presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports listed in Exhibit I to this issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a6. Action on Two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Hughet presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit reports listed in Exhibit I to this issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a7. Miscellaneous. Solicit Ideas for the October 2012 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the July 2012 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

INFORMATION ITEMS:

- ii. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee, noting that:
- USAC staff is developing new operational processes and system changes for *CAF Order* (FCC 11-161) initiatives that will begin in 3rd Quarter 2012, including the incremental support component available as of July 1, 2012.
 - On April 25, the Wireline Competition Bureau (WCB) released a Public Notice (DA 12-639) which announced support amounts for the CAF Phase One Fund Incremental Support. This process will distribute up to \$300 million of additional support in 2012.
 - On May 2, the Wireless Telecommunications Bureau (WTB) and WCB released a Public Notice (DA 12-641) establishing procedures to be used for the reverse auction designated as Auction 901 scheduled for September 27, 2012.
 - On May 14, the FCC released the Third Order on Reconsideration (DA 12-52) clarifying certain aspects of the *CAF Order* in response to various petitions for reconsideration and/or clarification.
 - On April 30, the WCB released a Public Notice (DA 12-683) announcing the application criteria and due date for applications for the Lifeline Broadband Pilot Program. Applications from ETCs that want to participate in the Pilot Program were due to WCB on July 2, 2012.
 - USAC is currently working with FCC staff to complete the procurement documents necessary to obtain bids from contractors seeking to build the National Lifeline Accountability Database (NLAD). The *Lifeline and Link Up Reform and Modernization Order* (FCC 12-11) also directs USAC to create plans for “scrubbing” subscriber lists of duplicates prior to populating the NLAD. USAC submitted a scrubbing plan to WCB on June 1, 2012.
 - USAC developed a Lifeline one per household worksheet that consumers must complete to determine whether they reside at an address as one household or economic unit (and, thus, are limited to one Lifeline account at that address) or whether more than one household or economic unit resides at their address (which means more than one Lifeline account can be provided at that residential address). The worksheet is posted on USAC’s website.

To expedite navigation, please use the bookmarks located in the Navigation Pane.

- i2. Lifeline Duplicate Identification Initiative Update.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the discussion of the Lifeline Duplicate Identification Initiative shall be conducted in *Executive Session*.

At 10:22 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 10:32 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- i2. Lifeline Duplicate Identification Initiative Update.** Ms. Majcher presented this item to the Committee.

At 11:19 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. Lubin reported that the Committee in *Executive Session* discussed item i2 above. On a motion duly made and seconded, the Committee adjourned at 11:24 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
High Cost & Low Income Committee Quarterly Meeting
Agenda**

<p>Monday, October 29, 2012 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>

ACTION ITEMS

- | |
|---|
| a1. Approval of High Cost & Low Income Committee Meeting Minutes of July 30, 2012 |
| a2. Approval of 1st Quarter 2013 High Cost and Low Income Support Mechanisms Programmatic Budgets and Information on the Estimated 2013 Annual Budgets |
| a3. Approval of 1st Quarter 2013 High Cost and Low Income Support Mechanisms Demand Projections for the November 2, 2012 FCC Filing |
| a4. Action on Six USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i> |
| a5. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report – Confidential & Proprietary – <i>Executive Session Recommended</i> |
| a6. Action on Six USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports – <i>Executive Session Option</i> |
| a7. Action Three USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report – Confidential & Proprietary – <i>Executive Session Recommended</i> |
| a8. Miscellaneous. Solicit ideas for the January 2013 Committee meeting agenda. |

INFORMATION ITEMS

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|---|
| i1. High Cost and Low Income Support Mechanisms Update |
| i2. Lifeline Duplicate Identification Initiative Update – Confidential & Proprietary – <i>Executive Session Recommended</i> |
| i3. Analysis of Low Income Support Mechanism Participation Rates |
| i4. Miscellaneous |

Next Scheduled USAC High Cost & Low Income Committee Meeting

<p>Monday, January 28, 2013 9:00 a.m. – 11:30 a.m. Eastern Time USAC Offices, Washington, D.C.</p>

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C.

HIGH COST & LOW INCOME COMMITTEE MEETING
Monday, October 29, 2012

MINUTES

The quarterly meeting of the High Cost & Low Income Committee (Committee) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Monday, October 29, 2012. Mr. Joel Lubin, Committee Chair, called the meeting to order at 9:00 a.m. Eastern Time, with six of the eight Committee members present (there is one vacancy):

Barash, Scott – Acting Chief Executive Officer	Gillan, Joe – Vice Chair
Bergmann, Scott – <i>by telephone</i>	Jortner, Wayne – <i>by telephone</i>
Feiss, Geoff	Lubin, Joel – Chair

Mr. Ellis Jacobs joined the meeting by telephone at 9:04 am Eastern Time.
Mr. Ronald Brise´ joined the meeting by telephone at 9:06 am Eastern Time. They did not vote on item a1.

Other Board of Directors (Board) members and officers of the corporation present:

Abshire, Sheryl – Member of the Board
Belden, Richard – Chief Operating Officer
Campbell, Anne – Member of the Board – *by telephone*
Capozzi, David – Acting General Counsel and Assistant Secretary
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Davis, Craig – Vice President, Rural Health Care
Greiner, Colleen – Vice President and Chief Information Officer – *by telephone*
Jimenez, Jose – Member of the Board – *by telephone*
Majcher, Karen – Vice President, High Cost & Low Income Division
Sanders, Dr. Jay – Member of the Board
Scott, Wayne – Vice President of Internal Audit
Talbott, Dr. Brian – Board Chair

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Beard, Jay	USAC
Braxton-Johnson, Kianna – <i>by telephone</i>	USAC
Delmar, Teleshia	USAC
Falkowitz, Ed	USAC

NAME

Frappier, Danielle
Gallant, Pamela
Goode, Vernell
Heitmann, John
Hughes, Pam
Kahn, Sammy
Nuzzo, Patsy
Savage, Chris

COMPANY

Davis Wright Tremaine
USAC
USAC
Kelley Drye & Warren
USAC
USAC
USAC
Davis Wright Tremaine

ACTION ITEMS:

- a1. Approval of High Cost & Low Income Committee Meeting Minutes of July 30, 2012.** On a motion duly made and seconded, the Committee approved the minutes, as written, of the Committee meeting of July 30, 2012.
- a2. Approval of 1st Quarter 2013 High Cost and Low Income Support Mechanisms Programmatic Budgets and Information on the Estimated 2013 Annual Budgets.** Mr. Belden presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2013 programmatic operating budget for the High Cost Support Mechanism of \$4.6 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$4.6 million for High Cost Support Mechanism administrative costs in the required November 2, 2012 filing to the FCC on behalf of the Committee; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee approves a 1st Quarter 2013 programmatic operating budget for the Low Income Support Mechanism of \$1.8 million and a 1st Quarter 2013 capital budget for the Low Income Support Mechanism of \$2.4 million; and

RESOLVED FURTHER, that the USAC High Cost & Low Income Committee directs USAC staff to submit a collection requirement of \$4.2 million for Low Income Support Mechanism administrative costs in the required November 2, 2012 filing to the FCC on behalf of the Committee.

The Committee requested a discussion concerning the budget and procurement for the Connect America Fund Cost (Phase II) Model. Mr. Capozzi recommended that in accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, this matter be

discussed in *Executive Session* because that portion of the budget discussion relates to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the Phase II model shall be conducted in *Executive Session*.

- a3. Approval of 1st Quarter 2013 High Cost and Low Income Support Mechanisms Demand Projections for the November 2, 2012 FCC Filing.** Ms. Majcher presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 29, 2012, a summary of the 1st Quarter 2013 High Cost and Low Income Support Mechanisms demand estimates, hereby directs USAC staff to proceed with the required November 2, 2012, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms combined is equal to or less than \$15 million.

- a4. Action on Six USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports.** Ms. Pam Hughet, Manager of Internal Audit, presented this item to the Committee.

On a motion duly made and seconded and after discussion, the Committee, with Mr. Lubin abstaining, adopted the following resolution:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports listed in Exhibit I to the issue paper together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a5. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** 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* that would constitute a discussion of internal rules and procedures.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2011BE011 shall be conducted in *Executive Session*.

- a6. Action on Six USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Hughet presented this item to the Committee. The Committee discussed reports with the identifying numbers: LI2012BE001, LI2012BE003, LI2012BE005 and LI2012BE006.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the four USAC Internal Audit Division Low Income Support Mechanism beneficiary audit reports LI2012BE001, LI2012BE003, LI2012BE005 and LI2012BE006, together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

The Committee then determined to review reports with the identifying numbers LI2012BE007 and LI2012BE010 in *Executive Session*. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that these reports be discussed in *Executive Session* because discussion of specific audit plans, targets, and/or techniques would constitute a *discussion of internal rules and procedures*.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports LI2012BE007 and LI2012BE010 shall be conducted in *Executive Session*.

- a7. Action on Three USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports.** 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 reports relate to *specific internal controls and/or confidential company data* that would constitute a discussion of internal rules and procedures.

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

RESOLVED, that the USAC High Cost & Low Income Committee determines that discussion of the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports listed in Exhibit I to the issue paper shall be conducted in *Executive Session*.

- a8. Miscellaneous. Solicit Ideas for the January 2013 Committee Agenda.** Mr. Lubin reminded Committee members that they may offer suggestions for agenda items for the January 2013 quarterly meeting by submitting ideas to Mr. Lubin, Mr. Gillan, Mr. Barash or Ms. Majcher.

INFORMATION ITEMS:

- i1. High Cost and Low Income Support Mechanisms Update.** Ms. Majcher presented this item to the Committee, noting that:
- USAC staff successfully implemented system and operational changes for 3Q2012 High Cost Program payments for Incremental Support (Connect America Fund (FCC 11-161) Phase 1), limitations on the High Cost Support (Rate Floor), and the Connect America Fund Inter Carrier Compensation (ICC) replacement mechanism.
 - On July 25, the Wireline Competition Bureau (WCB) granted Allband Communications Cooperative a waiver of section 54.302 of the Commission's rules for a period of three years, which established a \$250 per line per month cap on high-cost support.
 - On August 31, WCB released an order that designated for investigation specific issues regarding Access Recovery Charge (ARC) rates contained in the 2012 Annual Access Tariff Filings to ensure that the calculations contained in the supporting materials comply with section 51.917 of the Commission's rules.
 - On September 17, WCB granted a limited waiver of deadlines for the new reporting rules established in the *USF/ICC Transformation Order* (FCC 11-161), specifically sections 54.313 and 54.314.
 - As of July 2012, \$114.77 million in Connect America Fund incremental support was accepted and disbursed. Of the remaining \$185.23 million, \$106.15 and \$79.08 million were conditionally accepted and declined, respectively.

- On September 14, 2012, the Wireless Telecommunications Bureau (WTB) and WCB released a Public Notice (DA 12-1456) that identified 52 applicants found to be qualified to bid in the Mobility Fund Phase 1 Auction (Auction 901), which was held on September 27, 2012.
- On April 30, WCB released a Public Notice (DA 12-683) announcing the application criteria and due date for applications for the Lifeline Broadband Pilot Program. Applications from Eligible Telecommunications Carriers (ETCs) that want to participate in the Pilot Program were due to WCB on July 2, 2012.
- On August 13, 2012, USAC posted a request for proposals to obtain bids from contractors seeking to build the National Lifeline Accountability Database (NLAD). Proposals were due on October 12, 2012. USAC is in the process of evaluating the proposals in advance of presenting a recommended contract to the USAC Board in December.
- USAC is currently working with Commission staff and a small group of carriers to attempt to resolve Lifeline Track 2 duplicates that are identified through the IDV process. Commission staff has instructed USAC to attempt to resolve a small sample of Track 2 duplicates through two separate methods.

i2. Lifeline Duplicate Identification Initiative Update. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to *pre-decisional matters pending before the FCC*.

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

RESOLVED, that the discussion of the Lifeline Duplicate Identification Initiative shall be conducted in *Executive Session*.

i3. Analysis of Low Income Support Mechanism Participation Rates. Ms. Majcher presented this item to the Committee.

At 10:14 a.m. Eastern Time, on a motion duly made and seconded, the Committee moved into *Executive Session* for the purpose of discussing the confidential and proprietary items noted above. The Committee then recessed until 10:28 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

a2 Discussion of Phase II of the High Cost Model. Mr. Barash presented this item to the Committee as part of its continuing discussion of this item.

- a5. Action on One USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report.** Ms. Hughet presented this item to the Committee.

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

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2011BE011 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such report final.

- a6. Action on Six USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports, and**
a7. Action on Three USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Report.

The Committee determined to consider these matters together because the audit reports from item a6 numbers LI2012BE007 and LI2012BE010, which the Committee had earlier determined to review in *Executive Session*, and the three audit reports from item a7 (LI2011BE035, LI2011BE036 and LI2011BE037) contain similar issues. Ms. Hughet presented the reports to the Committee.

Mr. Gillan made a motion to amend the duly made and seconded motion from the *Open Session* discussion of this item that reports LI2012BE007 and LI2012BE010 be approved and Mr. Gillan made a motion to approve audit report numbers LI2011BE035, LI2011BE036 and LI2011BE037 subject to USAC revising the reports to consider as an "other matter" rather than a "finding" whether the carriers had a valid customary line connection charge because the carriers did not collect the charge from their customers, but did claim Link up support for the charge. Mr. Feiss seconded the motion. After discussion, the Committee adopted the following resolution with five voting for the revised resolution and three voting no:

RESOLVED, that the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism beneficiary audit reports numbers LI2012BE007, LI2012BE010, LI2011BE035, LI2011BE036 and LI2011BE037 together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final subject to revisions as directed by the Committee.

- i2. Lifeline Duplicate Identification Initiative Update.** Ms. Majcher presented this item to the Committee.

At 11:55 a.m. Eastern Time, the Committee adjourned from *Executive Session* and immediately reconvened in *Open Session*, at which time, Mr. Lubin reported that the Committee in *Executive Session* took action on items a2, a5, a6 and a7 and discussed item i2 above. On a motion duly made and seconded, the Committee adjourned at 11:57 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary