

**Universal Service Administrative Company
Board of Directors Quarterly Meeting
Agenda**

<p>Tuesday, January 31, 2012 8:30 a.m. – 12:00 p.m. Noon Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>

<u>ACTION ITEMS</u>
a1. Approval of Board of Directors Meeting Minutes of October 25, 2011
a2. 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
a3. Annual Election of Committee Chairs and Vice Chairs and Election and Appointment of Corporate Officers
a4. Approval of 2nd Quarter 2012 and 2012 Annual USAC Common and Consolidated Budgets – <i>Executive Session Option</i>
a5. Action on Five USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports – Confidential & Proprietary – <i>Executive Session Recommended</i>
a6. Consideration of Contract Award to Increase Wide Area Network Capacity Between the 2000 L Street Offices and USAC’s Data Centers – Confidential & Proprietary – <i>Executive Session Recommended</i>
a7. Consideration of Contract Award to License Microsoft Products – Confidential & Proprietary – <i>Executive Session Recommended</i>
a8. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as aSL07cf, aRHC06cf</i>
a9. Approval of April 2013 – January 2014 Board of Directors Quarterly Meeting Schedule
a10. Consideration of Directors and Officers Liability Insurance Coverage Change – Confidential & Proprietary – <i>Executive Session Recommended</i>
a11. Miscellaneous. Solicit ideas for April 2012 Board meeting agenda.

<u>INFORMATION ITEMS</u>
i1. Assistant Treasurer’s Report
i2. External Relations Report
i3. Bankruptcy and Other Litigation Matters Report
i4. Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings – <i>Executive Session Option</i> <i>Same as iAC03</i>
i5. Payment Quality Assurance Program Update <i>Same as iAC01</i>
i6. Beneficiary and Contributor Audit Program Update – <i>Executive Session Option</i>

<u>INFORMATION ITEMS</u>	
	<i>Same as iAC02</i>
i7.	Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2011 <i>Same as iAC04</i>
i8.	Procurement Update – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC01cf</i>
i9.	Quarterly Report on Universal Service Fund Contribution Matters – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC02cf</i>
i10.	USAC Procurement Competition Advocate Annual Report
i11.	Approval of USAC 2011 Annual Report to the FCC and Congress <i>Same as aEC02</i>
i12.	USAC 2011 Accomplishments <i>Same as iEC03</i>
i13.	USAC 2012 Objectives <i>Same as iEC04</i>
i14.	Miscellaneous
<u>FORMS</u>	
	<ul style="list-style-type: none">• Request for Reimbursement of Board of Directors Expenses• USAC Board Members Address List

Next Scheduled USAC Board of Directors Meeting

<p>Tuesday, April 24, 2012 8:30 a.m. – 12:00 Noon Eastern Time USAC Offices, Washington, D.C.</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

BOARD OF DIRECTORS MEETING
Tuesday, January 31, 2012

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 31, 2012. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:31 a.m. Eastern Time, with a quorum of 17 of the 18 Board members present (there is one vacancy):

Abshire, Dr. Sheryl	Jortner, Wayne – Treasurer
Anderson, D. Michael – Vice Chair	Kragel, Dr. Peter – Secretary
Barash, Scott – Acting Chief Executive Officer	Lubin, Joel
Bergmann, Scott	McClure, David – <i>by telephone</i>
Bryant, Dr. Anne	Mitchell, Randy
Campbell, Anne	Ridley, Carolyn
Feiss, Geoff	Sanders, Dr. Jay
Gillan, Joseph	Talbott, Dr. Brian – Chair
Jimenez, Jose	

Mr. Ellis Jacobs joined the meeting at 8:32 a.m. Eastern Time. He did not participate in the discussion of or vote on item a1.

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Capozzi, David – Acting General Counsel and Assistant Secretary
Greiner, Colleen – Vice President and Chief Information Officer.
Majcher, Karen – Vice President, High Cost & Low Income Division
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Anthony, Carlina	USAC
Bancroft, Royce	USAC
Beard, Jay	USAC

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<u>NAME</u>	<u>COMPANY</u>
Beaver, Tracey	USAC
Betancourt, Laura	USAC
Bui, Brandon	USAC
Carpenter, Nikki-Blair	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Duvall, Rashann	USAC
Falkowitz, Ed	USAC
Garber, Michelle	USAC
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
Miller, Jack	Solix
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Payne, Patti	USAC
Ruffley, Brandon	USAC
Salvator, Charles	USAC
Schrieber, Johnnay	USAC
Skadin, Anthony	FCC
Trew, Anne Marie	USAC

ACTION ITEMS:

- a1. Approval of Board of Directors Meeting Minutes of October 25, 2011.** On a motion duly made and seconded, the Board approved the minutes, as written, of the Board meeting of October 25, 2011.
- a2. 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 October 2011 quarterly meetings. Mr. Anderson reported for the Audit Committee; Dr. Kragel reported that the Executive Compensation Committee did not meet during the quarter; Mr. Lubin reported for the High Cost & Low Income Committee; Dr. Sanders reported for the Rural Health Care Committee; Ms. Campbell reported for the Schools & Libraries Committee, and Dr. Talbott reported for the Executive Committee.
- a3. 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 the FCC Chairman has not made selections to fill the seats of those Board members whose terms expired on December 31, 2011. Dr. Talbott recommended and the Board agreed that, consistent with past practice, this item should be deferred until those selections are made with the current officers,

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committee chairs, and committee vice chairs continuing to serve in their present positions.

a4. Approval of 2nd Quarter 2012 and 2012 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 2nd Quarter 2012 USAC common budget of \$10.41 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$9.76 million for USAC common budget administrative expenses in the required February 1, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2012 annual common budget of \$44.08 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2nd Quarter 2012 USAC consolidated budget of \$29.30 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$28.83 million for USAC consolidated budget administrative expenses in the required February 1, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 2012 annual consolidated budget of \$124.56 million.

a5. Action on Five USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. In accordance with the approved criteria and procedures for conducting 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*. 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 reports labeled

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CR2009CP003, CR2011CP004, CR2011CP006, CR2011CP007 and CR2011CP014 shall be conducted in *Executive Session*.

- a6. Consideration of Contract Award to Increase Wide Area Network Capacity Between the 2000 L Street Offices and USAC's Data Centers.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended contract award to acquire 1 Gbps WAN telecommunications services shall be conducted in *Executive Session*.

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

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

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended procurement action to license Microsoft products shall be conducted in *Executive Session*.

- a8. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the contract extension for the Rural Health Care and Schools and Libraries Program Support Services Agreement shall be conducted in *Executive Session*.

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- a9. Approval of April 2013 – January 2014 Board of Directors Quarterly Meeting Schedule.** Mr. Barash presented this item to the Committee. Dr. Talbott noted it is the sense of the Board that with the release of the Connect America Fund Order and the anticipated Low Income Program reform order, the change in the quarterly committee meetings schedule used for the committee meetings on Monday, April 23, 2012 should continue indefinitely, and the High Cost & Low Income Committee meeting will occur from 9:00 a.m. – 11:30 a.m. Eastern Time; the Rural Health Care Committee meeting will occur from 11:30 a.m. – 12:30 p.m. Eastern Time; the Schools and Libraries Committee meeting will begin at 1:30 p.m. Eastern Time; and the Audit Committee meeting will begin immediately after conclusion of the Schools & Libraries Committee meeting.

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 2013 – January 2014.

Executive Committee	Programmatic Committees & Board of Directors
April 18, 2013	April 22-23, 2013
July 18, 2013	July 22-23, 2013
October 24, 2013	October 28-29, 2013
January 16, 2014	January 21-22, 2014 (Monday, January 20 is the Martin Luther King holiday.)

- a10. Consideration of Directors and Officers Liability Insurance Coverage Change.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended proposal to revise D&O insurance coverage shall be conducted in *Executive Session*.

- a11. Miscellaneous. Solicit Ideas for the April 2012 Board Meeting 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 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. **Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings.** This report was provided for informational purposes. No discussion was held.
- i5. **Payment Quality Assurance Program Update.** Mr. Scott presented this item to the Committee.
- i6. **Beneficiary and Contributor Audit Program Update.** Mr. Scott presented this item to the Committee.
- i7. **Report on the Audit of the FCC's Financial Statements for the Fiscal Year Ending September 30, 2011.** Mr. Scott presented this item to the Committee.
- i8. **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 discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i9. **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 this report relates to specific *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC*. In addition, *47 C.F.R. § 54.711(b) requires USAC to keep all data obtained from contributors confidential*.

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

RESOLVED, that discussion of the quarterly report on USF contribution matters shall be conducted in *Executive Session*.

- i10. USAC Procurement Competition Advocate Annual Report.** This report was provided for informational purposes. No discussion was held.
- i11. Approval of USAC 2011 Annual Report to the FCC and Congress.** Mr. Barash presented this item to the Board requesting feedback by February 10, 2012.
- i12. USAC 2011 Accomplishments.** Mr. Barash presented this item to the Board. Dr. Talbott, on behalf of the Board, complimented the entire USAC staff on a great job in 2011.
- i13. USAC 2012 Objectives.** Mr. Barash presented this item to the Board.
- i14. Miscellaneous.** Dr. Kragel departed the meeting at 9:53 a.m. Eastern Time. Mr. Anderson announced that he would be submitting his resignation from the Board effective February 17, 2012.

Dr. Talbott indicated that he had two personnel matters to discuss with the Board. In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of these personnel matters be conducted in *Executive Session*.

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

RESOLVED, that discussion of personnel matters shall be conducted in *Executive Session*.

At 10:00 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 10:17 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a5. Action on Five USAC Internal Audit Division USF Contributor Revenue Audit Reports.** Mr. Scott presented this item to the Board.

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On a motion duly made and seconded and after discussion the Board adopted the following resolution, with Mr. Gillan voting no with respect to finding number one in the audit report and Mr. Anderson abstaining:

RESOLVED, that the USAC Board of Directors, having reviewed the USAC Internal Audit Division contributor revenue audit reports labeled CR2009CP003, CR2011CP004, CR2011CP006, CR2011CP007 and CR2011CP014, together with management's responses thereto, accepts the recommendation of USAC management and hereby deems such reports final.

- a6. Consideration of Contract Award to Increase Wide Area Network Capacity Between the 2000 L Street Offices and USAC's Data Centers.** 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 Ms. Ridley abstaining:

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a three-year contract to acquire Ethernet Layer 2 Point-to-Point 1 Gbps bidirectional WAN connectivity services described in this issue paper from tw telecom holdings, inc. for a firm-fixed-price of \$122,462.20.

- a7. Consideration of Contract Award to License Microsoft Products.** 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 enter into a three-year enterprise agreement to cover calendar years 2012, 2013 and 2014 with Microsoft, in an amount not-to-exceed \$1,196,567, subject to obtaining required approvals from the Federal Communications Commission.

- a8. Consideration of Rural Health Care and Schools and Libraries Program Support Services Contract.** Mr. Barash presented this item to the Board.

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

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

RESOLVED, that the USAC Board of Directors accepts management's recommendation and hereby approves an extension to the contract between USAC and Solix, Inc. under the terms set forth by management in this issue paper for Rural Health Care and Schools and Libraries Program support services for the period July 1, 2012 through June 30, 2014; and

RESOLVED FURTHER, that management is hereby authorized to finalize the terms and conditions of the proposed agreement, and upon receiving FCC approval, execute the proposed contract extension with Solix, Inc. and proceed with its implementation.

a10. Consideration of Directors and Officers Liability Insurance Coverage Change. Mr. Barash presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to renew USAC Directors and Officers insurance coverage for 2012 at \$20 million in total coverage.

i8. Procurement Update. Mr. Belden presented this item to the Board.

i9. Quarterly Report on Universal Service Fund Contribution Matters. Mr. Case presented this item to the Board.

Commissioner Mitchell departed the meeting at 11:14 a.m. Eastern Time. At 11:16 a.m. Eastern Time, the Board continued in *Executive Session* with Board members and Mr. Barash and Mr. Belden present.

i14. Miscellaneous.

i14.1 Personnel Matter. The Board discussed whether USAC should restore its merit-based employee salary increase program for 2012. Mr. Barash noted that USAC has always had a merit-based compensation philosophy, which means that USAC has never had cost-of-living, time-in-grade, or any other form of automatic salary increases. Mr. Barash reminded the Board that USAC did not award merit increases in 2011. Several Board members expressed serious concern that with the overwhelming majority of companies and non-profit organizations awarding salary increases this year, USAC's ability to recruit and retain qualified staff to fulfill the ever increasing workload the FCC assigns to USAC would be significantly hindered. Given that large numbers of USAC staff are from the highly competitive IT, audit, accounting, finance and legal fields, several Board members stated that they did not want to risk employee turnover and morale issues just we are in the process of implementing numerous major critical initiatives. Mr. Barash informed the Board that the average salary increase for 2012 is

projected to be approximately 2.9% based on data obtained from leading human resources consultants. In addition, while the federal civilian pay scale is technically “frozen” for 2012, federal employees will receive annual time-in-grade step increases valued at approximately 1.47% as they did in 2011 as well as any eligible grade promotions, which also include a salary increase.

Dr. Sanders moved that USAC employees be awarded performance-based merit increases for 2011 using a merit increase pool equal to two and one-half percent of the total USAC compensation base. Mr. Barash confirmed that two and one-half percent is lower than market data and is less than the combined value of the step increases received by federal civilian employees during 2011 and 2012. Consistent with past practice and USAC’s performance-based compensation philosophy, individual salary increases would be determined based on each employee’s performance evaluation. Dr. Bryant seconded the motion. The Board, following further discussion, adopted the following resolution:

RESOLVED, that the USAC Board of Directors hereby approves a performance-based merit salary increase program for USAC employees based on employee performance in 2011 to be awarded effective as of February 1, 2012; and

RESOLVED FURTHER, that the USAC Board of Directors authorizes a merit increase pool equal to two and one-half percent of the total USAC compensation base with individual employee increases to be determined by USAC management. Employee salary ranges and any individual officer salary changes will be reviewed by the Executive Compensation Committee.

Mr. Feiss departed the meeting at 11:32 a.m. Eastern Time and the Board continued in *Executive Session* with only Board members present.

i14.2 Personnel Matter. Dr. Talbott presented this item to the Board.

At 11:48 a.m. Eastern Time, the Board moved out of *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, a8 and a10 and discussed items i8, i9, and i14 above. Dr. Talbott announced that in light of Mr. Anderson’s upcoming resignation, Mr. Bergmann, Ms. Campbell and Mr. Lubin agreed to serve on the Nominating Committee with Ms. Campbell chairing the committee

On a motion duly made and seconded, the Board adjourned at 11:49 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
Board of Directors Quarterly Meeting
Agenda**

<p>Tuesday, April 24, 2012 8:30 a.m. – 12:00 p.m. Noon Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>

<u>ACTION ITEMS</u>
a1. Approval of Board of Directors Meeting Minutes of December 9, 2011 and January 31, 2012
a2. 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
a3. Approval of 3rd Quarter 2012 USAC Common and Consolidated Budgets
a4. Action on Five USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports – Confidential & Proprietary – <i>Executive Session Recommended</i>
a5. Resolutions Honoring Board Members Whose Service Has Recently Concluded
a6. Consideration of Contract Award for VMware License Support Renewals – Confidential & Proprietary – <i>Executive Session Recommended</i>
a7. Miscellaneous. Solicit ideas for July 2012 Board meeting agenda.

<u>INFORMATION ITEMS</u>
i1. Assistant Treasurer's Report
i2. External Relations Report
i3. Bankruptcy and Other Litigation Matters Report
i4. USAC Internal Audit Division Audit Update – <i>Executive Session Option</i> <i>Same as iAC01</i>
i5. Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings – <i>Executive Session Option</i> <i>Same as iAC02</i>
i6. Semiannual Status Report on Actions Taken on Final USAC Audits – <i>Executive Session Option</i> <i>Same as iAC03</i>
i7. Procurement Update – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC01cf</i>
i8. Quarterly Report on Universal Service Fund Contribution Matters – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC02cf</i>
i9. Miscellaneous

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<u>INFORMATION ITEMS</u>

<u>FORMS</u>

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| <ul style="list-style-type: none">• Request for Reimbursement of Board of Directors Expenses• USAC Board Members Address List |
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Next Scheduled USAC Board of Directors Meeting

<p>Tuesday, July 31, 2012 8:30 a.m. – 12:00 Noon Eastern Time USAC Offices, Washington, D.C.</p>

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. 20036

BOARD OF DIRECTORS MEETING
Tuesday, April 24, 2012

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 24, 2012. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:30 a.m. Eastern Time, with a quorum of 13 of the 16 Board members present (there are three vacancies):

Abshire, Dr. Sheryl	Jortner, Wayne – Treasurer
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary
Bergmann, Scott	Lubin, Joel
Bryant, Dr. Anne – <i>by telephone</i>	Ridley, Carolyn
Campbell, Anne	Sanders, Dr. Jay
Feiss, Geoff	Talbott, Dr. Brian – Chair
Gillan, Joseph	

Mr. Ellis Jacobs joined the meeting at 8:36 a.m. Eastern Time. He did not participate in the discussion of or vote on item a1.

Members not present:

Jimenez, Jose
McClure, David

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Case, David – Vice President of Finance, Chief Financial Officer and Assistant
Treasurer
Capozzi, David – Acting General Counsel and Assistant Secretary
Davis, Craig – Vice President, Rural Health Care Division
Greiner, Colleen – Vice President and Chief Information Officer.
Majcher, Karen – Vice President, High Cost & Low Income Division
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bancroft, Royce	USAC
Beard, Jay	USAC
Beaver, Tracey	USAC
Berkland, Kristin	USAC
Betancourt, Laura	USAC
Carpenter, Nikki-Blair	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Gulick, Donna	USAC
Duvall, Rashann	USAC
Emmanuel, Sherard	USAC
Falkowitz, Ed	USAC
Garber, Michelle	USAC
Garland, Joseph	USAC
Guinan, Gabriela	USAC
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
King, Sola	USAC
Lougheed, Matt	USAC
Miller, Jack	Solix
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Parry, John	Solix
Payne, Patti	USAC
Ruffley, Brandon	USAC
Salvator, Charles	USAC
Schrieber, Johnnay	USAC
Skadin, Anthony	FCC
Zhao, Hang	USAC

ACTION ITEMS:

- a1. **Approval of Board of Directors Meeting Minutes of December 9, 2011 and January 31, 2012.** Mr. Barash noted that the January 31, 2012 minutes should be revised to include Mr. Lubin as a member of the Nominating Committee. On a motion duly made and seconded, the Board approved the minutes of the Board meetings of December 9, 2011 and January 31, 2012.
- a2. **Reports from the Committee Chairs: Audit Committee, Executive Committee, Executive Compensation Committee, High Cost & Low Income Committee, Rural Health Care Committee, and Schools & Libraries**

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Committee. The committee chairs reported on matters discussed and actions taken by their respective committees since the January 2012 quarterly meetings. Dr. Sanders reported for the Rural Health Care Committee; Ms. Campbell reported for the Schools & Libraries 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, and Mr. Lubin reported for the High Cost & Low Income Committee.

a3. Approval of 3rd Quarter 2012 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 3rd Quarter 2012 USAC common budget of \$11.04 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$11.04 million for USAC common budget administrative expenses in the required May 2, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 3rd Quarter 2012 USAC consolidated budget of \$29.79 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$29.79 million for USAC consolidated budget administrative expenses in the required May 2, 2012 filing to the FCC on behalf of the Board of Directors.

a4. Action on Five USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports. In accordance with the approved criteria and procedures for conducting 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*. 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 reports listed in **Exhibit I** to this issue paper shall be conducted in *Executive Session*.

a5. 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 Mr. D. Michael Anderson for his dedicated service on the Board of Directors of the Universal Service Administrative Company, and the Board wishes him the best in his future endeavors.

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

a6. Consideration of Contract Award for VMware License Support Renewals. In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended contract award to renew the VMware® licenses and support agreement supporting USAC's networks shall be conducted in *Executive Session*.

a7. Miscellaneous. Solicit Ideas for the July 2012 Board Meeting 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 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.** Mr. Barash presented this item to the Board.
- i3. Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.

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

- i4. **USAC Internal Audit Division Audit Update.** Mr. Scott presented this item to the Board.
- i5. **Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings.** This report was provided for informational purposes. No discussion was held.
- i6. **Semiannual Status Report on Actions Taken on Final USAC Audits.** This report was provided for informational purposes. No discussion was held.
- i7. **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 discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i8. **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 this report relates to specific *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC*. 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 discussion of the quarterly report on USF contribution matters shall be conducted in *Executive Session*.

- i9. **Miscellaneous.** Dr. Talbott indicated that there was a personnel matter to discuss with the Board. In accordance with the approved criteria and procedures for conducting Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this personnel matter be conducted in *Executive Session*.

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

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

RESOLVED, that discussion of a personnel matter shall be conducted in *Executive Session*.

At 8:50 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 8:55 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a4. Action on Five USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** 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 Mr. Gillan and Ms. Ridley voting no with respect to finding number one in audit report CR2009CP0002:

RESOLVED, that the USAC Board of Directors, having reviewed the USAC Internal Audit Division contributor revenue 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. Consideration of Contract Award for VMware License Support Renewals.** 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 USAC to award a contract to renew the VMware software licenses and support listed in this issue paper from Clearpath Solutions Group, Inc. for the firm fixed price of \$117,605.73 (including applicable taxes).

- i7. Procurement Update.** Mr. Belden presented this item to the Board.
- i8. Quarterly Report on Universal Service Fund Contribution Matters.** Mr. Case presented this item to the Board.

The Board continued in *Executive Session* at 9:25 a.m. Eastern Time with only with Board members present.

- i9. Miscellaneous. Personnel Matter.** Dr. Talbott presented this item to the Board.

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

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

RESOLVED, that the USAC Board of Directors (Board) hereby instructs the USAC Board Executive Committee to seek a meeting as soon as possible with the Chairman of the Federal Communications Commission (FCC) in order to express the Board's serious concerns regarding: (1) the delay by the FCC in taking action on the nomination by the USAC Board for USAC's Chief Executive Officer pursuant to the requirements of 47 C.F.R. § 54.704; and (2) the delay by the FCC in initiating the nomination and selection process pursuant to 47 C.F.R. § 54.703 for vacant Board positions and for those positions whose terms have expired. The Board instructs the Executive Committee to express these concerns in the strongest possible terms.

At 10:25 a.m. Eastern Time, the Board moved out of *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 a4, a6 and i9 and discussed items i7 and i8 above. On a motion duly made and seconded, the Board adjourned at 10:27 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

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

**Universal Service Administrative Company
Board of Directors Meeting
Agenda**

**Thursday, June 21, 2012
4:00 p.m. – 5:00 p.m. Eastern Time
USAC Offices
2000 L Street, N.W., Suite 200
Washington, D.C. 20036**

<u>LEAD</u>	<u>INFORMATION ITEMS</u>
Chair	i1. Personnel Matter – Confidential & Proprietary – <i>Executive Session Recommended</i>

Next Scheduled USAC Board of Directors Meeting

**Tuesday, July 31, 2012
8:30 a.m. – 12:00 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. 20036

BOARD OF DIRECTORS MEETING
Thursday, June 21, 2012

MINUTES

A meeting of the Board of Directors (Board) of the Universal Service Administrative Company (USAC) was held at USAC's offices in Washington, D.C. on Thursday, June 21, 2012. Dr. Brian Talbott, Board Chair, called the meeting to order at 4:04 p.m. Eastern Time with a quorum of 13 of the 17 Board members present (there are two vacancies).

Abshire, Dr. Sheryl – *by telephone*
Bergmann, Scott – *by telephone*

Brise, Ronald – *by telephone*
Bryant, Dr. Anne – *by telephone*
Campbell, Anne – *by telephone*
Feiss, Geoff – *by telephone*
Jimenez, Jose – *by telephone*

Jortner, Wayne – Treasurer – *by telephone*
Kragel, Dr. Peter – Secretary – *by telephone*

Lubin, Joel – *by telephone*
Ridley, Carolyn – *by telephone*
Sanders, Dr. Jay – *by telephone*
Talbott, Dr. Brian – Chair – *by telephone*

Mr. Joe Gillan and Mr. David McClure joined the meeting by telephone at 4:06 p.m. Eastern Time.

Members of the Board not present:

Barash, Scott – Acting Chief Executive Officer
Jacobs, Ellis

Other Board members and officers of the corporation present:

Capozzi, David – Acting General Counsel and Assistant Secretary

Others present for the meeting:

NAME

Kiser, Cherie – *by telephone*
Nuzzo, Patsy

COMPANY

Cahill Gordon & Reindel
USAC

INFORMATION ITEMS:

- a1. **Personnel Matter – Confidential & Proprietary.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Dr. Talbott recommended that discussion of

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personnel matters regarding the USAC Chief Executive Officer position should occur in *Executive Session* because it is an *internal personnel matter*.

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 personnel matters regarding the USAC Chief Executive Officer position shall be conducted in *Executive Session*.

At 4:05 p.m. Eastern Time, on a motion duly made and seconded, the Board moved into *Executive Session* for the purpose of discussing the confidential and proprietary item noted above.

EXECUTIVE SESSION:

i1. Personnel Matter – Confidential & Proprietary. Dr. Talbott presented this item to the Board for discussion.

At 5:07 p.m. Eastern Time, on a motion duly made and seconded, 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 item i1. On a motion duly made and seconded, the Board adjourned at 5:08 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
Board of Directors Quarterly Meeting
Agenda**

<p>Tuesday, July 31, 2012 8:30 a.m. – 12:00 p.m. Noon Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>
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<u>ACTION ITEMS</u>
a1. Approval of Board of Directors Meeting Minutes of April 24, 2012 and June 21, 2012
a2. Election of New Member to the USAC Board of Directors
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
a4. Election of Committee Chairs and Vice Chairs, Appointment of Board Members to Committees and Election and Appointment of Corporate Officers
a5. Approval of 4th Quarter and Revised 2012 Annual USAC Common and Consolidated Budgets
a6. Action on Three USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports – Confidential & Proprietary – <i>Executive Session Recommended</i>
a7. Consideration of Contract Award for Performance of an Assessment of USAC Internal Audit Division Systems – Confidential & Proprietary – <i>Executive Session Recommended</i>
a8. Consideration of Contract Award for Installation of Audio/Visual Systems in the USAC Board of Directors and General Use Conference Rooms – Confidential & Proprietary – <i>Executive Session Recommended</i>
a9. Consideration of Temporary Extension of the 2008 FCC-USAC Memorandum of Understanding – Confidential & Proprietary – <i>Executive Session Recommended</i>
a10. Miscellaneous. Solicit ideas for October 2012 Board meeting agenda.

<u>INFORMATION ITEMS</u>
i1. Assistant Treasurer's Report
i2. External Relations Report
i3. Bankruptcy and Other Litigation Matters Report
i4. USAC Internal Audit Division Audit Update – <i>Executive Session Option</i> <i>Same as iAC01</i>
i5. Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings – <i>Executive Session Option</i> <i>Same as iAC02</i>

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<u>INFORMATION ITEMS</u>	
i6.	Procurement Update – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC01cf</i>
i7.	Quarterly Report on Universal Service Fund Contribution Matters – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC02cf</i>
i8.	Mid-Year Report on USAC 2012 Objectives <i>Same as iEC03</i>
i9.	Personnel Matter – Confidential & Proprietary – <i>Executive Session Recommended</i>
i10.	Miscellaneous
<u>FORMS</u>	
	<ul style="list-style-type: none">• Request for Reimbursement of Board of Directors Expenses• USAC Board Members Address List

Next Scheduled USAC Board of Directors Meeting

<p>Tuesday, October 30, 2012 8:30 a.m. – 12:00 Noon Eastern Time USAC Offices, Washington, D.C.</p>
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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. 20036

BOARD OF DIRECTORS MEETING
Tuesday, July 31, 2012

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 31, 2012. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:30 a.m. Eastern Time, with a quorum of 14 of the 17 Board members present (there are two vacancies):

Abshire, Dr. Sheryl	Jimenez, Jose
Barash, Scott – Acting Chief Executive Officer	Jortner, Wayne – Treasurer
Brise <input type="checkbox"/> Ronald	Lubin, Joel
Campbell, Anne	McClure, David – <i>by telephone</i>
Feiss, Geoff	Ridley, Carolyn
Gillan, Joseph	Sanders, Dr. Jay
Jacobs, Ellis – <i>by telephone</i>	Talbott, Dr. Brian – Chair

Members not present:

Bergmann, Scott
Bryant, Dr. Anne
Kragel, Dr. Peter – Secretary

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Blackwell, Mel – Vice President, Schools & Libraries Division
Case, David – Vice President of Finance, Chief Financial Officer and Assistant
Treasurer
Capozzi, David – Acting General Counsel and Assistant Secretary
Davis, Craig – Vice President, Rural Health Care Division
Greiner, Colleen – Vice President and Chief Information Officer.
Majcher, Karen – Vice President, High Cost & Low Income Division
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bancroft, Royce	USAC

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

<u>NAME</u>	<u>COMPANY</u>
Beard, Jay	USAC
Berkland, Kristin	USAC
Betancourt, Laura	USAC
Carpenter, Nikki-Blair	USAC
Cosson, Jim	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Duvall, Rashann	USAC
Emmanuel, Sherard	USAC
Falkowitz, Ed	USAC
Gallant, Pam	USAC
Garber, Michelle	USAC
Guinan, Gabriela	USAC
Gulick, Donna	USAC
Hopper, Melissa	USAC
Hughes, Jeff	USAC
Iversen, Eric	USAC
Keiser, Cherie	Cahill Gordon & Reindel
Kraft, Michael	USAC
Miller, Jack	Solix
Murphy, Tom	USAC
Nuzzo, Patsy	USAC
O'Connor, Austin	FCC
Parry, John	Solix
Rios, Estee	USAC
Robbins, David	FCC
Ruffley, Brandon	USAC
Salvator, Charles	USAC
Schrieber, Johnnay	USAC
Skadin, Anthony	FCC
Ullman, Jennifer	USAC

ACTION ITEMS:

Dr. Talbott welcomed Commissioner Briseño to the Board.

- a1. Approval of Board of Directors Meeting Minutes of April 24, 2012 and June 21, 2012.** On a motion duly made and seconded, the Board approved the minutes of the Board meetings of April 24, 2012 and June 21, 2012.
- a2. Election of New Member to 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 resolutions:

RESOLVED, that the USAC Board of Directors, having received the selection 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 Commissioner Ronald A. Briseño to the USAC Board of Directors for a term beginning effective July 31, 2012 and continuing until December 31, 2012; and

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

RESOLVED FURTHER, that the USAC Board of Directors on behalf of the High Cost & Low Income Committee and the Rural Health Care Committee (collectively, the Committees) hereby ratifies any and all votes on action items cast by Commissioner Briseño at the Committee meetings on July 30, 2012, which would have occurred after his selection by the Chairman of the Federal Communications Commission but prior to his election to the Board and automatic appointment to the Committees.

- 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 matters discussed and actions taken by their respective committees since the April 2012 quarterly meetings. Mr. Gillan reported for the Audit Committee; Dr. Talbott reported for the Executive Compensation Committee; Mr. Lubin reported for the High Cost & Low Income Committee; Dr. Sanders reported for the Rural Health Care Committee; Ms. Campbell reported for the Schools & Libraries Committee; and Dr. Talbott reported the Executive Committee.
- a4. Election of Committee Chairs and Vice Chairs, Appointment of Board Members to Committees and Election and Appointment of Corporate Officers.** Ms. Campbell, Chair of the Nominating Committee, presented this item to the Board, thanking Mr. Bergmann and Dr. Kragel for their assistance on 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 accepts the recommendation of the Board Nominating Committee and hereby appoints **Joe Gillan** and **Jose Jimenez** to the Audit Committee, **Geoff Feiss** to the Rural

Health Care Committee and **Carolyn Ridley** to the Executive Compensation Committee; and

RESOLVED FURTHER, that such appointees shall serve on their respective committees for a term that begins immediately upon the adoption of this resolution by the Board and ends when a successor to a respective appointee has been selected by the Board, such appointee is removed by resolution of the Board from the committee, or when the appointee is no longer a member of the Board.

RESOLVED, that the USAC Board of Directors elects **Dr. Brian Talbott** as Chair and **Joel Lubin** as Vice Chair of the Board of Directors, **Wayne Jortner** as Treasurer of the corporation, **Dr. Peter Kragel** as Secretary of the corporation, **David McClure** as Chair and **Joseph Gillan** as Vice Chair of the Audit Committee, **Joel Lubin** as Chair and **Joseph Gillan** as Vice Chair of the High Cost & Low Income Committee, **Dr. Jay Sanders** as Chair and **Dr. Peter Kragel** as Vice Chair of the Rural Health Care Committee, **Anne Campbell** as Chair and **Dr. Anne Bryant** as Vice Chair of the Schools & Libraries Committee, and **Dr. Peter Kragel** as Chair of the Executive Compensation Committee; and

RESOLVED FURTHER, that the terms of each of the aforementioned members of the Board shall commence immediately upon adoption of this resolution and end when such member's successor has been elected or when such member resigns such position, is removed by resolution of the Board, or when such member is no longer a member of the Board.

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 **Dave Case** 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.

a5. Approval of 4th Quarter and Revised 2012 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:

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

RESOLVED, that the USAC Board of Directors approves a 4th Quarter 2012 USAC common budget of \$10.78 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$8.52 million for USAC common budget administrative expenses in the required August 2, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a revised annual 2012 common budget of \$40.20 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 4th Quarter 2012 USAC consolidated budget of \$29.91 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$24.90 million for USAC consolidated budget administrative expenses in the required August 2, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a revised annual 2012 consolidated budget of \$113.81 million.

- a6. Action on Three USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** In accordance with the approved criteria and procedures for conducting 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*. 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 reports listed in **Exhibit I** to this issue paper shall be conducted in *Executive Session*.

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

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

resolution:

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended contract award to acquire consulting services for the assessment of systems and development of a technology roadmap for the USAC Internal Audit Division shall be conducted in *Executive Session*.

- a8. Consideration of Contract Award for Installation of Audio/Visual Systems in the USAC Board of Directors and General Use Conference Rooms.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this item be conducted in *Executive Session* because this matter relates to USAC's *procurement strategy and contract administration*.

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

RESOLVED, that the USAC Board of Directors determines that consideration of the recommended contract award to acquire audiovisual equipment and installation services for the USAC Board of Directors and general use conference rooms shall be conducted in *Executive Session*.

- a9. Consideration of Modifications to and Renewal of the 2008 FCC-USAC Memorandum of Understanding.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this matter be conducted in *Executive Session* because it involves *pre-decisional matters under consideration with the FCC, USAC procurement and contract administration* and may also involve *internal personnel matters* and *attorney/client privileged communications*.

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 progress concerning modifications to and renewal of the 2008 FCC-USAC Memorandum of Understanding shall be conducted in *Executive Session*.

- a10. Miscellaneous. Solicit Ideas for the October 2012 Board Meeting 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 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. **USAC Internal Audit Division Audit Update.** Mr. Scott presented this item to the Board.
- i5. **Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings.** This report was provided for informational purposes. No discussion was held.
- i6. **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 discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i7. **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 this report relates to specific *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC*. 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 discussion of the quarterly report on USF contribution matters shall be conducted in *Executive Session*.

Mr. McClure and Mr. Jacobs left the meeting at 9:39 a.m. Eastern Time.

- i8. Mid-Year Report on USAC 2012 Objectives.** Mr. Barash presented this item to the Board.
- i9. Personnel Matter.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of this personnel should occur in *Executive Session* because it is an *internal personnel matter*.

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 personnel matters shall be conducted in *Executive Session*.

At 9:45 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 10:00 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a6. Action on Three USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** Mr. Salvatore, Senior Manager Internal Audit, presented this item to the Board.

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

RESOLVED, that the USAC Board of Directors, having reviewed the USAC Internal Audit Division contributor revenue 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 Contract Award for Performance of an Assessment of USAC Internal Audit Division Systems.** Mr. Belden presented this item to the Board.

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

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

RESOLVED, that the USAC Board of Directors, having reviewed the recommendation of USAC management, hereby authorizes management to award a contract to MorganFranklin Corporation to develop a technology roadmap for USAC's Internal Audit Division as described in the issue paper for the firm-fixed price of \$165,000.

- a8. Consideration of Contract Award for Installation of Audio/Visual Systems in the USAC Board of Directors and General Use Conference Rooms.** 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 new audiovisual equipment and professional installation services for the USAC Board of Directors and general use conference rooms at USAC's offices in Washington, D.C. from Corbett Technology Solutions, Inc. for a total firm-fixed-price of \$201,772.22 (including applicable taxes).

- i6. Procurement Update.** Mr. Belden presented this item to the Board.
- i7. Quarterly Report on Universal Service Fund Contribution Matters.** Mr. Case presented this item to the Board.

The Board continued in *Executive Session* at 11:08 a.m. Eastern Time with only with Board members (excluding Mr. Barash) and Mr. David Robbins, FCC Managing Director, in attendance.

- i9. Personnel Matter.** Dr. Talbott introduced this item to the Committee.

The Board continued in *Executive Session* at 12:34 p.m. Eastern Time with only with Board members, Mr. Barash, Cherie Keiser, Esq., outside counsel advising the Board, and Mr. Capozzi present.

- a9. Consideration of Temporary Extension of the 2008 FCC-USAC Memorandum of Understanding**

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

RESOLVED, that the USAC Board of Directors, having reviewed the proposed temporary three-month extension of the 2008 FCC-USAC Memorandum of Understanding and management's recommendation that the Board approve the extension, hereby approves the recommended extension and

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directs the USAC Acting Chief Executive Officer to execute the proposed extension on behalf of USAC.

At 12:50 p.m. Eastern Time, the Board moved out of *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 a6, a7, a8 and a9 and discussed items i6, i7 and i9 above. On a motion duly made and seconded, the Board adjourned at 12:52 p.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary

**Universal Service Administrative Company
Board of Directors Quarterly Meeting
Agenda**

<p>Tuesday, October 30, 2012 8:30 a.m. – 12:00 p.m. Eastern Time USAC Offices 2000 L Street, N.W., Suite 200 Washington, D.C. 20036</p>
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<u>ACTION ITEMS</u>
a1. Approval of Board of Directors Meeting Minutes of July 31, 2012
a2. 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
a3. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs
a4. Approval of 1st Quarter 2013 USAC Common and Consolidated Budgets and Information on the Estimated 2013 Annual Budgets
a5. Action on Six USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports – Confidential & Proprietary – <i>Executive Session Recommended</i>
a6. Resolution Honoring Board Member Whose Service Has Recently Concluded
a7. Consideration of Request to Reimburse a Board Member to Attend an Event Other Than a USAC Board or Committee Meeting
a8. Miscellaneous. Solicit ideas for the January 2013 Board meeting agenda.

<u>INFORMATION ITEMS</u>
i1. Assistant Treasurer's Report
i2. External Relations Report
i3. Bankruptcy and Other Litigation Matters Report
i4. USAC Internal Audit Division Audit Update – <i>Executive Session Option</i> <i>Same as iAC01</i>
i5. Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings – <i>Executive Session Option</i> <i>Same as iAC02</i>
i6. Semiannual Status Report on Actions Taken on Final USAC Audits – <i>Executive Session Option</i> <i>Same as iAC03</i>
i7. Quarterly Report on Universal Service Fund Contribution Matters – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC02cf</i>

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<u>INFORMATION ITEMS</u>	
i8.	Procurement Update – Confidential & Proprietary – <i>Executive Session Recommended</i> <i>Same as iEC01cf</i>
i9.	Acceptance of USAC's 2011 Annual Financial Audit and Agreed-Upon Procedures Review <i>Same as aAC07</i>
i10.	Action on One USAC Internal Audit Division USAC Finance Division Operational Audit Report – <i>Executive Session Option</i> <i>Same as aAC06</i>
i11.	Discussion of FCC-USAC Memorandum of Understanding – Confidential & Proprietary – <i>Executive Session Recommended</i>
i12.	Miscellaneous
<u>FORMS</u>	
	<ul style="list-style-type: none">• Request for Reimbursement of Board of Directors Expenses• USAC Board Members Address List

Next USAC Board of Directors Meeting

<p>Tuesday, January 29, 2013 8:30 a.m. – 12:00 p.m. Eastern Time USAC Offices, Washington, D.C.</p>
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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

BOARD OF DIRECTORS MEETING
Tuesday, October 30, 2012

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 30, 2012. Dr. Brian Talbott, Board Chair, called the meeting to order at 8:30 a.m. Eastern Time, with a quorum of 14 of the 16 Board members present (there are three vacancies):

Abshire, Dr. Sheryl	Jortner, Wayne – Treasurer – <i>by telephone</i>
Barash, Scott – Acting Chief Executive Officer	Kragel, Dr. Peter – Secretary – <i>by telephone</i>
Bergmann, Scott – <i>by telephone</i>	Lubin, Joel – <i>by telephone</i>
Brise', Ronald – <i>by telephone</i>	McClure, David – <i>by telephone</i>
Campbell, Anne – <i>by telephone</i>	Ridley, Carolyn – <i>by telephone</i>
Feiss, Geoff	Sanders, Dr. Jay – <i>by telephone</i>
Gillan, Joseph	Talbott, Dr. Brian – Chair

Mr. Ellis Jacobs joined the meeting by telephone at 8:32 a.m. Eastern Time. Mr. Jose Jimenez joined the meeting by telephone at 8:39 a.m. Eastern Time. They did not vote on item a1.

Officers of the corporation present:

Belden, Richard – Chief Operating Officer
Case, David – Vice President of Finance, Chief Financial Officer and Assistant Treasurer
Capozzi, David – Acting General Counsel and Assistant Secretary
Davis, Craig – Vice President, Rural Health Care Division
Greiner, Colleen – Vice President and Chief Information Officer – *by telephone*
Majcher, Karen – Vice President, High Cost & Low Income Division – *by telephone*
Scott, Wayne – Vice President of Internal Audit

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Carpenter, Nikki-Blair – <i>by telephone</i>	USAC
Davis, Craig	USAC
Falkowitz, Ed	USAC

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<u>NAME</u>	<u>COMPANY</u>
Garber, Michelle	USAC
Goode, Vernell	USAC
Nuzzo, Patsy	USAC
Salvator, Charles – <i>by telephone</i>	USAC
Spade, Gina – <i>by telephone</i>	FCC

ACTION ITEMS:

- a1. Approval of Board of Directors Meeting Minutes of July 31, 2012.** On a motion duly made and seconded, the Board approved the minutes of the Board meeting of July 31, 2012.
- a2. 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 2012 quarterly meetings. Mr. Gillan reported for the Audit Committee; Dr. Kragel reported for the Executive Compensation Committee; Mr. Lubin reported for the High Cost & Low Income Committee; Dr. Sanders reported for the Rural Health Care Committee; Ms. Campbell reported for the Schools & Libraries Committee; and Dr. Talbott reported the Executive Committee.
- a3. Appointment of a Nominating Committee and Direction to Committees for the Appointment of Committee Chairs and Vice Chairs.** Dr. Talbott presented this time to the Committee, nominating Ms. Campbell as chair and Messrs. Lubin and Bergmann as members of the Nominating Committee. The motion was 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 2013 meeting nominations for the elected USAC officer positions; and

RESOLVED FURTHER, that the USAC Board of Directors appoints **Anne Campbell** as Nominating Committee chair and **Scott Bergmann** and **Joel Lubin** 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 29, 2013 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/or committee vice chairs in the event that selection of nominees by the Chairman of the Federal Communications Commission to fill Board seats expiring on December 31, 2012, does not occur before the January 2013 quarterly Board of Directors meeting.

- a4. Approval of 1st Quarter 2013 USAC Common and Consolidated Budgets and Information on the Estimated 2013 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 2013 USAC common operating budget of \$11.1 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2013 USAC common capital budget of \$0.6 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 costs in the required November 2, 2012 filing to the FCC on behalf of the Board of Directors; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2013 USAC consolidated operating budget of \$31.9 million; and

RESOLVED FURTHER, that the USAC Board of Directors approves a 1st Quarter 2013 USAC consolidated capital budget of \$6.4 million; and

RESOLVED FURTHER, that the USAC Board of Directors directs USAC staff to submit a collection requirement of \$38.3 million for USAC consolidated costs in the required November 2, 2012 filing to the FCC on behalf of the Board of Directors.

- a5. Action on Six USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** In accordance with the approved criteria and procedures for conducting 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*. 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 reports listed in Exhibit I to this issue paper shall be conducted in *Executive Session*.

- a6. Resolution Honoring Board Member Whose Service Has Recently Concluded.** 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 hereby expresses its sincere appreciation to Dr. Anne L. Bryant for her dedicated service on the Boards of Directors of the Schools and Libraries Corporation and the Universal Service Administrative Company, and the Board wishes her the best in her future endeavors.

- a7. Consideration of Request to Reimburse a Board Member to Attend an Event Other Than a USAC Board or Committee Meeting.** 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 in accordance with the *Procedures for Requesting Approval and Reimbursing a Member of the Board of Directors for Expenses Incurred in Conducting USAC Business other than Board of Directors Meetings* approved by the USAC Board of Directors, the USAC Board of Directors authorizes management to reimburse Ms. Anne Campbell, Chair of the Schools & Libraries Committee, for travel expenses incurred by her in attending the Schools and Libraries Program fall 2012 training in Los Angeles, California.

- a8. Miscellaneous. Solicit Ideas for the January 2013 Board Meeting 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 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.

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

- i3. **Bankruptcy and Other Litigation Matters Report.** This report was provided for informational purposes. No discussion was held.
- i4. **USAC Internal Audit Division Audit Update.** This report was provided for informational purposes. No discussion was held.
- i5. **Quarterly Summary of Audit Reports Finalized at Board and Committee Meetings.** This report was provided for informational purposes. No discussion was held.
- i6. **Semiannual Status Report on Actions Taken on Final USAC Audits.** This report was provided for informational purposes. No discussion was held.
- i7. **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 this report relates to specific *internal controls, and/or confidential company data, and may also include pre-decisional matters pending before the FCC*. 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 discussion of the quarterly report on USF contribution matters shall be conducted in *Executive Session*.

- i8. **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 discussion of the procurement matters associated with this item shall be conducted in *Executive Session*.

- i9. **Acceptance of USAC's 2011 Annual Financial Audit and Agreed-Upon Procedures Review.** Mr. Scott presented this item to the Board.
- i10. **Action on One USAC Internal Audit Division USAC Finance Division Operational Audit Report.** Mr. Scott presented this item to the Board.

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- i11. Discussion of FCC-USAC Memorandum of Understanding.** In accordance with the approved criteria and procedures for conducting USAC Board and committee business in *Executive Session*, Mr. Capozzi recommended that discussion of the FCC-USAC Memorandum of Understanding should occur in *Executive Session* because this matter is subject to the attorney/client privilege.

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 FCC-USAC Memorandum of Understanding shall be conducted in *Executive Session*.

At 9:50 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 10:00 a.m. Eastern Time, at which time it reconvened in *Executive Session*.

EXECUTIVE SESSION:

- a5. Action on Six USAC Internal Audit Division Universal Service Contributor Revenue Audit Reports.** Mr. Salvator, Senior Manager Internal Audit, presented this item to the Board. During the discussion of this item the Board requested that certain language in audit reports CR2011CP019 and CR2011CP022 be modified to reflect that the FCC is considering the appropriate treatment for a portion of the revenues that are the subject of the reports.

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

RESOLVED, that the USAC Board of Directors, having reviewed the USAC Internal Audit Division contributor revenue 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.

- i7. Quarterly Report on Universal Service Fund Contribution Matters.** Mr. Case presented this item to the Committee.

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

The Board continued in *Executive Session* at 10:51 a.m. Eastern Time with only with Board members and officers in attendance.

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i11. Discussion of FCC-USAC Memorandum of Understanding. Mr. Barash presented this item to the Board.

At 11:08 a.m. Eastern Time, the Board moved out of *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 a5 and discussed items i7, i8 and i11 above. On a motion duly made and seconded, the Board adjourned at 11:10 a.m. Eastern Time.

/s/ David A. Capozzi
Assistant Secretary