



March 31, 2011

Marlene H. Dortch  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

Re: Dockets 96-45 and 97-21: USAC 2010 Annual Report to the FCC and Congress

Dear Ms. Dortch:

USAC is happy to provide you with a copy of our 2010 Annual Report. As you know, USAC is the not-for-profit corporation designated by the Federal Communications Commission (FCC) as the administrator of the federal Universal Service Fund (USF). USAC collects the money that goes into the fund and administers the four universal service programs – High Cost, Low Income, Rural Health Care, and Schools and Libraries.

USAC submits its annual report to the FCC and Congress in accordance with 47 C.F.R. 54.702(g), which requires USAC to report on its operations, activities, and accomplishments for the prior year, including information about participation in each of the universal service programs and administrative action intended to ensure program integrity. Pursuant to FCC rules, USAC has consulted with FCC staff to determine the scope and content of the annual report.

You can also find the report online at this URL: <http://www.usac.org/about/governance/annual-reports/>.

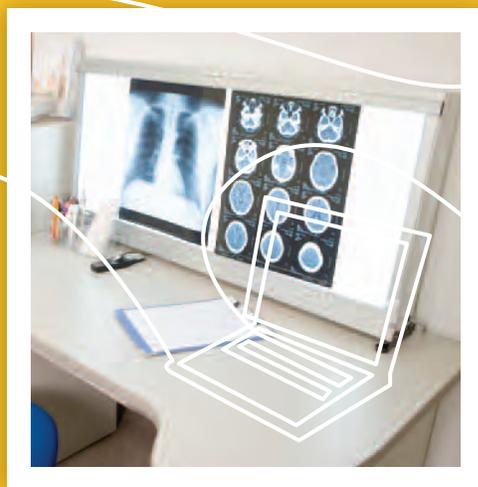
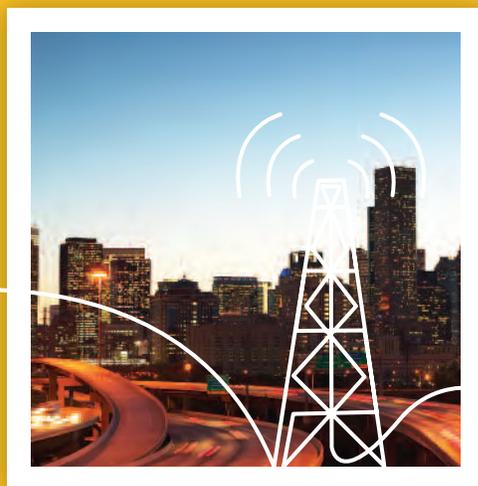
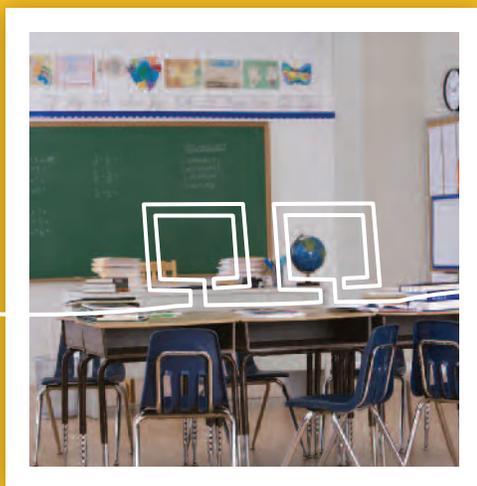
If you have any questions or comments, please feel free to contact me ([sbarash@usac.org](mailto:sbarash@usac.org); 202-776-0200) or USAC Director of External Relations Eric Iversen ([eiversen@usac.org](mailto:eiversen@usac.org); 202-263-1616).

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Scott Barash", with a long horizontal flourish extending to the right.

D. Scott Barash  
Acting Chief Executive Officer

Enclosure



## 2010 ANNUAL REPORT

USAC administers the four universal service programs — High Cost, Low Income, Rural Health Care, and Schools and Libraries — providing communities across America with affordable access to telecommunications.

## CONTENTS

LETTER FROM THE CHAIRMAN AND THE ACTING CEO	2	MANAGEMENT'S DISCUSSION AND ANALYSIS	22
FUND ADMINISTRATION	4	REPORT OF INDEPENDENT AUDITORS	30
HIGH COST PROGRAM	6	PROGRAM STATISTICS	47
LOW INCOME PROGRAM	10	BOARD OF DIRECTORS	57
RURAL HEALTH CARE PROGRAM	14		
SCHOOLS AND LIBRARIES PROGRAM	18		





**USAC administers the four universal service programs – High Cost, Low Income, Rural Health Care, and Schools and Libraries – under terms defined by the Telecommunications Act of 1996 as well as regulations, orders, and directives issued by the Federal Communications Commission (FCC or Commission) and its Bureaus and Offices.**

Beneficiaries across the country keep connected thanks to universal service support disbursed to service providers participating in one or more of these programs. These beneficiaries include Americans living in remote or rural areas, low-income consumers, rural health care providers, and public and private schools and public libraries.

**The High Cost Program** ensures that consumers across the country pay rates for telecommunications services that are comparable to those available in urban areas. In 2010, over 1,800 eligible carriers received High Cost Program support.

**The Low Income Program** helps eligible low-income consumers establish and maintain telephone service by discounting services provided to them by local telephone companies. Over 10 million low-income households throughout the nation benefited from the program in 2010.

**The Rural Health Care Program** provides reduced rates to rural health care providers for telecommunications and Internet services necessary for providing health care. Over 3,000 health care providers received support this year. The Rural Health Care Pilot Program is supporting the development of advanced networks to support telemedicine services across the country.

**The Schools and Libraries Program**, often called the “E-Rate” program, provides discounts to help schools and libraries in every U.S. state and territory secure affordable telecommunications, Internet access, basic maintenance, and internal connections. Over 22,000 eligible applicants benefited from Schools and Libraries Program support this year to bring telecommunications and Internet services to millions of students and library patrons.

# Letter from the Chairman and the Acting CEO

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In 2010, USAC introduced operational innovations, expanded our already robust outreach efforts, and continued to provide responsive customer service to program stakeholders.

All of our activities were focused on the goal of helping keep Americans connected through the universal service programs. Because we recognize that the cost of these programs is ultimately borne by all Americans, USAC did its work efficiently and at an extremely low administrative expense rate relative to comparable entities. This 2010 Annual Report highlights some of the successes that demonstrate USAC's customer-focused expertise and commitment to efficiency.

With the release of the National Broadband Plan in March, long-discussed prospects for significant changes to universal service took concrete form, as the Federal Communications Commission (FCC or Commission) outlined a course for transitioning universal service to fully support myriad types of broadband connectivity. USAC was proud to work with the Commission as it took the first steps to realize the promise of the National Broadband Plan for universal service in 2010. USAC stands ready to contribute the full range of our administrative expertise and will hold fast to our commitment to get the most out of every universal service dollar as these exciting changes continue to unfold.

While preparing for the significant new initiatives contemplated in the National Broadband Plan, USAC continued to improve its administration of current universal service programs. In the High Cost and Low Income Programs, USAC capitalized on efficiencies gained from in-sourcing administrative operations in 2009. In both programs we improved data management tools to speed up calculations for payments and projections and raised rates of online filing among carriers. USAC extended the range of outreach activities in both programs, significantly increasing participation in professional meetings and offering numerous webinars to supplement an expanded slate of in-person training sessions.

The Rural Health Care Program saw record levels of participation and funding in 2010. USAC condensed application processing times by automating more operations and streamlining review procedures and, as a result, made more payments more quickly to more program beneficiaries than ever before. USAC also offered in-person program training sessions and appeared at professional meetings from Alaska to Georgia and many points in between.

The FCC's release of the Schools and Libraries Program *Sixth Report and Order* (FCC 10-175) in September brought significant change. In support of the National Broadband Plan, this order makes it easier for schools and libraries to get the highest Internet access speeds for the lowest prices by increasing their options for broadband providers and streamlining the application process. USAC implemented these changes and described them to beneficiaries in extensive detail in eight fall applicant training sessions and two sessions specifically for service providers. As a complement to the record-largest first funding wave for Funding Year 2010, these efforts reflect USAC's abiding interest in serving participants' needs.

USAC improved the disbursement process by completing the transition to all electronic payments to beneficiaries. Many months in development, this move cut costs and increased the security and accuracy of program disbursements. USAC continued its efforts to safeguard the integrity of the universal service programs by launching the Payment Quality Assurance program, an effort to identify improper payments in a cost-effective, accurate fashion.

Underlying these successes is an excellent working relationship with the Commission. Regular exchanges of ideas and information helped improve universal service administration in 2010. We would also like to acknowledge the support and guidance from our colleagues on the USAC Board of Directors as we continue our ongoing efforts to improve efficiency, accuracy, and effectiveness on all fronts of universal service administration. In concert with our highly skilled professional staff, all these groups make unique, important contributions to the task of ensuring that the USF continues to support affordable access to communications for all Americans.



A handwritten signature in black ink that reads "B. L. Talbott".

Dr. Brian L. Talbott  
Chairman of the Board



A handwritten signature in black ink that reads "D. Scott Barash".

D. Scott Barash  
Acting Chief Executive Officer

# Fund Administration

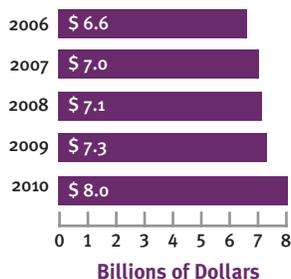
As universal service administrator, USAC collects FCC-mandated contributions from telecommunications carriers and disburses support funds to program beneficiaries. USAC also ensures program integrity and accountability, and communicates with contributors, program beneficiaries, Congress, the media, and all USF stakeholders. Under the oversight of the FCC, USAC also implements any changes or Commission directives that modify program procedures or operations.

 USAC answered over 125,000 customer inquiries in 2010.

USAC worked to administer universal service in 2010 with a close eye on achieving efficiencies and ensuring the accuracy of collections and disbursements. One of the year's successes was implementing the switch to making all electronic payments to program recipients. USAC's IT and finance teams worked together to attach the right banking information to the right recipients to make the right payments when they were supposed to be made. The external relations team worked with finance and program staff to send over 15,000 customized emails seeking electronic banking information, and USAC made almost 1,500 phone calls to service providers identified as needing extra help with the switch. USAC will save money and make payments more quickly with this new system in place.

## OVERALL USF DISBURSEMENTS

Unaudited



## USAC ADMINISTRATIVE EXPENSES

Unaudited

Calendar Year	Total Administrative Expenses	USAC Administrative Expenses	FCC OIG USF Audit Program Costs <sup>1</sup>	Administrative Cost Percentage
2006	\$88,588,000	\$82,526,000	\$6,062,000	1.34%
2007	\$104,684,000	\$84,729,000	\$19,955,000	1.51%
2008	\$172,232,000	\$91,677,000	\$80,555,000	2.42%
2009	\$186,665,000	\$99,591,000	\$87,074,000	2.56%
2010 <sup>2</sup>	\$105,426,000	\$102,089,000	\$3,337,000	1.33%

1 — FCC OIG USF audit expenses as reported in Board of Directors meetings.

2 — USAC administrative expenses based on unaudited financial statement in this annual report for 2010.

In addition to outreach on electronic payments, USAC carried out a host of other activities to help universal service contributors and program beneficiaries better understand their program responsibilities. Making greater use of electronic media, USAC offered webinars, posted video tutorials, and sent tens of thousands of emails to inform program participants of filing deadlines and forms requirements. These measures help ensure that USAC gets accurate, timely information from contributors and beneficiaries, reducing costs associated with managing data and performing operations as well as helping get payments out the door more quickly. USAC made over 84,200 disbursements in 2010.

USAC introduced enhancements in 2010 to the task of safeguarding the integrity of programs and the universal service fund. The new Payment Quality Assurance program launched in August. This initiative enables USAC to assess rates of improper payments across all four universal service programs, generating reliable, current data in this area at significantly lower costs than prior approaches. USAC also completed a sweeping, company-wide revision to internal controls processes. Separate reports by the Government Accountability Office made recommendations to develop clear performance goals in the Low Income and Rural Health Care programs and stronger internal controls for the Schools and Libraries Program, among other things. USAC is working with the FCC to implement these recommendations.

### 2010 AVERAGE MONTHLY INVOICES BY PRIMARY CARRIER TYPE

Unaudited

Local Exchange Carriers	1,177	25%
Competitive Access Providers	695	14%
Toll Resellers	642	13%
Interconnected VoIP	423	9%
Cellular Providers	337	7%
Interexchange Carriers	287	6%
Others	1,269	26%
<b>Total</b>	<b>4,830</b>	<b>100%</b>

Contributions 2010 Year in Review – In 2010, the USAC Finance Billing Team processed 100% of the approximately 58,000 contributor invoices on time. The chart above depicts the approximate breakdown of monthly invoices by carrier type in 2010.

### 2010 SERVICE PROVIDER PARTICIPATION

As of December 31, 2010 | \* Based on receipt of invoice payment in 2010.

Program	Service Providers
High Cost	1,859 eligible telecommunications carriers
Low Income	1,987 eligible telecommunications carriers
Rural Health Care	405 service providers* (telecom and Internet access)
Schools and Libraries	4,181 service and equipment providers*



1,859  
carriers

18,300+  
payments

22 million  
rural lines



OVERVIEW

# High Cost Program

The High Cost Program ensures that consumers across the country pay rates for telecommunications services that are comparable to those available in urban areas.

## High Cost Program

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Over 70% of competitive carriers filed FCC Form 525 online.

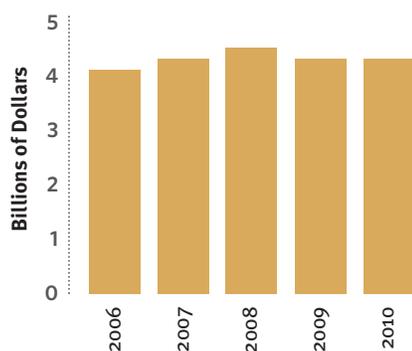
In-sourcing High Cost Program operations in 2009 resulted in material cost savings and decreased processing times in 2010. Systems performance improvements included new carrier management features, increased database indexing speeds, and added quarterly projection functionality. These improvements cut processing times for monthly disbursements by 35 percent. In addition, for the first time, USAC staff calculated Interstate Access Support (IAS) rates with USAC's own systems, receiving all required data from carriers in April. In turn, carriers accepted all IAS rates by June 1. All these advances save money for USAC and time for beneficiaries.

Outreach to program participants also aims to make the High Cost Program more beneficial for carriers. Program staff held five training sessions throughout the country in conjunction with Low Income Program staff. To complement regional trainings, High Cost Program staff participated in many telecom industry events as part of an effort to make personal contact with as many beneficiaries as possible. And High Cost Program staff held five webinars, providing much the same content as the trainings and presentations did for program participants who could not attend other events. Topics for all these events included general overviews of High Cost Program requirements, beneficiary audits and audit issues, best practices in filing data and document retention, and use of the online and paper FCC Form 525.

USAC completed review of Round 2 of the FCC Office of Inspector General (OIG) USF audit program, with total amounts audited in Round 2 reported at \$2.4 billion. Follow-up audit work by independent audit firms found that the initially reported improper payment rate of 23.3% was actually 2.7% for Round 2, and total improper payments were \$54.4 million instead of \$472 million.

## DISBURSEMENTS BY YEAR

Chart represents unaudited disbursements by Calendar Year, as of December 31, 2010.



## 2010 HIGH COST STUDY AREAS BY CATEGORY

	Incumbent Study Areas			Price Cap	Total Incumbent	Competitive Study Areas*	Total Study Areas
	Rate-of-Return						
	Cost Companies	Average Schedule	Total				
<b>Rural</b>	715	448	1,163	192	1,355	321	1,676
<b>Non-Rural</b>	1	1	2	82	84	286	370
<b>TOTAL</b>	<b>716</b>	<b>449</b>	<b>1,165</b>	<b>274</b>	<b>1,439</b>	<b>607</b>	<b>2,046</b>

\*Competitor count reflects some CETCs that serve in both Rural and Non-Rural Study Areas and are counted separately in each category.

## INCUMBENTS AND COMPETITORS RECEIVING USF SUPPORT

Year	Incumbent Carriers	Competitive Carriers	TOTAL CARRIERS
2006	1,426	318	1,744
2007	1,430	347	1,777
2008	1,430	381	1,811
2009	1,428	408	1,836
2010	1,431	428	1,859

A close-up photograph of a young child with blonde hair styled in two pigtails with purple hair ties. The child is wearing a purple top with a small bow at the neckline and is holding a silver mobile phone to their ear. The background is a soft, out-of-focus green, suggesting an outdoor setting. The text is overlaid on the image in white.

10.5 million  
connections

18,400+  
payments

1,980+  
carriers



#### OVERVIEW

# Low Income Program

The Low Income Program ensures that low-income consumers can initiate and maintain telecommunications services at affordable rates. The three components of the program are Lifeline, Link Up, and Toll Limitation Service (TLS). Lifeline reduces eligible consumers' monthly charges for basic telephone service. Link Up reduces the cost of initiating new telephone service. TLS support allows eligible consumers to subscribe to toll blocking or toll control at no cost.

## Low Income Program

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472 competitive carriers received Low Income support in 2010.

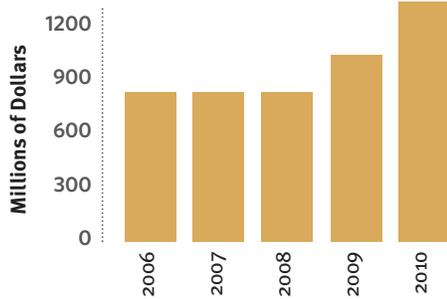
Participation in the Low Income Program continued to increase in 2010. The total number of low-income consumer households benefiting from the program increased to 10.5 million, up from 9.2 million in 2009. Accompanying this increase in subscribers, disbursements increased from \$1 billion to \$1.3 billion in 2010. This rise continued a trend that began in 2008 with the FCC authorizing many new carriers to participate in the Low Income Program. Having successfully in-sourced administrative operations in 2009, USAC readily handled the increased demands for processing forms and making payments. With the increase in new carriers, USAC processed over 26,000 forms in 2010.

In conjunction with staff from the High Cost Program, Low Income Program staff offered five live training sessions for beneficiaries of both programs. USAC also conducted two Low Income program beneficiary webinars to increase usage of the online FCC Form 497, which drew about 100 participants. These webinars focused on how to set up users, file individual forms, and use the bulk upload and bulk certify features. Staff also held two audit-related webinars and participated on panels at several professional meetings, all part of a broader effort to present program information in as many ways to as many people as possible.

In November, the Federal-State Joint Board on Universal Service gave the FCC its recommendations for proposed changes to the Low Income Program. The primary recommendations included changes to the verification process, including adoption of minimum verification procedures and sampling criteria; allowing states to use different verification procedures as long as the alternate procedures are at least as efficient in detecting waste, fraud, and abuse; and requiring that all ETCs in all states make their verification results publicly available and submit their results to the FCC, USAC, and the states. USAC is ready to implement any changes to program operations that result from this proceeding.

### DISBURSEMENTS BY YEAR

Chart represents unaudited disbursements by Calendar Year, as of December 31, 2010.



### SUPPORT DISTRIBUTION BETWEEN INCUMBENTS AND COMPETITORS

Year	Incumbent ETCs	Competitive ETCs
2006	87.41%	12.59%
2007	85.32%	14.68%
2008	82.51%	17.49%
2009	62.45%	37.55%
2010	45.35%	54.65%



8,000  
services (circuits)  
funded

3,000  
health care providers  
supported

25%  
average annual  
growth in funding



OVERVIEW

# Rural Health Care Program

The Rural Health Care Program ensures that rural health care providers (HCPs) can obtain communications and Internet services at rates comparable to urban providers. The program offers ways to connect providers and patients, allowing people access to the health care they need, when they need it.

## Rural Health Care Program



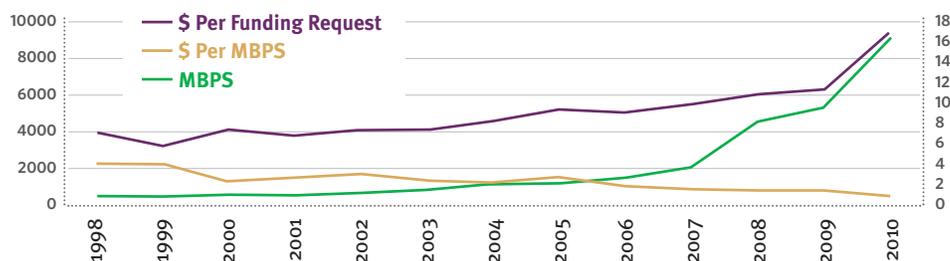
The most northern recipient of RHC support was Barrow, Alaska.

In 2010, the Rural Health Care Program once again reached record participation rates. Numbers of participating health care providers, numbers of application forms, and numbers of funding requests all registered new highs. In addition to the regular program, USAC continued administering the FCC's Rural Health Care Pilot Program, which dedicated over \$417 million for the construction of over 60 statewide or regional broadband telehealth networks in 42 states and three U.S. territories. During 2010, USAC posted 35 requests for proposals for 19 pilot projects, issued 106 funding commitments totaling over \$90 million, and disbursed over \$24 million.

To manage the influx of applications and disbursement of support, USAC implemented a series of enhancements to data systems aimed at increasing automation and efficiency. Rural Health Care Program staff worked closely with USAC IT staff to review current systems, determine changes needed, and develop a timeline for enhancements.

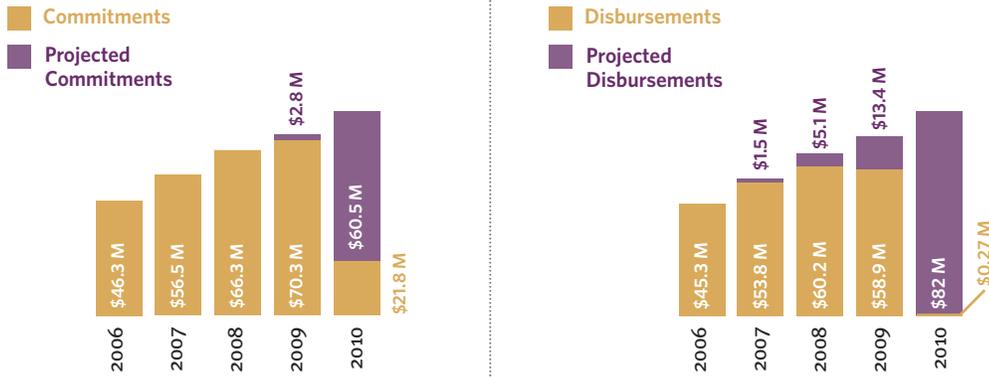
To help current and new applicants, USAC offered the first all-day RHC training event for primary program beneficiaries and service providers at USAC headquarters in April. As a follow-up, USAC organized a two-day training session for the primary and pilot programs in Salt Lake City in October. USAC continued to conduct monthly outreach conference calls to address areas where applicants have difficulty or delays with the application process. This year participation on the calls has substantially increased, from approximately 50 to more than 250 individuals each month. And to reach even more broadly into the beneficiary community, RHC Program staff also attended and exhibited at numerous conferences, from Alaska to Georgia and many points in between.

### AVERAGE BANDWIDTH AND COST/MBPS



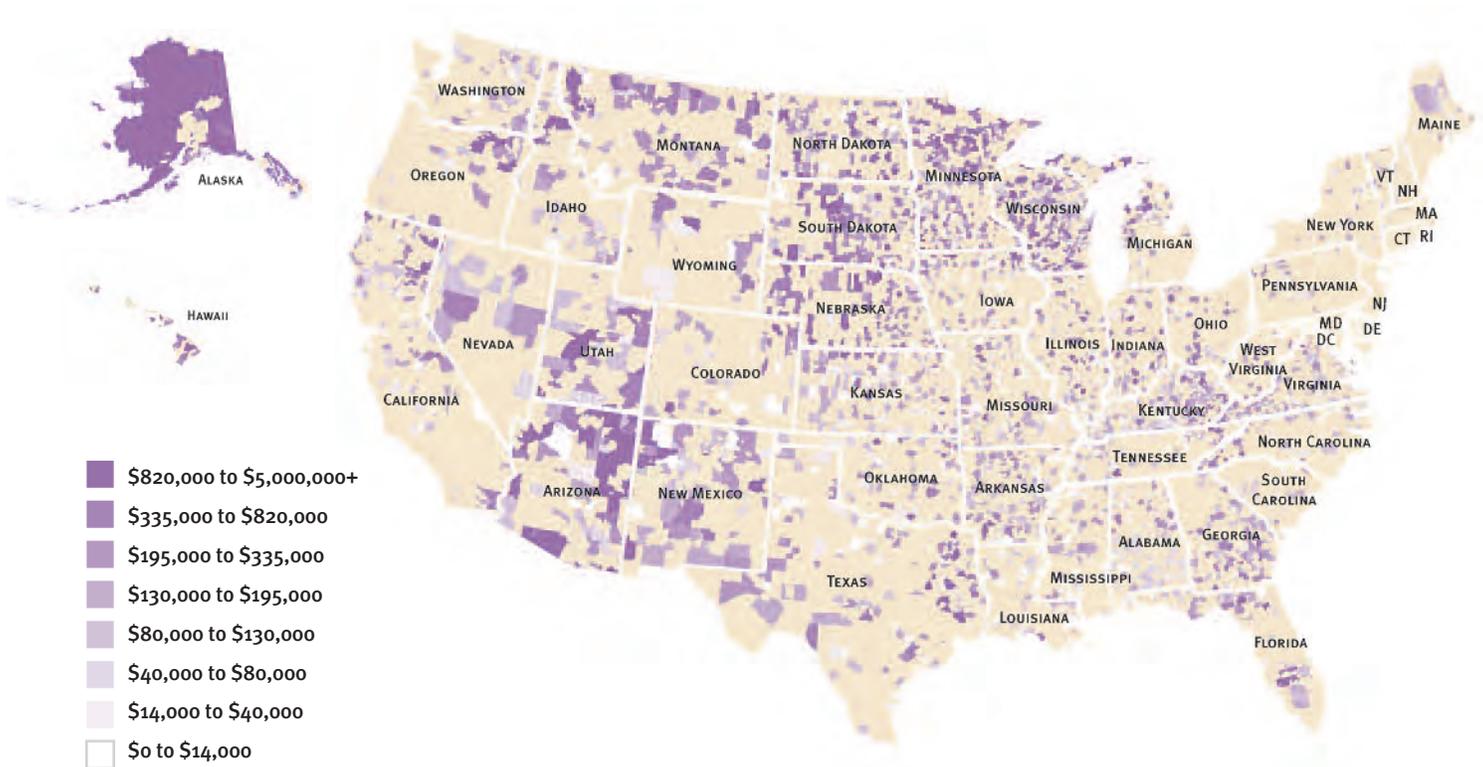
## COMMITMENTS AND DISBURSEMENTS BY FUNDING YEAR (UNAUDITED)

As of 12/31/10



## PRIMARY PROGRAM TOTAL SUPPORT 1998–2010

Excluding US Territories





115,000+  
schools & libraries

45,600+  
payments

4,181  
service and  
equipment providers



#### OVERVIEW

# Schools and Libraries Program

The Schools and Libraries Program (often called E-Rate) helps to ensure that schools and libraries can obtain telecommunications, telecommunications services, Internet, internal connections, and basic maintenance of internal connections at affordable rates. Program support depends on the level of poverty and the urban/rural status of the population served, ranging from 20% to 90% of the costs of eligible services.

## Schools and Libraries Program

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Three landmark events defined 2010 for the Schools and Libraries Program. First was the FCC's release of the *Sixth Report and Order* (FCC 10-175) in September. Encompassing a wide range of changes to program rules, the order supported the broader goals of the Commission's National Broadband Plan to make broadband Internet access more affordable and more available to more Americans. Changes to the E-Rate program, as a result of the order, shaped much of USAC's annual fall training program, which reached about 1,700 beneficiaries and service providers in eight applicant training sessions and two specially tailored service provider sessions. These training sessions helped to provide applicants and service providers with the knowledge they needed to comply with new and changed program rules resulting from the order. In addition, USAC worked with the FCC to provide a variety of updates and further explanations regarding program changes and how to successfully apply for E-Rate funds.



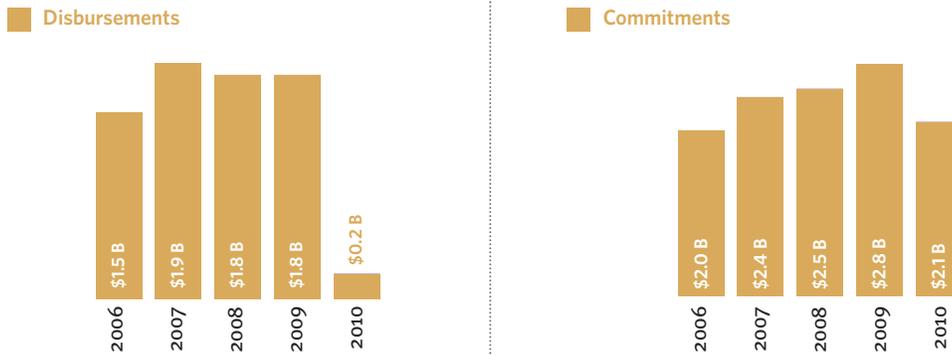
USAC conducted over 270 Helping Applicants to Succeed (HATS) outreach visits with applicants in 2010.

Second, USAC, through its Helping Applicants to Succeed (HATS) program, reached an unprecedented number of applicants and service providers to provide program information, remind applicants about upcoming deadlines, and help applicants become successful in the E-Rate program. USAC used a variety of channels to accomplish outreach such as in-person visits, emails, and conference calls. These efforts resulted in an increase of successful applications, better applicant understanding of program requirements, and faster funding decisions. USAC intends to expand the HATS program next year so that even more applicants and service providers can become successful E-Rate participants.

Finally, USAC was able to respond to applicant needs by releasing a record first wave of funding commitments to Funding Year 2010 (FY2010) applicants. In May, over 18,300 letters committing more than \$426 million at all discount levels went out to schools and libraries across the country. This first wave represented over 40 percent of all applications received in FY2010 and the biggest first wave in the history of the program. USAC continued to issue timely decisions throughout the year which led to record levels of invoices being processed and paid.

## COMMITMENTS AND DISBURSEMENTS BY FUNDING YEAR (UNAUDITED)

As of 12/31/10 | Because of the difference between funding years and calendar years, program disbursements lag behind program commitments.



## APPLICATION STATUS BY FUNDING YEAR (CUMULATIVE TOTALS)

	FY2008	FY2009	FY2010 (through 12/31/10)
Submitted	40,662	41,035	43,866
Granted	33,956	36,517	34,810
Rejected	4,278	1,252	494

# Management's Discussion & Analysis

## MISSION AND STRUCTURE

The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation that was created in 1997 to administer universal service support mechanisms (programs) and the universal service fund (USF). USAC's mission is to collect FCC-mandated contributions from telecommunications carriers and distribute these funds across the four universal service support mechanisms – High Cost, Low Income, Rural Health Care, and Schools and Libraries — in accordance with Federal Communications

Commission (FCC) rules. USAC does not set or advocate policy. USAC works to protect the integrity of the fund, promote compliance among program participants, and provide information about universal service to Congress, the FCC, program audiences, and the general public. In all these tasks, USAC strives to provide efficient, responsible stewardship of the programs and the USF, a key national asset in making important telecommunications services available to consumers, health care providers, schools, and libraries throughout the United States.

FCC regulations governing USAC are found in Part 54 of Title 47 of the Code of Federal Regulations (47 C.F.R. Part 54). These regulations required USAC to establish three program divisions: High Cost and Low Income, Rural Health Care, and Schools and Libraries. The program divisions are supported by additional USAC personnel in External Relations, Finance, General Counsel, Human Resources and Operations, Information Systems, and Internal Audit.

## PERFORMANCE MEASURES

USAC is required to report quarterly to the FCC on performance measures. This information pertains to USAC's administration of the USF and the four programs. Below is a selection of performance measures for 2010.

FUND ADMINISTRATION	1ST QTR	2ND QTR	3RD QTR	4TH QTR
<b>USF CONTRIBUTOR STATISTICS</b>				
Number of USF contributors	2,941	2,963	2,958	2,949
Number of delinquent contributors	1,464	1,459	1,468	1,471
Contributors assessed late fees or penalties	1,171	1,150	1,634	1,355
<b>AVERAGE TIME TO PROCESS PAYMENTS (DAYS)</b>				
High Cost	2	3	2	4
Low Income	29	29	29	29
Rural Health Care (Funding Year 2009)	13	14	13	12
Schools and Libraries (Funding Year 2009)	5	5	6	7
<b>USAC COMPLAINT STATISTICS</b>				
Complaints about USAC	33	26	24	14
Average number of business days to resolve complaints	1.2	1.0	1.0	0.9

<b>HIGH COST PROGRAM</b>	<b>1ST QTR</b>	<b>2ND QTR</b>	<b>3RD QTR</b>	<b>4TH QTR</b>
Total supported lines	127,713,764	127,798,060	124,935,788	128,320,387
Average support dollars/line	\$9.56	\$9.55	\$9.98	\$9.91
Median support dollars/line	\$1.40	\$1.53	\$1.63	\$1.68
<b>LOW INCOME PROGRAM</b>	<b>1ST QTR</b>	<b>2ND QTR</b>	<b>3RD QTR</b>	<b>4TH QTR</b>
Median dollars disbursed per ETC	\$938	\$1,024	\$1,001	\$974
<b>RURAL HEALTH CARE PROGRAM</b>	<b>1ST QTR</b>	<b>2ND QTR</b>	<b>3RD QTR</b>	<b>4TH QTR</b>
<b>APPLICATION TYPES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)</b>				
Funding Year 2010				
Telecom	n/a	206	1,233	2,268
Internet	n/a	49	354	705
Funding Year 2009				
Telecom	2,744	5,678	5,721	5,733
Internet	1,009	1,944	1,954	1,959
<b>APPLICATION OUTCOMES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)</b>				
Funding Year 2010				
Received	n/a	255	1,587	2,973
Granted	n/a	n/a	0	1,217
Funding Year 2009				
Received	3,753	7,622	7,675	7,692
Granted	2,606	4,515	6,383	6,929
<b>INVOICES FUNDING YEAR 2009 (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)</b>				
Invoices received	259	799	1,357	1,647
Invoiced paid	184	658	1,272	1,589
<b>APPEALS</b>				
Current appeals (new appeals received in each quarter)	10	7	10	17
Average calendar days to resolve appeals	115	117	125	111

<b>SCHOOLS AND LIBRARIES PROGRAM</b>	<b>1ST QTR</b>	<b>2ND QTR</b>	<b>3RD QTR</b>	<b>4TH QTR</b>
<b>APPLICATION OUTCOMES (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)</b>				
Funding Year 2010				
Submitted	43,805	43,838	43,858	43,866
Granted	n/a	22,812	30,312	34,810
Funding Year 2009				
Submitted	41,025	41,027	41,033	41,035
Granted	35,752	36,222	36,422	36,517
<b>INVOICES FUNDING YEAR 2009 (ALL NUMBERS CUMULATIVE FOR FUNDING YEAR)</b>				
Invoices received	172,096	298,393	410,988	475,476
Invoiced paid	144,454	250,322	354,559	412,037
<b>APPEALS</b>				
Current appeals (new appeals received in each quarter)	287	549	488	635
Average calendar days to resolve appeals	44	83	102	78

## **SYSTEMS, CONTROLS, AND COMPLIANCE**

In 2008, USAC implemented a formalized internal control structure and review process consistent with the guidance in Office of Management and Budget (OMB) Circular A-123 titled "Management's Responsibility for Internal Control," including Appendix A (Implementation Plans). In 2010, this group continued to enhance USAC's overall internal control framework with their testing program as well as managing the effort to move all of USAC's policies and procedures into a new framework. No material weaknesses were identified during either the 2009 or the 2010 internal control assessments.

USAC contracts with an independent audit firm to perform an annual audit of its financial statements as well as agreed-upon procedures in compliance with the requirements in 47 C.F.R. Part 54. The FCC's auditors also audit the USF books and records as part of the annual FCC financial audit.

USAC's current financial management system is a widely used and commercially accepted accounting system. However, as universal service program administrator, USAC is required by the FCC to comply with applicable laws and regulations. The 2010 audit of the FCC's financial statements identified a non-compliance with the Federal Managers

Financial Integrity Act of 1982. The non-compliance noted was that the financial systems of the FCC's reporting components (e.g., USAC as the universal service administrator) do not achieve the federal financial system integration standards as determined by OMB. Although USAC's financial systems are not currently compliant with OMB standards, USAC has compensating controls in place to ensure all financial data is accurate and meets the requirements of the FCC. USAC is actively working with the FCC to finalize a request for proposals to obtain and implement a fully compliant financial management system.

## FINANCIAL INFORMATION

The accompanying USAC unaudited financial statements and tables are the responsibility of USAC management and reflect all adjustments and reclassifications that are necessary for fair presentation of the period presented. The results for the year ended December 31, 2010, are not considered final until the 2010 financial statement audit is completed by USAC's independent auditors. These unaudited financial statements and tables should be used in conjunction with the audited financial statements and the notes thereto for the years ended December 31, 2009, and 2008 included herein.

The table below presents selected data about USAC's staffing and operations for 2010 and 2009.

Overall general and administrative expenses decreased due to 2009 costs associated with implementing the large-scale FCC Office of Inspector General (OIG) USF audit program.

Contract expense decreases were a result of lower costs due to the prior year's in-sourcing of High Cost and Low Income program operations that were previously performed by an outside vendor.

Note: Table excludes depreciation, amortization, and loss on retirements.

ITEM	2010	2009
Number of employees	247	243
Personnel costs	\$ 27,201,000	\$ 24,016,000
Overall general and administrative expenses	\$ 24,639,000	\$ 107,036,000
Contract expenses	\$ 46,577,000	\$ 50,699,000

## 2010 USAC Contractors Receiving Payments Greater Than \$1 Million

CONTRACTOR/VENDOR	TYPE OF ACCOUNT	TYPE OF GOODS/SERVICES	PROCUREMENT METHOD
SOLIX, INC.	Other Contractual Services	RHC-SL Operational Support Services	Competitive bid
SCIENCE APPLICATIONS INTERNATIONAL CORP.	Other Contractual Services	RHC-SL Information Technology Services	Competitive bid
KPMG LLP	Other Contractual Services	FCC OIG USF Follow-up Audits	Competitive bid
THE GUARDIAN LIFE INSURANCE COMPANY	Other Contractual Services	Employee Benefits	Competitive bid
BROOKFIELD PROPERTIES	Other Contractual Services	Office Lease 2010	Competitive bid
ERNST & YOUNG LLP	Other Contractual Services	FCC OIG USF Follow-up Audits	Competitive bid
PRICEWATERHOUSECOOPERS LLP	Other Contractual Services	USAC Financial Statements and Agreed-Upon-Procedures Audits	Competitive bid
DELOITTE & TOUCHE LLP	Other Contractual Services	FCC OIG USF Follow-up Audits	Competitive bid
WASHINGTON CONSULTING, INC.	Other Contractual Services	FCC OIG USF Follow-up Audits and RHC Business Process Consulting	Competitive bid
TELCORDIA TECHNOLOGIES, INC.	Other Contractual Services	High Cost / Low Income Operational Support Services	Competitive bid
MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO P.C.	Other Contractual Services	Legal Services	Competitive bid

DOLLAR RANGE: ■ + \$25 MILLION ■ \$5 MILLION – \$20 MILLION ■ \$1 MILLION – \$5 MILLION

Note: This table presents expenditures USAC made during calendar year 2010.

## Statements of Financial Position of USAC (Unaudited)

As of December 31, 2010 | (in thousands)

	<b>2010</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 846
Prepaid expenses and other current assets	12,785
Assets held for the Federal USF	4,538,073
<b>Total Current Assets</b>	<b>4,551,704</b>
Assets held for the Federal USF	1,927,884
<b>Fixed Assets</b> , less accumulated depreciation and amortization of \$19,215 held for the Federal USF	11,099
<b>Other Assets</b>	381
<b>TOTAL</b>	<b>\$ 6,491,068</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 12,087
Advance from USF	13,024
Liabilities related to assets held for the Federal USF	4,538,073
<b>Total Current Liabilities</b>	<b>6,491,362</b>
Liabilities related to assets held for the Federal USF	1,927,884
<b>Net Assets</b>	<b>0</b>
<b>TOTAL</b>	<b>\$ 6,491,068</b>

## Statements of Operations and Change in Unrestricted Net Assets of USAC (Unaudited)

For the Year Ended December 31, 2010 | (in thousands)

	<b>2010</b>
<b>Revenue</b> , primarily contract revenue	\$ 105,426
<b>Operating Expenses</b>	
Contractual expenses	46,577
Personnel and related expense	27,201
General and administrative	24,639
Depreciation, amortization and loss on retirements	7,009
<b>Total Operating Expenses</b>	<b>105,426</b>
<b>Change in Net Assets</b>	<b>0</b>
<b>Net Assets</b> — Beginning of year	<b>0</b>
<b>NET ASSETS — END OF YEAR</b>	<b>\$ 0</b>

See notes to financial statements.

## Statements of Cash Flows of USAC (Unaudited)

For the Year Ended December 31, 2010 | *(in thousands)*

	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from the Federal USF and other vendors	\$ 96,492
Cash paid for operating expenses and employees	(106,645)
Cash paid for income taxes	(244)
<b>Net cash provided by operating activities</b>	<b>(10,397)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital expenditures	(1,648)
<b>Increase in Cash and Cash Equivalents</b>	<b>(12,045)</b>
<b>Cash and Cash Equivalents</b> – Beginning of year	12,891
<b>CASH &amp; CASH EQUIVALENTS — END OF YEAR</b>	<b>\$ 846</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	
Change in net assets	\$ 0
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	6,966
Loss on retirement of fixed assets	43
<i>Changes in operating assets and liabilities:</i>	
Decrease in prepaid expense and current assets	122
Increase in other assets	(261)
Increase in assets held for the Federal USF	(268,072)
Decrease in payable to the Federal USF	(12,178)
Decrease in accounts payable and accrued expenses	(5,089)
Increase in liabilities related to assets held for the Federal USF	268,072
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (10,397)</b>

## Combining Supplemental Schedule of Assets and Liabilities Applicable to the Federal USF (Unaudited)

As of December 31, 2010 | (in thousands)

	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total USF
<b>ASSETS</b>					
Cash and cash equivalents	\$ (500,578)	\$ 104,760	\$ 86,371	\$ 461,097	\$ 151,650
Investments	5,414,315	0	0	0	5,414,315
Receivables	439,877	642,747	138,793	5,521	1,226,938
Allowance for doubtful accounts	(181,863)	(121,703)	(24,257)	(2,868)	(330,691)
Other assets	0	0	0	0	0
Interest receivable	3,852	(65)	244	(287)	3,744
<b>Assets held for the Federal USF</b>	<b>5,175,603</b>	<b>625,739</b>	<b>201,151</b>	<b>463,463</b>	<b>6,465,956</b>
Receivable from USAC	(83,192)	79,432	25,831	(9,048)	13,023
<b>TOTAL</b>	<b>\$ 5,092,411</b>	<b>\$ 705,171</b>	<b>\$ 226,982</b>	<b>\$ 454,415</b>	<b>\$ 6,478,979</b>
<b>LIABILITIES</b>					
Payable to service providers	\$ 30,256	\$ 1,007	\$ 233	\$ 142	\$ 31,638
Payable to contributors	9,232	385,404	124,697	276	519,609
Disbursements in transit	0	0	0	0	0
Accrued liabilities	0	0	0	0	0
Unearned revenue	0	0	0	0	0
<b>TOTAL</b>	<b>\$ 39,488</b>	<b>\$ 386,411</b>	<b>\$ 124,930</b>	<b>\$ 418</b>	<b>\$ 551,247</b>

Note: This schedule represents the assets and liabilities applicable to the Federal USF at December 31, 2010, for each of the support programs.

## Combining Supplemental Schedule of Changes in Net Assets Applicable to the Federal USF (Unaudited)

For the Year Ended December 31, 2010 | (in thousands)

	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total USF
<b>ADDITIONS</b>					
Amounts billed to contributors	\$ 2,257,890	\$ 4493,582	\$ 1,395,617	\$ 164,350	\$ 8,311,439
Interest income	15,165	485	407	1,832	17,889
<b>Total Additions</b>	<b>2,273,055</b>	<b>4,494,067</b>	<b>1,396,024</b>	<b>166,182</b>	<b>8,329,328</b>
<b>DEDUCTIONS</b>					
Amount paid and due to service providers	2,228,543	4,261,146	1,313,124	109,831	7,912,644
Allowance for doubtful accounts	45,189	4,906	2,704	274	53,073
Operating expenses	67,841	25,542	6,165	11,751	111,299
Unrealized/realized gain or loss	(3,349)	0	0	0	(3,349)
<b>Total Deductions</b>	<b>2,338,224</b>	<b>4,291,594</b>	<b>1,321,993</b>	<b>121,856</b>	<b>8,073,667</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ (65,169)</b>	<b>\$ 202,473</b>	<b>\$ 74,031</b>	<b>\$ 44,326</b>	<b>\$ 255,661</b>

Note: This schedule represents the changes in net assets applicable to the Federal USF at December 31, 2010, for each of the support programs.

## Combining Supplemental Schedule of Cash Flows Applicable to the Federal USF (Unaudited)

For the Year Ended December 31, 2010 | (in thousands)

	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total USF
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from contributors	\$ 2,194,906	\$ 4,316,751	\$ 1,381,847	\$ 174,116	\$ 8,067,620
Interest received	17,141	480	457	1,822	19,900
Cash paid to service providers	(2,216,896)	(4,292,926)	(1,296,503)	(110,629)	(7,916,954)
Cash paid for administrative costs	(43,906)	(43,567)	(13,917)	(7,107)	(108,497)
Non-expenditure financing (FCC transfer)	0	0	0	0	0
<b>Net cash provided by (used in) operating activities</b>	<b>(48,755)</b>	<b>(19,262)</b>	<b>71,884</b>	<b>58,202</b>	<b>62,069</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Redemption of investments	11,129,183	0	0	0	11,129,183
Purchase of investments	(11,069,322)	0	0	0	(11,069,322)
<b>Net cash used in investing activities</b>	<b>59,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>59,861</b>
<b>INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	<b>11,106</b>	<b>(19,262)</b>	<b>71,884</b>	<b>58,202</b>	<b>121,930</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning of year	(514,140)	181,923	(31,724)	393,661	29,720
<b>END OF YEAR</b>	<b>\$ (503,034)</b>	<b>\$ 162,661</b>	<b>\$ 40,160</b>	<b>\$ 451,863</b>	<b>\$ 151,650</b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ (68,518)	\$ 202,474	\$ 74,031	\$ 44,327	\$ 252,314
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:</i>					
Bad debt expense	45,189	4,906	2,705	273	53,073
Amortized discount	6,004	0	0	0	6,004
Unrealized/realized gain or loss	(3,349)	0	0	0	(3,349)
<i>Changes in operating assets and liabilities:</i>					
Decrease (increase) in interest receivable	(679)	(6)	50	(11)	(646)
Decrease (increase) in accounts receivable	(62,984)	(176,832)	(13,771)	9,767	(243,820)
Decrease (increase) in receivable from USAC	23,935	(18,025)	(7,752)	4,644	2,802
Increase (decrease) in liabilities	11,647	(31,779)	16,621	(798)	(4,309)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (48,755)</b>	<b>\$ (19,262)</b>	<b>\$ 71,884</b>	<b>\$ 58,202</b>	<b>\$ 62,069</b>

Note: This schedule reflects the cash flows applicable to the Federal USF for the year ended December 31, 2010, for each of the support programs.

# Report of Independent Auditors



## PricewaterhouseCoopers LLP

1800 Tysons Boulevard  
McLean, VA 22102-4261

Telephone (703) 918 3000  
Facsimile (703) 918 3100

### Report of Independent Auditors

To the Board of Directors of Universal Service Administrative Company:

In our opinion, the accompanying statements of financial position and the related statements of operations and change in unrestricted net assets and of cash flows present fairly, in all material respects, the financial position of Universal Service Administrative Company (the "Company") at December 31, 2009 and December 31, 2008, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2010 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2009. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Company's management. Such schedules have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "PricewaterhouseCoopers" in a cursive script.

June 30, 2010

## Statements of Financial Position

As of December 31, 2009 and 2008 | (In thousands)

	2009	2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 12,891	\$ 15,180
Prepaid expenses and other current assets	729	346
Current Assets held for the Federal USF	6,197,885	6,321,410
<b>Total Current Assets</b>	<b>6,211,505</b>	<b>6,336,936</b>
<b>Fixed Assets</b> , less accumulated depreciation and amortization of \$12,554 and \$8,041 held for the Federal USF	16,460	14,369
<b>Other Assets</b>	120	120
<b>TOTAL</b>	<b>\$ 6,228,085</b>	<b>\$ 6,351,425</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 13,969	\$ 24,110
Payable to Federal USF	16,231	5,905
Liabilities related to assets held for the Federal USF	6,197,885	6,321,410
<b>Total Current Liabilities</b>	<b>6,228,085</b>	<b>6,351,425</b>
<b>Net Assets</b>	0	0
<b>TOTAL</b>	<b>\$ 6,228,085</b>	<b>\$ 6,351,425</b>

## Statements of Operations and Change in Unrestricted Net Assets

For the Years ended December 31, 2009 and 2008 | (in thousands)

	2009	2008
<b>Current Assets</b>	\$ 186,665	\$ 172,232
<b>Operating Expenses</b>		
Contractual expenses	50,699	48,507
Personnel and related expense	24,016	21,196
General and administrative	107,036	99,832
Depreciation, amortization and loss on retirements	4,914	2,697
<b>Total Operating Expenses</b>	<b>186,665</b>	<b>172,232</b>
<b>Change in Net Assets</b>	0	0
<b>Net Assets</b> — Beginning of year	0	0
<b>NET ASSETS — END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows

For the Years Ended December 31, 2009 and 2008 | (In thousands)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the Federal USF and other vendors	\$ 196,607	\$ 171,965
Cash paid for operating expenses and employees	(191,891)	(151,416)
Interest received	0	80
<b>Net cash provided by operating activities</b>	<b>4,716</b>	<b>20,629</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(7,005)	(10,136)
<b>(Decrease) Increase in Cash</b>	<b>(2,289)</b>	<b>10,493</b>
Cash – Beginning of year	15,180	4,687
<b>CASH — END OF YEAR</b>	<b>\$ 12,891</b>	<b>\$ 15,180</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 0	\$ 0
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	4,811	2,683
Loss on retirement of fixed assets	103	14
<i>Changes in operating assets and liabilities:</i>		
Increase in prepaid expense and current assets	(383)	(195)
Decrease in other assets	0	2
Decrease (Increase) in current assets held for the Federal USF	123,525	(595,481)
Increase in payable to the Federal USF	10,326	6
(Decrease) Increase in accounts payable and accrued expenses	(10,141)	18,119
(Decrease) Increase in liabilities related to assets held for the Federal USF	(123,525)	595,481
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 4,716</b>	<b>\$ 20,629</b>
<i>Supplemental disclosure of non-cash information:</i>		
Capital expenditures included in accounts payable	\$ 16	\$ 0

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

As of and for the Years Ended December 31, 2009 and 2008

### 1. ORGANIZATION AND BASIS OF PRESENTATION

The Universal Service Administrative Company ("USAC" or the "Company") was incorporated, effective September 17, 1997, as a not-for-profit, independent, wholly-owned subsidiary of the National Exchange Carrier Association, Inc. ("NECA"), and appointed by the Federal Communications Commission ("FCC") to administer the Universal Service Fund ("USF") and the universal service support mechanisms. USAC's Board of Directors consists of independent directors representing a cross-section of stakeholders in the USF and the universal support mechanisms.

The accompanying financial statements have been prepared on the accrual basis of accounting, in conformity with the accounting principles generally accepted in the United States of America. USAC follows the accounting and reporting requirements as set forth in the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide for Not-for-Profit Organizations. The FCC, in its Report and Order in CC Docket Nos. 96-45 and 97-21 ("Universal Service Order") released May 8, 1997 and November 20, 1998, respectively, determined that USAC should serve as the permanent administrator of the High Cost, Low Income, Rural Health Care, and Schools and Libraries Universal Service Support Mechanisms, collectively referred to herein as the "Programs," established pursuant to Section 254 of the Communications Act of 1934, as amended.

USAC, as the administrator of the USF, performs billing, collection, and disbursement functions for the USF and the Programs. It also collects information regarding contributing entities' and end-user telecommunications revenues, and submits projections of demand, administrative expenses for the Programs, and quarterly universal service contribution data to the FCC.

The functions of USAC as the administrator of the USF also include, but are not limited to, development of applications and associated instructions as needed for the Programs, administering the application process to ensure compliance with FCC rules and related operational infrastructure for such processes, creating and maintaining a Web site, performing outreach and public education functions, authorizing audits of telecommunications carriers, schools, libraries, and rural health care providers, and development and implementation of other functions unique to the Programs.

NECA performs data collections functions for the High Cost Program pursuant to FCC rules and bills USAC for the associated costs. NECA is compensated by USAC in accordance with NECA's Cost Accounting and Procedures Manual. NECA Services, Inc. ("NECA Services"), a wholly-owned subsidiary of NECA, performs services for the Schools and Libraries and Rural Health Care Support Programs. Effective November 14, 2005, the name of NECA Services was changed to Solix, Inc. ("Solix"). For the years ended December 31, 2009 and 2008, the expense recognized for services rendered by NECA was \$506,124 and \$568,948, respectively, and for the same periods, the expense recognized for services rendered by Solix was \$43.5 million and \$42.5 million, respectively. These expenses are included in contractual expenses in the accompanying Statements of Operations and Change in Unrestricted Net Assets. At December 31, 2009 and 2008, there were no amounts due to Solix related to these services.

Funds collected from contributions to the USF by USAC are restricted as to their intended use related to the Programs discussed above. The cash and other financial assets of the USF which USAC administers and acts as an intermediary for, are reported at fair value in the

Statements of Financial Position as current assets held for the Federal USF, with an equal amount recorded as liabilities related to assets held for the Federal USF, in accordance with accounting standards related to not-for-profit organizations holding contributions for other organizations. In accordance with these accounting standards, activities related to the USF are not presented in USAC's Statements of Operations and Change in Unrestricted Net Assets and Statements of Cash Flows.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**USE OF ESTIMATES**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**—USAC, as the administrator of the USF, considers all highly liquid securities with an original maturity of three months or less as of the financial statement date to be cash equivalents.

**FIXED ASSETS**—Fixed assets consist of furniture, equipment, leasehold improvements, computer hardware and software. These assets are carried at cost, net of accumulated depreciation. Depreciation of furniture and equipment is calculated on a straight-line basis over the five- to seven-year estimated useful lives of those assets. Amortization of leasehold improvements is calculated on a straight-line basis over the shorter of the remaining period of the respective leases or estimated useful lives of the improvements. Depreciation and amortization of

hardware and software is calculated on a straight-line basis over the three-year estimated lives of those assets. Depreciation on projects-in-progress does not begin until the asset is placed into service. Maintenance and repairs are expensed to operations as incurred.

**IMPAIRMENT OF LONG-LIVED ASSETS**—The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may no longer be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset were less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

**PAYABLE TO THE FEDERAL USF**—Payable to the Federal USF presented in the Company's Statements of Financial Position consists of amounts provided to USAC by the USF for USAC operations and held in USAC cash in excess of accounts payable and accrued expenses.

**CONTRACT REVENUE**—USAC, as the administrator of the USF, recognizes contract revenue when services are rendered. Contract revenues are equal to the cost of providing administrative support to the USF and the Programs, and to other FCC fund administrators. Such costs are paid by USF and the other FCC fund administrators to USAC. These transactions are considered exchange transactions in accordance with the AICPA's Audit and Accounting Guide for Not-for-Profit Organizations. The other FCC fund administrators include Telecommunications Relay Services ("TRS"), North American Numbering Plan ("NANP"), and Local Number Portability ("LNP"). USAC invoices these administrators for direct and indirect charges it incurs each month for the data collection and management functions on their behalf.

**CONCENTRATION OF CREDIT RISK**—Financial instruments that potentially subject USAC, as the administrator of the USF, to concentration of credit risk consist principally of cash, cash equivalents, short-term and long-term investments, and receivables from contributors. USAC, as the administrator of the USF, places its cash, cash equivalents, and short-term and long-term investments with high-credit quality institutions and limits the amount of credit exposure from anyone institution. USAC maintains its cash and cash equivalents with financial institutions which are federally insured under the Federal Depository Insurance Corporation Act (FDIC). The total deposits at these institutions are subject to federal insurance limits and a collateral agreement. USAC has not experienced any losses on its cash and cash equivalents. USAC also has invested USF excess cash in tax-exempt securities that are classified under Current Assets held for the Federal USF.

### 3. FIXED ASSETS

Fixed Assets as of December 31, 2009 and 2008 are as follows:

<i>(in thousands)</i>	December 31	
	2009	2008
<b>FIXED ASSETS</b>		
Office furniture	\$ 1,872	\$ 1,920
Office equipment	432	451
Computer hardware	2,694	2,518
Computer software	21,673	7,624
Leasehold improvements	1,610	558
Projects in progress	733	9,339
<b>Total Fixed Assets</b>	<b>29,014</b>	<b>22,410</b>
Less accumulated depreciation and amortization	(12,554)	(8,041)
<b>Net Fixed Assets</b>	<b>\$ 16,460</b>	<b>\$ 14,369</b>

*Depreciation and amortization expense was \$4,810,880 and \$2,682,758 for the years ended December 31, 2009 and 2008, respectively.*

### 4. ASSETS AND LIABILITIES RELATED TO ASSETS HELD FOR THE FEDERAL USF

In connection with USAC's administration of the Programs, USAC collects monies from and makes disbursements to telecommunications and service providers, as required by FCC rules, orders, and directives. As discussed in Note 1, the cash and other financial assets of the USF, which USAC administers and acts as an intermediary for, are reported at fair value in the Statements of Financial Position as assets held for the Federal USF, with an equal amount recorded as liabilities related to assets held for the Federal USF. The summary of assets applicable to the USF included below provides additional detail with respect to these amounts.

<i>(in thousands)</i>	December 31	
	2009	2008
Cash and cash equivalents	\$ 29,720	\$ 53,410
Investments	5,460,179	5,524,643
Accounts receivable	982,505	1,022,719
Allowance for doubtful accounts	(277,618)	(282,971)
Interest receivable	3,099	3,609
<b>Total Current Assets Held for the Federal USF</b>	<b>\$ 6,197,885</b>	<b>\$ 6,321,410</b>
Fixed Assets Held for Federal USF	16,460	14,369
<b>Total Assets Held for the Federal USF</b>	<b>\$ 6,214,345</b>	<b>\$ 6,335,779</b>

**SHORT-TERM INVESTMENTS**—USAC, as the administrator of the USF, considers all securities purchased with an original maturity of greater than three months and a current maturity of less than or equal to one year to be short-term investments. Short-term investments consist solely of United States Treasury securities with readily determinable fair values. USAC, as the

administrator of the USF, accounts for its investments in accordance with investment accounting standards for not-for-profit organizations. USAC also accounts for investments at fair value in accordance with fair value measurement accounting standards. At December 31, 2009 and 2008, there were \$4.98 billion and \$5.50 billion in short-term investments, respectively.

**LONG-TERM INVESTMENTS**—USAC, as the administrator of the USF, considers all securities purchased with a current maturity of greater than one year to be long-term investments. These investments are accounted for in accordance with fair value measurement accounting standards. Long-term investments consist primarily of United States Treasury debt securities with readily determinable fair values. At December 31, 2009 and 2008, the USF had \$478.6 million and \$25.4 million of long-term investments, respectively.

**ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**—USAC, as the administrator of the USF, recognizes accounts receivable arising from amounts billed to contributors and the recovery of funds from service providers and beneficiaries, which remain unpaid. Accounts receivable are recorded at invoiced amounts and generally do not bear interest. Based on the Debt Collection Improvement Act ("DCIA"), all receivables over 90-days delinquent are transferred to the FCC for collection, except for receivables where the debtor has appealed the validity of the amount owed or the debtor has sought protection under Chapter 7 or 11 of the United States Bankruptcy Code. The DCIA receivable balances transferred to the FCC remain as USF receivables. All receipts of DCIA transferred receivables are the property of the USF fund and, if collected, are transferred to the USF by the FCC.

In 2008, USAC, in compliance with FCC Order 07-150, adopted August 22, 2007, initiated the process of assessing interest and penalties on all receivables over 30 days delinquent and receivables transferred to the FCC for collection.

Gross receivables are reduced to net realizable value by the allowance for doubtful accounts, which reflects the Company's estimate of exposure to risk of nonpayment of billed balances, determined principally on the basis of its collection experience. The allowance includes reserves for identified bankruptcies, identified inactive contributors, delinquent amounts that are referred to the FCC for enforcement, and other items. Management periodically reviews such estimates and management's assessment of recoverability may change based on actual results.

Accounts receivable write-offs are submitted by the Collections Manager to the FCC each quarter. Generally, each account has been outstanding more than five years prior to write-off consideration. USF write-off policy is determined based on the FCC Policies and Procedures Manual, Chapter 4: Accounts Receivable and Revenues, Section 360: Cancellation, Termination, Write-Off and Close-out Policy of Delinquent Debt. The Commission's authority to write-off is set forth in 31 U.S.C. § 3711, and 31 C.F.R. Parts 902-904, Federal Claims Collection Standards ("FCCS").

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement accounting standards establish a common definition for fair value to be applied to accounting principles generally accepted in the United States requiring use of fair value. These standards establish a framework for measuring fair value and expand disclosures about such fair value measure-

ments. These standards also clarify that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, fair value measurement accounting standards establish a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. Fair value measurement accounting standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

**LEVEL 1**—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access;

**LEVEL 2**—Inputs, other than quoted prices in active markets for similar assets or liabilities, that are observable either directly or indirectly; and

**LEVEL 3**—Unobservable inputs for which there is little or no market data, requiring the reporting entity to develop its own assumptions (i.e., separate accounts tailored and managed by a portfolio manager).

USAC adopted fair value measurement accounting standards as of January 1, 2008, for financial assets and liabilities. USAC utilizes the best information available in measuring fair value, and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The following table summarizes the valuation of the

investments according to the fair value measurement classifications as of December 31, 2009:

<i>(in thousands)</i>	<b>US Treasuries</b>
<b>Total</b>	\$ 5,460,179
<b>Active Markets for Identical Assets (Level 1)</b>	\$ 5,460,179
<b>Observable Inputs (Level 2)</b>	\$ 0
<b>Unobservable Inputs (Level 3)</b>	\$ 0

The following table summarizes the valuation of the investments according to the fair value measurement classifications as of December 31, 2008:

<i>(in thousands)</i>	<b>US Treasuries</b>
<b>Total</b>	\$ 5,524,643
<b>Active Markets for Identical Assets (Level 1)</b>	\$ 5,524,643
<b>Observable Inputs (Level 2)</b>	\$ 0
<b>Unobservable Inputs (Level 3)</b>	\$ 0

## 6. INCOME TAXES

USAC is a not-for-profit organization subject to income taxes related to permanent and temporary differences such as meals and entertainment expense and financial accounting versus tax depreciation. Income taxes for 2009 and 2008 are not material and are included as a component of administrative costs.

## 7. COMMITMENTS AND CONTINGENCIES

**Commitments to Schools, Libraries, and Rural Health Care Facilities**—The management of USAC has developed operational procedures to administer the application process through which eligible schools and libraries and rural health care providers can apply for benefits under the Schools and Libraries and Rural

Health Care Programs, respectively. These operational procedures enable USAC to review and process applications resulting in funding commitment letters that are issued to eligible schools and libraries and rural health care providers. USAC, as the administrator of the USF, also receives funds returned by service providers and beneficiaries and applies those funds to reduce the disbursements to schools, libraries, and rural health care providers. Total commitments to schools, libraries and rural health care facilities as of December 31, 2009 were \$3.3 billion.

### FIXED CONTRACT COMMITMENTS

**LaSalle Bank Agreement**—On May 1, 2001, USAC entered into an agreement with LaSalle Bank N.A. ("LaSalle") (the "LaSalle Agreement"). The LaSalle Agreement contract period runs from July 1 through June 30 of the following year. The initial LaSalle Agreement five-year contract ended June 30, 2006. On December 28, 2005, USAC notified LaSalle that it would exercise the first of three one-year renewal options under the LaSalle Agreement, which extended the expiration of the LaSalle Agreement from July 1, 2006 to June 30, 2007. In early 2007, USAC notified LaSalle that it would exercise the second one-year renewal and on September 8, 2007, signed an amendment to the contract extending the expiration to June 30, 2008. In early 2008, USAC notified LaSalle that it would exercise the third one-year renewal and on May 9, 2008, signed an amendment to the contract extending the LaSalle Agreement through June 30, 2009, at which point it expired. Under the terms of the LaSalle Agreement, LaSalle provided banking and investment management services for a fixed annual contractual amount that may be satisfied by fees derived by LaSalle from the investment of a portion of the custodial assets.

Bank of America, N.A. ("Bank of America") acquired LaSalle effective October 17, 2008.

**Bank of America Agreement**—On June 22, 2009, USAC entered into an agreement with Bank of America ("Bank of America Agreement") for banking and investment management services. The Bank of America Agreement is a four-year contract that runs from July 1, 2009 to June 30, 2013. Bank of America provides banking and investment management services for a fixed annual contractual amount that may be satisfied by funds derived by Bank of America from the investment of balances maintained in demand deposit accounts.

**Solix Agreement**—On May 1, 2000, USAC entered into an agreement with NECA ("Agreement"). The Agreement was a three-year contract, which ran from July 1, 2000 to June 30, 2003. On July 1, 2002, the Agreement was amended and extended to June 30, 2005, with renewal options through June 30, 2008. On January 1, 2003, the contract was assigned to NECA Services. On November 14, 2005, NECA Services became Solix. Effective March 29, 2005, USAC executed a partial exercise of the contract renewal option by extending the Agreement through December 31, 2006. On April 25, 2006, USAC executed a partial exercise of the contract renewal option by extending the Agreement through December 31, 2007. On December 12, 2007, USAC executed a partial contract extension through June 30, 2009 for the Schools and Libraries and Rural Health Care operational support services. In February 2009, USAC signed a modification of the current partial contract extension with NECA. On June 9, 2009, USAC signed a modification of the contract extension with NECA. Under the terms of the modified agreement, Solix provides programmatic support service and operational

support transition assistance for the Schools and Libraries and Rural Health Care Programs. USAC has the option to extend the contract up to one additional year or until June 30, 2011. The future contractual required payments for the period January 1, 2010 through June 30, 2010, under the Agreement for both the Schools and Libraries and Rural Health Care Programs total \$22.4 million. In the event the Agreement between Solix and USAC is terminated, any USAC equipment and software held by Solix pursuant to the terms of the Agreement, is to be transferred to USAC.

*Telcordia Agreement*—On September 2, 2003, USAC entered into an agreement with Telcordia Technologies, Inc. ("Telcordia") (the "Telcordia Agreement"). The Telcordia Agreement is a five-year contract with a four month transition phase, in the event the contract is not renewed or extended, that runs from September 2, 2003 to December 31, 2008, with a renewal option for one year. On September 3, 2008, USAC notified Telcordia of its intention to exercise the one year renewal option. Under the terms of the agreement, Telcordia provided program support services to the High Cost and Low Income Programs. At December 31, 2009, the Telcordia Agreement expired, and the services provided by Telcordia under the agreement will be performed by USAC going forward. Telcordia will provide support for 60 days after the expiration of the Telcordia Agreement to assist USAC with the transition. For the period January 1, 2010 through February 28, 2010, USAC paid approximately \$0.2 million under the Telcordia Agreement.

*SAIC Agreement*—On January 2, 2008, USAC entered into an agreement with the Science Applications International Corporation ("SAIC Agreement"). The SAIC Agreement is a five-year contract which runs from January 1, 2008 to

December 31, 2012. Under the terms of the SAIC Agreement, SAIC provides information technology support services to USAC and upgrade and transition support for hardware, software, and related customer support. The future contractual required payments under the SAIC Agreement for the period January 1, 2010 through December 31, 2012, are \$14.8 million.

**LEASE COMMITMENTS**

USAC leases its office space under three operating lease agreements expiring on September 30, 2015. At December 31, 2009, the future minimal rental payments under these leases are as follows (in thousands):

<b>2010</b>	\$ 2,224
<b>2011</b>	2,273
<b>2012</b>	2,309
<b>2013</b>	2,363
<b>2014</b>	2,425
<b>Thereafter</b>	1,857
<b>Total</b>	<b>\$13,451</b>

Rent expense under operating leases was \$2.1 million and \$1.8 million for the years ended December 31, 2009 and 2008, respectively.

**LEGAL DISPUTES**

The Company is involved in various legal proceedings and claims incidental to the normal conduct of its business. The Company reports matters herein where the value of a claim asserted by or against the Company exceeds \$450,000 or more for an individual matter, or for matters relating to the same plaintiff or defendant that in the aggregate amount to \$450,000 or more. The Company reports the following matters:

- A former employee filed suit against the Company on May 31, 2007, alleging termination of employment and other discrimination on the

basis of race and ancestry in violation of the Civil Rights Act of 1866. The former employee sought reinstatement and damages in an unspecified amount. The Company and the plaintiff entered into an agreement settling this dispute on July 17, 2009, and the matter is now closed.

- A complaint was filed against the Company on April 27, 2007, by a telecommunications carrier alleging the Company failed to pay High Cost Support Mechanism benefits in the amount of \$900,000 to the company following the acquisition of certain exchanges by the company from another carrier. On October 15, 2007, the court stayed the action indefinitely on the grounds that the FCC has primary jurisdiction to decide the issues raised in the complaint. To date, the FCC has not issued a decision on this matter. At the present time, the Company is unable to estimate whether an unfavorable outcome is likely in the matter pending before the court and/or the FCC or the amount or range of potential loss, if any.
- A complaint was filed against the Company on December 28, 2007, by a Schools and Libraries Support Mechanism service provider in Texas alleging the Company failed to make payments on approved funding requests for a support mechanism applicant. The plaintiff seeks to recover liquidated damages of approximately \$778,000 plus exemplary damages of three times this amount. On September 22, 2008, the United States District Court for the Southern District of Texas dismissed the plaintiff's claim with prejudice. The plaintiff appealed the district court's decision to the United States Court of Appeals for the Fifth Circuit. The court has not yet issued a decision. In addition, the plaintiff appealed the Company's decision to withhold program

funding to the FCC pursuant to 47 C.F.R. § 54.719. On August 28, 2009, the Wireline Competition Bureau released an order (DA 091946) affirming the Company's decision and directing the plaintiff and the Company to take certain actions toward resolving the matter. The plaintiff then filed a Petition for Reconsideration of a portion of the bureau's decision with the FCC on September 27, 2009. The petition is pending before the FCC. At the present time, the Company is unable to estimate whether an unfavorable outcome is likely in the matter pending before the court and/or the FCC or the amount or range of potential loss, if any.

- A complaint was filed against the Company on January 2, 2008, by a Schools and Libraries Support Mechanism service provider in Kentucky alleging that the Company interfered with the provider's contractual relationships with three separate school districts. The plaintiff has not specified the amount of damages it is seeking to recover. On June 6, 2008, the United States District Court for the Southern District of Kentucky dismissed the plaintiff's complaint. The plaintiff is also pursuing this matter through the administrative appeals process at the FCC. At the present time, the Company is unable to estimate whether an unfavorable outcome is likely or the amount or range of potential loss, if any.
- A complaint was filed on March 3, 2009, by a Schools and Libraries Support Mechanism service provider in Massachusetts federal district court against the Company alleging improper denial of certain funding requests and initiation of recoveries of funds previously paid to the plaintiff. This suit is similar to the

matters in Texas and Kentucky discussed above where the Company was sued while appeals are still pending at the FCC and/or the Company. The plaintiff asked the court to determine that it did not violate Schools and Libraries Program rules, direct the Company to pay over \$6.4 million of funding requests plus interest and penalties, and find that the Company interfered with the plaintiff's business relationship with certain school districts. The court granted the Company's motion to dismiss the action without prejudice on October 20, 2009. On November 30, 2009, the plaintiff appealed the judgment to the United States Court of Appeals for the 1st Circuit. The briefing schedule in this matter has not been finalized because the plaintiff's counsel withdrew, and the plaintiff is attempting to retain counsel to represent it going forward.

- A complaint was filed against the Company on November 7, 2009, by the Chapter 7 bankruptcy trustee for a Schools and Libraries Support Mechanism service provider in federal bankruptcy court in Texas demanding turnover of \$20,112,899 in program funds frozen due to allegations of fraud involving service providers in the Houston and Dallas Independent School Districts. The Company has filed a motion to dismiss the action or, in the alternative, remove the action from the bankruptcy court to the overseeing federal district court. At the present time, the Company is unable to estimate whether an unfavorable outcome is likely or the amount or range of potential loss, if any. In addition, the United States Department of Justice has filed a related \$20 million claim against the plaintiff for violations of the False Claims Act.

The Company is vigorously defending the matters described above. Although it is impossible to predict the outcome of these or any of the other outstanding legal proceedings involving the Company, the Company believes that such outstanding legal proceedings and claims, individually and in the aggregate, are not likely to have a material effect on its financial position or results of operations.

## 8. RETIREMENT PLANS

USAC has a 401(k) Retirement Savings Plan covering all USAC regular employees. The plan is both contributory and noncontributory and all contributions are subject to certain limitations as prescribed by the plan document and government regulations. Employees are immediately vested in the employer contribution, which is funded on a current basis. Employer contributions charged to operations were \$1.9 million and \$1.6 million during 2009 and 2008, respectively.

## 9. SUBSEQUENT EVENTS

On March 30, 2010, USAC notified Solix that it would extend the Solix agreement for a period of one year or until June 30, 2011, as provided for under the terms of the Agreement. The future contractual required payments for the period July 1, 2010 through June 30, 2011, under the Agreement for both the Schools and Libraries and Rural Health Care Programs total \$44.3 million.

USAC has performed an evaluation of subsequent events through June 30, 2010, which is the date the financial statements were available to be issued, noting no additional events which affect the financial statements as of December 31, 2009.

## Combining Supplemental Schedules of Assets and Liabilities Applicable to the Federal USF (Unaudited)

As of December 31, 2009 and 2008 | (in thousands)

	2009					2008				
	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total
<b>ASSETS</b>										
Cash & cash equivalents	\$(515,556)	\$130,853	\$16,617	\$397,806	\$29,720	\$(756,002)	\$385,251	\$156,637	\$267,524	\$53,410
Investments	5,460,179	0	0	0	5,460,179	5,524,643	0	0	0	5,524,643
Receivables	376,723	465,561	124,951	15,270	982,505	383,680	531,009	91,951	16,079	1,022,719
Allowance for doubtful accounts	(136,674)	(116,797)	(21,553)	(2,594)	(277,618)	(146,696)	(112,884)	(21,010)	(2,381)	(282,971)
Interest receivable	3,173	(71)	295	(298)	3,099	3,619	(59)	321	(272)	3,609
<b>Asset current held for the Federal USF</b>	<b>5,187,845</b>	<b>479,546</b>	<b>120,310</b>	<b>410,184</b>	<b>6,197,885</b>	<b>5,009,244</b>	<b>803,317</b>	<b>227,899</b>	<b>280,950</b>	<b>6,321,410</b>
Receivable from USAC	(59,257)	61,407	18,079	(4,404)	15,825	(14,915)	22,997	4,286	(2,768)	9,600
<b>TOTAL</b>	<b>\$5,128,588</b>	<b>\$540,953</b>	<b>\$138,389</b>	<b>\$405,780</b>	<b>\$6,213,710</b>	<b>\$4,994,329</b>	<b>\$826,314</b>	<b>\$232,185</b>	<b>\$278,182</b>	<b>\$6,331,010</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>										
Payable to service providers	\$14,490	\$6,419	\$561	\$12	\$21,482	\$26,598	\$10,530	\$4,226	\$4	\$41,358
Payable to contributors	13,348	23,450	6,949	1,204	44,951	2,625	5,326	952	249	9,152
Accrued liabilities	0	388,317	100,797	0	489,114	0	421,047	67,168	0	488,215
Unearned revenue	3	4	1	0	8	2	4	1	0	7
<b>TOTAL</b>	<b>\$27,841</b>	<b>\$418,190</b>	<b>\$108,308</b>	<b>\$1,216</b>	<b>\$555,555</b>	<b>\$29,225</b>	<b>\$436,907</b>	<b>\$72,347</b>	<b>\$253</b>	<b>\$538,732</b>

Note: This schedule reflects the assets and liabilities (excluding Fixed Assets) of the Federal USF at December 31, 2009 and 2008, for each of the support programs. Total Fixed Assets Held for Federal USF, net of accumulated depreciation was \$16,460 and \$14,369 in 2009 and 2008, respectively.

## Combining Supplemental Schedules of Changes in Net Assets Applicable to the Federal USF (Unaudited)

For the Years Ended December 31, 2009 and 2008 | (in thousands)

	2009					2008				
	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total USF	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total USF
<b>ADDITIONS</b>										
Amounts billed to contributors	\$2,121,480	\$4,072,749	\$903,729	\$204,658	\$7,302,616	\$2,195,211	\$4,526,919	\$832,775	\$188,747	\$7,743,652
Interest income	27,725	1,870	680	1,930	32,205	107,778	10,006	4,032	4,748	126,563
<b>Total Additions</b>	<b>2,149,205</b>	<b>4,074,619</b>	<b>904,409</b>	<b>206,588</b>	<b>7,334,821</b>	<b>2,302,989</b>	<b>4,536,925</b>	<b>836,807</b>	<b>193,495</b>	<b>7,870,215</b>
<b>DEDUCTIONS</b>										
Amount paid and due to service providers	1,891,517	4,276,300	1,029,393	72,693	7,269,903	1,753,683	4,504,979	819,510	48,811	7,126,983
Allowance for doubtful accounts	(7,477)	1,880	132	113	(5,352)	8,788	(2,269)	(1,907)	225	4,837
Operating expenses	121,123	57,471	3,565	8,336	190,495	113,868	46,925	1,243	6,280	168,314
Unrealized/realized gain or loss	(1,043)	0	0	0	(1,043)	(16,489)	0	0	0	(16,489)
Non-expenditure financing (FCC transfer)	0	0	0	0	0	6,198	12,613	2,294	376	21,480
<b>Total Deductions</b>	<b>2,004,120</b>	<b>4,335,651</b>	<b>1,033,090</b>	<b>81,142</b>	<b>7,454,003</b>	<b>1,866,047</b>	<b>4,562,247</b>	<b>821,140</b>	<b>55,691</b>	<b>7,305,125</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$145,085</b>	<b>\$(261,032)</b>	<b>\$(128,681)</b>	<b>\$125,446</b>	<b>\$(119,182)</b>	<b>\$436,942</b>	<b>\$(25,322)</b>	<b>\$15,667</b>	<b>\$137,804</b>	<b>\$565,089</b>

Note: This schedule reflects the changes in net assets of the Federal USF for the years ended December 31, 2009 and 2008, for each of the support programs.

## Combining Supplemental Schedules of Cash Flows Applicable to the Federal USF (Unaudited)

For the Year Ended December 31, 2009 | (in thousands)

	2009				
	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from contributors	\$2,128,794	\$4,138,083	\$870,707	\$205,460	\$7,343,044
Interest received	43,013	1,882	706	1,956	47,557
Cash paid to service providers	(1,892,901)	(4,295,017)	(993,432)	(71,730)	(7,253,080)
Cash paid for administrative costs	(76,781)	(95,881)	(17,358)	(6,700)	(196,720)
Non-expenditure financing (FCC transfer)	0	0	0	0	0
<b>Net cash provided by (used in) operating activities</b>	<b>202,125</b>	<b>(250,933)</b>	<b>(139,377)</b>	<b>128,986</b>	<b>(59,199)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Redemption of investments	11,110,257	0	0	0	11,110,257
Purchase of investments	(11,074,748)	0	0	0	(11,074,748)
<b>Net cash used in investing activities</b>	<b>35,509</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,509</b>
<b>INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	<b>237,634</b>	<b>(250,933)</b>	<b>(139,377)</b>	<b>128,986</b>	<b>(23,690)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning of year	(751,774)	432,856	107,653	264,675	53,410
<b>END OF YEAR</b>	<b>\$(514,140)</b>	<b>\$181,923</b>	<b>\$(31,724)</b>	<b>\$393,661</b>	<b>\$29,720</b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$145,085	\$(261,032)	\$(128,681)	\$125,446	\$(119,182)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:</i>					
Bad debt expense	(7,477)	1,880	132	113	(5,352)
Amortized discount	14,842	0	0	0	14,842
Unrealized/realized gain or loss	(1,043)	0	0	0	(1,043)
<i>Changes in operating assets and liabilities:</i>					
Decrease (increase) in interest receivable	446	12	26	26	510
Decrease (increase) in accounts receivable	7,314	65,334	(33,022)	802	40,428
Decrease (increase) in receivable from USAC	44,342	(38,410)	(13,793)	1,636	(6,225)
Increase (decrease) in liabilities	(1,384)	(18,717)	35,961	963	16,823
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$202,125</b>	<b>\$(250,933)</b>	<b>\$(139,377)</b>	<b>\$128,986</b>	<b>\$(59,199)</b>

Note: This schedule reflects the cash flows of the Federal USF for the year ended December 31, 2009, for each of the support programs.

## Combining Supplemental Schedules of Cash Flows Applicable to the Federal USF (Unaudited)

For the Year Ended December 31, 2008 | (in thousands)

	<b>2008</b>				
	Schools & Libraries	High Cost	Low Income	Rural Health Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from contributors	\$2,167,590	\$4,516,636	\$841,571	\$182,240	\$7,708,037
Interest received	135,030	10,345	4,171	4,922	154,467
Cash paid to service providers	(1,754,670)	(4,463,680)	(819,627)	(48,925)	(7,086,902)
Cash paid for administrative costs	(117,271)	(45,899)	(1,846)	(7,001)	(172,015)
Non-expenditure financing (FCC transfer)	(6,198)	(12,613)	(2,294)	(376)	(21,480)
<b>Net cash provided by (used in) operating activities</b>	<b>424,482</b>	<b>4,790</b>	<b>21,975</b>	<b>130,861</b>	<b>582,106</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Redemption of investments	11,016,273	0	0	0	11,016,273
Purchase of investments	(11,632,241)	0	0	0	(11,632,241)
<b>Net cash used in investing activities</b>	<b>(615,968)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(615,968)</b>
<b>INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	<b>(191,486)</b>	<b>4,790</b>	<b>21,975</b>	<b>130,861</b>	<b>(33,862)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning of year	(560,288)	428,066	85,678	133,815	87,271
<b>END OF YEAR</b>	<b>\$(751,774)</b>	<b>\$432,856</b>	<b>\$107,653</b>	<b>\$264,675</b>	<b>\$53,410</b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS PROVIDED BY (USED IN) CASH FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$436,941	\$(25,322)	\$15,667	\$137,804	\$565,089
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:</i>					
Bad debt expense	8,859	(2,283)	(1,906)	165	4,835
Amortized discount	23,490	0	0	0	23,490
Unrealized/realized gain or loss	(16,489)	0	0	0	(16,489)
<i>Changes in operating assets and liabilities:</i>					
Decrease (increase) in interest receivable	3,762	339	139	174	4,414
Decrease (increase) in accounts receivable	(27,692)	(10,269)	8,795	(6,447)	(35,613)
Decrease (increase) in receivable from USAC	(3,403)	1,026	(603)	(721)	(3,701)
Increase (decrease) in liabilities	(987)	41,299	(117)	(114)	40,081
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$424,481</b>	<b>\$4,790</b>	<b>\$21,975</b>	<b>\$130,861</b>	<b>\$582,106</b>

Note: This schedule reflects the cash flows of the Federal USF for the year ended December 31, 2008, for each of the support programs.

**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**PricewaterhouseCoopers LLP**

1800 Tysons Boulevard  
McLean, VA 22102-4261

Telephone (703) 918 3000  
Facsimile (703) 918 3100

To the Board of Directors of Universal Service Administrative Company:

We have audited the financial statements of Universal Service Administrative Company (the "Company") as of and for the year ended December 31, 2009, and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we

identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described below to be significant deficiencies in internal controls over financial reporting.

**OBSERVATION 1**

During the audit it was noted that \$749 thousand in accrued expenses were paid before December 31, 2009 but not removed from accrued liabilities. The Finance Department records liabilities for services rendered but not yet billed based on estimates from the vendor or program managers. When the invoice is received the accrual is reversed and a liability is recorded in the accounts payable general ledger account and subsequently paid. In the instance noted above management failed to reverse the original accrual at the time the invoices were received.

It was also noted while reviewing disbursement registers that check numbers were not sequential and specific check numbers had not been used.

**RECOMMENDATION**

- i. We recommend that management strengthen their review procedures at period end to ensure all liabilities are appropriately recorded in the correct accounting period and all required journal entries are recorded when an invoice is received.
- ii. Management should also review disbursement registers to ensure all checks are appropriate and to ensure that any check numbers out of sequence are identified, investigated and documented.

This is a continuing significant deficiency from the prior year.

**OBSERVATION 2**

During the audit we noted instances with the USAC fixed asset account where supporting documentation did not agree to schedules provided and adjustments were necessary due to errors in previous months.

Specifically, amounts presented as additions to fixed assets and transfers from projects in process ("PIP") on the fixed asset roll-forward did not accurately reflect the activity indicated. New purchases and transfers were combined within the same column and management encountered challenges separating new purchases from transfers when inquiries were made by the auditor.

It was also noted that assets that were retired during the year were included in the new purchases detail provided.

**RECOMMENDATION**

- iii. We recommend that management enhance their review of balance sheet and income statement accounts on a monthly basis to ensure all significant transactions have been included and are appropriately accounted for and all components of the reconciliation can be supported by relevant information.

This is a continuing significant deficiency from the prior year.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify a control deficiency that would be considered a material weakness in internal controls over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following is a summary of the status of prior year recommendations communicated in our report dated June 15, 2009:

Recommendation	Audit Area Condition	Status
1. Obtain supporting evidence for all estimates provided to the Finance Department and assess the reasonableness of those estimates.	Accrued Liabilities	Remediated
2. Develop a formalized procedure to assess completeness of the accrued liabilities.	Standard Recurring Entries	Remediated
3. Enhance existing procedures to include a more detailed review to ensure all standard recurring entries are being recorded and updated.	Standard Recurring Entries	Remediated
4. Ensure all book balances agree to the general ledger and sub-ledger.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	Remediated
5. Properly resolve any identified reconciling items on a timely basis and provide sufficient explanations for variances that have been identified.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	Remediated
6. Ensure all components of the reconciliation can be supported and retain relevant support with the reconciliation.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	In-progress
7. Ensure all significant transactions have been included and are appropriately accounted for.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	Remediated
8. Ensure all general ledger asset and liability accounts have the appropriate ending debit/credit balance based on the accounts characteristics.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	Remediated
9. Ensure closing schedule checklist includes all relevant and key steps of the closing process and is finalized after all procedures have been completed and reviewed.	Supervisory Review Procedures — Cash, USF Accounts Receivable, Fixed Assets and Accounts Payable	Remediated

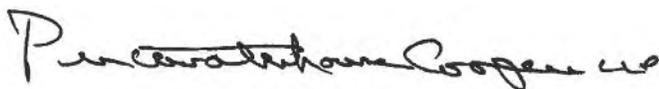
### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Management's response to our observations follows this report. We did not audit management's response and accordingly, we express no assurance on this report.

We noted certain other matters that we reported to management of the Company in a separate letter.

This report is intended solely for the information and use of the Company's Audit Committee, management, and the Office of Inspector General of the Federal Communications Commission, and is not intended to be and should not be used by anyone other than these specified parties.



June 30, 2010



June 17, 2010

**Board of Directors**  
Universal Service Administrative Company  
Attn: Dr. Brian L. Talbott  
2000 L Street NW • Suite 200  
Washington, DC 20036

Dear Dr. Talbott:

The FY 2009 Independent Auditor's Reports on Internal Control over Financial Reporting reported two significant deficiencies in the internal controls over the financial statement process. USAC Management response is included below.

### **Significant Deficiencies**

#### **1. ENHANCE POLICIES AND PROCEDURES OVER ACCRUED LIABILITIES**

##### **MANAGEMENT'S RESPONSE**

Management concurs with the finding. In 2010, USAC has addressed this issue concerning the review of accrued liabilities. USAC Accounting has added additional staff to assist in the preparation and review of quarterly and yearend accrued liabilities. USAC has also implemented new procedures which adequately address this issue. USAC will also perform an off-quarter accrued liability establishment every November to ensure that a complete accrual is established, reviewed and approved one month prior to year end.

We agree with the auditors' finding regarding out of sequence check numbers, and the following action will be taken to address the situation. USAC will review check number sequence listed on the check/disbursement registers after each check run. When discrepancies are noted, USAC Accounting will research and document the cause.

#### **2. ENHANCE CONTROLS OVER COMPLETION OF FIXED ASSETS RECONCILIATION AND ACCURACY OF SUPPORTING SCHEDULES**

##### **MANAGEMENT'S RESPONSE**

We agree with the auditors' comments and in accordance with the auditor's findings, management has implemented appropriate corrective action for a more comprehensive fixed assets reconciliation and review to ensure the accuracy and validity of fixed asset entries and balances. USAC has redesigned the fixed assets reconciliation worksheet by adding several columns that clearly identify all significant fixed asset transaction types. All fixed asset transactions types will be reconciled back to general ledger and supporting documentation.

We are committed to continually strengthening USAC's internal controls over financial reporting and processes. We look forward to working in FY 2010 to resolve any FY 2009 audit findings and to further improve the completeness, timeliness, and accuracy of USAC's financial information.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Erwin".

W. B. Erwin, *Vice President of Finance*

# Universal Service Fund Program Statistics — 2010

The following pages contain data from the four universal service programs administered by USAC. To better understand the data, please note the difference between disbursements and commitments as well as program/funding year versus calendar year.

## FUNDING YEAR

For the Rural Health Care and Schools and Libraries programs, a Funding Year (FY) runs from July 1 to June 30 of the following year.

## CALENDAR YEAR

The High Cost and Low Income programs disburse funds on a Calendar Year basis. Data in these tables are for Calendar Year 2010.

## DISBURSEMENTS

The tables contain the amount of support issued in Calendar Year 2010. For the Rural

Health Care and Schools and Libraries programs, the disbursement data is also shown by Funding Year in addition to the total 2010 amount disbursed. For the Rural Health Care and Schools and Libraries Programs, disbursement data in the Calendar Year tables may represent multiple Funding Years.

## FUNDING COMMITMENTS

Funding commitments are not disbursements. Funding commitments are issued by the Rural Health Care and Schools and Libraries Programs via commitment letters that approve

what will be funded through support for a particular Funding Year.

Commitments made in Calendar Year 2010 may be for applications filed during previous Funding Years and the current Funding Year.

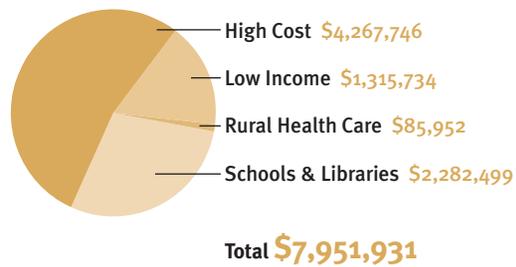
The tables for the Rural Health Care and Schools and Libraries Programs provide Calendar Year 2010 commitment data and Funding Year 2010 commitment data for program applicants.

## RURAL HEALTH CARE AND SCHOOLS AND LIBRARIES

PROGRAM FUNDING YEARS	START DATE	END DATE
Funding Year 2008 (FY2008)	July 1, 2008	June 30, 2009
Funding Year 2009 (FY2009)	July 1, 2009	June 30, 2010
Funding Year 2010 (FY2010)	July 1, 2010	June 30, 2011

## 2010 DISBURSEMENTS BY PROGRAM

Unaudited (in thousands)



## High Cost Program

Disbursements by Component, 2010 | (Unaudited — in thousands)

State	High Cost Loop	High Cost Model	Interstate Access Support	Interstate Common Line Support	Local Switching Support	Total 2010	Total 1998–12/31/10
Alabama	\$ 16,932	\$ 36,380	\$ 17,026	\$ 19,773	\$ 3,440	\$ 93,551	\$ 1,188,410
Alaska	89,774	0	0	103,990	25,206	218,970	1,525,262
American Samoa	3	0	0	2,921	907	3,831	26,216
Arizona	29,112	0	15,591	15,500	7,342	67,545	798,497
Arkansas	52,113	0	234	46,275	6,633	105,255	1,451,309
California	24,034	0	37,279	26,264	4,247	91,824	1,132,884
Colorado	30,528	0	17,814	22,944	4,580	75,866	905,485
Connecticut	0	0	489	0	0	489	16,192
Delaware	0	0	265	0	0	265	6,184
District of Columbia	0	0	0	0	0	0	0
Florida	5,106	0	48,871	11,025	2,691	67,693	898,139
Georgia	34,578	0	19,508	51,335	10,148	115,569	1,371,067
Guam	3,061	0	0	12,173	848	16,082	118,939
Hawaii	39,850	0	2,047	18,153	1,721	61,772	345,870
Idaho	21,034	0	12,171	13,168	5,412	51,785	611,792
Illinois	20,972	0	9,339	32,480	9,107	71,898	701,609
Indiana	27,780	0	15,646	29,032	6,832	79,290	680,520
Iowa	36,602	0	10,640	59,501	22,480	129,222	1,026,785
Kansas	108,361	0	5,863	67,409	13,673	195,307	1,843,589
Kentucky	35,450	14,728	15,048	33,272	5,300	103,799	887,920
Louisiana	78,255	0	11,587	41,897	4,741	136,480	1,421,624
Maine	3,541	1,770	52	13,371	5,805	24,540	379,251
Maryland	144	0	2,319	928	376	3,767	43,968
Massachusetts	48	0	1,460	221	529	2,258	59,553
Michigan	18,299	0	515	21,995	8,762	49,571	644,853
Minnesota	34,928	0	2,541	53,932	14,306	105,707	1,153,188
Mississippi	30,157	188,392	20,857	17,354	3,792	260,553	2,457,165
Missouri	52,575	0	10,209	39,921	4,667	107,372	1,103,676
Montana	32,667	13,863	756	32,102	6,422	85,810	866,200
Nebraska	28,109	7,059	5,846	32,508	15,135	88,657	776,933
Nevada	6,023	0	9,111	5,174	4,132	24,440	310,822
New Hampshire	504	0	2,275	3,872	3,019	9,671	123,214
New Jersey	1	0	260	354	924	1,538	28,298
New Mexico	33,937	0	6,988	27,747	13,020	81,692	704,018
New York	6,518	0	12,274	14,377	10,979	44,148	638,640
North Carolina	10,129	0	22,916	40,673	5,913	79,631	833,174
North Dakota	42,525	0	658	42,681	11,703	97,567	752,967
Northern Mariana Islands	0	0	92	0	1,122	1,214	30,576
Ohio	10,937	0	9,646	15,702	2,658	38,943	427,707
Oklahoma	73,656	0	3,367	54,697	17,158	148,877	1,364,897
Oregon	26,234	0	14,991	27,670	6,077	74,972	849,383
Pennsylvania	1,505	0	19,004	35,386	6,007	61,902	625,603
Puerto Rico	0	0	0	208,626	0	208,626	1,734,516
Rhode Island	0	0	35	0	0	35	491
South Carolina	41,409	0	9,259	59,023	8,856	118,547	962,541
South Dakota	43,544	2,184	122	36,227	8,018	90,096	763,303
Tennessee	17,555	0	8,902	28,817	5,422	60,695	623,171
Texas	115,583	0	35,494	78,284	18,034	247,395	2,648,873
Utah	5,734	0	2,063	12,097	3,296	23,190	248,118
Vermont	2,992	6,085	2,790	6,106	3,026	20,999	326,463
Virgin Islands	5,255	0	0	14,284	0	19,539	304,253
Virginia	3,605	0	54,387	9,964	3,406	71,362	819,537
Washington	22,474	0	24,556	37,235	7,018	91,282	1,023,738
West Virginia	2,514	28,285	17,607	3,613	1,377	53,396	789,577
Wisconsin	37,256	0	123	75,248	18,379	131,007	1,302,142
Wyoming	14,776	11,041	4,528	17,336	4,575	52,256	594,415
<b>TOTAL</b>	<b>\$ 1,378,679</b>	<b>\$ 309,789</b>	<b>\$ 545,419</b>	<b>\$ 1,674,636</b>	<b>\$ 359,222</b>	<b>\$ 4,267,746</b>	<b>\$ 43,273,541</b>

Note: Numbers may not add due to rounding. High Cost Loop support includes two sub-components: Safety Net Additive Support and Safety Valve Support.

## High Cost Program

Disbursements by Rural/Non-Rural, 2010 | (Unaudited – in thousands)

State	Total Rural	Total Non-Rural	Total 2010
Alabama	\$ 38,896	\$ 54,655	\$ 93,551
Alaska	155,077	63,893	218,970
American Samoa	1,501	2,330	3,831
Arizona	53,523	14,023	67,545
Arkansas	94,467	10,788	105,255
California	59,424	32,400	91,824
Colorado	54,138	21,728	75,866
Connecticut	0	489	489
Delaware	0	265	265
District of Columbia	0	0	0
Florida	33,257	34,436	67,693
Georgia	90,862	24,706	115,569
Guam	10,662	5,420	16,082
Hawaii	49,002	12,770	61,772
Idaho	48,915	2,870	51,785
Illinois	57,800	14,098	71,898
Indiana	64,551	14,739	79,290
Iowa	96,744	32,478	129,222
Kansas	173,073	22,233	195,307
Kentucky	63,953	39,845	103,799
Louisiana	108,295	28,185	136,480
Maine	18,093	6,447	24,540
Maryland	1,448	2,319	3,767
Massachusetts	798	1,460	2,258
Michigan	41,971	7,600	49,571
Minnesota	93,309	12,398	105,707
Mississippi	43,514	217,039	260,553
Missouri	96,408	10,964	107,372
Montana	66,707	19,103	85,810
Nebraska	64,106	24,550	88,657
Nevada	16,918	7,522	24,440
New Hampshire	7,303	2,368	9,671
New Jersey	1,538	0	1,538
New Mexico	72,300	9,393	81,692
New York	35,935	8,213	44,148
North Carolina	62,528	17,103	79,631
North Dakota	78,576	18,992	97,567
Northern Mariana Islands	1,186	27	1,214
Ohio	32,682	6,261	38,943
Oklahoma	130,802	18,075	148,877
Oregon	54,921	20,051	74,972
Pennsylvania	50,227	11,675	61,902
Puerto Rico	0	208,626	208,626
Rhode Island	0	35	35
South Carolina	108,223	10,324	118,547
South Dakota	77,321	12,775	90,096
Tennessee	53,465	7,230	60,695
Texas	214,350	33,045	247,395
Utah	22,029	1,160	23,190
Vermont	12,124	8,875	20,999
Virgin Islands	18,838	701	19,539
Virginia	26,844	44,518	71,362
Washington	52,617	38,665	91,282
West Virginia	13,237	40,160	53,396
Wisconsin	102,917	28,090	131,007
Wyoming	31,062	21,194	52,256
<b>TOTAL</b>	<b>\$ 2,958,435</b>	<b>\$ 1,309,311</b>	<b>\$ 4,267,746</b>

Note: Numbers may not add due to rounding.

## High Cost Program

Disbursements by Incumbent v. Competitive ETC, 2010 | (Unaudited — in thousands)

State	Incumbent ETC	Competitive ETC	Total 2010
Alabama	\$ 77,954	\$ 15,596	\$ 93,551
Alaska	99,500	119,470	218,970
American Samoa	814	3,017	3,831
Arizona	58,192	9,354	67,545
Arkansas	81,309	23,947	105,255
California	91,700	124	91,824
Colorado	65,837	10,029	75,866
Connecticut	489	0	489
Delaware	265	0	265
District of Columbia	0	0	0
Florida	55,103	12,589	67,693
Georgia	99,799	15,770	115,569
Guam	9,030	7,052	16,082
Hawaii	27,461	34,311	61,772
Idaho	44,028	7,757	51,785
Illinois	57,615	14,283	71,898
Indiana	74,386	4,904	79,290
Iowa	70,312	58,910	129,222
Kansas	139,593	55,714	195,307
Kentucky	75,349	28,449	103,799
Louisiana	84,278	52,202	136,480
Maine	16,355	8,184	24,540
Maryland	3,767	0	3,767
Massachusetts	2,258	0	2,258
Michigan	34,821	14,750	49,571
Minnesota	83,752	21,954	105,707
Mississippi	109,232	151,320	260,553
Missouri	89,275	18,096	107,372
Montana	71,412	14,398	85,810
Nebraska	55,933	32,723	88,657
Nevada	20,515	3,925	24,440
New Hampshire	9,453	218	9,671
New Jersey	1,538	0	1,538
New Mexico	65,329	16,364	81,692
New York	40,967	3,181	44,148
North Carolina	72,500	7,131	79,631
North Dakota	54,550	43,017	97,567
Northern Mariana Islands	747	467	1,214
Ohio	38,943	0	38,943
Oklahoma	111,791	37,086	148,877
Oregon	56,683	18,289	74,972
Pennsylvania	60,916	986	61,902
Puerto Rico	45,915	162,711	208,626
Rhode Island	35	0	35
South Carolina	112,684	5,863	118,547
South Dakota	64,925	25,171	90,096
Tennessee	59,495	1,200	60,695
Texas	221,749	25,646	247,395
Utah	22,960	229	23,190
Vermont	20,999	0	20,999
Virgin Islands	18,576	962	19,539
Virginia	59,385	11,977	71,362
Washington	55,416	35,866	91,282
West Virginia	37,555	15,842	53,396
Wisconsin	84,246	46,760	131,007
Wyoming	37,390	14,866	52,256
<b>TOTAL</b>	<b>\$ 3,055,083</b>	<b>\$ 1,212,662</b>	<b>\$ 4,267,746</b>

Note: Numbers may not add due to rounding.

## Low Income Program

Disbursements by Component, 2010 | (Unaudited – in thousands)

State	Lifeline	Link Up	Toll Limitation Service	Total 2010	Total 1998–12/31/10
Alabama	\$ 31,691	\$ 5,085	\$ 4,697	\$ 41,473	\$ 107,554
Alaska	26,709	70	61	26,839	122,008
American Samoa	80	1	0	82	732
Arizona	20,591	228	49	20,868	187,151
Arkansas	8,725	3,307	533	12,565	35,540
California	171,665	2,892	170	174,727	3,520,302
Colorado	2,287	31	4	2,323	38,711
Connecticut	8,167	29	0	8,196	68,110
Delaware	1,788	2	0	1,789	4,500
District of Columbia	1,895	49	0	1,945	13,266
Florida	82,121	3,903	2,177	88,201	341,955
Georgia	45,956	4,333	98	50,387	173,334
Guam	278	10	0	287	3,678
Hawaii	499	4	0	504	10,911
Idaho	3,399	39	7	3,445	38,617
Illinois	29,753	5,522	389	35,665	133,066
Indiana	4,007	222	5	4,233	52,513
Iowa	3,817	70	7	3,894	44,668
Kansas	3,912	562	95	4,569	28,431
Kentucky	9,377	1,632	1,212	12,221	83,881
Louisiana	24,253	7,769	3,587	35,609	78,538
Maine	8,294	172	5	8,472	106,425
Maryland	9,863	1,174	0	11,037	17,122
Massachusetts	25,907	4	1	25,912	206,788
Michigan	52,151	3,967	524	56,642	220,207
Minnesota	6,286	66	5	6,356	70,844
Mississippi	9,661	2,345	386	12,392	58,058
Missouri	9,774	1,496	158	11,429	64,243
Montana	3,741	18	4	3,762	32,213
Nebraska	1,840	23	12	1,874	23,631
Nevada	2,999	66	1	3,065	36,637
New Hampshire	1,512	7	0	1,519	8,162
New Jersey	23,211	1,738	1	24,950	131,693
New Mexico	13,581	110	26	13,717	114,802
New York	95,840	91	7	95,938	688,679
North Carolina	55,025	3,485	2,893	61,403	211,782
North Dakota	2,613	18	2	2,632	33,297
Northern Mariana Islands	172	12	0	184	1,095
Ohio	58,755	825	228	59,808	367,501
Oklahoma	67,301	8,762	3,045	79,107	397,097
Oregon	5,876	83	8	5,967	62,416
Pennsylvania	34,086	607	4	34,697	176,227
Puerto Rico	39,240	734	0	39,974	169,083
Rhode Island	2,997	5	0	3,003	54,260
South Carolina	7,823	2,180	772	10,776	51,526
South Dakota	2,182	1	1	2,184	47,227
Tennessee	39,670	2,041	251	41,962	135,274
Texas	93,792	6,028	1,908	101,728	801,404
Utah	3,673	39	15	3,727	35,780
Vermont	2,570	19	1	2,590	36,983
Virgin Islands	84	0	0	84	664
Virginia	21,311	33	0	21,345	60,698
Washington	15,560	595	22	16,177	173,501
West Virginia	5,253	598	0	5,851	13,173
Wisconsin	13,211	1,942	36	15,189	103,301
Wyoming	446	7	0	453	7,075
<b>TOTAL</b>	<b>\$ 1,217,273</b>	<b>\$ 75,050</b>	<b>\$ 23,411</b>	<b>\$ 1,315,734</b>	<b>\$ 9,806,366</b>

Note: Numbers may not add due to rounding.

## Low Income Program

Disbursements by Incumbent v. Competitive ETC, 2010 | (Unaudited — in thousands)

State	Incumbent ETC	Competitive ETC	Total 2010
Alabama	\$ 5,853	\$ 35,621	\$ 41,473
Alaska	3,105	23,734	26,839
American Samoa	81	1	82
Arizona	5,016	15,852	20,868
Arkansas	3,052	9,514	12,565
California	173,110	1,616	174,727
Colorado	2,334	-11	2,323
Connecticut	3,403	4,793	8,196
Delaware	141	1,648	1,789
District of Columbia	539	1,406	1,945
Florida	24,916	63,285	88,201
Georgia	16,860	33,527	50,387
Guam	287	0	287
Hawaii	487	17	504
Idaho	3,192	253	3,445
Illinois	6,527	29,137	35,665
Indiana	4,229	5	4,233
Iowa	3,437	457	3,894
Kansas	2,700	1,869	4,569
Kentucky	5,924	6,298	12,221
Louisiana	3,295	32,314	35,609
Maine	6,989	1,483	8,472
Maryland	784	10,254	11,037
Massachusetts	9,287	16,625	25,912
Michigan	8,458	48,184	56,642
Minnesota	5,880	476	6,356
Mississippi	7,842	4,550	12,392
Missouri	7,742	3,686	11,429
Montana	2,265	1,498	3,762
Nebraska	1,447	427	1,874
Nevada	2,715	350	3,065
New Hampshire	433	1,086	1,519
New Jersey	10,933	14,017	24,950
New Mexico	6,946	6,772	13,717
New York	30,454	65,484	95,938
North Carolina	13,270	48,133	61,403
North Dakota	2,200	433	2,632
Northern Mariana Islands	181	3	184
Ohio	26,667	33,141	59,808
Oklahoma	15,374	63,733	79,107
Oregon	4,939	1,029	5,967
Pennsylvania	14,248	20,448	34,697
Puerto Rico	15,898	24,076	39,974
Rhode Island	2,023	980	3,003
South Carolina	6,951	3,825	10,776
South Dakota	1,293	891	2,184
Tennessee	12,692	29,270	41,962
Texas	83,725	18,003	101,728
Utah	3,456	271	3,727
Vermont	2,590	0	2,590
Virgin Islands	84	0	84
Virginia	1,789	19,556	21,345
Washington	11,465	4,712	16,177
West Virginia	363	5,488	5,851
Wisconsin	6,381	8,809	15,189
Wyoming	412	41	453
<b>TOTAL</b>	<b>\$ 596,665</b>	<b>\$ 719,069</b>	<b>\$ 1,315,734</b>

Note: Numbers may not add due to rounding.

## Rural Health Care Program

Commitments and Disbursements, 2010 | (Unaudited — in thousands)

State	COMMITMENTS			DISBURSEMENTS	
	Funding Year 2010	Calendar Year 2010	Total 1998–12/31/10	Calendar Year 2010	Total 1998–12/31/10
Alabama	\$ 218	\$ 506	\$ 1,496	\$ 354	\$ 1,090
Alaska	13,869	60,008	234,881	49,749	210,042
American Samoa	0	220	478	228	478
Arizona	214	1,463	12,792	1,575	10,907
Arkansas	37	798	2,675	917	2,082
California	361	1,406	6,139	1,233	5,073
Colorado	126	344	1,810	249	1,500
Connecticut	0	0	0	0	0
Delaware	0	0	1	0	0
District of Columbia	0	0	0	0	0
Florida	36	500	3,013	226	2,288
Georgia	1,123	2,543	8,144	1,571	6,061
Guam	0	48	246	74	175
Hawaii	0	171	2,355	102	2,198
Idaho	17	468	1,861	281	1,481
Illinois	453	1,564	6,009	1,139	4,926
Indiana	127	905	3,284	846	2,645
Iowa	87	610	3,353	613	2,969
Kansas	129	465	3,807	278	3,454
Kentucky	171	738	4,480	450	3,994
Louisiana	3	62	1,073	44	974
Maine	0	67	428	58	303
Maryland	0	0	0	0	0
Massachusetts	110	219	616	130	499
Michigan	10	2,027	9,637	2,841	8,666
Minnesota	231	3,194	16,210	3,125	14,712
Mississippi	25	166	1,355	180	1,242
Missouri	188	782	2,493	571	1,939
Montana	49	816	6,282	838	5,992
Nebraska	1,083	1,923	12,300	1,612	10,687
Nevada	0	47	645	58	511
New Hampshire	3	18	105	13	94
New Jersey	0	0	0	0	0
New Mexico	59	862	4,331	660	3,365
New York	17	131	594	43	423
North Carolina	29	394	2,252	351	2,031
North Dakota	75	1,100	7,304	945	6,240
Northern Mariana Islands	0	0	0	0	0
Ohio	21	737	2,254	769	2,020
Oklahoma	5	692	2,899	797	2,431
Oregon	33	285	1,203	335	1,044
Pennsylvania	0	58	618	97	541
Puerto Rico	0	0	0	0	0
Rhode Island	0	0	0	0	0
South Carolina	0	21	296	14	279
South Dakota	38	989	7,701	680	6,869
Tennessee	195	545	1,824	350	1,463
Texas	1,446	3,059	7,156	1,691	4,632
Utah	121	875	5,670	804	4,728
Vermont	12	74	581	59	554
Virgin Islands	0	13	739	22	700
Virginia	644	1,048	5,275	1,002	4,050
Washington	4	128	852	80	707
West Virginia	24	211	1,295	199	1,159
Wisconsin	432	6,387	23,888	7,588	21,817
Wyoming	13	95	1,345	113	1,229
<b>TOTAL</b>	<b>\$ 21,837</b>	<b>\$ 99,784</b>	<b>\$ 426,046</b>	<b>\$ 85,952</b>	<b>\$ 373,269</b>

Note: There were no disbursements for Funding Year 2010 (July 1, 2010 - June 30, 2011) as of 12/31/2010. Numbers may not add due to rounding.

## Schools & Libraries Program

Commitments and Disbursements, 2010 | (Unaudited — in thousands)

State	FUNDING YEAR 2010		CALENDAR YEAR 2010		TOTAL	
	Commitments	Disbursements	Commitments	Disbursements	Commitments 1998–12/31/10	Disbursements 1998–12/31/10
Alabama	\$ 44,529	\$ 4,009	\$ 75,256	\$ 43,944	\$ 456,181	\$ 341,327
Alaska	25,162	975	31,158	22,217	235,004	177,168
American Samoa	1,536	0	6,473	1,588	27,716	20,942
Arizona	54,753	5,696	95,365	59,031	722,534	479,483
Arkansas	15,455	1,496	28,880	20,788	267,507	166,907
California	299,174	25,958	463,064	348,702	4,157,912	2,820,627
Colorado	19,690	1,909	28,565	18,003	248,216	177,535
Connecticut	21,169	2,644	22,621	19,928	321,280	252,463
Delaware	2,903	6	4,210	2,230	19,159	13,545
District of Columbia	10,971	108	21,006	14,842	168,398	96,418
Florida	110,032	6,350	164,254	107,719	994,631	708,176
Georgia	59,944	7,139	112,494	73,008	908,469	674,687
Guam	30	0	56	260	22,619	16,417
Hawaii	6,503	31	7,189	2,552	52,196	27,712
Idaho	5,718	283	8,004	6,746	66,560	43,688
Illinois	63,395	3,843	86,045	64,416	1,228,147	873,645
Indiana	36,398	5,633	58,317	41,433	351,596	233,944
Iowa	12,867	2,354	21,105	12,442	142,607	99,535
Kansas	14,686	2,144	19,386	16,958	192,176	139,182
Kentucky	28,166	2,404	49,544	28,806	455,407	296,443
Louisiana	51,274	8,909	77,710	61,258	589,700	442,202
Maine	4,361	100	5,186	11,159	84,548	63,130
Maryland	13,159	407	19,571	14,082	218,022	158,043
Massachusetts	26,764	3,012	38,169	31,368	428,715	299,836
Michigan	35,595	4,483	48,788	49,821	742,304	533,213
Minnesota	20,009	1,432	23,008	22,052	305,653	226,187
Mississippi	29,121	4,460	35,420	32,993	448,019	319,478
Missouri	29,927	2,003	53,586	41,875	504,573	366,777
Montana	4,853	1,237	5,098	4,822	53,463	40,678
Nebraska	10,521	1,885	13,173	10,647	104,809	82,846
Nevada	5,577	80	8,715	3,236	66,079	44,525
New Hampshire	2,397	69	2,588	2,622	26,693	17,719
New Jersey	52,495	3,162	81,980	58,819	681,050	464,913
New Mexico	30,510	1,364	70,202	34,328	500,125	327,396
New York	203,789	7,220	363,883	193,945	3,857,757	2,364,616
North Carolina	48,526	6,547	74,019	57,235	626,351	474,594
North Dakota	5,081	1,364	6,960	4,560	50,264	39,282
Northern Mariana Islands	985	315	985	996	13,614	10,614
Ohio	70,461	9,212	85,450	77,572	941,649	661,277
Oklahoma	49,390	7,403	58,920	50,527	580,723	404,094
Oregon	11,829	955	18,289	14,686	174,979	122,949
Pennsylvania	69,155	8,740	90,138	89,139	949,072	750,309
Puerto Rico	11,318	2,103	18,852	23,227	312,542	192,390
Rhode Island	8,774	135	9,356	6,618	88,635	65,051
South Carolina	40,841	1,274	71,211	41,287	586,931	396,577
South Dakota	2,889	605	4,948	4,936	64,941	44,927
Tennessee	53,280	12,703	60,752	56,980	675,925	487,517
Texas	188,691	11,636	333,936	234,544	2,951,941	2,081,435
Utah	18,168	103	20,763	16,012	173,299	111,249
Vermont	2,652	182	2,726	2,116	24,849	15,761
Virgin Islands	10,599	243	24,321	10,562	63,204	43,039
Virginia	43,541	1,985	46,995	31,634	388,129	289,849
Washington	27,045	1,592	30,967	31,770	328,470	234,235
West Virginia	19,737	2,092	20,537	12,725	141,629	87,055
Wisconsin	33,029	2,912	42,554	32,854	355,532	264,713
Wyoming	4,371	805	6,801	3,881	42,316	29,829
<b>TOTAL</b>	<b>\$ 2,073,797</b>	<b>\$ 185,707</b>	<b>\$ 3,179,545</b>	<b>\$ 2,282,499</b>	<b>\$ 29,184,822</b>	<b>\$ 20,218,148</b>

Note: Funding Year data as of 12/31/2010. Funding Year 2010: July 1, 2010 - June 30, 2011. Numbers may not add due to rounding.

## Schools & Libraries Program Commitments by Discount Band

Funding Year 2010 | (Unaudited — in thousands)

Discount Band	Telecom Services	Internet Access	Internal Connections	Basic Maintenance	Total	% of Total
20-29%	\$ 1,512	\$ 637			\$ 2,149	0.10%
30-39%	4,055	774	Internal Connections and Basic Maintenance		4,829	0.23%
40-49%	81,889	23,698	were funded at the 81% level and above		105,587	5.09%
50-59%	104,558	25,375	as of 12/31/2010.		129,933	6.27%
60-69%	172,115	45,973			218,088	10.52%
70-79%	266,141	87,883			354,023	17.07%
80-89%	429,992	106,148	\$ 134,677	\$ 28,429	699,246	33.72%
90%	118,467	48,804	314,193	78,478	559,943	27.00%
<b>TOTAL</b>	<b>\$ 1,178,729</b>	<b>\$ 339,291</b>	<b>\$ 448,870</b>	<b>\$ 106,907</b>	<b>\$ 2,073,797</b>	<b>100.00%</b>

Note: Funding Year data as of 12/31/2010. Funding Year 2010: July 1, 2010 - June 30, 2011. Numbers may not add due to rounding.

## Schools & Libraries Program Commitments by Applicant Type

Funding Year 2010 | (Unaudited)

	Applications Funded	Commitments (in thousands)	% of Applications	% of Total
School/Library Consortium	661	\$ 208,818	1.90%	10.07%
School District	20,626	\$ 1,599,946	59.25%	77.15%
School	8,952	\$ 184,813	25.71%	8.91%
Library/Library Consortium	4,575	\$ 80,220	13.14%	3.87%
<b>TOTAL</b>	<b>34,814</b>	<b>\$ 2,073,797</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Funding Year data as of 12/31/2010. Funding Year: July 1, 2010-June 30, 2011.

## Schools & Libraries Program Commitments by Rural/Urban Type

Funding Year 2010 | (Unaudited)

	Applications Funded	Commitments (in thousands)	% of Applications	% of Total
Urban	8,982	\$ 234,882	25.80%	11.33%
Rural	4,775	\$ 48,075	13.72%	2.32%
N/A	21,057	\$ 1,790,840	60.48%	86.35%
<b>TOTAL</b>	<b>34,814</b>	<b>\$ 2,073,797</b>	<b>100.00%</b>	<b>100.00%</b>

Note: "N/A" applies to either FCC Forms 471 that did not include this information, or to FCC Forms 471 shared by both rural and urban entities (that therefore could not be classified).

Note: Funding Year data as of 12/31/2010. Funding Year: July 1, 2010-June 30, 2011.

## Universal Service Fund Disbursements by Program (Unaudited)

Calendar Year 2010 | (in thousands)

State	High Cost	Low Income	Rural Health Care	Schools & Libraries	Total 2010 Disbursements	Total All Programs 1998-2010
Alabama	\$ 93,551	\$ 41,473	\$ 354	\$ 43,944	\$ 179,322	\$ 1,638,379
Alaska	218,970	26,839	49,749	22,217	317,775	2,034,452
American Samoa	3,831	82	228	1,588	5,729	48,369
Arizona	67,545	20,868	1,575	59,031	149,019	1,476,022
Arkansas	105,255	12,565	917	20,788	139,525	1,655,836
California	91,824	174,727	1,233	348,702	616,486	7,478,901
Colorado	75,866	2,323	249	18,003	96,441	1,123,229
Connecticut	489	8,196	0	19,928	28,613	336,763
Delaware	265	1,789	0	2,230	4,284	24,230
District of Columbia	0	1,945	0	14,842	16,787	109,685
Florida	67,693	88,201	226	107,719	263,839	1,950,556
Georgia	115,569	50,387	1,571	73,008	240,535	2,225,146
Guam	16,082	287	74	260	16,703	139,208
Hawaii	61,772	504	102	2,552	64,930	386,691
Idaho	51,785	3,445	281	6,746	62,257	695,576
Illinois	71,898	35,665	1,139	64,416	173,118	1,713,250
Indiana	79,290	4,233	846	41,433	125,802	969,624
Iowa	129,222	3,894	613	12,442	146,171	1,173,957
Kansas	195,307	4,569	278	16,958	217,112	2,014,654
Kentucky	103,799	12,221	450	28,806	145,276	1,272,236
Louisiana	136,480	35,609	44	61,258	233,391	1,943,340
Maine	24,540	8,472	58	11,159	44,229	549,110
Maryland	3,767	11,037	0	14,082	28,886	219,120
Massachusetts	2,258	25,912	130	31,368	59,668	566,675
Michigan	49,571	56,642	2,841	49,821	158,875	1,406,938
Minnesota	105,707	6,356	3,125	22,052	137,240	1,464,931
Mississippi	260,553	12,392	180	32,993	306,118	2,835,942
Missouri	107,372	11,429	571	41,875	161,247	1,536,634
Montana	85,810	3,762	838	4,822	95,232	945,083
Nebraska	88,657	1,874	1,612	10,647	102,790	894,097
Nevada	24,440	3,065	58	3,236	30,799	392,496
New Hampshire	9,671	1,519	13	2,622	13,825	149,189
New Jersey	1,538	24,950	0	58,819	85,307	624,904
New Mexico	81,692	13,717	660	34,328	130,397	1,149,581
New York	44,148	95,938	43	193,945	334,074	3,692,359
North Carolina	79,631	61,403	351	57,235	198,620	1,521,594
North Dakota	97,567	2,632	945	4,560	105,704	831,786
Northern Mariana Islands	1,214	184	0	996	2,394	42,285
Ohio	38,943	59,808	769	77,572	177,092	1,458,507
Oklahoma	148,877	79,107	797	50,527	279,308	2,168,518
Oregon	74,972	5,967	335	14,686	95,960	1,035,795
Pennsylvania	61,902	34,697	97	89,139	185,835	1,552,680
Puerto Rico	208,626	39,974	0	23,227	271,827	2,095,989
Rhode Island	35	3,003	0	6,618	9,656	119,803
South Carolina	118,547	10,776	14	41,287	170,624	1,410,923
South Dakota	90,096	2,184	680	4,936	97,896	862,325
Tennessee	60,695	41,962	350	56,980	159,987	1,247,429
Texas	247,395	101,728	1,691	234,544	585,358	5,536,342
Utah	23,190	3,727	804	16,012	43,733	399,874
Vermont	20,999	2,590	59	2,116	25,764	379,761
Virgin Islands	19,539	84	22	10,562	30,207	348,655
Virginia	71,362	21,345	1,002	31,634	125,343	1,174,135
Washington	91,282	16,177	80	31,770	139,309	1,432,182
West Virginia	53,396	5,851	199	12,725	72,171	890,966
Wisconsin	131,007	15,189	7,588	32,854	186,638	1,692,297
Wyoming	52,256	453	113	3,881	56,703	632,547
<b>TOTAL</b>	<b>\$4,267,746</b>	<b>\$1,315,734</b>	<b>\$85,952</b>	<b>\$2,282,499</b>	<b>\$7,954,931</b>	<b>\$73,671,611</b>

Note: Numbers may not add due to rounding.

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Arlington, VA

Universal Service Administrative Company  
2000 L Street NW, Suite 200  
Washington, DC 20036  
Phone: (202) 776-0200  
Fax: (202) 776-0080

The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation designated as the administrator of the federal Universal Service Fund by the Federal Communications Commission (FCC). USAC administers universal service programs for high cost companies serving rural areas, low-income consumers, rural health care providers, and schools and libraries. The Universal Service Fund helps provide communities across the country with affordable access to telecommunications services.

For more information, go to

[www.usac.org](http://www.usac.org)