

Universal Service Administrative Company
Fund Size Projections for 4th Quarter 2012

High Cost Support Mechanism
Fund Size Projections for 4Q2012

High Cost Loop Support	\$ 208.47 M
Interstate Common Line Support	216.62 M
Frozen Price Cap Carrier Support	258.56 M
Frozen Competitive ETC Support	220.88 M
CAF Phase I - Incremental Support ¹	75.00 M
CAF Reserve Pursuant to FCC 11-161 ²	145.47 M
<i>Subtotal High Cost Support Mechanism Program Demand</i>	\$ 1,125.00 M
Prior Period Adjustment ³	(3.07) M
USAC Administrative Expenses	3.90 M
Interest Income	(1.54) M
Total High Cost Support Mechanism Contributions 4Q2012	\$ 1,124.29 M

Low Income Support Mechanism
Fund Size Projections for 4Q2012

Lifeline Assistance	\$ 724.86 M
Link-Up	0.23 M
Toll Limitation Service	1.98 M
<i>Subtotal Low Income Support Mechanism Program Demand</i>	\$ 727.07 M
Prior Period Adjustment	(63.66) M
USAC Administrative Expenses	1.09 M
Interest Income	(0.23) M
Total Low Income Support Mechanism Contributions 4Q2012	\$ 664.27 M

Rural Health Care Support Mechanism
Fund Size Projections for 4Q2012

Rural Health Care Support	\$ 31.14 M
Prior Period Adjustment	(0.24) M
USAC Administrative Expenses	2.95 M
Interest Income	(0.64) M
Total Rural Health Care Support Mechanism Contributions 4Q2012	\$ 33.21 M

Schools and Libraries Support Mechanism
Fund Size Projections for 4Q2012

Schools and Libraries Support	\$ 562.50 M
Inflation Adjustment ⁴	24.49 M
Prior Period Adjustment	(4.25) M
Interest Income	(4.39) M
Total Schools and Libraries Support Mechanism Contributions 4Q2012	\$ 578.35 M

USAC Administrative Expenses⁵ 16.96 M

1 Incremental Support is designed to provide an immediate boost to broadband deployment in areas that are unserved by any broadband provider (See FCC 11-161, para. 137).

2 In an order released on November 18, 2011, the FCC directs USAC to forecast total High Cost Support universal service demand as no less than \$1.125 billion, i.e., one quarter of the annual High Cost budget (See FCC 11-161, para. 560). If actual contributions exceed High Cost demand, the FCC directs USAC to credit excess contributions to a new Connect America Fund (CAF) reserve account.

3 In FCC 11-161, the FCC amends its rules to add paragraph 54.709(b)(1) to read "The Commission may instruct USAC to treat excess contributions in a manner other than as prescribed in paragraph (b). Specifically, the FCC instructs USAC not to make prior period adjustments related to High Cost Support if actual contributions exceed demand (para. 548).

4 In FCC 11-161, the FCC directs USAC to include the inflation adjustments to the E-rate cap in the Schools and Library Support Mechanism demand projection.

5 The total annual support for the Schools and Libraries Support Mechanism is limited to \$2.29 billion for Funding Year 2011, which includes administrative expenses (47 C.F.R. § 54.507). Administrative expenses for the other support mechanisms are additive as those mechanisms have not reached a total funding cap.