Exhibit 1

USAC
Universal Service Administrative Company

HCLI News – October 2011

HCLI News
High Cost & Low Income Program Monthly Newsletter

DEADLINES

DUE	COMPONENT	DATA
December 30, 2011	HCL, LSS, HCM, ICLS	Line counts as of 6/30. Learn more...
January 3, 2012	IAS	Line counts as of 9/30. Learn more...
January 3, 2012	ICLS	True-up (actual) data on FCC Form 509. Learn more...
January 3, 2012	LSS	True-up (actual) data on LSSa or LSSc. Learn more...

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TRAINING

Denver HCLI Training Materials Available
High Cost and Low Income Programs

USAC held a High Cost Low Income training session in Denver on October 27. The session featured presentations on program deadlines and filing requirements, best practices, and USAC's audit program. The training presentations are available on the HCLI Denver training page.

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COMPLIANCE

Audit Findings Related to the Low Income Program
Low Income Program

USAC has identified some common errors made by ETCs in the Low Income Program that auditors have deemed to be audit findings. On occasion, we will highlight these common audit findings so that companies can review their practices to ensure they are in compliance with FCC rules.

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Improper Qualification Criteria

Carriers' local exchange tariffs, advertising materials, and/or subscriber certification forms included ineligible qualification criteria and/or excluded eligible qualification criteria, as determined by the state commission or the FCC in federal default states (47 C.F.R. § 54.409).

Generally, there are three areas where ETCs stumble:

Carrier is not using the correct customer eligibility criteria

Carrier's outreach material contains incorrect eligibility criteria

Carrier is accepting incomplete customer applications, certifications

Many audit findings are related to consumer eligibility. Specifically, ETCs provide Lifeline to ineligible consumers. To be eligible, a consumer must both meet the established Lifeline and Link Up eligibility criteria **and** submit a completed certification form. Eligibility criteria and application processes vary by state. Carriers should determine whether they are in a federal default state or state that mandates support to determine which rules they should follow. Lifeline eligibility depends on the category into which a state falls – either a federal default state or a state that mandates support.

States that do not mandate support, also known as federal default states, do not have their own Lifeline or Link Up programs. Carriers in these states should follow the federal Lifeline and Link Up rules. The FCC lists the following as federal default states or territories: American Samoa, Delaware, Hawaii, Indiana, Iowa, Louisiana, New Hampshire, North Dakota, Northern Mariana Islands, and South Dakota.

States that mandate support, also known as non-default states, either have a separate Lifeline fund or require carriers to reduce their intrastate rates to supplement federal Lifeline support. These states are permitted to establish Lifeline certification and verification procedures and eligibility criteria. Many non-default states have adopted all of the federal rules in lieu of establishing their own.

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Carrier is not using the correct customer eligibility criteria

Low-income customers in federal default states and states that follow the federal eligibility criteria qualify for Lifeline and Link Up if they participate in Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), Low Income Home Energy Assistance Program (LIHEAP), Medicaid, National School Lunch free lunch program (NSLP), public housing assistance or Section 8, Supplemental Security Income (SSI), or Temporary Assistance for Needy Families (TANF). Customers also qualify if their household income is at or below 135% of the Federal Poverty Guidelines.

Low-income customers in states that mandate support qualify for Lifeline and Link Up based on the eligibility criteria established by their state. The state may only use income or factors directly related to income. For example, a state cannot use participation in Social Security Disability Insurance (SSDI) as a Lifeline eligibility criterion since participation is not based on income. However, if a state uses household income as a criterion, money received from SSDI would be factored into the household income. Most states use a combination of the federal criteria listed above.

Low-income customers living on federally recognized tribal lands qualify for Tiers One, Two, and Four Lifeline support and Enhanced Link Up if they meet any of the federal criteria or if they participate in Bureau of Indian Affairs General Assistance, Head Start (income eligible), or Tribally Administered TANF. Tribal customers in states that mandate support may also qualify for state Lifeline and Tier Three support if they meet the eligibility criteria established by their state. However, this is determined on a state-by-state basis.

Carrier's outreach material contains incorrect eligibility criteria

All brochures, applications, certification forms, customer service scripts and any other outreach materials should reflect accurate eligibility criteria. Materials that do not include all criteria and outdated materials may prevent eligible households from receiving Lifeline and Link Up discounts. Outreach materials that list incorrect criteria may allow individuals who are not eligible to receive Lifeline discounts in violation of the federal rules.

Carriers in federal default states should work with USAC to ensure they are using the correct eligibility criteria.

Carriers in states that mandate support should work with their utility commissions, departments that offer human services, or third-party administrator to ensure they are using the correct criteria.

The U.S. Department of Health and Human Services releases the Federal Poverty Guidelines annually. In addition to posting the guidelines on its website each year, USAC converts the dollar amounts to reflect 125%, 135%, 150%, and 175% to make it easier for carriers serving in states that use a variation of the guidelines as a Lifeline eligibility criterion.

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Carrier is accepting incomplete customer applications, certifications

Carriers in federal default states and states that follow the federal rules should ensure that all applications and self-certifications are signed, dated, and that the customers have made the following certifications under penalty of perjury: (1) the name of the qualifying eligibility program (if using program-based eligibility); (2) that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members (if using income guidelines); and (3) that the consumer will notify the carrier if he or she ceases to participate in the program or programs or if the consumer's income exceeds 135% of the Federal Poverty Guidelines.

Carriers in states that mandate support should ensure that all Lifeline and Link Up applications and self-certifications are in compliance with rules established by their state.

All carriers serving residents of federally recognized tribal lands should ensure that customers submit signed and dated certification forms, and have the customers make the following certifications under penalty of perjury: (1) the name of the qualifying eligibility program (if using program-based eligibility); (2) that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members (if using income guidelines); (3) that the consumer will notify the carrier if that consumer ceases to participate in the program or programs or if the consumer's income exceeds 135% of the Federal Poverty Guidelines; and (4) that the consumer lives on or near a reservation (near reservation only applies in limited areas). All carriers that use income as a criterion must require consumers to certify under penalty of perjury that the household meets the income requirement, that the presented documentation of income accurately represents the consumer's household income, and the total number of household members.

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FAQs about How and When to Request New Study Area Codes
Low Income Program

Below are commonly asked questions about when ETCs should request new Study Area Codes and what should be submitted with each request.

Q. My company received an ETC designation in multiple states – what should I submit to USAC to be reimbursed for providing Low Income support?
A. To be reimbursed for providing Low Income support, an ETC must request a new Study Area Code (SAC) from USAC for each state in which it is designated. You will be asked to submit a SAC Request Form for each study area along with a copy of each ETC designation order and any other supporting documentation.

Q. My company is designated to offer Low Income support through both wireline and wireless platforms in our state. Can we seek Low Income support reimbursement for both under the same SAC?
A. No. A carrier must report its wireline and wireless Low Income support claims under different SACs and submit separate Forms 497 for each, even if they are in the same state. You should submit to USAC a SAC Request Form for your wireless and wireline ETCs, as well as copies of the designation orders or letters from the state commission confirming that your company may offer Lifeline through your wireless platform.

Q. The FCC has granted my company forbearance from the facilities requirement for the purposes of offering Lifeline support. Can I request a SAC?
A. Only companies designated as ETCs may receive a SAC. Please review the conditions outlined in your Forbearance Order and make sure that you have met them all before requesting a Study Area Code (SAC) from USAC. Additionally, you will still need to request separate ETC designations from either the FCC or the individual state in which you intend to offer Lifeline. Once you have met the conditions of your Forbearance Order and received your ETC designation, you may request a SAC for each state in which your company is designated. You will be asked to submit a SAC Request Form for each study area along with a copy of each ETC designation order, your PSAP (public safety answering point) certification and any other supporting documentation.

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DID YOU KNOW?

Tool Upgrade to Provide More Detail for CETCs
High Cost Program

USAC anticipates launching a new, more granular, disbursement detail search tool modeled after the current Disbursement Data Search page in the near future. This tool will provide greater detail for competitive eligible telecommunications carriers (CETCs).

In an effort to provide more granular detail of CETCs' monthly disbursement calculations, USAC posted additional details for August disbursements and a glossary of terms used in the table.

We will provide additional details about using the tool when the tool is deployed.

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HCLI ON THE ROAD

Visit the HC and LI Program Staff at these Industry Events

USAC's HC and LI Program staff will be available to provide information and assist carriers at several industry events in the upcoming months.

South Carolina Telecom Association (SCTA) Fall Conference and Showcase, November 9-10, in Columbia, SC. Come see our presentation, "USAC Overview and Update." Learn More...

National Association of Regulatory Utility Commissioners (NARUC) 123rd Annual Convention, November 13-16, in St. Louis, MO. Come see our presentation, "USAC Overview and Update." Learn More...

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USAC
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PROGRAM INTEGRITY

BCAP

The primary purpose of audits is to ensure compliance with Federal Communications Commission (FCC) rules and program requirements (the Rules) and to assist in program compliance. Many of the audits are randomly selected, and the selection process is designed to provide a wide variety of entities with regard to size and geographic location. Selection for an audit is not necessarily an indication that USAC believes problems exist.

Beneficiary audits may be performed by USAC's internal audit staff, the FCC Office of Inspector General, offices of other federal agencies, or a firm under contract to USAC or the FCC. Please feel free to contact the USAC Internal Audit Division at (202) 776-0200 if you have any concern as to the proper identity of any individual contacting you regarding an audit.

An announcement letter will be sent detailing the purpose and scope of the audit, identifying the personnel who will be performing the audit, making a request for pertinent data, and stating the date upon which the data is due. Typically a beneficiary will be contacted by USAC two to three weeks prior to the start of an audit to assure that the appropriate personnel and documentation will be available. The anticipated duration of an audit can vary depending on the size and dollar value of the universal service support involved.

How USAC Conducts Its Audits

USAC obtains documentation to support the:

- Number of subscribers reported on the FCC Form 497
- Amounts reported on the FCC Form 497
- Beneficiary eligibility to receive Lifeline Program support
- Subscriber eligibility to receive Lifeline Program support
- Lifeline Program support passed through to subscribers
- Adequacy of advertising efforts

To prepare for an audit, you should have the following documentation readily available for the auditors.

Audit Reporting

For any exceptions noted, an audit finding will be prepared and sent to the auditee for review. An audit finding is a condition that shows evidence of noncompliance with FCC rules. Additionally, an "other" matter may be prepared and sent to the auditee for review. An "other" matter is a condition that does not necessarily constitute a rule violation, but warrants the attention of the beneficiary and USAC management. The audit findings and other matters will contain background information, the audit step performed, and the exception noted, as well as the basis for which the exception is noted (e.g., FCC rule).

The auditee will be given an opportunity to provide a response to explain agreement/disagreement with the exception noted. USAC management will review the exception as well as the auditee's response and will prepare a response to address the exception and note any corrective action as necessary.

Both the auditee and the USAC management responses will be incorporated into the draft report and submitted to the USAC Board of Directors to be deemed final. The USAC Board of Directors may request USAC management to reassess any aspect of the report prior to the report becoming final. Once finalized, both the auditee and the FCC will receive copies of the audit report. The final report may be made available to the public upon request.

Common Audit Findings

- Number of subscribers reported on the FCC Form 497 does not agree to billing reports/summary schedules or subscriber listing
- Subscriber listing contains duplicate addresses and/or telephone numbers
- Duplicate claims exist between the beneficiary's subscriber listing and another carrier's subscriber listing
- Amounts reported on the FCC Form 497 do not agree to supporting calculations and/or tariffed amounts
- Subscriber certifications are not completed or are incomplete
- Enrollment/eligibility procedures do not comply with state and/or federal requirements

Lifeline Program support provided to the beneficiary is not passed through to subscribers

Subscribers are charged for services that are free under the Lifeline Program

Toll Limitation Service (TLS) is required for Lifeline subscribers

Steps to Minimize Audit Findings

Document, document, document

Ensure the subscriber listing contains all the requested information

Verify the provided documentation relates to the audited period and study area

Provide detailed explanations for any reasons why the FCC Form 497 claims do not agree to supporting documentation

How You Can Help

Provide requested documentation in a timely manner

Ask questions to ensure that you are providing adequate documentation

Maintain documentation for three years for data submitted to USAC

Maintain subscriber eligibility documentation for as long as the subscriber receives Lifeline Program support

If you have any questions, please contact USAC's Internal Audit Division via email.

August 2011
www.usac.org

USAC CONNECTION
Universal Service Administrative Company

High Cost & Low Income News

Helping Keep Americans Connected

The USAC Connection High Cost & Low Income monthly newsletter will give you information about upcoming program deadlines, tips to help you ensure timely and proper filings, and other information.

HCLI Training Session in Denver October 27

Join us for USAC's High Cost Low Income training session October 27 in Denver. The session will highlight changes in USAC's Audit program, discuss deadlines and filing requirements, and provide an opportunity to discuss the challenges facing ETCs with USAC staff members in small breakout groups. For more information or to register, visit the High Cost/Low Income Training Events page.

High Cost Program

Rural and Non-Rural Certifications Due on or before October 3

All eligible telecommunications carriers (ETCs) - rural, non-rural, and competitors - are subject to component-specific certification requirements that have a direct impact on those carriers' receipt of High Cost support.

State regulatory commissions typically submit ETC certifications for rural, non-rural, and competitive carriers that are eligible to receive High Cost support for High Cost Loop, High Cost Model, Local Switching Support, Safety Net Additive, or Safety Valve Support in the form of a letter to USAC and the FCC. These are due annually on or before October 1. Because this date falls on a Saturday, **all filings are due October 3**.

IMPORTANT DATES & REMINDERS		
Sept. 30	HCL, LSS, HCM, ICLS	Line Counts as of 3/31
Sept. 30	IAS	Line Counts as of 6/30
October 3	As required by FCC 03-249	Rate Comparability Review
October 3	HCL, LSS, HCM	Rural, Non-Rural Use Certs. (States and self-certifying ETCs

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Low Income Program

Annual Certification and Verification Deadline is August 31

The deadline for submitting annual certifications and verification results to USAC is fast approaching. All ETCs must submit either their annual Lifeline verification survey results or a certification attesting that the ETC has complied with the state verification procedures to USAC by **August 31, 2011**. ETCs must use the OMB-approved Annual Certification and Verification Sample Letter and it must be signed by an officer of the company.

ETCs can check USAC's Low Income Program certification and verification page to see if their verification or certification has been received.

Low Income Program

FCC Clarifies Rules for One Lifeline Connection per Individual

The Federal Communications Commission (FCC) clarified its rules June 21 to prohibit consumers from receiving more than one Lifeline-subsidized wireless telephone or discounted wireline home telephone. The FCC took this action to eliminate and prevent waste by ensuring that multiple carriers do not receive support for serving the same consumer. The FCC has provided a tip sheet to help consumers understand the new process.

The FCC currently is accepting comments on whether Lifeline discounts should be limited to one per household or family. Comments are due to the FCC August 26. Reply comments are due September 2.

Audit Findings Related to the Low Income Program

USAC has identified some common errors made by ETCs in the Low Income Program that auditors have deemed to be audit findings. On occasion, we will highlight these common audit findings so that companies can review their practices to ensure they are in compliance with FCC rules.

Common Audit Finding

Improper Federal USF Fee: Carriers assessed a federal USF fee against intrastate telecommunication services and/or interstate telecommunications services that were discounted by Low Income Program support (FCC 03-58 ¶¶ 10, 11; 47 C.F.R. § 54.712(a)).

To determine whether a Lifeline customer should be assessed a federal USF fee, ask yourself the following questions:

Does the customer have long distance service or a bundled package?

YES → **Assess federal USF fee on <u>interstate</u> charges only.**

NO → **Do not assess a federal USF fee!**

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USAC appreciates feedback on this newsletter. For any questions or comments, please contact Ed Rovetto, Senior Program Manager, External Relations, at erovetto@usac.org.