

1998 Rural Health Care Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

January 20, 1998

MINUTES

The meeting began at 4:30 PM when it was called to order by Board Chairman Sanford Greenberg. Participating in the meeting were Kevin Hess, Isiah Lineberry and Jay Sanders, members of the Board, as well as Mark Weiss and Catherine Dargan from Covington & Burling.

The draft minutes of the meetings of December 18, 1997 and December 22, 1997 were approved unanimously.

The Board discussed the selection of officers of the Corporation. A decision on the nomination of a Chief Executive Officer was deferred to a later meeting. Upon a motion duly made and seconded, Ms. Dargan of Covington & Burling was elected Secretary of the Corporation and Dr. Sanders was elected Treasurer of the Corporation, both to serve on an interim basis.

Upon a motion duly made and seconded, the Board voted unanimously to approve payment of invoices.

The Board discussed proposals received in response to the RFP. The Board also discussed a proposal it has received from a firm that has offered to assist the Board in analyzing the RFP responses.

Mr. Lineberry announced his intention to accept a new position as Assistant Director of the Rural Health Policy Center, Penn State Geisinger Health System. The Board agreed to notify the FCC Chairman of Mr. Lineberry's new employment and to request that the FCC advise the Corporation if it determines that the change affects Mr. Lineberry's eligibility to serve as a member of the Board.

Dr. Sanders announced that he will become President Emeritus of the American Telemedicine Association on April 8, 1998. Dr. Sanders currently serves as President of the Association. The Board agreed to notify the FCC Chairman of Dr. Sanders' plans and to request that the FCC advise the Corporation if it determines that the change affects his eligibility to serve as a member of the Board.

Mr. Lineberry discussed the "Paying for Telehealth" Workshop presented by the George Mason Center University Center for Health Policy. Response to the workbooks funded by the Corporation has been positive.

The Board approved Mr. Lineberry's travel expenses to attend the Rural Health Policy Institute.

The Board discussed the agenda for the next meeting in Washington, D.C, scheduled for Tuesday, January 27, 1998.

Upon a motion duly made and seconded, the meeting was adjourned at 5:45 PM.

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

January 27, 1998

MINUTES

The meeting began at 10:00 AM when it was called to order by Board Chairman Sanford Greenberg, Participating in the meeting were Kevin Hess, Isiah Lineberry and Jay Sanders, members of the Board, as well as Mark Weiss and Catherine Dargan from Covington & Burling. Attached hereto is a list of attendees.

Mr. Greenberg announced that the Board has selected Lee Bailey of the Commerce Department to be the nominee for chief executive officer of the Corporation.

The draft minutes of the meeting of January 20, 1998 were approved unanimously.

Upon a motion duly made and seconded, the Board voted unanimously to approve and ratify all actions taken by the Board pursuant to prior telephonic meetings as reflected in the minutes of the Corporation.

Mr. Hess presented the second quarter budget for the Corporation. Upon a motion duly made and seconded, the Board voted unanimously to approve the budget for submission to the FCC.

Mr. Greenberg discussed the status of the RFP proposal review and announced that the Board was in the process of analyzing the responses. A determination will be made in the near future.

Upon a motion duly made and seconded, the following resolutions were adopted by the Board in connection with nomination/election of the chief executive officer:

RESOLVED, that Lee E. Bailey be presented to the FCC Chairman as the Board's nominee ("Nominee") for the position of Chief Executive Officer of the Corporation ("CEO").

RESOLVED, that pending his approval by the FCC Chairman as CEO, Nominee be and hereby is elected to serve as President of the Corporation ("President") subject to negotiation of an employment agreement satisfactory to the Board; provided, however, that if the FCC Chairman disapproves of Nominee's election as CEO, his employment agreement with the Corporation shall be renegotiated or terminated at the option of the Board or Nominee.

RESOLVED, that subject to negotiation of an employment agreement satisfactory to the Board and approval as CEO by the FCC Chairman, Nominee be and hereby is elected to serve as CEO and as a member of the Board for a term of two years following the date of such approval without further action of the Board and Nominee shall thereupon cease to occupy the position of President.

RESOLVED, that the President be and hereby is a "Designated Officer" of the Corporation.

RESOLVED, that the President be, and hereby is, authorized and directed, for and on behalf of the Corporation, to pay all charges and expenses incident to or arising out of the incorporation of the Corporation and to reimburse the persons who have made any disbursements therefore.

RESOLVED, that the President, in the absence or disability of the CEO, shall do all of the following:

- (1) Ensure the preparation and submission to the Board of Directors of a quarterly expense budget and an annual capital expenditure budget, each of which describes in reasonable detail the programs and projects contemplated;
- (2) Periodically submit to the Board of Directors a comparison of the budgets with actual results of operations; and
- (3) Subject to the control and direction of the Board, supervise and actively manage the business of the Corporation.

RESOLVED, that the President of the Corporation be and hereby is authorized, in the absence or disability of the CEO, to do any of the following:

- (1) Designate those officers or agents of the Corporation who may be authorized from time to time to sign checks on any of the Corporation's bank accounts;
- (2) Deposit or designate any employee to deposit for safekeeping any temporary cash investment securities with such banks or trust companies approved as depositories of funds of the Corporation or such other bank or trust company as deemed appropriate.
- (3) Approve the borrowing by the Treasurer of certain amounts in accordance with procedures applicable to CEO approvals of borrowings by the Treasurer;
- (4) Enter into contracts, purchase materials, and approve employee expenses on behalf of the Corporation for all Contracts in amounts in a prescribed schedule of authorizations (such schedule of authorizations should be developed for approval by the Board);
- (5) Delegate the power to enter into contracts, purchase materials, and approve employee expenses for all contracts or amounts valued at or below the amounts prescribed in the approved schedule of authorizations;
- (6) Approve, or delegate the authority to the Treasurer to approve, the disbursement of support funds; and
- (7) Exercise such other powers as the Board may from time to time prescribe.

Upon a motion duly made and seconded, the meeting was adjourned at 10: 12 AM.

Catherine J. Dargan,
Acting Secretary

Attendees:

Teresa Boney (KPMG)
Pam Gallant (FCC)
Greg Guy (FCC)
Robert Haga. (NECA)
Ray Homer (KPMG)
Drew Peterson (TDS/Telecom)
Tom Skiba (KPMG)
Lisa Ziana. (OP ASTCO)

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

February 20, 1998

MINUTES

A special telephone meeting of the Board of Directors was called to order by Board Chairman Sanford Greenberg. Participating in the meeting were Kevin Hess, Isiah Lineberry, and Jay Sanders, members of the Board. Mark Weiss and Catherine Dargan from Covington and Burling, David Bradsher and Craig Beach from Deloitte and Touche. Lee Bailey, Mel Blackwell and Donna Faunce from the Rural Health Care also participated.

Mr. Greenberg reported that the first order of business was approval of the minutes for the meeting of January 27. After discussion and upon a motion duly made and seconded, the draft minutes of the meeting of January 27, 1998 were unanimously approved.

Mr. Greenberg asked Mr. Bailey to discuss the second order of business concerning the contractor proposals. Mr. Bailey discussed the proposals submitted in response to the RFP, the subsequent review by Deloitte and Touche, and the presentations made by the proposers to RHCC staff and Deloitte and Touche representatives on February 18 and 19, 1998. Based on the review of the proposals and the presentations, Deloitte and Touche recommended that the contract for web site development and customer support be awarded to Price Waterhouse. Mr. Bailey indicated that he and the other members of the Corporation who participated in the review concurred with Deloitte and Touche's recommendation. After discussion and upon a motion duly made and seconded, the Board voted unanimously to approve the recommendation to award the contract to Price Waterhouse.

Mr. Greenberg asked the Board members to present any new business for consideration.

Mr. Bailey discussed the GAO letter to Senator Stevens concerning the FCC authority to establish the RHCC and efforts underway to understand the impact of this ruling on the Corporation.

Messrs. Bradsher, Beach and Blackwell left the meeting.

Mr. Bailey then asked that the Board consider the appointment of Mr. Blackwell to serve as Vice President for Industry Development. After discussion and upon a motion duly made and seconded, the Board voted unanimously to approve the appointment of Mr. Blackwell to serve as Vice President of the Corporation for Industry Development.

Mr. Blackwell returned to the meeting.

Mr. Lineberry asked that the President prepare a plan for education and outreach efforts for review with the Board. Mr. Bailey indicated that such a plan would be prepared and discussed with the Board at a subsequent meeting.

Ms. Dargan indicated that the next public Board meeting is scheduled for April 30, 1998 and that a notice would be sent to Board members shortly.

Upon a motion duly made and seconded, the meeting was adjourned at 11:15 AM.

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

February 23, 1998

MINUTES

A special telephone meeting of the Board of Directors was called to order by Board Chairman Sanford Greenberg at 12:00 noon. Participating in the meeting were Kevin Hess, Isiah Lineberry, and Jay Sanders, members of the Board. Mark Weiss and Catherine Dargan from Covington and Burling, and Lee Bailey, Mel Blackwell and Donna Faunce of the Rural Health Care Corporation also participated in the meeting.

Mr. Bailey and the Board discussed ongoing discussions with FCC officials and pending negotiations with Price Waterhouse. After discussion and upon a motion duly made and seconded, the following resolution was adopted by the Board:

RESOLVED, that upon the completion of negotiations concerning the Service Agreement with Price Waterhouse, Lee E. Bailey is authorized to execute the Service Agreement on behalf of the Corporation.

Upon a motion duly made and seconded, the Board meeting was adjourned at 12:51 p.m.

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

April 30, 1998

MINUTES

The meeting began at 9:00 AM when it was called to order by Board Chairman Sanford Greenberg. Participating in the meeting were Kevin Hess, Isiah Lineberry and Jay Sanders, members of the Board, Lee Bailey, President of the Corporation, Mel Blackwell, Bill England and Donna Faunce of the Corporation, as well as Mark Weiss and Catherine Dargan from Covington & Burling. Other attendees are listed below.

Mr. Greenberg expressed the Board's condolences to Board Member Isiah Lineberry on the recent passing of his mother. Dr. Sanders and Mr. Hess similarly expressed their condolences.

Upon a motion duly made and seconded, the Board voted to approve the draft minutes of the meetings of February 20, 1998 and February 23, 1998.

The Board discussed the Corporation's operations to date: Mr. Bailey discussed recent press releases, the call log and client support training. He explained that the Corporation has made a direct mailing of approximately 18,000 information packages to rural health care providers as part of its outreach effort. Mr. Bailey announced that the Corporation's website is available to the public. Applications will begin to be received May 1.

Video telecast training sessions on the Rural Health Care Universal Service Program were held on April 23 and 27, 1998 and the Corporation has received significant participation from various groups including local telephone companies in developing worksheet materials and lists of frequently asked questions.

The Board discussed future operational issues facing the Corporation. Dr. Sanders and Mr. Bailey will initiate the evaluation of the program in the near future.

Mr. Bailey presented the projected third quarter budget for the Corporation. Upon a motion duly made and seconded, the Board voted to approve the budget for submission to the FCC, with minor revisions to be approved by Mr. Bailey.

Mr. Greenberg commended Mr. Bailey and the Corporation staff for their efforts. Dr. Sanders and other Board members welcomed Bill England as the newest addition to the Corporation staff.

Upon a motion duly made and seconded, the meeting was adjourned at 9:45 AM.

Attendees:	
Name	Company
Pam Gallant	FCC
Robert Haga	NECA
Marita Novicki	Maryland Office of Rural Health
Michael Gardner	Law Offices of Michael Gardner
Jim Lamberston	Bell Atlantic

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

June 24, 1998

MINUTES

A telephone meeting of the Board of Directors was convened at 12:30 p.m. on June 24, 1998. Participating in the meeting were Kevin Hess and Isiah Lineberry, members of the Board, and Lee Bailey, President of the Corporation. Melvin Blackwell and Donna Faunce of the Corporation staff and Jonathan Blake and Mark Weiss of Covington & Burling also participated in the meeting.

Mr. Bailey reported that Sanford Greenberg and Dr. Jay Sanders, members of the Board, were unable to participate in the meeting. In their absence, Mr. Hess was elected to serve as chairman of the meeting.

Mr. Bailey and Mr. Blake reported to the Board concerning the work done by representatives of USAC, the School and Libraries Corporation, and the Rural Health Care Corporation on the development of a report to the Federal Communications Commission as requested by Mr. A. Richard Metzger's letter of May 15, 1998. The Board discussed a draft of the proposed report and provided comments on the draft. Mr. Bailey and Mr. Blake were asked to convey the Corporation's comments to USAC.

Upon motion duly made and seconded, the meeting was adjourned at 1:30 p.m.

Mark A. Weiss
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING *joint with Schools and Libraries*

June 26, 1998

MINUTES

A joint meeting of the Boards of Directors of the Universal Service Administrative Company (USAC), the Schools and Libraries Corporation (SLC) and the Rural Health Care Corporation (RHCC) (collectively the Corporations) was held at the International Trade Center & Ronald Reagan Building, 1300 Pennsylvania Avenue, Washington, D.C. On the above date. The meeting was called to order at 10:00 A.M. EDT by Lisa Rosenblum, Edward English, USAC Secretary and Treasurer called the roll. Members were present as follows:

	USAC	SLC	RHCC
David Abramson	Donald Lynch	Ken Brody	Kevin Hess
Anne Bryant	Dr. Henry Marockie	Anne Bryant	Isiah Lineberry
Edwin H. Eichler	Kathleen G. Ouye	Iran Fishman	Dr. Jay Sanders
Heather Burnett Gold	Lisa Rosenblum	Frank Gumper	
Frank Gumper	Dr. Jay Sanders	Dr. Henry Marockie	
Kevin Hess	Allan Thoms	Kathleen G. Ouye	
Martha Hogerty	Tom Wheeler		
James Jackson			

The following members were absent:

USAC	SLC	RHCC
John Anthony Butler	Brian Talbott	Sanford Greenberg
Brian Talbott		

Others present for portions of the meeting

Cherie R. Kiser	Mintz, Levin et al
Jon Blake	RHCC (Covington & Burling)
Mark Weiss	RHCC (Covington & Burling)
Dick Lavery	GTE
John Ricker	NECA
Matthew Vitale	FCC
Sharon Webber	FCC

Pam Gallant	FCC
William England	RHCC
Mel Blackwell	RHCC
Donna Faunce	RHCC
Rick Cimerman	NCTA
Andrea Bruns	NCTA
Kate Moore	SCL
Debra Kriete	SCL
Robert Anderson	NECA
Ken Levy	NECA
Lisa Zaina	OPASTCO

1. Ms. Rosenblum welcomed the members of the USAC, SLC and RHCC Boards. Mr. Lee Bailey, President of RHCC, was asked to join the meeting. The announced purpose of the meeting was to finalize the content of the Report and plan of Reorganization (the Report) to be submitted to the FCC. Mr. Eichler gave a brief introduction describing the efforts of the USAC Long Range Planning Committee working with the heads of the Corporations to come up with the draft Report before the joint meeting.
2. The floor was then turned over to Cheryl Parrino, CEO of *USAC*, who summarized contents of the Report. She outlined the various Chapters of the Report, described the efficiencies of a combined organization and depicted some of the common and unique characteristics of the universal service programs. Mr. Fishman and Mr. Bailey supplemented her presentation. Ms. Parrino indicated that the universal service programs were under intense scrutiny by members in Congress. The Corporations were being asked to streamline and unify the administration of the funds so that there would be one point of responsibility for all programs. The agenda for this meeting was set to discuss remaining issues as a group, break into separate Board meetings for adoption and then to reconvene in the afternoon to arrive at a consensus. Ms. Parrino emphasized there were four issues which required further deliberation by the Boards.:
 - a. The size of the Board of Directors of a combined USAC/SLC/RHCC.
 - b. The autonomy of the committees formed to oversee the unique operations of school/libraries, rural health care and the high cost/low -income funds
 - c. The composition and structure of the committees, and
 - d. The option to merge verses maintain separate subsidiaries.

Size of the Board of Directors of a combined USAC/SLC/RHCC

The draft before the joint Board meeting included a recommendation to expand the USAC Board to 22 from 17. The five additional board members included two representatives from the schools and libraries, two representatives from rural health care and the CEO of the combined entity. The Boards discussed the desire to obtain meaningful representation for beneficiaries of the universal service programs on the combined Board while maintaining the perception that the entity was streamlined. Mr. Bailey indicated that RHCC was in favor of

expanding the Board to include more representation for rural health care. Others commented that representation should be in proportion to relative fund size which would indicate no increase in representation for the rural health care and low income funds. After much discussion, the sense of the meeting was to recommend that each Board consider that the combined Board be increased to 18 *by* adding the CEO of the combined entity.

Committee Autonomy

Under the merger option, separate subsidiaries would be merged into divisions within USAC. The unique operations of these funds would be controlled by committees comprised of subsets of the full Board. The discussion revolved around the ability of the committees to bind the full Board and the authority vested in the CEO to control the budgets and spending decisions. The sense of the meeting was that the CEO must control the budgets and hire/fire decisions for all staff. The group differentiated between budget and programmatic issues and the ability of the USAC Board to override programmatic decisions made by the committees. A compromise was suggested. If there were a conflict between the objectives of the combined entity and one or more of the committees, it would require a 2/3 vote of the full USAC Board to override a committee decision. It was recommended that each Board consider this proposal.

Committee Composition and Subsidiary versus Merger Option

The separate Boards were asked to make recommendations as to these issues during their separate sessions.

Ms. Rosenblum adjourned the joint meeting at 12:25 P.M.

Edward R. English
Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

June 26, 1998

MINUTES

A telephone meeting of the Board of Directors was convened at 11:45 a.m. on June 26, 1998. Participating in the meeting were Jay Sanders, Kevin Hess, and Isiah Lineberry, members of the Board, and Lee Bailey, President of the Corporation. Melvin Blackwell, William England, and Donna Faunce of the Corporation staff and Jonathan Blake and Mark Weiss of Covington & Burling also participated in the meeting.

Mr. Bailey informed the Board members that Sanford Greenberg was unable to participate in the meeting. Mr. Hess was elected to serve as chairman of the meeting.

Mr. Bailey reported to the Board concerning the actions taken at the Joint Meeting with the Boards of the Universal Service Administrative Company (USAC) and Schools and Libraries Corporation (SLC) regarding the proposed Plan of Reorganization (the "Joint Plan") prepared to be submitted by USAC, RHCC, and SLC.

After discussion and upon a motion duly made and seconded, the Board members present voted unanimously to agree to the proposed Joint Plan subject to the addition of two Board members to the USAC Board representing the interests of rural health, and the resolution of certain managerial matters.

The Board directed Mr. Bailey to inform the USAC Board of the RHCC Board's decision.

Upon a motion duly made and seconded, the meeting was recessed subject to the call of the Chairman.

The Board reconvened at 2:00 p.m. Mr. Bailey reported to the Board concerning the discussions that had taken place at the USAC Board meeting and the decision of the USAC Board to reject the RHCC Board proposal. The Board members discussed their desire to prepare a Joint Plan of Reorganization that would adequately preserve the distinct mission of each entity. However, the Board members each expressed their inability to approve the Joint Plan without the modifications previously discussed.

The Board directed Messrs. Bailey, Blake and Weiss to continue to work with USAC and SLC to prepare a Reorganization Plan that would be acceptable to the Board. Upon a motion duly made and seconded, the Board members present voted unanimously to inform the USAC and SLC Boards of their decision to submit a separate statement to accompany the Joint Plan if acceptable changes in the Joint Plan could not be agreed upon.

Upon a motion duly made and seconded, the meeting was adjourned at 2:20 p.m.

Mark A. Weiss
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

June 30, 1998

MINUTES

A telephone meeting of the Board of Directors of the Rural Health Care Corporation (RHCC) was convened at 10:00 a.m. on June 30, 1998, by Sanford Greenberg, Chairman of the Board. Participating in the meeting were Dr. Jay Sanders, Kevin Hess and Isiah Lineberry, members of the Board, and Lee Bailey, President of the Corporation. Jonathan Blake and Mark Weiss of Covington & Burling also participated in the meeting.

The Board discussed the results of the meetings held by the Boards of the Universal Service Administrative Company (USAC), the Schools and Libraries Corporation (SLC), and the RHCC on June 26, 1998, and subsequent conversations with representatives of USAC and SLC. The Board reviewed the issues and views of the three organizations, and directed Mr. Blake and Mr. Weiss to continue discussions with USAC and SLC in an effort to reach a consensus concerning the Report and Plan of Reorganization to be submitted to the Federal Communications Commission as requested by Mr. A. Richard Metzger's letter of May 15, 1998.

Upon motion duly made and seconded, the meeting was adjourned at 11:00 a.m.

Mark A. Weiss
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

July 21, 1998

MINUTES

A meeting of the Board of Directors was convened at 9:30 a.m. on July 21, 1998 by Board Chairman Sanford Greenberg. Participating in the meeting were Kevin Hess, Isiah Lineberry and Jay Sanders, members of the Board, and Lee Bailey, President of the Corporation. Other attendees are listed at the end of these minutes.

Upon a motion duly made and seconded, the Board voted to approve the draft minutes of the Board meetings of April 30, 1998, June 24, 1998, June 26, 1998 and June 30, 1998, with one correction.

Mr. Bailey reported to the Board regarding inquiries and applications received by the Corporation and the progress in processing applications. Reiterating its goal to improve the quality of health care delivered to rural Americans, the Board discussed its interest in promoting outreach efforts and encouraging rural health care providers to continue to apply despite the fact that some providers face obstacles to their use of the universal service program. Mr. Bailey announced the award of contracts to two organizations for outreach services in response to a competitive bidding process. The National Organization of State Offices of Rural Health in partnership with the National Rural Health Resource Center and the National Telephone Cooperative Association have contracted to work together to assist in outreach efforts to rural health care providers. Mr. Bailey presented a schedule of recent and upcoming seminars and panels on the rural health care universal service program.

The Chairman requested information on the Corporation's measures to ensure that protections are in place to prevent waste, fraud and abuse in the program. Mr. Bailey noted that the Corporation has designed various safeguards and also has arranged for a pre-disbursement audit in August before confirmations are distributed to applicants.

Mr. Bailey presented an overview of the most recent unaudited financial statements to the Board.

Dr. Sanders informed the Board that a client he advises in his capacity as a telemedicine consultant would be applying for a discount under the rural health care universal service program. Similarly, Mr. Lineberry stated that some of the state organizations that he works with regularly might apply for discounts. Dr. Sanders and Mr. Lineberry stated that they would consult with the Corporation's counsel to assure that they would not participate in actions relating to any of these applications.

The Chairman and Dr. Sanders congratulated the Corporation staff and Ed Eichler on their efforts.

Upon motion duly made and seconded, the meeting was adjourned at 10:30 a.m.

Other Attendees:	
Melvin Blackwell (RHCC)	Jonathan Blake (C&B)
Dick Cavery (GTE)	Catherine Dargan (C&B)
Ed Eichler (PTC)	William Englund (RHCC)
Donna Faunce (RHCC)	Pam Gallant (FCC)
Lora Magruder (NECA)	Mark Weiss (C&B)

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

September 9, 1998

MINUTES

A telephone conference executive session meeting of the Board of Directors was convened at 4:30pm, on September 9, 1998 by Board Chairman Sanford Greenberg. Participating in the meeting were Kevin Hess and Isiah Lineberry, members of the Board, and Lee Bailey, President of the Corporation. Mark Weiss and Catherine Dargan of Covington & Burling also attended the meeting.

Upon a motion duly made and seconded, the Board voted to approve the draft minutes of the Board meeting on July 21, 1998.

Chairman Greenberg requested information on the Corporation's efforts to ensure that protections are in place to prevent waste, fraud and abuse in the rural health care program. Mr. Bailey reported to the Board on preliminary results of the pre-disbursement audit of the program conducted by Deloitte & Touche. A draft of the audit report is expected shortly and will be reviewed by the Board prior to distribution of confirmations to applicants.

Mr. Bailey noted that the customer support center has handled an increased volume of applicant concerns and questions relating to uncertainties of the program. Mr. Bailey also reported on discussions with NECA regarding charges for website development work.

Mr. Bailey exited the meeting in preparation of the Board's discussion of the proposed retirement plan for Corporation employees, Ms. Dargan discussed the proposed retirement plan to be administered by Charles Schwab. The proposal was reviewed by Covington & Burling and Deloitte & Touche.

After extensive discussion by the Board, the following resolution was duly adopted by the Board:

WHEREAS, the employment contracts of the Corporations employees provide that a retirement plan will be made available to employees of the Corporation; and it is customary and appropriate to provide employees with such a plan; and

WHEREAS, the proposed Simplified Employee Plan ("SEP") plan by, Charles Schwab has been reviewed by Covington & Burling and has been determined by it, as set forth in a letter to Mr. Bailey of August 5, 1998, to fulfill the requirements of Section 408(k) of the Internal Revenue Code for such a plan; and

WHEREAS, Deloitte & Touche has conducted an analysis of the proposed " ' SEP plan including its impact on the salary cap applicable to Mr. Bailey and, as set for in its letters of August 19, 1998 to Covington & Burling, has determined that the plan provides, retirement

benefits that are substantially comparable to those provided to similarly situated,'
government employees; and

WHEREAS, the Board has been advised and has concluded that it is appropriate and prudent for it to adopt the proposed SEP plan;

BE IT THEREFORE RESOLVED that the proposed SEP plan for Corporation employees is hereby approved and Mr. Bailey is authorized to take all, necessary actions to implement the SEP plan.

Mr. Bailey rejoined the conference call. The Board commended Mr. Bailey and the Corporation staff on their efforts.

Upon motion duly made and seconded, the meeting was adjourned at 5:15pm

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

October 19, 1998

MINUTES

A meeting of the Board of Directors was convened at 3:00 p.m. on October 19, 1998 by Board Chairman Sanford Greenberg. Participating in the meeting were Chairman Greenberg, Dr. Jay Sanders, Kevin Hess and Isiah Lineberry, members of the Board, and Lee Bailey, President of the Corporation. Other attendees are listed at the end of these minutes.

Upon a motion duly made and seconded, the Board voted to approve the draft minutes of the September 9, 1998 Executive Session Meeting.

Mr. Bailey reported to the Board regarding the status of program operations. He noted that there appear to be four principal barriers to efficient operation of the program: (1) telephone company interaction and program complexity, (2) calculation/use of the urban rate, (3) lack of competition in local markets for telephone service, and (4) access of rural health care providers to an eligible telecommunications carrier (ETC). Mr. Bailey announced that the short term goal of the Corporation's staff has been to facilitate the completion and processing of applications. With certain assumptions, the Corporation expects that between 238 and 589 rural health care providers could be in a position to receive supported service in 1998, representing a total universal service fund commitment of between \$5.8 million and \$11 million. With the implementation of certain changes, the Corporation estimates that in excess of 712 rural health care providers could receive support in 1999.

Mr Bailey proposed several recommendations to improve the program including extending the fiscal year to allow more time for current applicants to complete the application process and changing certain aspects of the program to expedite administration, increase program efficiency and encourage rural health care provider participation. Mr. Bailey discussed plans to submit several recommendations to the FCC to address program impediments. After a motion duly made and seconded, the Board voted to recommend to the FCC an extension of the fiscal year to June 30, 1999.

Bailey presented an overview of the most recent unaudited financial statements of the Corporation and reviewed the first quarter 1999 proposed budget. After discussion, the Board accepted the report and approved the budget.

Mr. Bailey presented the pre-disbursement audit report prepared by Deloitte & Touche LLP to the Board. The Board discussed the audit report and voted unanimously to approve the report and authorized submission of the report to the FCC. A copy of the audit report will be provided to GAO after approval by the FCC.

Upon motion duly made and seconded, the meeting was adjourned at 4:00 p.m.

Other Attendees:	
Melvin Blackwell (RHCC)	Catherine Dargan (C&B)
Ed Eichler (PTC)	William England (RHCC)
Donna Faunce (RHCC)	Pam Gallant (FCC)
Robert Haga (NECA)	Jimmy Johnson (GCI)
Petre Snegireff (PriceWaterhouseCoopers)	

Catherine J. Dargan,
Acting Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Rural Health Care COMMITTEE MEETING

December 11, 1998

MINUTES

A telephone conference call meeting of the Board of Directors was convened at 11:00 am on December 11, 1998 by Board Chairman Sanford Greenberg. Participating in the meeting were Chairman Greenberg, Jay Sanders, Kevin Hess and Isiah Lineberry, member of the Board, and Lee Bailey, President of the Corporation. Other attendees are listed at the end of these minutes.

Upon a motion duly made and seconded, the Board voted to approve the draft minutes of the October 19, 1998 meeting.

At the request of Chairman Greenberg, Mr. Weiss introduced the discussion of the Agreement and Plan of Merger (the "Merger Agreement") by and among the Corporation, Schools and Libraries Corporation and the Universal Service Administration Company ("USAC"). Mr. Weiss read for the Board the following language contained in a letter he received from Stephen Thurber, counsel to USAC:

[A]s you know, USAC does not disagree that the merger agreement's existing indemnification and insurance provision was intended for the benefit of the indemnified parties and could be enforced by them. Nonetheless, RHCC has requested that Language be added to the provision expressly stating that intent. It would, however, be necessary to obtain the Federal Communications Commission's approval of that change. Given that the FCC has issued its Public Notice approving the previous form of the merger agreement, it is not practicable to obtain such approval. However, USAC wants to reiterate that the existing language is intended for the benefit of the indemnified parties and is intended to be enforceable by them.

After discussion of the letter and the representations contained therein, the Board upon a motion duly made and seconded, unanimously voted in favor of the Merger Agreement. The directors will each execute a written consent confirming their affirmative votes.

Mr. Lineberry and the other directors commended the Corporation's staff and representatives and fellow directors for their efforts on behalf of the Corporation and the Rural Health Care program.

Upon motion duly made and seconded, the meeting was adjourned at 11:15 am.

Other Attendees:	
Melvin Blackwell (RHCC)	Catherine Dargan (C&B)
Donna Faunce (RHCC)	William England (RHCC)
Donna Faunce (RHCC)	Robert Haga (NECA)
Cheryl Parrino (USAC)	Melissa Waxman (FCC)
Sharon Webber (FCC)	Mark Weiss (C&B)

Catherine J. Dargan, Acting Secretary