

**Rural Telephone Bank
Minutes of the 130th Board Meeting
November 9, 1999**

Time and Place of Meeting

The 130th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Tuesday, November 9, 1999, in Room 4960, South Building, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on November 5, 1999.¹ Chairperson (Chair) Jill Long Thompson called the meeting to order at 9:03 a.m. (Originally, the Board meeting was to take place in the Williamsburg Room, but was rescheduled to Room 4960 the day before the meeting.)

Attendants

Directors present were:	Jill Long Thompson	Robert Lee Stanton	Larry Sevier
	Michael Dunn	John Dillard	John McAllister
	Carl Whillock	Curtis Sampson	David Crothers
	Jimmie Lou Fisher	Michael Jensen	

Among others present were Acting Governor Christopher McLean and staff members Roberta Purcell and Jonathan Claffey. Also present was Frank Clover of the Office of the General Counsel (OGC). (Directors not present: Dr. I. Miley Gonzalez and Sharron Harris.)

Action on the Minutes

On motion duly made and seconded, the minutes of the August 6, 1999, board meeting were adopted as prepared.²

Secretary's Report

Secretary Curtis Sampson reported that in fiscal year 1999 the Bank approved 28 loans for a total of \$113,952,300.³ The heaviest volume of loan approval occurred in the fourth quarter with 17 loans totalling more than \$79.2 million. Ms. Thompson and Mr. Sampson thanked the staff for their promptness in processing loans this past fiscal year.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for FY 1999.⁴ Mr. McAllister reported, among other things, that net revenue for the year totalled \$116 million as compared to \$105 million for

¹ Exhibit 130-1

² Exhibit 130-2

³ Exhibit 130-3

⁴ Exhibit 130-4

FY 1998; total class B stock net of conversions amounted to \$659 million as compared to \$631 million one year earlier; and total class C stock increased from \$210 million on September 30, 1998 to \$277 million on September 30, 1999. Advances on loan commitments for the year totalled \$57 million as compared to \$55 million for the year ended September 30, 1998; and unadvanced loan commitments totalled \$966 million, up from \$947 million one year earlier. There being no questions or comments, the Chair moved on to the next agenda item.

Privatization Committee Report

Committee Chairman Curtis Sampson restated recommendations made by the Committee and included in the minutes of the August 6, Board meeting. Mr. Sampson then stated that the Committee is 100 percent behind accelerated privatization, and the sooner, the better. The Bank has been losing borrowers at an alarming rate, and the resolution today with respect to the conversion of B to C stock will help stem the tide. But the fact remains, that the RUS and Bank programs are not able to participate in numerous telecom financing opportunities for reasons of which many are beyond the control of the staff.

Apart from the financing account, the Bank owes Treasury on the liquidating account only about hundred million dollars on a billion-dollar loan portfolio. The Bank also has \$700 million on deposit at Treasury; rather than having those funds out working for an industry that is presently demanding huge amounts of capital.

Other lending institutions are growing their loan portfolios rapidly while the Bank is shrinking; though awash in cash. The Committee has concluded that a study is desirable to first solidify what is best and over what time period. The preliminary study would set out a framework for what the Bank would look like in the short term and in the long term, and determine the rate at which the Bank would privatize (i.e., accelerated privatization).

To accomplish this end, the Committee favors working with the Secretary of Agriculture, RUS staff, industry organizations, the Office of Management and Budget (OMB), Treasury, and others such as Justice, as opposed to legislation. The Committee recognizes that legislation raises issues with the Congressional Budget Office. Legislation also has the danger of causing industry desires to be severely modified in the legislative process. Negotiations with those who have the authority to conclude a deal is preferred, with legislation to follow to cause technical, but necessary, amendments.

The major concern has been, and continues to be, the ownership of the assets. Opinions received from OMB over the last 10 years or more either have lacked authority or are not conclusive enough, despite the fact that OMB appears to have the authority to administer Credit Reform.

The 1998/1999 Clinton budget referred to the Bank's assets as "equity assets", and, the Treasury is paying interest on the Bank's cash at Treasury. Both suggest that the Bank owns the loans and the cash. The Committee favors the request to have \$100 thousand transferred to a bank to be selected, which funds would be used for an appropriate study, and perhaps other purposes.

The Committee requested that the transfer of \$100 thousand in Bank funds be placed on the agenda for the next Board meeting, along with discussions of the parameters of the study and the expected cost. The Committee also favors proposing the exchange of a long-term debenture, at an appropriate interest rate, for all of the Government's A stock, and OMB apparently has the authority to commit to such action.

The matter of the release of cash from Treasury and the ownership of the loans receivable, and the matter of the hundred million due Treasury would also be part of the negotiations. The Committee feels that negotiations with people who have authority to negotiate just might be the safer route.

Acting Governor Christopher McLean pointed out that Congress has imposed a five percent limitation on conversion of A stock again this fiscal year, and that is a provision that the Administration did not seek.

Consideration of Sunshine Announcement Resolution

The regulations that govern public announcement of Board meetings require certain actions of the Board when the subject matter of a meeting is changed following the public announcement. The addition of the agenda item, Consideration of Resolution to Convert Class B Stock to Class C stock, was publicly announced in the Federal Register on November 5, 1999; before commencement of the Board meeting, but less than seven days before the meeting as required by Board regulations. Therefore, all Board members present voted unanimously to adopt the following resolution: ⁵

Resolution No. 99-7

RESOLVED, That the Board of Directors of the Rural Telephone Bank determines, by recorded vote, that the business and welfare of the Bank require that the Board consider and act upon the proposed authorization of the conversion of borrowers Class B stock into Class C stock and that such consideration and action should be at the earliest practicable time.

Consideration of Resolution to Convert Class B Stock to Class C Stock

Acting Governor Christopher McLean and Assistant Governor Roberta Purcell reviewed the details of the proposed resolution. The proposed resolution changes the bylaws and the policy of the Bank to allow for the

⁵ Exhibit 130-5

partial conversion of B stock to C stock on a note-by-note basis. There being no questions, the following resolution was moved by Mr. Crothers, seconded by Mr. Sevier and unanimously adopted: ⁶

Resolution No. 99-8A

RESOLVED, That subsections 2.2(b) and 8.2(b) of the Bylaws of the Bank be amended as follows:

1. The third sentence of subsection 2.2(b) shall be amended by inserting "(1)" between the words "for" and "the", by inserting "all" between the words "of" and "amounts" and adding the following to the end of the sentence:

"; and (2) for the conversion of a portion of the Class B stock, received by a stockholder as a patronage refund or purchased by the borrower, into Class C stock before the principal of the stockholder's loans from the Bank has been fully repaid."

2. Subsection 8.2(b) is amended by striking all of the section following the word "addition" and replacing it with the following:

"to the partial or full conversions authorized in section 2.2(b) hereof."

Resolution No. 99-8B

BE IT FURTHER RESOLVED, That a borrower, that has not repaid all of its obligations to the Bank, may by written notice to the Bank elect to convert a portion of the Class B stock that the borrower has received as a patronage refund, subject to the following qualifications:

1. The amount of Class B to be converted to Class C shall be determined separately for each note issued by the borrower to the Bank.
 - (a) Upon receipt of a request to convert from a borrower, the Bank will determine the amount of Class B stock assigned as a patronage refund in connection with each note issued by the borrower to the Bank. This amount is referred to as "the Class B patronage refunds" for the particular note.

⁶ Exhibit 130-6

- (b) The Bank will determine the percentage of the original principal amount of the particular note that has been repaid. This percentage is referred to as "the repaid percentage" of the particular note.
2. The borrower may request conversion of such percentage of the Class B patronage refunds of the particular note as the borrower elects, but no more than the repaid percentage of the particular note. The borrower may make this request for as many of its outstanding notes as the borrower elects, but may make a request no more often than once a year.
 3. If a note is paid-in-full, the borrower may request conversion of all Class B stock related to that note, including Class B purchased by the borrower.
 4. For each note, the requested conversion amount shall be rounded down to the next multiple of one thousand dollars.
 5. Dividends on Class C stock issued as the result of such a conversion, shall be determined as if the stock had been issued on the first day of the next calendar month starting after the Bank receives notice of the borrower's election to request conversion.
 6. The borrower requesting the conversion is not in default under any obligation owed to the Bank or the Rural Utilities Service under the borrower's loan documents.
 7. In the event the Bank's records are not sufficient to allow a precise calculation of the Class B patronage refunds for a particular note, the Bank shall have the option of rounding down the amount of the Class B stock converted to Class C stock by the smallest amount necessary to assure that the percentage converted does not exceed the repaid percentage of the note.
 8. The borrower shall follow such reasonable procedures for implementing this resolution as the Bank may adopt.

Subsequent to the Board meeting, Directors I. Miley Gonzalez and Sharron Harris, who were unable to attend this meeting, signed a waiver of notice and waiver of receipt of proposed bylaw amendments. Dr. Gonzalez and Ms. Harris concurred in the approval of these amendments; the waivers are annexed to the aforementioned resolution.

Consideration of Resolution of Appreciation for Former Governor Wally Beyer

The following resolution was moved by Mr. Crothers and unanimously adopted by the Board: ⁷

Resolution of Appreciation
Resolution No. 99-9

WHEREAS, Wally Beyer has retired as the twelfth Governor of the Rural Telephone Bank, a post he has served faithfully and ably since 1993; and

WHEREAS, Mr. Beyer was instrumental in leading the Bank to the three and one-half billion dollar mark in loans approved; and

WHEREAS, Mr. Beyer also served as Administrator of the Rural Utilities Service for six years and was responsible for the approval of more than two billion dollars in RUS telecommunication loans and guarantees; and

WHEREAS, Mr. Beyer was a prime mover in initiating the process to privatize the Bank; and

NOW, THEREFORE BE IT RESOLVED, That the members of the Board of Directors of the Rural Telephone Bank express to Mr. Beyer their sincerest appreciation for his valuable contributions to rural telephony and the success of the Bank and their warmest good wishes for his continued good health and happiness; and

BE IT FURTHER RESOLVED, That the Governor of the Rural Telephone Bank be requested to send a properly inscribed copy of this resolution to Wally Beyer.

Schedule for Year 2000 Board Meetings in Washington, DC

February 2000

Staff Briefing: Thursday, Feb. 10, at 2:00 p.m.

Board Meeting: Friday, Feb. 11, at 9:00 a.m.

August 2000

Staff Briefing: Thursday, Aug. 3, at 2:00 p.m.

Board Meeting: Friday, Aug. 4, at 9:00 a.m.

May 2000

Staff Briefing: Thursday, May 11, at 2:00 p.m.

Board Meeting: Friday, May 12, at 9:00 a.m.

November 2000

To be established at a later date.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:41 a.m.

Secretary

⁷ Exhibit 130-7