

**Rural Telephone Bank**  
**Minutes of the 131st Board Meeting**  
**February 11, 2000**

Time and Place of Meeting

The 131<sup>st</sup> meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, February 11, 2000, in the Williamsburg Room, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on February 3, 2000.<sup>1</sup> Chairperson (Chair) Jill Long Thompson called the meeting to order at 9:00 a.m.

Attendants

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

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.)

Action on the Minutes

On motion duly made and seconded, the minutes of the November 9, 1999, board meeting were adopted as prepared.<sup>2</sup>

Secretary's Report

Secretary Curtis Sampson reported that in the first quarter the Bank approved one loan for a total of \$3,037,650.<sup>3</sup> This loan was commingled with \$5,207,000 and \$5,000,000 of RUS cost of money funds and hardship funds, respectively.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for the first quarter of FY 2000.<sup>4</sup> Mr. McAllister reported, among other things, that net revenue for the first quarter totalled \$26 million as

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<sup>1</sup> Exhibit 131-1

<sup>2</sup> Exhibit 131-2

<sup>3</sup> Exhibit 131-3

<sup>4</sup> Exhibit 131-4

compared to \$24 million in the first quarter of FY 1999; total class B stock net of conversions to C stock amounted to \$744.9 million as compared to \$716.9 million on December 31, 1998; and total class C stock increased from \$215.3 million on December 31, 1998 to \$280.1 million on December 31, 1999. Advances on loan commitments for the quarter totalled \$13 million as compared to \$16 million for the same quarter in FY 1999; and unadvanced loan commitments totalled \$947 million, up from \$918 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 expressed the Committee's desire to have the Department of Agriculture support the following Committee recommendations:

1. Eliminate from future annual appropriations of the Bank the five-percent limitation on the retirement of class A stock. The annual limitation provision was not an Administration initiative, but one supported by the industry.
2. Add to the appropriations bill a line item confirming that the Bank owns the assets, subject to the liabilities, as audited by the Federal Government.
3. Negotiate the retirement of class A stock with the Office of Management and Budget (OMB), the U.S. Treasury and, possibly, industry members. The Committee recommends that Class A stock be converted to a debenture, with negotiated terms and interest rate.
4. Retain the RUS staff on a contract basis for a defined term in the future to administer the Bank loan program, together with relatively minimal Bank employees. Bank employees would likely include a CEO and, possibly, a CFO. The Bank would fund part of RUS's cost to administer the loan program, thereby relieving some of the budget pressure as experienced in the past.
5. Change the interest rate formula and certain other Bank matters through legislation after the Board has voted to privatize.

Mr. Sampson added, that if the Department of Agriculture supports this path, a vote to privatize could follow within the current fiscal year. In addition, he believes that the industry would be very supportive of the foregoing recommendations.

Discussion on Contracting a Financial Advisor and Transferring Funds to be used for the Contract from the Liquidating Account to a Private Financial Institution

Acting Governor Christopher McLean stated that, at the previous meeting, the Board requested that \$100,000 be sought from the Bank's assets to pay for a financial analysis. The staff had visited with the U.S. Treasury and OMB, and the answer to our request essentially was no, that it would not be possible. The main reason was that the annual appropriations bill requires that expenses of the Bank be funded out of the RUS Rural Development Budget. The staff, therefore, requested through the Rural Development Budget Office that the \$100,000 expenditure be placed on the unfunded list and be considered by the Rural Development Budget Committee. He then advised the Board that the U.S. Treasury denied our request to transfer assets out of the U.S. Treasury and into a private financial institution.

Director Sampson appealed to the Board regarding the importance of, and potential urgency for, a business plan to prepare the Bank for privatization. Speaking for the members of the Privatization Committee, Mr. Sampson conveyed their request to the Chair for her support of the Rural Development Budget Office request for the \$100,000 for a business plan.

The Privatization Committee would like to begin discussions with a small CPA firm or two that are geographically located in the middle of where four of the six Privatization Committee members are located. According to Mr. Sampson, the small CPA firm is very recognized among telephone companies and has experience with RUS, the Bank, CoBank and the Rural Telephone Finance Corporation (RTFC). This CPA firm has a very good understanding of the needs of rural telephone companies and very good understanding of why borrowers have gone from RUS to RTFC and CoBank. The Privatization Committee believes that the cost would be a fraction of what it would be to contract with a Big Five accounting firm, thus, may engage in general discussions with this small CPA firm within the next three months. Mr. McLean stated that, in light of the legislative stalemate that we are engaged in with our colleagues at the U.S. Treasury and OMB, as well as the very significant actions just recommended by the Privatization Committee, that such research would be extraordinarily useful and prudent in proceeding with a privatization plan.

Consideration of Resolution to Change the Procedure for Issuing Class C Stock Certificates

Acting Governor Christopher McLean explained that the proposed resolution would allow the book entry of class C stock shares rather than certificate issuance. We would issue certificates only upon request by the stockholder. The book entry method would be more convenient for members, as well as facilitate good record keeping by the Bank. There being no discussion, the following resolution was unanimously adopted.<sup>5</sup>

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<sup>5</sup> Exhibit 131-5

**Resolution No. 2000-1**

RESOLVED, That stockholders be informed that Class C stock hereafter will be issued in book entry form and certificates therefor will be issued only on a specific request of the stockholder as set forth in Section 2.3 of the Bylaws.

**Consideration of Resolution to Modify the Procedure for Replacing Lost Share Certificates**

Acting Governor Christopher McLean explained that presently the Board must vote each time a lost share certificate is replaced. For administrative convenience, the proposed resolution would give the Governor the authority to issue replacement shares. Director Michael Dunn requested that at each meeting the Governor report to the Board each request received for replacement share certificates along with his actions thereon. There being no discussion, the following resolution was unanimously adopted.<sup>6</sup>

**Resolution No. 2000-2**

RESOLVED, That the Procedure to Replace Lost Share Certificates, adopted by the Board on November 10, 1988, be amended so that the fifth (5) paragraph thereof reads as follows:

"Governor will consider the stockholder's request upon receiving a satisfactory Affidavit of Lost Shares."

**Consideration of Resolution to Adopt a Schedule for Various Actions Concerning the November 2000 Board of Directors Election**

Acting Governor Christopher McLean explained that the resolution outlines the proposed schedule as to the election process. After some discussion, the following resolution was unanimously adopted.<sup>7</sup>

**Resolution No. 2000-3**

RESOLVED, That the following schedule be adopted in planning the election of directors to be held on November 1, 2000.

Friday, July 7	"As of date" for determining voting rights (Bylaws §2.5).
Friday, July 14	Governor prepares voting list (Bylaws §2.8).

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<sup>6</sup> Exhibit 131-6

<sup>7</sup> Exhibit 131-7

**Resolution No. 2000-3 (continued)**

Tuesday, July 18	Mail preliminary notice of election with form for nominating directors (Bylaws §4.4(a)).
Wednesday, August 30	Final date for receipt of nominations by mail or fax (Bylaws §4.4(a)).
Thursday, August 31	Tabulate nominations (Bylaws §4.4(a) and (b)).
Monday, September 25	Mail official ballots (Bylaws §4.4(c)).
Tuesday, October 31	Final date for receipt of ballots (Bylaws §4.4(d)).
Wednesday, November 1	Tabulate ballots (Bylaws §4.3(a)).
Friday, November 17	First regular meeting of the new Board (Bylaws §5.1).

**Consideration of Resolution to Appoint Tellers for the November 2000 Board of Directors Election**

Acting Governor Christopher McLean introduced the proposed resolution. There being no discussion, the following resolution was unanimously adopted.<sup>8</sup>

**Resolution No. 2000-4**

RESOLVED, That the Branch Chiefs, Program Accounting Services Division, or their designees, serve as election Tellers to tabulate nominations and ballots for the November 1, 2000, Bank election with the Director, Program Development and Regulatory Analysis, serving as Head Teller.

**Consideration of Resolution to Approve Kenneth M. Ackerman to Serve as the Assistant Treasurer**

Acting Governor Christopher McLean presented the proposed resolution for consideration by the Board. There being no discussion, the following resolution was unanimously adopted.<sup>9</sup>

**Resolution No. 2000-5**

RESOLVED, That the Board approve the Acting Governor's recommendation of Kenneth M. Ackerman, Assistant Administrator, Program Accounting & Regulatory Analysis, Rural Utilities Service, to serve as the Assistant Treasurer of the Rural Telephone Bank.

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<sup>8</sup> Exhibit 131-8

<sup>9</sup> Exhibit 131-9

Other Business

Director Michael Dunn asked Acting Governor Christopher McLean to address what the RUS Telecommunications Program was doing to fulfill the President's initiative on closing the digital divide. Mr. McLean summarized RUS's as well as other department's initiatives on the subject. Directors' Sevier, Dillard, and Sampson shared with the Board their opinions and personal experiences with projects aimed at closing the digital divide and improving telecommunications in rural areas.

Next Board Meeting in Washington, DC

The May staff briefing and Board meeting dates are as follows:

Staff Briefing:	Thursday, May 11, 2000, at 2:00 p.m.
Board Meeting:	Friday, May 12, 2000, at 9:00 a.m.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:42 a.m.

Signed by Curtis Sampson

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Secretary