

Rural Telephone Bank
Minutes of the 129th Board Meeting
August 6, 1999

Time and Place of Meeting

The 129th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, August 6, 1999, in the Williamsburg Room, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on July 27, 1999.¹ Chairperson (Chair) Jill Long Thompson called the meeting to order at 9:21 a.m.

Attendants

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

Among others present were Governor Wally Beyer and staff members Christopher McLean and Roberta Purcell. Also present was Frank Clover of the Office of the General Counsel (OGC). (Directors not present:

Dr. I. Miley Gonzalez and Jimmie Lou Fisher.)

Action on the Minutes

On motion duly made and seconded, the minutes of the May 14, 1999, board meeting were adopted as prepared.²

Secretary's Report

Secretary Curtis Sampson, referring back to his report on loans approved for FY 1999 presented at the stockholders' meeting, restated that 12 loans totalling \$37.8 million were approved during the first three quarters of FY 1999, as compared to the \$92 million approved at this same point last fiscal year. The Bank's authorized lending level this fiscal year is \$158 million.

Treasurer's Report

Treasurer John McAllister was called upon to give the Treasurer's Report for the third quarter of FY 1999. Mr. McAllister referred back to his report on the financial statements for FY 1999 presented at the stockholders' meeting. There being no questions or comments, the Chair moved on to the next agenda item.

¹ Exhibit 129-1

² Exhibit 129-2

Governor's Report on the Allowance for Loan Losses Reserve for FY 1999

Governor Wally Beyer reported that no loan losses have occurred and the amount of the reserve for FY 1999 is adequate. Director Sampson concurred with Mr. Beyer's assessment regarding the size of the reserve.

Privatization Committee Report

Committee Chairman Curtis Sampson outlined recommendations by the Committee:

1. The Board consider accelerated privatization as an alternative to the proposed Performance Based Organization (PBO)-type structure, and include on the agenda for discussion at the November Board meeting.
2. The Board consider the need for a business plan to assess the financial and legal options of a privatized Bank.
3. The Board consider transferring the funds needed to finance the cost of a business plan from the Bank's account at Treasury to a commercial bank.
4. The Board consider changing the policy of the Bank to allow for the partial conversion of B stock to C stock on a loan-by-loan basis.

Consideration of Resolution to Retire Class A Stock in FY 1999

Director Jensen moved that the Bank retire \$26,410,000 in class A stock in FY 1999 (the maximum allowed under current law), and Director Dillard seconded the motion. There being no discussion, the following resolution was unanimously adopted:³

Resolution No. 99-5

WHEREAS, Section 406(c) of the Rural Electrification Act of 1936, as amended, provides, in part, that:

Class A stock shall be redeemed and retired by the Telephone Bank as soon as practicable after September 30, 1995, but not to the extent that the Telephone Bank Board determines that such retirement will impair the operations of the Telephone Bank: Provided, That the minimum amount of Class A stock that shall be retired each year after said date shall equal the amount of Class B stock sold by the Telephone Bank during such year...;

and

³ Exhibit 129-3

Resolution No. 99-5 (Continued)

WHEREAS, the United States Government purchased a maximum amount of \$592,079,627 of Class A stock of the Rural Telephone Bank (Telephone Bank); and

WHEREAS, for the past three consecutive fiscal years, the Telephone Bank has repurchased a total of \$63,900,000 of its Class A stock, leaving a balance of \$528,200,000 outstanding; and

WHEREAS, the Agriculture Appropriations Act of 1999 provides that, in fiscal year 1999 no more than five percent of the Class A stock of the Telephone Bank may be retired; an amount equal to \$26,410,000; and

WHEREAS, the Telephone Bank Board has received and had explained to it the attached study entitled *Retirement of Class A Stock of the Rural Telephone Bank*, which demonstrates that the Telephone Bank has sufficient funds to retire \$26,410,000 of Class A stock without impairing the Telephone Bank's operations (see attachment); and

THEREFORE, BE IT RESOLVED, the Telephone Bank Board determines that the retirement of \$26,410,000 will not impair the operations of the Telephone Bank based on the attachment; and

RESOLVED, That for fiscal year 1999 the Telephone Bank Board directs that \$26,410,000 of Class A stock be retired prior to October 1, 1999.

Consideration of Resolution to Set Annual Class C Stock Dividend Rate

Until all class A stock is retired, the dividend rate set on C stock can not be greater than the average interest rate payable on the Bank's outstanding debt—currently 6.85 percent (RE Act sec. 406(e), and Bylaws sec.s 2.2(c) and 8.1(e)). Staff provided the Directors with an analysis of interest rates on selected offerings. Director Jensen moved that a 5.50 percent dividend rate be adopted. After some discussion, the following resolution was unanimously adopted: ⁴

⁴ Exhibit 129-4

Resolution No. 99-6

WHEREAS, it is the responsibility of the Board of Directors to annually review and declare the Class C stock dividend; and

WHEREAS, the dividend by law may not exceed the average interest rate on the Rural Telephone Bank (RTB) debt due to Treasury which is presently about 6.85 percent; and

NOW, THEREFORE BE IT RESOLVED, That a 5.50 percent annual dividend rate be declared on the Class C Stock of the Bank payable December 15 to the Class C stockholders of record during fiscal year 1999 on the basis of one-twelfth of the annual dividend for each full month, or portion of a month, the stock was held during fiscal year 1999.

Other Business

Director Sampson suggested that at the November meeting the Board review and discuss the current method used to allocate patronage refunds to class B stockholders. Director Dillard also suggested the Board consider setting dates for all four of its regular meetings in the Year 2000.

November Board Meeting in Washington, DC

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

Staff Briefing:	Monday, November 8, 1999, at 2:00 p.m.
Board Meeting:	Tuesday, November 9, 1999, at 9:00 a.m.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:56 a.m.

Secretary