

**Rural Telephone Bank**  
**Minutes of the 135<sup>th</sup> Board Meeting**  
**February 6, 2001**

Time and Place of Meeting

The 135<sup>th</sup> meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Tuesday, February 6, 2001, in Conference Room Europe 8, Swan & Dolphin Hotel, Lake Buena Vista, FL., pursuant to notice published in the Federal Register on January 23, 2001.<sup>1</sup> Acting Chairperson (Chair) Curtis Sampson called the meeting to order at 9:00 a.m.

Attendants

Directors present were:	Curtis Sampson	David Crothers
	Robert Lee Stanton	Larry Sevier
	John Dillard	John McAllister

Among others present were staff members Roberta Purcell, Jonathan Claffey, and Ken Ackerman. (Directors not present: Michael Jensen and six vacancies.)

Action on the Minutes

On motion duly made and seconded, the minutes of the November 17, 2000, board meeting were adopted as prepared.<sup>2</sup>

Secretary's Report

Secretary Curtis Sampson reported that one loan was approved during the first quarter totalling \$11,647,350, of which the Bank portion amounted to \$4,291,350.<sup>3</sup> The interest rate used in the feasibility study was 5.97%. Assistant Governor Roberta Purcell reported that a \$260 million loan to the Sandwich Islands was also approved during the first quarter. However, to avoid an appropriations shortfall, and to accommodate as many borrowers as possible throughout the year, the Bank portion of the Sandwich Islands loan would be allocated later in the fiscal year.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for the first quarter of fiscal year 2001.<sup>4</sup> Mr. McAllister reported, among other things, that net revenue for the quarter totalled \$27 million as compared to \$26 million for the same quarter in fiscal year 2000; total class B stock, net of conversions,

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<sup>1</sup> Exhibit 135-1

<sup>2</sup> Exhibit 135-2

<sup>3</sup> Exhibit 135-3

<sup>4</sup> Exhibit 135-4

to C stock, amounted to \$767.2 million as compared to \$744.9 million on December 31, 1999, and total class C stock increased from \$280.1 million on December 31, 1999, to \$345.3 million on December 31, 2000. Advances on loan commitments for the quarter totalled \$21 million as compared to \$13 million for the quarter ended December 31, 1999, and unadvanced loan commitments totalled \$1 billion 2 million, up from \$947 million one year earlier.

### Privatization Committee Report

Committee Chairman Curtis Sampson reported that, on January 11, 2001, all the commercial and cooperative board members and staff met with the Office of Management and Budget (OMB) in Washington, D.C., to discuss privatization. The Committee reported the following for the record:

1. OMB agreed that the Bank owns its assets, and that the shareholders and the government own the Bank.
2. OMB would be very uncomfortable with any proposal where less than 100 percent of the Bank was privatized. They would be very much opposed to the government being a minority shareholder.
3. OMB advised the Committee that in their ten-year budget forecast, they do not show the liquidating account eliminated as is normal with liquidating accounts under Credit Reform.
4. OMB assured the Committee that a sweep of Bank funds by Treasury was inconsistent with Credit Reform as it applied to the Bank, because of the mixed ownership.
5. OMB would be very much opposed to the Bank pursuing an exemption from the provisions of Credit Reform.
6. OMB would not be opposed to using liquidating account funds or appropriated funds to pay for expenses associated with legal and financial studies relative to accelerated privatization. Such authority must be included in the appropriations bill. OMB absolutely opposes using any funds from the liquidating account unless such authorization is included in the appropriations bill.
7. The Committee favors seeking an appropriation specifically to fund legal and financial studies relative to accelerated privatization.

Clarification on Stock Policy Regarding the Transferability of Class C Stock.

Assistant Governor Roberta Purcell reported that a CPA firm representing one of our Bank borrowers inquired about transferring class C stock to a subsidiary of a borrower. The borrower in question wants to transfer its class C stock down to a subsidiary that it owns. Under the current bylaws, class C stock is transferable to organizations controlled by borrowers. The issue is the term, "control", and how the Board wishes to define the term for bylaw purposes in the future. This issue will be placed on the agenda for the May 11, 2001 meeting. Mr. Dillard requested staff to research whether class C stock could pass to a "non-telephone company" type of owner in the event of the sale of a subsidiary that was holding class C stock.

Consideration of Resolution to Establish Date of Stockholders' Meeting

On motion made by Mr. Stanton and seconded by Mr. Crothers, the following resolution was unanimously approved:<sup>5</sup>

**Resolution No. 2001-1**

RESOLVED, That the regular meeting of the stockholders shall be held on August 17, 2001, in Washington, D.C., at 9:00 a.m., for the purpose of (a) hearing reports from officers of the Bank, and (b) acting upon such other matters as may properly be brought before the meeting; and

BE IT FURTHER RESOLVED, That the record date for the determination of stockholders entitled to notice of and to vote at such meeting shall be June 1, 2001.

Next Board Meeting in Washington, DC

Staff Briefing:	Thursday, May 10 at 2:00 p.m.
Board Meeting:	Friday, May 11 at 9:00 a.m.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:30 a.m.

Signed Curtis A. Sampson

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Secretary

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<sup>5</sup> Exhibit 135-5