

Rural Telephone Bank
Minutes of the 136th Board Meeting
May 11, 2001

Time and Place of Meeting

The 136th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, May 11, 2001, in Conference Room 107-A, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on May 1, 2001.¹ 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
	Michael Jensen	

Among others present were Acting Governor Blaine Stockton and staff members Roberta Purcell, Jonathan Claffey, and Ken Ackerman. Also present was Frank Clover from the Office of the General Counsel (OGC). (Directors not present: Six vacancies.)

Action on the Minutes

On motion duly made and seconded, the minutes of the February 6, 2001, board meeting were adopted as prepared.²

Secretary's Report

Secretary Curtis Sampson reported that six loans were approved during the second quarter totalling \$35,980,050, of which the Bank portion amounted to \$12,622,050.³ The interest rates used in feasibility studies during the second quarter ranged from 5.43% to 5.95%. Assistant Governor Roberta Purcell reminded Directors that a \$260 million loan to the Sandwich Islands was approved during the previous quarter. However, 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 second quarter of fiscal year 2001.⁴ Mr. McAllister reported, among other things, that net revenue year to date totalled

¹ Exhibit 136-1

² Exhibit 136-2

³ Exhibit 136-3

⁴ Exhibit 136-4

\$56 million as compared to \$54 million one year ago; total class B stock, net of conversions, to C stock, amounted to \$762.4 million as compared to \$719.6 million on March 31, 2000, and total class C stock increased from \$305.9 million on March 31, 2000, to \$350.7 million on March 31, 2001. Advances on loan commitments for the quarter totalled \$34 million as compared to \$11 million for the quarter ended March 31, 2000, and unadvanced loan commitments totalled \$955 million, up from \$916 million one year earlier.

Privatization Committee Report

Committee Chairman Curtis Sampson reported that over the last three months the Committee had extensive communications with trade associations, RUS/RTB staff, the Committee's legal counsel, and Bank shareholders. An informational meeting was held on May 10 at 9:00 a.m. at the offices of the Rural Utilities Service. In attendance were all six Committee members, Roberta Purcell, Tom Wacker of National Telephone Cooperative Association, and Committee Counsel, Gary McDavid. Principal matters discussed were:

1. The status of the administration's budget, which withholds funding for Bank loans in fiscal year 2002. Also discussed with respect to this matter was the testimony of Roberta Purcell and the industry's organizations in support of restoring Bank loan funding to its traditional level.
2. The five percent limitation on the repurchase of class A stock.
3. The use of funds from the liquidating account to pay expenses of the Bank and how the payment of costs from the liquidating account for administration might be a factor in the matter of providing a reasonable amount of funds for privatization costs.
4. The administration's success in securing \$250,000 for a privatization study. A draft of the request for proposal was distributed at the May 10 staff briefing.
5. The issue of a \$50,000 budget item for legal counsel. The U.S. Department of Agriculture budget committee tabled action on this item. The Committee feels that the money for legal counsel is extremely important, as the Committee cannot function without legal counsel.

Clarification on Stock Policy Regarding the Transferability of Class C Stock

At the February Board meeting, Assistant Governor Roberta Purcell reported that a CPA firm representing one of our Bank borrowers inquired about transferring class C stock to a wholly owned subsidiary of a borrower. While the specific request that is before the staff currently does not create any real problems under the bylaws, it does bring up the bigger issue of diversification in the telecommunications industry today.

It is a matter that staff felt important to bring before the board for discussion because many of our telephone companies through their subsidiaries are getting into a vast array of different businesses and how the impact of transferring class C stock would affect the Board and its operations.

At yesterday's staff briefing, the Board directed staff to prepare definitions of "control" and "eligible telecommunications borrower" for discussion at the August staff briefing. There being no questions or comments, the Chair moved to the next agenda item.

Action on the Bank's Annual Report

On motion made by Mr. Crothers and seconded by Mr. McAllister, the annual report for the year 2000 was approved as prepared.⁵

Next Board Meeting in Washington, DC

Staff Briefing:	Thursday, August 16 at 2:00 p.m.
Stockholders' Meeting:	Friday, August 17 at 9:00 a.m.
Board Meeting:	Immediately following the stockholders' meeting

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:28 a.m.

Signed Curtis Sampson

Secretary

⁵ Exhibit 136-5