

Rural Telephone Bank
Minutes of the 139th Board Meeting
February 12, 2002

Time and Place of Meeting

The 139th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Tuesday, February 12, 2002, in Conference Room Gold Key II, Anaheim Marriott Hotel, Anaheim, CA, pursuant to notice published in the Federal Register on February 1, 2002.¹ Acting Chairperson (Chair) Curtis Sampson called the meeting to order at 9:00 a.m.

Attendants

Directors present were:	Curtis Sampson	John McAllister
	David Crothers	Larry Sevier
	John Dillard- <i>via teleconference</i>	Robert Lee Stanton
	Michael Jensen	

Among others present were Governor Hilda Gay Legg and staff members Assistant Governor Roberta Purcell, Deputy Assistant Governor Jonathan Claffey, and Assistant Treasurer Ken Ackerman. (Directors not present: Six vacancies.)

Action on the Minutes

On motion duly made and seconded, the minutes of the November 9, 2001, board meeting were adopted as prepared.²

Secretary's Report

Secretary Curtis Sampson reported that one RUS hardship loan was approved during the first quarter totalling \$6,758,000.³ Although no Bank loans were approved in the first quarter, action on several loan applications is expected soon.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for the first quarter of fiscal year 2002.⁴ Mr. McAllister reported, among other things, that net revenue year to date totalled \$26 million, compared to \$27 million one year ago; total class B stock, net of conversions to C stock, amounted to \$750.9 million, compared to \$767.2 million last year, and total class C stock increased from \$345.3 million to \$450.1 million. Advances on loan commitments for the quarter

¹ Exhibit 139-1

² Exhibit 139-2

³ Exhibit 139-3

⁴ Exhibit 139-4

totalled \$15 million, compared to \$21 million for the same quarter last fiscal year, and unadvanced loan commitments totalled \$1,087 million, up from \$1,002 million one year ago. There being no questions for Mr. McAllister, the Chair moved to the next agenda item.

Privatization Committee Report

Committee Chair Curtis Sampson reported that on December 19, 2001, the Committee had its first meeting with the newly contracted Business Advisor, Science Applications International Corporation (SAIC), to discuss project deliverables. In January 2002, SAIC circulated for comment a draft of the financial model specifications. All comments received were incorporated into the model's design. Mr. Sampson also reported that SAIC presented a progress report, via teleconference, at yesterday's (February 11) staff briefing. Issues also discussed at the staff briefing included input variables for the financial model, assumption of financing account loans, interest receivable, prepayments, and the MAG (Multi-Association Group) plan.

The Committee will meet with SAIC on March 21 at 9:00 a.m. in Washington, DC, for a demonstration of the financial model and to discuss the status of deliverables.

Consideration of Resolution to Adopt a Schedule for Various Actions Concerning the November 2002 Board of Directors Election

Assistant Governor Roberta Purcell explained that the resolution outlines the proposed schedule with respect to the election process. There being no discussion, the following resolution was unanimously adopted.⁵

Resolution No. 2002-1

RESOLVED, That the following schedule be adopted in planning the election of directors to be held on November 1, 2002.

- | | |
|-----------------------|---|
| Friday, July 5 | "As of date" for determining voting rights (Bylaws §2.5).
<i>(Not exceeding 4 months before the election.)</i> |
| Thursday, July 11 | Governor prepares voting list (Bylaws §2.8). |
| Monday, July 15 | Mail preliminary notice of election with form for nominating directors (Bylaws §4.4(a)).
<i>(At least 3 months before the election.)</i> |
| Monday, September 9 | Final date for receipt of nominations by mail or fax (Bylaws §4.4(a)). |
| Tuesday, September 10 | Tabulate nominations (Bylaws §4.4(a) and (b)). |

⁵ Exhibit 139-5

Resolution No. 2002-1 (cont'd)

- Tuesday, October 1 Mail official ballots (Bylaws §4.4(c)).
(At least 3 weeks before the election.)
- Thursday, October 31 Final date for receipt of ballots (Bylaws §4.4(d)).
- Friday, November 1 Tabulate ballots (Bylaws §4.3(a)).
- Friday, November 15 First regular meeting of the new Board (Bylaws §5.1)
(Not more than 45 days following the date of the election.)

Consideration of Resolution to Appoint Tellers for the November 2002 Board of Directors Election

Assistant Governor Roberta Purcell introduced the proposed resolution. There being no discussion, the following resolution was unanimously adopted.⁶

Resolution No. 2002-2

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, 2002, Board of Directors election with the Deputy Assistant Administrator, Program Accounting and Regulatory Analysis, serving as Head Teller.

Consideration of Resolution to Amend the Affidavit of Lost Shares

Assistant Governor Roberta Purcell introduced the proposed resolution. There being no discussion, the following resolution was unanimously adopted.⁷

Resolution No. 2002-3

RESOLVED, That the Affidavit of Lost Shares, adopted by the Board on November 10, 1988, be amended so that the fourth and seventh paragraphs thereof read as follows:

Fourth Paragraph

This affidavit is made for the purpose of inducing the Bank to undertake actions reflecting the Stockholder's ownership of the Lost Certificates;

Seventh Paragraph

The Stockholder, its successors and assigns, shall at all times indemnify and save harmless the Bank against all loss or damage to it arising by reason of the replacement of the Lost Certificates and all costs, charges, damages, and expenses and all claims and demands of any and every kind and nature, actions, causes of action, suits, and controversies whether groundless or otherwise.

⁶ Exhibit 139-6

⁷ Exhibit 139-7

Other Business

Director Michael Jensen advised the Board that the National Association of Regulatory Utility Commissioners (NARUC) is meeting today in Washington, DC, and may consider a resolution endorsing the creation of a Rural Communications Bureau at the Federal Communications Commission (FCC). The presence of such an office within the FCC could prove beneficial to rural carriers. Mr. Jensen also asked that the Rural Utilities Service carefully consider the current results of the MAG plan and how such results might impact rural carriers financially, now and into the near future.

Next Quarterly Board Meeting in Washington, D.C.

Staff Briefing:	Tuesday, May 7 at 2:00 p.m.
Board Meeting:	Wednesday, May 8 at 9:00 a.m.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:45 a.m.

Signed Curtis Sampson
Secretary