

Rural Telephone Bank
Minutes of the 148th Board Meeting
February 13, 2004

Time and Place of Meeting

The 148th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, February 13, in Conference Room 1, Fontainebleau Hilton, Miami, Florida, pursuant to notice published in the Federal Register February 5, 2004. Chairman Thomas Dorr, called the meeting to order at 9:00 a.m.

Attendants

Directors present were: Thomas Dorr; Gilbert Gozalez; Luis Luna; Roberto Salazar; Clay Davis; Curtis Sampson (by phone); Michael Jensen; and David Crothers; Larry Sevier.

Directors absent were: James House; John McAllister; John Dillard; and Christine Olsen.

Among others present were Governor Hilda Gay Legg and staff members, Assistant Governor Roberta Purcell, Deputy Assistant Governor and Assistant Secretary Jonathan Claffey and Assistant Treasurer Kenneth Ackerman as well as David Grahn and Geoargann Gutteridge from the Office of the General Counsel.

Action on the Minutes

On motion duly made and seconded, the minutes of the November 14, 2003, board meeting were adopted as prepared.

Secretary's Report

Secretary Curtis Sampson reported that no loans were made during the first quarter of fiscal year 2004.

Treasurer's Report

Assistant Treasury Kenneth Ackerman reported on the finances of the Bank for the first quarter of fiscal year 2004. Mr. Ackerman reported, among other things, that net revenue for the quarter totaled \$25 million, compared to \$24 million one year ago; total class B stock, net of conversions to C stock, amounted to \$568 million, compared to \$541 million for the same quarter last year, an increase of \$27 million, and total class C stock increased from \$737 million to \$773 million. Advances on loan commitments for the quarter totaled \$13 million, compared to \$23 million for the same quarter last year, and unadvanced loan commitments totalled \$1,220 million, up from \$1,162 million one year ago.

Report on Loan Rescissions

Governor Hilda Gay Legg was called on to report on the status of an effort undertaken to rescind loan funds no longer needed by borrowers. Governor Legg noted that 239 letters covering \$445 million unadvanced funds had been sent. As of the date of the meeting, responses were received asking for approximately \$45.6 million in loan rescissions, or approximately 10 percent of the total.

Discussion on Privatization

Chairman Dorr stated that after considerable discussion with the staff and the Office of General Counsel, it was determined that it would be appropriate to pull together a five person advisory committee to begin the development of the framework for a future privatization study. He indicated that members were notified, via email, that they should select one person from each industry segment to serve on a Working Group to develop the guidelines for a proposed study. The Board requested that the Chairman consider allowing two members from each industry segment to serve. The Chairman indicated that he would take that under advisement and report back to the board. The other members of the Working Group would be a USDA director and representatives from Treasury and the Office of Management and Budget. Chairman Dorr then called on Mr. David Grahn to provide some background information on some of the issues facing the board and privatization. The discussion included both policy and legal issues, as well as financial issues. In addition, it was noted that the involvement of Treasury and OMB would be critical to process given their relationship to the Bank from a budgetary standpoint. One main focus of the Working Group would be to determine if there were "scoring" issues, including ownership of assets, etc., that would affect privatization. Further, a goal of the group would be to determine if, in fact, another privatization study was need; if so, the group would then set forth the parameters for that study.

Retirement of Class A stock

Assistant Secretary Jonathan Claffey was called on to address an issued raised by director John Dillard regarding the retirement of Class A stock. Mr. Claffey briefly reported to the Board general statistics regarding the current status of the Class A stock and noted that the Working Group would have the responsibility of addressing the specific issue of the limitation of stock retirement imposed by recent annual appropriations bills. A discussion ensued regarding that limitation.

Governor's Remark's

Governor Legg expressed her continued appreciation to the Board and the staff as they continue to work through the complex issue of privatization.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at approximately 10:10 a.m.

Secretary