

Rural Telephone Bank
Minutes of the 149th Board Meeting
May 14, 2004

Time and Place of Meeting

The 149th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, May 14, in Conference 104-A, Jamie L. Whitten Federal Building, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register May 5, 2004. Chairman Thomas Dorr, called the meeting to order at 9:00 a.m.

Attendants

Directors present were: Thomas Dorr; Luis Luna; Roberto Salazar; James House; Curtis Sampson; Michael Jensen; David Crothers; John Dillard and Larry Sevier.

Directors absent were: John McAllister; Gil Gonzalez; Clay Davis; and Christine Olsen.

Among others present were Governor Hilda Gay Legg, Deputy Governor Curtis Anderson and staff members, 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 February 13, 2003, board meeting were adopted as prepared.

Secretary's Report

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

Treasurer's Report

Assistant Treasury Kenneth Ackerman reported on the finances of the Bank for the second quarter of fiscal year 2004. Mr. Ackerman reported, among other things, that net revenue for the quarter totaled \$21 million, compared to \$24 million one year ago; total class B stock, net of conversions to C stock, amounted to \$569 million, compared to \$541 million for the fiscal year ending 2003, an increase of \$28 million, and total class C stock increased from \$737 million to \$773 million. Advances on loan commitments totaled \$24 million, compared to \$8 million for the same quarter last year, and unadvanced loan commitments totalled \$1,227 million, up from \$1,152 million one year ago.

Discussion on Privatization

Chairman Dorr stated the Working Group had been established to begin the development of the framework for further assessment of privatization. Mr. Dorr summarized the first meeting of the

Working Group and, in addition, set forth the framework and policy issues that were to be addressed by the group. A resolution was introduced and read for the record that called for a specialized analysis and audit of the historical and current financial position of the Bank, including but not limited to an accounting of public and private assets, the effects of credit reform accounting procedures, and an evaluation of the Bank's balance sheet, to be performed by a consultant. The Chairman then opened discussion on the issue and the proposed resolution. After discussion, the resolution was moved and seconded. There were additional, lengthy discussions regarding the "type" of audit, its purpose, and the whether an analysis of this nature was premature, noting that further meetings with the Office of Management and Budget, Treasury and others may be beneficial before hiring a consultant. It was further noted that the Bank receives annual audits by an independent audit firm and that perhaps the scope of the resolution should be altered or amended accordingly. At the end of the discussion, the Chairman ended the debate by calling the question. The resolution was not passed. Further discussion then ensued regarding the future course of action of the Working Group.

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. In addition, Governor Legg brought the Board up to date on the Broadband Program authorized by the 2002 Farm Bill. Ms. Legg set forth the challenges and opportunities that this new program poses and called on the Board for any suggestions or input they may have as industry experts with regard to the new program.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at approximately 10:31 a.m.

Secretary