

Rural Telephone Bank
Minutes of the 142nd Board Meeting
November 15, 2002

Time and Place of Meeting

The 142nd meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, November 15, in Conference Room 104-A, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on November 8, 2002. Secretary Curtis Sampson, Acting Chairman, called the meeting to order at 9:03 a.m.

Attendants

Directors present were:	Thomas Dorr	Gilbert Gozalez
	Luis Luna	Roberto Salazar
	James House	Clay Davis
	Christine Toretti	Curtis Sampson
	John McAllister	Michael Jensen
	David Crothers	Larry Sevier
	John Dillard	

Among others present were Governor Hilda Gay Legg and staff members Deputy Governor Curtis Anderson, Assistant Governor Roberta Purcell, Deputy Assistant Governor and Assistant Secretary Jonathan Claffey and Assistant Treasurer Kenneth Ackerman as well as Frank Clover and Terry Brady from the Office of the General Counsel. Also present were Robert McDonald from Cobank and Thomas Griffin from Fairpoint Communications.

Report on Election Results

Governor Hilda Gay Legg reported on the results of the November 1, 2002, election of the industry members of the Board. Governor Legg reported that there were sufficient votes cast in each industry segment to constitute a valid election and that the following members were re-elected:

<u>Representing the Cooperative Industry:</u>	<u>Representing the Commercial Industry:</u>
David Crothers	Michael Jensen
John McAllister	Curtis Sampson
Larry Sevier	John Dillard

Oath of Office

Governor Legg called on Assistant Governor Roberta Purcell to conduct the proceedings for the oath of office for the newly appointed Board Directors and the re-elected Board Directors. Ms. Martie Barnes, Office of Human Resources, administered the oath of office to each director. She was accompanied by Governor Legg and Thomas Dorr, Under Secretary for Rural Development.

Election of Board Officers

Acting Chairman Curtis Sampson called for the election of the following positions: Chairperson, Vice Chair, Secretary, and Treasurer, as required by Article VI of the Bylaws. A motion was made by Larry Sevier to offer the following slate of directors to fill the positions:

Mr. Thomas Dorr for Chairman;
Ms. Christine Toretti for Vice Chair;
Mr. Curtis Sampson for Secretary; and
Mr. John McAllister for Treasurer.

The motion was seconded by David Crothers and adopted unanimously by the Board. After having been duly elected, Thomas Dorr assumed the responsibilities of the Chairmanship and conducted the remainder of the meeting.

Action on the Minutes

On motion duly made and seconded, the minutes of the August 16, 2002, board meeting were adopted as prepared.

Secretary's Report

Secretary Curtis Sampson reported that 31 loans were approved in the fourth quarter totaling \$150,519,201. These loans were commingled with \$258,582,000 of RUS cost of money funds. Mr. Sampson noted that the loans in the fourth quarter ranged from approximately \$145 thousand to over \$29 million and averaged in size to an amount of approximately \$5 million per loan. He further noted that maturities for the loans ranged from 15 to 19 years.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for fiscal year 2002. Mr. McAllister reported, among other things, that net revenue for the year ended September 30, 2002, totaled \$103 million, compared to \$116 million one year ago; total class B stock, net of conversions to C stock, amounted to \$652 million, compared to \$667 million last year, and total class C stock increased from \$448 million to \$551 million. Advances on loan commitments for the year totaled \$62 million, compared to the same amount for last fiscal year, and unadvanced loan commitments totalled \$1,186 million, up from \$1,103 million one year ago. There being no questions for Mr. McAllister, the Chair moved to the next agenda item.

Privatization Committee Report

For the record Mr. Sampson updated the Board on recent meetings of the Privatization Committee, staff and Science Applications International Corporation (SAIC). Mr. Sampson noted meetings on the following dates: October 3, October 14, October 22, November 4, November 11, and November 14. At the 11/14 meeting, SAIC gave a status report on the overall privatization study, followed by an update on the recently completed marketing study and stakeholder interviews. SAIC also discussed the proposed timeline for a Transition Plan and presented organizational structure scenarios for the Board's review. Mr. Sampson proceeded to report on the financial scenarios presented by SAIC regarding the Bank's margins given various assumptions on its cost of capital and interest rate spread.

Also discussed were issues regarding the state of the rural telecommunications market today and the importance of legislation and its impact on the Bank as a privatized entity.

Mr. Sampson concluded by offering to work with staff to prepare a "white paper" that would show the financial history of the Bank and a time line as to how the Bank has arrived at its current financial position, covering items such as agreements with Treasury for interest earnings on cash, Federal Credit Reform, and policy decisions affecting the Bank's operations. Chairman Dorr welcomed the action and stated that it would be a prudent exercise and would offer valuable insight.

Consideration of Resolution to Reestablish Privatization Committee

Governor Legg reported that since the elected Directors of the Board constituted the membership of the Privatization Committee, and since the Directors had to stand for re-election, the Privatization Committee was officially dissolved because of the election. Since the Bank now has a "full" board, in the immediate future, the entire board will act in lieu of the privatization committee. Governor Legg noted that any discussion SAIC would typically have held with the previous "Privatization Committee" will now be held with the full board. Therefore, no action was taken on the proposed resolution to reestablish the Privatization Committee.

There was some discussion regarding the logistics of establishing "phone" Board meetings to discuss privatization. Chairman Dorr directed the Board, staff, and general counsel to explore any issues pertaining to future privatization meetings involving the entire Board to ensure that all business is conducted in a proper manner (i.e., Sunshine Act requirements, etc.).

Governor's Remark's

Governor Legg reiterated that the board members had been briefed the previous day on a number of operational issues including a Telecommunications Program update and the logistics of the Bank's operations while the Federal government is operating under a Continuing Resolution. Governor Legg also thanked the elected board directors for their efforts, to date, regarding privatization of the Bank.

Establish Dates for Year 2003 Board Meetings

The following dates were proposed by Chairman Dorr for Year 2003 meetings:

January 8, 2003

Special board meeting to discuss privatization study report submitted by SAIC

February 13 and 14, 2003

Quarterly board meeting at 9:00 a.m. on February 14 with the Staff briefing on at 2:00 p.m. on February 13

May 8 and 9, 2003

Quarterly board meeting at 9:00 a.m. on May 9 with the Staff briefing on at 2:00 p.m. on May 8

August 14 and 15, 2003

Quarterly board meeting at 9:00 a.m. on August 15 with the

Staff briefing on at 2:00 p.m. on August 14

November 13 and 14, 2003

Quarterly board meeting at 9:00 a.m. on November 14 with the
Staff briefing on at 2:00 p.m. on November 13

A motion to adopt the dates as proposed was made by Mr. Jensen and seconded by Clay Davis. The board unanimously approved the dates.

Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at 9:47 a.m.

Secretary