

**Rural Telephone Bank**  
**Minutes of the 144th Board Meeting**  
**February 14, 2003**

Time and Place of Meeting

The 144th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, February 14, in Conference Room 104-A, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on February 7, 2003. Chairman Thomas Dorr, called the meeting to order at 9:06 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 Terry Brady and Geoargann Gutteridge from the Office of the General Counsel. Also present was David Combs, Special Assistant to the Governor.

Action on the Minutes

On motion duly made and seconded, the minutes of the November 15, 2002, and January 8, 2003, board meetings were adopted as prepared.

Secretary's Report

Secretary Curtis Sampson reported that no loans were approved in the first quarter of fiscal year 2003. Mr Sampson noted that, while approximately \$31 million in loans were ready to be approved, the agency was awaiting its fiscal year 2003 appropriations [allotments] and therefore could not yet fund the applications. Mr. Sampson further noted that there were a total of \$105 million in applications on hand at the agency as of the date of this meeting.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for the first quarter of fiscal year 2003. Mr. McAllister reported, among other things, that net revenue for the quarter totaled \$24 million, compared to \$26 million one year ago; total class B stock, net of conversions to C stock, amounted to \$696 million, compared to \$652 million last year, and total class C stock increased from \$551 million to \$580 million. Advances on loan commitments for the quarter totaled \$23 million, compared to \$15 million for last year, and unadvanced loan commitments totalled \$1,162 million, up from \$1,087 million one year ago. There being no questions for Mr. McAllister, the Chair moved to the next agenda item.

### Presentation of the Final Report on Privatization

Chairman Dorr called on Mr. John Eichner of Science Applications International Corporation, Inc. (SAIC), to present to the government and the Board the privatization study prepared by SAIC. Mr. Eichner expressed his appreciation to the members of the Board and the staff of the Bank in working with SAIC to produce this privatization assessment. Chairman Dorr, on behalf of the Board and the U.S. Department of Agriculture, accepted the privatization study.

### Discussion on Privatization

Chairman Dorr called on Governor Legg to lead off the discussion on privatization. Governor Legg noted that the Bank is already in the process of privatizing, that it is imperative to develop a strategic process, and that it would be hard work requiring diligence and a great deal of effort on the parts of all those involved. Governor Legg noted that the report would be released to the public at the conclusion of today's meeting. Further, in response to previous concerns expressed by some members of the Board, Governor Legg reported that meetings had been arranged with the Office of Management and Budget and the Department of Treasury to discuss privatization. Governor Legg also noted efforts to inform members of Capitol Hill about the privatization process. Governor Legg opened up the discussion, calling on directors for comment.

Mr. Dillard, Mr. Sevier, Mr. Sampson, Mr. Crothers, Mr. Jensen, and Mr. Davis made comments for the record **[a transcript of the meeting is available upon request]**. After their respective comments, there was continued general discussion regarding privatization among the members of the board and agency staff. Chairman Dorr noted that the directors had identified many of the specific, critical issues: the value of public stock; future access to reasonably priced capital; the continuance of rural access to advanced technologies; the political environment; and the need for further legal analysis. Mr. Dorr expressed his appreciation for the serious and reflective discussion on some very complicated issues facing the Board.

### Governor's Remark's

Governor Legg closed the privatization discussion by noting that staff would continue its work in order to provide the Board with the best possible information in order to make an informed decision on the many issues regarding privatization. Ms. Legg also noted the importance of ascertaining the viewpoint and understanding of all stakeholders. In addition, Governor Legg noted that the full privatization study would be available on the agency's website.

### Adjournment

Whereupon motion to adjourn was made and the meeting was adjourned at approximately 10:00 a.m.

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Signed Curt Sampson  
Secretary