

**Rural Telephone Bank**  
**Minutes of the 145th Board Meeting**  
**May 9, 2003**

Time and Place of Meeting

The 145th meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, May 9, in Conference Room 104-A, U.S. Department of Agriculture, Washington, D.C., pursuant to notice published in the Federal Register on May 1, 2003. Chairman Thomas Dorr, 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; Curtis Sampson; John McAllister; David Crothers; Larry Sevier; and John Dillard.

Directors absent were: Christine Olsen and Michael Jensen.

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 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 February 14, 2003, board meeting were adopted as prepared.

Secretary's Report

Secretary Curtis Sampson reported that three Bank loans totaling \$5.2 million were approved in the second quarter of fiscal year 2003. Mr. Sampson noted that those loans were made in conjunction with three RUS loans, including one hardship loan and one loan from the Federal Financing Bank. Mr. Sampson further noted that, while Treasury interest rates for loans of a similar maturity were approximately four to four and one half percent, the Bank is statutorily prohibited from making loans at interest rates less than five percent.

Treasurer's Report

Treasurer John McAllister reported on the finances of the Bank for the second quarter of fiscal year 2003. Mr. McAllister reported, among other things, that net revenue for the quarter totaled \$24 million, compared to \$22 million one year ago; total class B stock, net of conversions to C stock, amounted to \$677 million, compared to \$652 million for fiscal year ended 2002, an increase of \$25 million, and total class C stock increased from \$551 million to \$600 million. Advances on loan commitments for the quarter totaled \$8 million, compared to the same amount for last year, and unadvanced loan commitments totaled \$1,152 million, up from \$1,064 million one year ago.

### Discussion on Privatization

Chairman Dorr called on Governor Legg to lead off the discussion on privatization. Governor Legg noted that at the staff briefing, an update was provided regarding meetings with industry trade associations concerning the issue of privatization. Chairman Dorr informed the Board that he had held meetings with the Department of Treasury and the Office of Management and Budget (OMB) on 'next steps' in analyzing the SAIC privatization study. Chairman Dorr indicated that Treasury and OMB would be willing to develop presentations for the Board on privatization at the August Board meeting.

Several Board directors requested a clarification of a statement made by Chairman Dorr at the February Board meeting regarding the value of Class C stock and the potential for discounting Class C stock and the effect this would have on the cash balance of the Bank at Treasury. The statement seemed to indicate that Treasury had already had discussions regarding the value of the Class C stock and the transfer of cash from the Treasury to a private Bank. Chairman Dorr assured the Board that no discussions regarding this specific topic had ensued with Treasury and that this, from his perspective, was just one of many complex issues and observations that will inevitably face the Board as it continues to assess privatization.

### Governor's Remark's

Governor Legg relayed to the Board the status of a Bank borrower that is currently in default due to the declaration of bankruptcy by the borrower's parent organization. Noting that the Bank was expected to be made whole, the matter was being handled by the Department of Justice (DOJ) to re-establish debt service payments from the borrower. Resumption of payments was expected soon. Several Board members expressed concern regarding the pace at which DOJ was moving on this issue, and inquired as to whether outside counsel could be hired for similar instances. General Counsel responded that they were not aware of any procedures other than the use of DOJ, since this is Federal debt. They indicated, however, that they would look into the matter further. Chairman Dorr assured the Board that swift action would be taken on this issue.

### Next Meeting Date

On a motion duly made and seconded, the Board adopted a change in the meeting dates for the August meeting. The Staff Briefing and Board meeting, schedule for August 14 and 15, 2003, respectively, were rescheduled for August 18 and 19, 2003.

### Adjournment

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

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Secretary