

Rural Telephone Bank
Minutes of the 153rd Board Meeting
May 5, 2005

Time and Place of Meeting

The 153rd meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Thursday, May 5, 2005, in Conference Room 104-A, U.S. Department of Agriculture, Washington, D.C., pursuant to a notice published in the Federal Register on April 22, 2005. Chairman Thomas Dorr called the meeting to order at 9:01 a.m.

Attendants

Directors present were: Thomas Dorr, Clay Davis, James House, Tim Ryan, Curtis Sampson, Michael Jensen, David Crothers, Larry Sevier, and Kent Rodgers.

Directors absent were: Gilbert Gonzalez, Roberto Salazar, Christine Olsen, and John McAllister.

Among others present were Acting Governor and Deputy Governor Curtis Anderson, Acting Assistant Governor and Assistant Secretary Jonathan Claffey and Assistant Treasurer Kenneth Ackerman as well as Terence Brady and David Grahn from the Office of the General Counsel.

Action on the Minutes

On motion duly made and seconded, the minutes of the January 26 and March 11, 2005, board meetings were adopted.

Secretary's Report

Secretary Curtis Sampson reported that the Bank approved 20 loans totaling \$42 million during the second quarter of fiscal year 2005.

Treasurer's Report

Assistant Treasurer Ken Ackerman reported on the finances of the Bank for the second quarter of fiscal year 2005. Mr. Ackerman reported, among other things, that net revenue for the quarter totaled \$23 million, compared to \$21 million one year ago; total class B stock, net of conversions to C stock, amounted to \$563 million, an increase of \$42 million, and total class C stock increased to \$824 million. Advances on loan commitments for the totaled \$18 million, compared to \$24 million for last year, and unadvanced loan commitments totaled \$1,248 million.

Discussion on FY 2006 Budget Proposal for Dissolution

The Chairman framed the issue for discussion by outlining three main areas to be addressed: 1) the need for a timeline for the dissolution process, 2) assurance of proper accounting of the Bank's records and finances, and 3) the need to seek specialized experience in matters specifically related to dissolution activities. A detailed presentation and discussion ensued surrounding these issues as set

forth by Chairman Dorr. Mr. Dorr began by noting that the department had engaged the Farm Credit System Insurance Corporation to work with the agency and the Bank to provide specialized experience as noted above.

Mr. Claffey was called upon to present a financial analysis estimate of the Bank's ability to repay its shareholders, thereby liquidating the Bank. Based on the analysis to date, Mr. Claffey reported that the Bank would have sufficient assets to cover the repayment of all Class A, B, and C shares at par. It was emphasized that this was a preliminary estimate, but that it appeared that sufficient funds remained after the stock redemption to make any necessary adjustments. Some additional discussion ensued regarding the disbursement of excess funds and the creation of a "set-aside" fund for contingencies.

Mr. Grahn and Mr. Brady provided the board with a detailed presentation of the estimated timeline for dissolution. In addition, counsel provided answers to questions and inquiries regarding the legal authority for the Bank to liquidate as well as the continuance of servicing outstanding obligations to existing borrowers. Members of the board were notified that, at the next board meeting, a detailed resolution would be put forth for action on the dissolution and liquidation of the Bank. The board was assured that these materials would be provided in advance.

Resolution for Agreement with the Farm Credit System Insurance Corporation

Chairman Dorr called on Acting Governor Anderson to read, for the record, proposed resolution 2005-5. On a motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, That the Acting Governor is authorized to execute and deliver a consulting agreement with the Farm Credit System Insurance Corporation (FCSIC) with respect to actions required in preparation of the dissolution of the Rural Telephone Bank (RTB) and, in the event dissolution is approved by Board Resolution, actions required to dissolve the RTB.

Adjournment

Whereupon motion to adjourn was made, and the meeting was adjourned at 10:05 a.m.

Secretary