

Rural Telephone Bank
Minutes of the Special Board Meeting
March 11, 2005

Time and Place of Meeting

A special meeting of the Board of Directors (Board) of the Rural Telephone Bank (Bank) was held Friday, March 11, 2005, in Conference Room 107-A, U.S. Department of Agriculture, Washington, D.C., pursuant to a notice published in the Federal Register on March 9, 2005. Chairman Thomas Dorr called the meeting to order at 9:00 a.m.

Attendants

Directors present were: Thomas Dorr, Gilbert Gonzalez, Clay Davis, Roberto Salazar, James House, Tim Ryan, Christine Olsen (via telephone), Curtis Sampson, Michael Jensen (via telephone), David Crothers, Larry Sevier, Kent Rodgers, and John McAllister (via telephone).

Directors absent were: none.

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, Georgann Gutteridge and David Grahn from the Office of the General Counsel and Kathleen Cahill from the Office of Management and Budget.

Resolution for Calling a Special Meeting

On a motion duly made and seconded, the following motion was unanimously passed:

Resolution 2005-4

Whereas, in accordance with section 5.2 of the Bylaws (the "Bylaws") of the Rural Telephone Bank (the "Bank"), a special meeting of the Board of Directors of the Bank (the "Board") may be called by the Chairperson of the Board or by any three members of the Board; and

Whereas, such special meeting of the Board may be held on less than 10 days notice if a majority of the Board determines by a recorded vote that the Bank's business requires that the special meeting be held on less than 10 days notice and that no earlier public announcement is possible;

Therefore, be it resolved that the Board has determined that the special meeting of the Board on less than 10 days notice is required for the Board to conduct its business in a prudent and efficient manner and that no earlier public announcement of the meeting was possible.

Discussion on President's FY 2006 Budget Proposal for Dissolution

Chairman Dorr opened the discussion regarding the impact of the President's FY 2006 Budget proposal calling for the dissolution of the Rural Telephone Bank. Chairman Dorr provided background information on events leading up to the dissolution proposal. The Chair called on Mr. Claffey to report on projected stock balances as of 12/31/05 as well as the projected cash balance as of that date. Mr.

Claffey provided estimates that showed that the cash available for stock retirement would leave a deficit of approximately \$292 million. The Chairman had indicated, through concurrence with the Office of Management and Budget, that the outstanding balance of Bank's liquidating account loans could be used to offset this deficit in full, it was estimated at this time. Chairman Dorr then called on Mr. Grahn, Office of the General Counsel, to explain the legal procedures and parameters involved in dissolution. It was noted that the only legislative barrier is the current general provision which limits the capability of the Bank to repay Class A stock. The members were informed that the existing financing account loan portfolio would be transferred to the RUS loan portfolio for full servicing. In addition, Mr Dorr proposed that there would be an advisory group consisting of the elected members of the board to serve in an advisory role to the Department on rural telecommunications. Mr. John O'Neal, of NRTA, was called on to comment and gave brief history of the creation of the Bank. There were additional discussions on the proposed dissolution, the Bank and the RUS lending programs. The board was informed that at the next meeting, additional details on the timeline for dissolution and the projected financial information would be provided.

Adjournment

Whereupon motion to adjourn was made, and the meeting was adjourned at 10:18 a.m.

Secretary