



CAPITAL CONNECTIONS

A Q U A R T E R L Y N E W S B U L L E T I N

MESSAGE FROM THE CEO

NEW FACES, SAME COMMITMENT MEAN CONTINUED SUCCESS



Sheldon Petersen

► We have just begun a new fiscal year, and I think this is an opportunity to reflect on how RTFC has gone from a start-up 13 years ago to the premier private lender to rural telecommunications that it is today. The last three years, in particular, have been spectacular ... from \$1.1 billion in loans outstanding on our 10th anniversary to \$4.8 billion today.

Just as our loan volume has grown, so has our membership – from less than 50 members in 1987 to almost 550 today. As your capital needs have grown over the years, we, too, have increased our staff to ensure that our service continuously improves.

We know that you have long-distance working relationships with our account managers and many other people with RTFC. I am extremely proud of our hardworking staff and want you to get to know some of them better. That's why we recently launched a new ad campaign in NTCA's Rural Telecommunications and OPASTCO's Roundtable magazines. The ads will introduce you to six members of our front-line staff whom you probably talk to on a regular basis. I think you'll like seeing their faces and finding out more about how they view their roles at RTFC.

One brand-new RTFC face you may know is that of Ellen Iversen. Ellen has just joined RTFC as a vice president of Marketing. Until very recently, Ellen served as OPASTCO's director of Education and Membership. I am thrilled to have Ellen join our staff. She knows our industry and our membership very well and has already worked closely with many of you to improve your businesses through her work at OPASTCO.

The staff additions we are making are to support the ever-changing needs of our members. Your dynamic ventures and commitment to the communities you serve create the need for the capital that is behind our growth and success.

This tremendous success has allowed us to allocate more than \$78 million in capital credits to our borrowers through FY99, including \$45 million that has been retired in cash over the years. As we close out fiscal year 2000 and look forward to another year of helping you grow your business, please know that we appreciate the trust you place in us and strive every day to continue to earn it. ■

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RTFC BOARD PRESIDENT PAULA ELLER LINKS LAST FRONTIER



Paula Eller
RTFC Board President

► While many Americans are clamoring for faster access to information and the speediest connections for telecommunications services, RTFC Board President Paula Eller's customers are just grateful to have dial tone in their Alaskan homes.

Eller, president of Yukon Telephone Company, says serving the telecommunications needs of the most remote parts of America – what she calls “beyond rural” – is a challenging task. Often, the phone lines go where the roads don't; and that's one reason why a communications link is so important to the residents of America's last frontier.

Paula and her husband, Cliff, started the Yukon Telephone Company in Tanana, Alaska, in 1960 – the first phone company to serve residents of Alaska's interior. Today, they run the family business with the help of their two sons and have about 500 customers scattered over three communities.

“We're very small, but that works well because we know all our customers,” Mrs. Eller said.

Soon, though, Yukon plans to add a whole new customer base. The company is working to bring local exchange service to areas around the Prince William Sound where residents now depend on marine radios for communication.

As remote as they are, the tiny hamlets served by Yukon Telephone best illustrate how far telecommunications companies still have to go to bring the latest technology to all Americans. That's one reason why the Ellers and Yukon Telephone have hosted such telecommunications policy leaders as Kathy Brown, chief of staff to FCC Chairman William Kennard.

“Showing industry leaders the areas like this and the challenges we face really makes a difference in their deci-

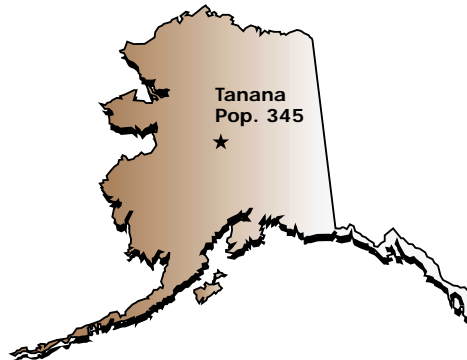
sion-making back in Washington. They can see first-hand how their policies affect us and the financial burdens we face,” Mrs. Eller said.

Eller and her family have expanded their business to meet more than the phone needs of their community. They also run a local electric system, Tanana Power; offer cable television; and recently entered the Internet service provider business. The Ellers are clearly focused on serving their community.

“That's how our telephone business started in the first place – as a service to the community. My husband worked at a job where the nearest phone was 11 miles

away, and he felt they needed phones. We did it all ourselves,” Mrs. Eller said.

In addition to serving in an RTFC leadership role, Mrs. Eller also is a past board president of OPASTCO and currently serves on the USTA board. ■



INDEPENDENT TELEPHONE COMPANY WEEK MARKED IN SEPTEMBER

National Small Independent Telephone Company Week will be observed September 10-17, 2000, the eighth year in a row the event has spotlighted the accomplishments independent telephone companies have made for rural America.

Originally celebrated in 1992 to focus the attention of Washington, D.C., on the benefits and contributions small telephone companies bring to their communities, the event has grown each year. Today, it enjoys support throughout the industry, on Capitol Hill, and from many state and local governments. Be sure to mark your calendar!

INSIDE THE ECONOMY

LOWER INTEREST RATES INDICATE ECONOMY SLOWING

► *Editor's Note: Starting with this issue, Capital Connections will feature a column updating members on the current U.S. economic outlook, trends and significant financial events. We hope this information helps in making economic decisions for your business.*

Interest rates have fallen dramatically since the Federal Reserve Open Market Committee (FOMC) raised the overnight bank-lending rate by a half point back on May 16.

Treasury yields have fallen about 50 basis points on notes between two and 10 years. The greatest drop has been in shorter-term rates. As a result, borrowing rates have fallen significantly as well.

The drop in interest rates is a result of weak economic data, indicating the economy is finally slowing down from its recent torrid growth pace. Additionally, fears that inflationary pressures were building have subsided. The soft economic data left the Fed no choice but to leave short-term interest rates unchanged at its most recent FOMC meeting June 27-28. The next Fed meeting is August 22. Currently, Wall Street is split on speculation whether the Fed will increase rates at this meeting, with more economists leaning toward no rate increase.

A weak June employment and manufacturing report is the main reason for the shift away from fears of higher interest rates in the near future. There is a slew of key economic reports scheduled for release between now and August 22. Over the next month, Wall Street will need to digest two reports on the Produce Price Index (PPI) and the Consumer Price Index (CPI), the first look at second-quarter Gross Domestic Product (GDP) and Employment Cost Index (ECI), as well as other reports. If the majority of these reports continue to show an economy that is slowing without mounting inflationary pressures, then the Fed will most likely leave interest rates unchanged at its August meeting. The long-range forecast is still for another 25 basis point increase before the end of the year, probably after the November elections.

One key market note was the record \$14.6 billion Multi-Currency, Multi-tranche global bond offering by Deutsche Telekom on June 28. This transaction was the largest corporate issue and the largest telecom issue ever, establishing Deutsche Telekom as the international benchmark for future borrowing in the telecom industry.

The Fed Funds rate stands at 6.50 percent (its highest level in nine years), and the bank prime rate stands at 9.50 percent. ■

SENATE CONFIRMS MCLEAN AS RUS ADMINISTRATOR



Christopher McLean, who has been acting administrator of the USDA's Rural Utilities

Service (RUS) since October 1999, was confirmed to the position by the U.S. Senate in the summer legislative session. McLean previously served as deputy administrator of RUS.

For more information on McLean, you can review the cover article in the Winter '99 issue of Capital Connections, which can be found on the RTFC Web site, www.rtfc.net.



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RTFC SPONSORS SPEAKER AT SUMMER CONVENTION



Motivational speaker Michael Broome told attendees of the 2000 OPASTCO Summer Convention that “change gives you the opportunity to cut into the marketplace of your competitors who fear change.” Dealing with change, focusing on a successful attitude and delivering high-quality service were just some of the topics Broome covered in his speech during OPASTCO’s first General

Session on July 3. ■ *OPASTCO’s John Rose, speaker Michael Broome and RTFC Senior Vice President Larry Zawalick share a few moments before the opening session of OPASTCO’s 37th Annual Summer Convention in Colorado Springs July 1-5.*

OPASTCO HONORS INDUSTRY LEADERS

Babe Howard was honored with the Chairman’s Award at the recent OPASTCO summer convention in Colorado Springs. Babe, who is one of the organization’s founding fathers and past presidents, has been president and general manager of Millington Telephone Company since 1953. Babe’s honor is in recognition of his long years of hard work and extensive contributions to OPASTCO and small telephone companies across America.

Dian Boaldin of Epic Touch, Inc. in Elkhart, Kansas, also was honored by OPASTCO last week for her long years of service to the telephone industry and her community. Dian received the Lifetime Achievement Award for her career that spans more than 50 years in telecommunications, beginning at age 12. From cord board operator to executive vice president, she knows the industry inside and out. ■