



CAPITAL CONNECTIONS

A Quarterly News Bulletin

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When Disaster Strikes: Are You Prepared?

The tragic events of last month were a wake-up call to many American businesses. They not only inspired a closer inspection of on-site security, but also had many managers asking themselves, “Could I recover if my staff and facilities suffered unexpected calamity?”

The shocking events of September 11 proved the value of the disaster recovery and business resumption contingencies that many businesses, like RTFC, have in place.

“Though we hope we never have to implement it, RTFC maintains a comprehensive Disaster Recovery and Business Resumption Plan,” said RTFC CEO Sheldon Petersen. “This plan includes the ability of our staff to replicate all of RTFC’s essential operations at a remote location, and have them up and running within 36 hours.”

Petersen urged all RTFC members to take a look at their own businesses to either re-evaluate and update their existing disaster and business recovery plans or to make the pledge to put a plan in place if they don’t have one. For RTFC and its affiliate, CFC, creating this plan was a year-long endeavor that involved a serious commitment of staff and financial resources.

“As providers of such vital services as telephone connections and long-distance calling, RTFC members are an essential part of their community’s infrastructure. For these and many other reasons, they cannot afford to run their businesses without a disaster recovery plan,” Petersen said.

The goal of business continuity planning is to be able to resume basic business functions at a remote location within one or two days of an event. If you lost your telco offices today, would you be able to maintain service, take calls from customers, dispatch line crews, send invoices, collect revenue and pay employees within two days?

“Today’s electronic business environment actually makes business resumption easier than it was 10 years ago. With customer, employee, financial and even inventory records all contained in electronic databases and computer programs, a reliable back-up system that’s maintained daily and stored off-site is the first step in recovering vital information that will keep a telco functioning,” said Donna Goff, RTFC’s business resumption coordinator. “You can’t expect ‘business as normal,’ but it’s essential to have ‘business as necessary.’ ”

There are many resources available to assist a company in putting together a plan for disaster recovery, or business continuity. Some online resources include free subscriptions to the Disaster Recovery Journal at www.drj.com, and guidance at www.disaster-resource.com.

FRED Coordinates Rural Gifts

OPASTCO and FRED, the Foundation for Rural Education and Development, have teamed up to create a special disaster relief fund to support the firefighters, police and victims of the September 11 terrorist attacks.

All OPASTCO members, including telephone companies, associates, CLECs and Internet providers, are being asked to support this fund through donations — 100 percent of which will be given to relief efforts in New York, DC and Pennsylvania.

This campaign runs through January 31, 2002. After all donations have been accepted, the OPASTCO and FRED boards, on behalf of rural America, will present all of the proceeds in the form of a collaborative donation to the relief efforts.

Donations can be made through the FRED Web site at www.fred.org/relief.htm.

Communication Essential in any Crisis

By Beth Ann Johnson, RTFC Communications Manager

Whether you're facing a natural disaster, a man-made calamity or some other event that brings the spotlight to your business, having a crisis communications plan in place is an important component of preparing for the unexpected.

When a crisis occurs, a majority of your telco's resources will be directed toward reacting to the event. However, it's also vital to remember to manage the event as it unfolds. A crisis communications plan offers a "head start" for proactively managing and communicating about such an event to your staff, customers, community and partners. It also directs staff in dealings with the media.

How a company responds to a crisis may be more important than the crisis itself. While a good crisis action plan can enhance or improve a company's reputation in a troubling situation, the lack of a plan, or a bad plan, can have a significant negative impact on a company, even making the crisis situation worse than it otherwise would have been. This mismanagement can lead to, or worsen, financial damages and loss of reputation.

With the events of last month fresh in our minds, we might lose sight of the fact a crisis can take many forms. The possibilities extend beyond a natural disaster or loss of life. In many cases, a crisis is any event that jeopardizes the reputation of your telco.

The number-one crisis situation affecting U.S. companies today is allegations of impropriety that damage their reputation. Other possible crisis situations include:

- Destruction of telco facilities, infrastructure due to natural disaster, fire, explosion, flooding, attack, sabotage or terrorist acts.
- Bomb threats, hostage situations or other breaches of security.
- Allegations of management scandals, embezzlement, indictments, discrimination or sexual harassment.
- Lawsuits filed against telco or its key staff.
- Executive deaths.

While each crisis will require actions unique to the situation, your communications plan should include a

Crisis Communication Tips

Misinformation can escalate a crisis and damage your telco's reputation. That's why dealing with the media can become one of the most important aspects of handling a crisis situation.

Some general guidelines to remember include:

- **Speak with one voice.**

Your telco should speak with one voice to avoid inconsistent messages, errors or speculation. The designated spokesperson(s) should handle media briefings, answer media calls and provide general announcements and updates. All staff and board members should be informed who the official spokesperson is and direct all inquiries to that person.

- **Follow the ABCs.**

Dealing with and overcoming a crisis involves focusing on the ABCs:

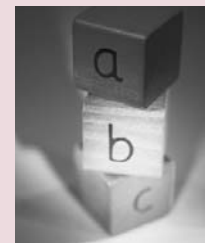
A) acknowledge the problem, B) be part of the solution and C) commit to preventing a recurrence.

- **Tell the truth.**

It's always best to be honest and stick to the facts when dealing with a crisis situation. Do not lie, speculate, place blame or act defensively. Also, avoid saying "no comment" when you don't have an answer. The phrase "no comment" implies guilt.

- **Emphasize the positive.**

If precautions were taken to avoid the crisis, point them out. Also, talk about the good record the telco has and that it will take steps/change policies to prevent such crises in the future.



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Director Nominations Due October 30

Members will have the opportunity to elect six new directors to RTFC's board at the 2002 annual meeting. As announced in September, an RTFC bylaws change has created a new board seat open to the telco membership in each of RTFC's five districts. Additionally, District 4 Director Paula Eller's term is expiring, and she is not eligible to run for re-election.

Members were mailed a letter of solicitation for candidate nominations on October 9 from District 2 Director F. Thomas Rowland, executive vice president and general manager of North Central Telephone Cooperative in Lafayette, Tennessee. Joining Rowland on the nominating committee are RTFC members Rick Anstey of Oxford Telephone Company in Maine, and Charles Creason of Project Mutual Telephone Cooperative in Idaho.

Nominations are due to the committee by October 30. In accordance with the RTFC Bylaws, eligible candidates must be a director, trustee, officer or manager of an RTFC member.

Members wishing to submit a candidate to the nominating committee for consideration should supply a statement of the candidate's background, qualification, availability and eligibility to serve. This material should be sent to:

Hank Buchanan
Assistant Secretary-Treasurer
RTFC
2201 Cooperative Way
Herndon, VA 20171
FAX: 703-709-6780

Questions can be addressed to Buchanan by calling 703-709-6796.

The nominating committee will meet in early November to consider candidates and develop a slate of nominees.

The slate of candidates recommended by the nominating committee will be announced in a December memo to the membership. Election information, including mail-in balloting procedures and complete candidate profiles, will be sent to the RTFC membership in mid-January.

Inside the Economy Telecom Industry Hard Hit by Layoffs

The Federal Open Market Committee continued to cut interest rates in October as the economy slips into its first recession in 10 years. On October 2, the Fed reduced interest rates to their lowest levels in 40 years. Continued weakness in consumer spending and business investment have been cited as the main reasons for the continued rate cuts. The terrorist attacks and resulting military action also sent the economy spiraling downward.

The U.S. economy grew at an anemic 0.3 percent annual rate in Q2 of this year. Economic data is expected to reveal negative economic growth in Q3. Unemployment continues to rise as factories pare jobs due to weakening demand. Unemployment is expected to rise to levels around 5.5 percent before the end of the year. Inflation remains under control despite the significant rate cuts since the beginning of the year. With consumer prices experiencing little effect due to the cuts, the Fed has been able to continue its easing bias with few worries of rising inflation.

The telecommunications industry has been among the hardest hit by the weakening U.S. economy. Companies such as Nortel, Cisco, JDS Uniphase and others have laid off thousands of workers in the past six months—and thousands more are expected to be out of a job. Executives of these companies cited misguided acquisitions at sky-high prices, overly aggressive expansion, risky lending practices and a tendency toward exuberant forecasts as reasons for the sector's demise.

The Fed is expected to continue its easing bias throughout the year in an attempt to bolster the sluggish economy. The extent of the further easing is still unknown, but analysts believe it should only be another 50 basis points at most.

RTFC Annual Meeting: February 13

Mark your calendars now and plan to attend RTFC's 2002 Annual Meeting and Business Luncheon on Wednesday, February 13, from noon to 2 p.m.

Held in conjunction with NTCA's Annual Meeting and Expo in Anaheim, this event will include business and financial reports, as well as elections of six new telco directors.

More information about this and other RTFC activities taking place in Anaheim will be mailed in December.



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checklist for the crisis team leader to follow in activating the business's crisis mode.

This checklist should include plans for gathering information, taking corrective action, establishing a central information center, quickly developing and disseminating messages, reviewing the damage to evaluate impact to the telco, fielding media and customer inquiries, and holding regular meetings of the crisis communications team and key staff.

Most likely, routine work functions for your telco's communications and marketing staff would be suspended in the event of a crisis as those departments take over responsibilities for managing crisis communications. Human resources staff also might take an active role in these functions, especially if there is a loss of personnel.

A complete chart of the roles and responsibilities of telco staff in a crisis situation should be created ahead of time. It should include several alternates in case the designated person is not available, as well as the home phone numbers of all team members.

Also included in your plan should be names and phone numbers of resources that might be needed at a moment's notice, including alternate meeting space, catering, media services, temp agencies and security personnel.

A crisis communications plan, like a disaster recovery or business resumption plan, should be tested and reviewed regularly to ensure your team is well-prepared for whatever comes along. Resources for producing and implementing crisis communications plans include consultant services that will not only test your plan through mock exercises but also provide media training and help with the creation of prepared statements. Online research can help you find a consultant or firm in your part of the country.

While you hope to never have to use it, when a crisis strikes, the investment and preparation your business has put into crisis communications planning will pay off.

Beth Ann Johnson is the editor of Capital Connections and the author of RTFC's crisis communications plan.
