



July 17, 2002

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street S.W., TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Notice
Amendment of Part 1 of the Commission's Rules, Competitive Bidding
Procedures, Order on Reconsideration of the Third Report and Order, Fifth Report
and Order, and Fourth Further Notice of Proposed Rulemaking, WT Docket No.
97-82 (rel. Aug. 14, 2000).

Dear Ms. Dortch:

On Tuesday, July 16, 2002, Gary Michaels, Chief, Legal Branch, Auctions and Industry Analysis Division; Regina Martin, Attorney Advisor, Auctions and Industry Analysis Division; and William Huber, Attorney Advisor, Wireless Telecommunications Bureau, met with Marie Guillory, Vice President of Legal and Industry and Jill Canfield, Regulatory Counsel, of the National Telecommunications Cooperative Association. We discussed a pending petition for reconsideration of the above-captioned proceeding. Enclosed is an attachment that was used to guide the discussion.

In accordance with the FCC's rules, an original and two copies of this letter are being filed with the Secretary's office. If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Jill Canfield
Jill Canfield
Regulatory Counsel

Attachment

cc: Gary Michaels, FCC
Regina Martin, FCC
William Huber, FCC

ISSUE

Competitive Bidding Attribution Rules, WT Docket No. 97-82

- August 14, 2000 – *Fifth Report and Order* amended Part 1
- Adopted a “controlling interest” standard for determining whether to attribute to an applicant the gross revenues of its investor and affiliates to assess whether or not the business qualifies as a small business for bidding credits
- Officers and directors are considered to have a controlling interest
- Rules attribute to rural telephone cooperatives the gross revenues of the outside business interests of their officers and directors

ACTION REQUESTED

- Reconsider and abandon “controlling interest” standard as applied to cooperatives.

BEGINNINGS OF TELEPHONE COOPERATIVES

- Many came into being after 1949 passage of the Telephone Amendment to the Rural Electrification Act which made Rural Electrification Administration loans available to finance rural telephone systems
- Large companies were established in nation’s cities, but not interested in serving sparsely populated rural areas.
- People in rural communities joined together to develop, finance, and build their own telephone systems.

COOPERATIVE PHILOSOPHY

- Subscriber owned - one member, one vote
- Limited return on investment, surplus returned to the members
- Subscribers own the company and elect board of directors
- Board of directors’ responsibility is vested in board as a unit, not individuals
- Board delegates authority for day-to-day operations to a general manager.

ATTRIBUTION RULES SHOULD BE ABANDONED AS APPLIED TO COOPS

- Board members are community leaders – often successful businesspeople
- Outside business interests of officers or directors of the board are not resources available to a telephone cooperative
- Rule discourages people from participating on coop board
- Rule prevents truly small businesses from taking advantage of bidding credits
- Rule contravenes Section 309(j)