



For Immediate Release

Contacts:	Mike O'Brien Corporate Communications 703-709-6709 mike.obrien@nrucfc.coop	Rhonda Smith Capital Markets Relations 703-709-6895 rhonda.smith@nrucfc.coop
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Court Converts Prosser to Chapter 7 Bankruptcy, Appoints Trustees

HERNDON, Va.—On Tuesday, October 3, 2007, U.S. Bankruptcy Court Judge Judith K. Fitzgerald approved an order converting Jeffrey Prosser's personal bankruptcy case from Chapter 11 reorganization to Chapter 7 liquidation. The court has appointed an interim trustee to assemble and liquidate Prosser's assets to satisfy creditors, including Rural Telephone Finance Cooperative (RTFC), which is a managed affiliate of National Rural Utilities Cooperative Finance Corporation (CFC).

Additionally, Judge Fitzgerald named Stan Springel to be Chapter 11 trustee of Innovative Communication Corporation (New ICC). Springel was nominated by the United States Trustee who consulted with the U.S. Virgin Islands attorney general representing the V.I. Public Services Commission. New ICC was placed in Chapter 11 bankruptcy on September 21, 2007, despite the objections of its principal, Prosser.

New ICC's parent companies, Innovative Communication Corporation, LLC, (ICC, LLC) and Emerging Communications, Inc. (ECI), and Prosser as an individual have been in voluntary bankruptcy proceedings since July 31, 2006. Springel is the parent companies' Chapter 11 trustee and has control over New ICC's common stock.

"We feel like the final roadblocks in the loan recovery process are being removed," said CFC and RTFC CFO Steven Lilly. "We are pleased with the court's rulings and hope to continue making progress in resolving this difficult situation."

New ICC is a holding company for a number of media and telecommunications ventures, including Innovative Telephone (formerly the Virgin Islands Telephone Company or VITELCO), the Virgin Islands Daily News, and the St. Thomas and St. Croix cable companies. New ICC and its parent companies have been engaged in protracted legal proceedings with CFC and RTFC. As of May 31, 2007, RTFC had \$493 million in credit extended to New ICC and an unsatisfied court judgment in excess of \$524 million against New ICC. All loans have been on non-accrual status since February 1, 2005. New ICC has not made debt service payments to RTFC since June 2005. RTFC is the primary secured lender to New ICC. RTFC also holds an unsatisfied court judgment of \$100 million against Prosser, who was in control of New ICC.

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National Rural Utilities Cooperative Finance Corporation is a not-for-profit finance cooperative that serves the nation's rural utility systems, the majority of which are electric cooperatives and their subsidiaries. With more than \$18 billion in assets, CFC provides its member-owners with an assured source of low-cost capital and state-of-the-art financial products and services.

Rural Telephone Finance Cooperative is a not-for-profit finance cooperative that serves the financial needs of the rural telecommunications industry. RTFC has approximately \$2 billion in credit outstanding to its rural telecommunications members and their affiliates and is a managed affiliate of CFC. Both CFC and RTFC are headquartered in Herndon, Virginia.

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