



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

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CFC Affiliate RTFC Files Amended Lawsuit Against Borrower

Herndon, VA - National Rural Utilities Cooperative Finance Corporation (“CFC”) announced that on July 20, 2004, Rural Telephone Finance Cooperative (“RTFC”), a consolidated affiliate of CFC, amended a previously filed lawsuit in the United States District Court for the Eastern District of Virginia against Innovative Communication Corporation (“ICC”), one of its borrowers. As amended, the lawsuit alleges that ICC has breached its loan and security agreement in various respects. RTFC seeks the acceleration of the \$552 million of loan principal outstanding at June 30, 2004, related interest and fees as provided for in the loan documents.

CFC filed a Form 8-K Current Report with the U.S. Securities and Exchange Commission regarding the lawsuit. The Form 8-K may be viewed on CFC’s website at www.nrucfc.coop.

CFC 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 \$20 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. RTFC is a not-for-profit lending cooperative that serves the financial needs of the rural telecommunications industry.

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