




**National Rural Utilities
Cooperative Finance Corporation**

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A Touchstone Energy® Cooperative 

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**Federal Bankruptcy Judge Rules for Change of Control in ICC Case
*CFC/RTFC View Ruling as “Positive Development”***

HERNDON, Va. — On Friday, September 7, 2007, U.S. Bankruptcy Court Judge Judith K. Fitzgerald ruled to turn control of Innovative Communication Corporation (New ICC) over to court-appointed Trustee Stan Springel. Springel, a corporate restructuring specialist who had been given control of parent companies Innovative Communication Corporation, LLC, (ICC, LLC) and Emerging Communications, Inc. (ECI) on March 15, requested and gained control over New ICC. 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 bankruptcy proceedings with National Rural Utilities Cooperative Finance Corporation (CFC) and its affiliate Rural Telephone Finance Cooperative (RTFC), which as of May 31, 2007 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.

The Court also cited the failure of New ICC to honor pension contribution obligations resulting in government liens on the subsidiaries' property. RTFC also holds an unsatisfied court judgment of \$100 million against Jeffery Prosser, who has been in control of New ICC.

“The Trustee is authorized and directed to vote ECI’s shares of stock in Innovative Communication Corporation (“New ICC”), a wholly-owned, non-debtor subsidiary of ECI, to remove the current board of directors and officers of New ICC if necessary, to take related corporate action to effectuate the Trustee’s control over New ICC in order to facilitate a transaction for the refinancing or sale of the Debtors and their Operating Subsidiaries and, if necessary, to file a voluntary bankruptcy petition on behalf of New ICC,” the court order states. Prosser has filed a notice of appeal of the order.

(more)

“This is a positive development in this protracted proceeding,” said CFC and RTFC CFO Steven Lilly. “We very much appreciate the Court’s ruling, which moves us toward the resolution of this troubled credit issue.”

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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