TALKING POINTS RE CFC-SPRINGEL TRANSACTION

Background on the Innovative Companies

- **The Businesses**
    - Debtor Innovative Communication Corporation ("New ICC") is the parent company of the incumbent LEC ("Vitelco"), cable operators, and other long-distance and wireless companies in the U.S. Virgin Islands, as well as cable operators and wireless companies in the British Virgin Islands and the Netherlands Antilles.
    - Consistent with Section 652 of the Communications Act, New ICC (which already owned Vitelco) acquired the cable operators on St. Thomas, St. John, and St. Croix in 1999.
    - The USVI market, which is treated as rural for regulatory purposes, faces special challenges based on its small population, challenging terrain and weather, and remoteness from the continental United States.

- **The Bankruptcy**
    - Between 1987 and 2001, Rural Telephone Finance Cooperative ("RTFC") loaned New ICC and its predecessor more than $500 million, secured in part by pledges of stock in New ICC's subsidiaries.
    - In 2004, New ICC defaulted on those loans.
    - In 2007, New ICC, but not its operating subsidiaries, was involuntarily placed into bankruptcy, with RTFC being the principal secured creditor.
    - In 2008, the Bankruptcy Court appointed Mr. Stan Springel as Chapter 11 Trustee to administer the bankruptcy estate of New ICC.

The Proposed Transaction

- **RTFC decided to "credit bid" for New ICC because there were no viable bids.**
    - Although the Chapter 11 Trustee had discussions with many interested parties, none submitted a viable bid for all or part of the remaining assets of New ICC.
    - All interested parties required as a condition of any bid that RTFC provide substantial additional financing, meaning that RTFC would bear additional risk in any sale scenario.

- **National Rural Utilities Cooperative Finance Corporation ("CFC") (and not RTFC) proposes to acquire New ICC's operating businesses**
    - Prior to the closing of the proposed transaction, RTFC will assign its rights and claims to CFC at or before the closing of the transaction.

  - RTFC designated CFC and its subsidiaries as the purchaser entities because CFC had provided the funds originally loaned by RTFC to New ICC.

- **On April 9, 2009, the Bankruptcy Court entered an interim sale order:**

  - Finding that the Chapter 11 Trustee conducted the marketing and sale process in accordance with the U.S. Bankruptcy Code and the court's procedures.
  - Finding that CFC's acquisition is in the best interest of New ICC's bankruptcy estate and creditors and that CFC is a qualified purchaser.
  - Authorizing the Chapter 11 Trustee and CFC to seek necessary regulatory approvals, designating CFC and its specially-created subsidiaries as the purchasers.

- **The proposed transaction is both stock- and asset-based.** CFC's special-purpose subsidiaries will acquire all of the outstanding stock of New ICC's existing subsidiaries and certain operating assets (but not the stock) of New ICC itself.

Background on CFC

- **CFC is a unique financial institution focused on rural utilities and telecommunications providers.**

  - CFC is a not-for-profit, non-governmental cooperative financial institution that provides financial products and services to its member-owners.
  - CFC and its consolidated affiliates have 1,538 members in the United States and its territories, including telecommunications providers and electric utility systems.
  - CFC debt has investment-grade ratings from major U.S. credit-rating agencies.
  - CFC and its affiliate RTFC have extensive knowledge of its borrowers' businesses and have, where necessary, taken ownership of a borrower's distressed business.

- **CFC's affiliate RTFC is the principal secured creditor in the bankruptcy of New ICC, parent of Vitelco, the cable companies, and other operating companies.**

  - CFC created RTFC in order to serve rural telephone companies specifically, and CFC continues to fund RTFC.
  - Using funds provided by CFC, RTFC loaned more than $500 million to New ICC (the parent of the Innovative operating companies) and its predecessor.
  - Although they are overseen by separate boards of directors, CFC and RTFC have the same management.

Merits of CFC's Acquisition

- CFC's financial soundness and its expertise in matters relating to rural utilities offer the best opportunity for the revitalization of the Innovative operating companies.

- CFC's acquisition will serve USVI consumers, businesses, and visitors by:

    - Ensuring continuity of service.
    - Improving the businesses' access to capital.
    - Putting them in a better position to improve their operations, quality of service, and disaster planning and recovery.
    - Ensuring the businesses meet their pension obligations.

- Other parties and regulators have recognized merits of CFC's acquisition, including:

    - The Bankruptcy Court itself.
    - The Pension Benefit Guaranty Corporation (which told the Bankruptcy Court that CFC's acquisition represents the best possible outcome for the pension plans).
    - The USVI Delegate in the U.S. Congress, Donna Christensen, who filed a letter of support with the FCC.

Status of Bankruptcy and Other Regulatory Processes

- On April 9, 2009, the Bankruptcy Court issued its interim sale order finding that CFC was a qualified purchaser and authorizing CFC and the Chapter 11 Trustee to seek regulatory approvals prior to final Court approval and closing.

- CFC and the Chapter 11 Trustee are progressing toward regulatory approvals from the USVI PSC and regulators in the British Virgin Islands and the Netherlands Antilles.

- U.S. Federal Trade Commission has already provided antitrust clearance.

ATN Opposition

- **ATN is the sole party objecting to the proposed transaction**

    - ATN owns Choice Communications, a wireless broadband provider in the U.S. Virgin Islands (which recently exited the USVI video market) and other communications businesses, including Guyana Telephone.

    - ATN and its controlling shareholder, Neil Prior, have long had acrimonious relations with the Innovative companies, which Prior co-owned until a split in 1996 with Jeffrey Prosser, the other owner who lost control of the Innovative companies in the current bankruptcy proceedings.

- ATN is also a disgruntled bidder which held abortive negotiations with the Chapter 11 Trustee and RTFC in early 2009 regarding a potential bid for the Innovative companies.

- ATN never reached an agreement with the Chapter 11 Trustee or RTFC, and ATN never raised any concerns with the Bankruptcy Court regarding the CFC acquisition.

- **ATN's objections are self-serving**

  - ATN seeks to protect its own broadband business from competition from Innovative, whose cable companies do not currently provide broadband service.
  - ATN may be seeking to acquire Innovative's cable business at a depressed price.
  - ATN seeks to waste the Commission's time to sully further the reputation of Prior's former business partner, Jeffrey Prosser, who no longer has any connection to the Innovative businesses.
  - ATN's objections and misrepresentations are clearly intended to prolong the Commission's transaction review and cause confusion, thereby imposing additional costs and delays on the Innovative companies.

- **ATN's objections lack merit and have no basis in law or Commission precedent**

  - ATN alleges no transaction-specific harms and instead asks the Commission to disregard its longstanding standard of review for transactions.
  - ATN's proposed divestiture condition is inconsistent with Section 652 of the Communications Act.
    - Section 652 is a buy-out prohibition that does not apply to preexisting combinations.
    - In any event, Section 652 expressly permitted the 1998 combination of incumbent LEC Vitelco with the small USVI cable operators.
  - ATN has made a collateral attack on the Bankruptcy Court process.

Prompt FCC consent will serve the public interest

- Expeditious approval of the proposed transaction will serve the public interest by permitting the businesses to emerge from the bankruptcy of their ultimate parent and renew their focus on the provision of service to customers.
- The proposed transaction does not raise any competitive concerns and there are no transaction-specific harms.
- The proposed transaction does not raise foreign ownership or any other regulatory concerns.
- The proposed transaction does not require any waivers.