



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
*Powerful Financial Solutions*

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#### **CFC Announces Reduction in RTFC Telecom Portfolio**

Herndon, VA - National Rural Utilities Cooperative Finance Corporation (“CFC”) announced today that Rural Telephone Finance Cooperative (“RTFC”), a consolidated affiliate of CFC, reduced its portfolio by \$244 million resulting from the repayment of loans by one borrower.

On February 9, 2005, Valor Communications Group, (“Valor”), priced an initial public offering of 29,375,000 shares of common stock. The proceeds of the initial public offering were used in part to repay Valor’s outstanding loans under its senior credit facility with RTFC. Valor was previously among the ten largest borrowers in CFC’s consolidated portfolio.

As a result of reduced exposure to Valor, along with repayments following other successful borrower recapitalizations, RTFC’s portfolio has decreased by over \$1.4 billion since fiscal year end May 31, 2004 and now represents less than 17% of CFC’s consolidated loan portfolio. Repayments following these successful transactions also reduced the percentage of loans outstanding with CFC’s ten largest borrowers from 21% at May 31, 2004 to less than 18% of the consolidated portfolio.

While CFC’s consolidated loan portfolio decreased overall during the first half of fiscal year 2005, CFC continued to generate growth in loans to electric cooperatives. In addition, CFC had less than \$0.5 million of net write-offs to its consolidated loan portfolio as of its second quarter ended November 30, 2004. This is consistent with CFC’s historic experience as demonstrated by a cumulative net \$115 million in write-offs from the consolidated loan portfolio since 1969.

CFC (<http://www.nrucfc.coop>) 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.

Valor Communications Group (NYSE: VCG) is the holding company of Valor Telecom a local exchange carrier and one of the largest providers of telecommunications services in primarily rural communities within Texas, Oklahoma, New Mexico and Arkansas. Valor is headquartered in Irving, Texas.

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