



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

Powerful Financial Solutions

2201 Cooperative Way · Herndon, Virginia 20171-3025

www.nrucfc.org

703-709-6700

FOR IMMEDIATE RELEASE

May 9, 2002

Contact: Steven L. Lilly

Senior Vice President and

Chief Financial Officer

CFC and CoServ Agree to Settle Bankruptcy Case

On Friday, May 3, 2002, CFC, CoServ (Denton County Electric Cooperative in Texas), and the Unsecured Creditors Committees jointly filed a letter of agreement in the U.S. Bankruptcy Court in Fort Worth, Texas. The letter of agreement outlines the terms and conditions of a comprehensive settlement that is supported by all parties in the CoServ bankruptcy cases.

The comprehensive agreement evidenced by Friday's filing will enable a resolution among CFC, CoServ, and CoServ's unsecured creditors. This agreement covers all entities in bankruptcy, including telecom, realty, and electric.

The terms of the settlement were filed with the Bankruptcy Court under seal. Public pleadings with the Court that specify the details of the settlement are expected to be filed jointly by the parties by approximately June 1, 2002.

The parties have agreed to suspend all activity in the pending litigation, which will be dismissed when plans of reorganization are confirmed by the Court at the close of the restructuring. The agreement will result in CoServ's emerging from bankruptcy. CoServ is expected to continue to function as a consumer-owned electric cooperative, refocused on its core utility distribution business.

With approximately \$20 billion in loans outstanding, CFC is the premier private lender to the nation's electric cooperative network. Formed in 1969, CFC provides state-of-the-art financial products and services to its 1,045 electric cooperative owners located in 49 states and four U.S. territories.

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