



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
*Powerful Financial Solutions*

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**CoServ Emerges From Bankruptcy; Agrees to Begin Repaying CFC**

Denton County Electric Cooperative, d/b/a CoServ Electric (CoServ), emerged from bankruptcy. CoServ is an electric distribution cooperative serving approximately 85,000 customers in the Dallas (TX) metro area. CoServ is also National Rural Utilities Cooperative Finance Corporation's (CFC) largest borrower.

In June, CoServ and CFC filed a joint plan of reorganization with the U.S. Bankruptcy Court for the Northern District of Texas, Fort Worth Division. The general terms of the bankruptcy settlement include the following:

- **CoServ** has agreed to refocus on its core electric business and to make quarterly debt service payments to CFC for the term of the note.
- **CoServ's telecom** assets were transferred to an entity controlled by CFC.
- **CoServ's real estate** development notes, certain assets and its interests in certain real estate development projects were transferred to entities controlled by CFC on October 11, 2002.
- **All prior legal claims** of CFC and CoServ have been released by the bankruptcy court.

CoServ has agreed to begin servicing its obligations to CFC. Under the plan, CFC should recover the entire \$1 billion of loan principal from CoServ through the transfer of assets and the quarterly debt service payments.

Based on its analysis, CFC believes that it is adequately reserved for any potential loss on its loans to CoServ.

CFC is a not-for-profit finance cooperative that serves the nation's more than 1,000 electric cooperatives and their subsidiaries. With nearly \$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.

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