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July 18, 2003

Terri Carlock  
Idaho Public Utilities Commission  
472 W. Washington  
P.O. Box 83720  
Boise, ID 83720-0074

Re: Columbine Telephone Company, Inc., Case No. COL-T-03-1  
Copies of Loan Documents  
Our File No. 1534-42

RECEIVED  
FILED  
2003 JUL 21 PM 3:15  
Boise Public  
UTILITIES COMMISSION

Dear Terri:

Pursuant to the Commission's order, enclosed please find copies of the following documents related to the Columbine loan in the amount of \$8,333,333.00:

1. Loan Agreement, dated July 3, 2003, by and between the Borrowers and RTFC;
2. Secured Promissory Note, dated July 3, 2003, by and between the Borrowers and RTFC;
3. Pledge and Security Agreement, dated July 3, 2003, by and between Silver Star Telephone Company, Inc. and RTFC;
4. Pledge and Security Agreement, dated July 3, 2003, by and between Teton Communications, Inc. and RTFC;
5. Pledge and Security Agreement, dated July 3<sup>rd</sup>, 2003, by and between The Hoopes Telephone Management Limited Partnership and RTFC;
6. Certificate as to Resolutions of Board of Directors and Incumbency, dated June 30, 2003, executed by the directors of Silver Star Telephone Company, Inc.,
7. Consent Resolution of the Board of Directors Silver Star Telephone Company, Inc., dated June 30, 2003, executed by the directors of Silver Star Telephone Company, Inc.;
8. Certificate as to Resolutions of Board of Directs and Incumbency, dated June 30, 2003, executed by the directors of Teton Communications, Inc.,
9. Consent Resolution of the Board of Directors Teton Communications, Inc., dated June 30, 2003, executed by the directors of Teton Communications, Inc.;

Terri Carlock  
July 18, 2003  
Page 2

10. Certificate as to Resolutions of General Partner and Incumbency, dated June 30, 2003, executed by the general partner of The Hoopes Telephone Management Limited Partnership; and
11. Consent Resolution of the General Partner The Hoopes Telephone Management Limited Partnership, dated June 30, 2003, executed by the general partner of the Hoopes Telephone Management Limited Partnership.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Michael C. Creamer

Enclosures

cc: Allen Hoopes (w/o enclosures)  
Kimberly Maloney (w/o enclosures)

MCC/ACK:kdt S:\CLIENTS\1534\42\UPUC Loan Document Transmittal Letter GP01.DOC

## LOAN AGREEMENT

**LOAN AGREEMENT** ("Agreement") made as of July 3rd 2003 by and between THE HOOPES TELEPHONE MANAGEMENT LIMITED PARTNERSHIP, an Idaho limited partnership, TETON COMMUNICATIONS, INC., a Wyoming corporation, COLUMBINE TELEPHONE COMPANY, INC., a Colorado corporation, MOUNTAIN LAND COMMUNICATIONS, LLC, an Idaho limited liability company (jointly and severally "Borrower"), and RURAL TELEPHONE FINANCE COOPERATIVE, a South Dakota cooperative association ("Lender").

### RECITALS

**WHEREAS**, Borrower has requested Lender to make the Loan to Borrower described in Schedule 1 hereto; and

**WHEREAS**, Lender is willing to make the Loan upon the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, for and in consideration of the mutual covenants contained herein, Borrower (jointly and severally) and Lender do hereby agree as follows:

#### I. CONSTRUCTION AND DEFINITION OF TERMS

All accounting terms not specifically defined herein shall have the meanings assigned to them as determined by generally accepted accounting principles. In addition to the terms defined elsewhere in this Agreement, unless the context otherwise requires, when used herein, the following terms shall have the following meanings:

**"Adjustment Date"** shall mean a date or dates, determined by the Lender based on the term (or rate period) of the applicable Fixed Rate, after the date of the initial Advance to the Maturity Date.

**"Advance"** shall mean an advance as defined in Section 2.02.

**"Business Day"** shall mean any day that Lender is open for business.

**"Cash Margins"** for any year shall mean net income plus depreciation, amortization and any other non-cash charges, less any non-cash credits and principal on long-term debt payable in such year, as calculated on a consolidated basis for Borrower and all its Subsidiaries.

**"Certified"** shall mean that the information, statement, schedule, report or other document required to be "Certified" shall contain a representation of a duly authorized officer of Borrower that such information, statement, schedule, report or other document is true and correct and complete.

**"Closing"** shall mean the first date on which funds are advanced to Borrower hereunder.

**"Collateral"** shall mean the collateral as such term is defined in the Pledges, and all proceeds, cash and non-cash, including insurance proceeds, of the foregoing, whether in the possession of Borrower or any other person.

**"Commitment"** shall have the meaning set forth in Schedule 1 hereto.

**"Current Ratio"** for any year shall mean the ratio of total current assets to total current liabilities, as determined by dividing total current assets by total current liabilities.

**"Debt Service Coverage Ratio" or "DSC"** for any year shall mean (a) total net income or margins plus depreciation and amortization expense and interest on long-term debt for such year, divided by (b) principal and interest on long-term debt payable in such year, as calculated on a consolidated basis for the Borrower and all its Subsidiaries.

**"Event of Default"** shall mean any of the events described in Section 8 hereof.

**"Fixed Rate"** shall mean the interest rate per annum provided for in Section 2.03 of this Agreement.

**"Leases"** shall mean any lease of property by which Borrower shall be obligated for rental or other payments which in the aggregate are in excess of \$100,000 other than such equipment leases which are in form and substance substantially in conformity with lease agreements in general use in Borrower's industry by companies of size and character similar to Borrower.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set-off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code of any jurisdiction.

**"Loan"** shall mean the loan by the Lender to Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the Commitment.

**"Make-Whole Premium"** shall mean the excess, if any, of (a) the present value of the amount of interest that would have accrued during the applicable Fixed Rate period on that portion of the Loan to be prepaid or converted over (b) the present value of the amount of interest Lender would earn if that portion of the Loan to be prepaid or converted was reinvested for the remainder of the applicable Fixed Rate period in U.S. Treasury obligations with a maturity comparable to the remaining term of the applicable Fixed Rate period. For purposes of calculating the present value in (a) and (b) above, the discount rate will be the rate of interest accruing on the U.S. Treasury obligations in (b) above.

**"Maturity Date"** shall mean the maturity date defined in the Note.

**"Minimum Net Worth Test"** shall be calculated on a consolidated basis for the Borrower and all its Subsidiaries, and shall mean an equity to total asset ratio of at least forty percent (40%). Equity shall be determined by subtracting total liabilities from total assets.

**"Modified Capitalization Ratio"** shall mean the ratio of equity to the total amount of equity plus short and long-term indebtedness plus guarantee commitments.

**"Net Worth"** shall be calculated on a consolidated basis for the Borrower and all its Subsidiaries taken as a whole and arrived at by subtracting total liabilities from total assets.

**"Note"** shall mean the Note executed and delivered by Borrower at or prior to Closing pursuant to Section 5.02(a) hereof, and all renewals, replacements and extensions thereof.

**"Obligations"** shall include the full and punctual performance of all present and future duties, covenants and responsibilities due to the Lender by Borrower under this Agreement, the Note, the Other Agreements, all present and future obligations of Borrower to the Lender for the payment of money under this Agreement, the Note, the Other Agreements, extending to all principal amounts, interest, late charges and all other charges and sums, as well as all costs and expenses payable by Borrower under this Agreement, the Note, the Other Agreements, and any and all other present and future monetary liabilities of Borrower to the Lender, whether direct or indirect, contingent or noncontingent, matured or unmatured, accrued or not accrued, related or unrelated to this Agreement, whether or not of the same character or class as Borrower's obligations under this Agreement and the Note, whether or not secured under any other document, instrument or statutory or common law provision, as well as all renewals, refinancings, consolidations, recastings and extensions of any of the foregoing.

**"Other Agreements"** shall mean any and all promissory notes, security agreements, assignments, subordination agreements, pledge or hypothecation agreements, mortgages, deeds of trust, leases, contracts, guaranties, instruments and documents now and hereafter existing between the Lender and Borrower, executed and/or delivered pursuant to this Agreement or guaranteeing, securing or in any other manner relating to any of the Obligations, including the instruments and documents referred to in Section 5.02 hereof.

**"Payment Date"** shall mean the last day of each of the months referred to in Schedule 1 hereto.

**"Payment Notice"** shall mean the notice furnished to the Borrower at least quarterly indicating the precise amount of principal and/or interest due on the next ensuing Payment Date, such notice to be sent to the Borrower at least ten (10) days before such Payment Date.

**"Person"** shall include natural persons, corporations, associations, partnerships, joint ventures, trusts, governments and agencies and departments thereof, and every other entity of every kind.

**"Pledges"** shall mean the pledge and security agreements described in Schedule 1.

**"Pledgors"** shall mean The Hoopes Telephone Management Limited Partnership, Silver Star Telephone Company, and Teton Communications, Inc..

**"Subordinated Capital Certificate" or "SCC"** shall mean a subordinated certificate representing an investment in the Lender purchased by the Borrower in connection with the Loan.

**"Subsidiary"** at any time means any entity that is at the time beneficially owned or controlled directly or indirectly by the Borrower, by one or more of such entities or by the Borrower and one or more of such entities.

**"Termination Date"** shall mean that date which is four (4) year(s) from the date hereof.

**"Times Interest Earned Ratio" or "TIER"** for any year shall mean (a) total net income or margins plus income taxes plus interest payable on long-term debt for such year, divided by (b) interest on long-term debt payable in such year, as measured on a consolidated basis for the Borrower and all its Subsidiaries.

**"Total Plant"** shall be calculated on a consolidated basis for the Borrower and all its Subsidiaries and shall mean the total of all assets included in property, plant and equipment pursuant to generally accepted accounting principles and shall exclude any goodwill or plant acquisition adjustments.

**"Variable Rate"** shall mean the variable rate established by the Lender from time to time for loans similarly classified pursuant to Lender's policies and procedures then in effect.

## 2. LOAN

**2.01 Loan.** The Lender agrees to make the Loan to Borrower subject to all of the terms and conditions of this Agreement and the Other Agreements.

**2.02 Advances.** The Lender agrees to make, and the Borrower agrees to request, on the terms and conditions of this Agreement, Advances from time to time at the office of the Lender in Herndon, Virginia, or at such other place as the Lender may designate, not to exceed the Commitment. The Borrower shall give the Lender at least one Business Day prior written notice of the date on which each Advance is to be made. On the Termination Date the Lender may stop advancing funds and reduce the Commitment to the aggregate amount theretofore advanced. The obligation of the Borrower to repay the Advances shall be evidenced by the Note.

### 2.03 Payment, Amortization and Interest Rate.

(a) **Payment.** The Borrower shall pay on each Payment Date quarterly installments, in an amount as determined by the Lender, of principal and/or interest as shown in the Payment Notice. If not sooner paid, any balance of the principal amount and interest accrued thereon and all other amounts due hereunder shall be due and

payable on the Maturity Date. Payment of principal hereunder shall commence after the first full quarter following the initial Advance of funds as set forth in Schedule 1 and shall continue to be made on each subsequent Payment Date until the Maturity Date or such earlier date as all amounts due hereunder and on account of the Note shall have been paid in full. Payment of interest hereunder is due on each Payment Date in which a principal balance is outstanding. Principal will be amortized in accordance with the method stated in Schedule 1 hereto.

The Lender will use, for purposes of calculating the amortization of principal, one of the following interest rates, as applicable:

- (i) If the Borrower elects the Fixed Rate, the Fixed Rate in effect on the Adjustment Date; or
- (ii) If the Borrower elects the Variable Rate, the Variable Rate in effect when amortization begins; or
- (iii) If the Borrower elects to convert from one interest rate program to another pursuant to the provisions hereunder, the interest rate then in effect for the elected program.

At the Lender's option, all payments shall be applied first to late payment charges due, as hereinafter provided, then to interest accrued to the date of such payment, and then to the reduction of principal balance outstanding.

No provision of this Agreement or the Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

(b) Interest Rate. Each Advance shall be initially made at the Variable Rate. Interest shall be computed from the actual number of days elapsed on the basis of a year of 365 days until the first Payment Date following the initial Advance. Thereafter, interest shall continue to be computed for the actual number of days elapsed on the basis of a year of 365 days unless a Fixed Rate is applicable to the Loan, in which case interest shall be computed on the basis of a 30-day month and 360-day year.

- (i) Variable Rate. If Advances are made at the Variable Rate, it shall apply until the Maturity Date, except as provided herein below.
- (ii) Fixed Rate. If the Borrower elects a Fixed Rate, such Fixed Rate as is available and in effect for loans similarly classified pursuant to Lender's policies and procedures then in effect at the time of the election shall apply to such Advance until the Adjustment Date. Upon notice given by the Borrower five (5) Business Days prior to such Adjustment Date, Borrower may elect to reset the interest rate to such Fixed Rate as is available and in effect at the time of such Adjustment Date. Such reset Fixed Rate shall apply to that portion of the outstanding principal balance of the Loan elected to have a Fixed Rate from the Adjustment Date until a new Adjustment Date or the Maturity Date. If Borrower does not elect to reset the Fixed Rate, the Variable Rate shall apply to the outstanding principal balance of the Loan that had been bearing interest at the Fixed

Rate prior to such Adjustment Date, from such Adjustment Date to the Maturity Date.

- (iii) Conversion to Different Interest Program.
- (A) Variable Rate to Fixed Rate. Subject to the conditions set forth herein, the Borrower may convert from the Variable Rate to the Fixed Rate for any portion or all of the principal amount of the Commitment then outstanding at any time provided the Lender offers a Fixed Rate at such time for similarly classified loans.
- (B) Fixed Rate to Variable Rate. The Borrower may convert from a Fixed Rate to the Variable Rate: (1) on an Adjustment Date or (2) at any other time, provided that the Borrower shall pay Lender any applicable Make-Whole Premium.

**2.04 Prepayment.** In the event the Borrower prepays all or part of the Loan, the Borrower shall pay any prepayment fee as the Lender may prescribe pursuant to the terms of this Section 2.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of and to the date of the prepayment. All prepayments shall be applied first to fees, second to the payment of accrued and unpaid interest, and then to the unpaid balance of the principal amount of the Loan. If the Loan bears interest at the Variable Rate the Borrower may prepay the Loan or any portion thereof, as the case may be, at any time subject to the terms hereof and said prepayment fee shall be in an amount equal to fifty (50) basis points times the amount being prepaid. If the Loan bears interest at the Fixed Rate, the Borrower may prepay the Loan only on an Adjustment Date or any such other date provided that the Borrower shall pay a prepayment fee in an amount equal to fifty (50) basis points times the amount being prepaid plus any applicable Make-Whole Premium.

**2.05 10% Subordinated Capital Certificates.** The Borrower shall purchase SCCs that in the aggregate shall not exceed the amount specified in Schedule 1 hereto. Unless otherwise requested in writing by the Borrower prior to the initial Advance and approved by the Lender, the Borrower agrees to purchase SCCs either: (a) with each Advance in the amount of ten percent (10%) of each such Advance, and each such SCC shall be paid for with proceeds of such Advance, or (b) by making payments with Borrower's own funds in twenty (20) equal quarterly installments, commencing with the first full quarter following the initial Advance. If the Borrower elects to pay for SCCs other than from Loan funds, the amount of the Commitment will be correspondingly reduced by said amount when the SCCs are fully paid. If the Borrower obtains Advances hereunder other than for the purpose of purchasing SCCs and fails to pay for the SCCs, then the Lender may make Advances for the account of the Borrower to purchase the SCCs. The Lender agrees to deliver the SCCs on or about the date on which the SCCs have been paid for in full. The SCCs shall bear no interest and shall mature in accordance with the terms thereof.

### 3. SECURITY

As security for the payment and performance of all of the Obligations, Pledgors have entered into the Pledges pledging and granting to the Lender a prior and continuing security interest in the Collateral that may be secured by the Pledges that shall



continually exist until all Obligations have been paid in full. If reasonably required by the Lender at any time, Pledgors shall make notations, satisfactory to the Lender, on its books and records disclosing the existence of the Lender's security interest in the Collateral. Pledgors agree that, with respect to the Collateral, which is subject to Article 9 of the Uniform Commercial Code, the Lender shall have, but not be limited to, all the rights and remedies of a secured party under the Uniform Commercial Code. The Lender shall have no liability or duty, either before or after the occurrence of an Event of Default hereunder, on account of loss of or damage to, or to collect or enforce any of its rights against, the Collateral, or to preserve any rights against account debtors or other parties with prior interests in the Collateral.

#### **4. REPRESENTATIONS AND WARRANTIES**

To induce the Lender to enter into this Agreement, Borrower represents and warrants to the Lender as of the date of this Agreement that:

**4.01 Good Standing.** Each Borrower is duly organized as the entities described in the first paragraph of this Agreement, validly existing and in good standing under the laws of the state of its organization, has the power to own its property and to carry on its business, is duly qualified to do business, and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary.

**4.02 Authority.** Each Borrower has the power and authority to enter into this Agreement, the Pledges and the Note, to make the borrowing hereunder, to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein and in the Note, all of which have been duly authorized by all necessary and proper organizational governance action, and no consent or approval of any person, including, as applicable and without limitation, stockholders, members and partners of Borrower, and any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

**4.03 Binding Agreement.** This Agreement has been duly and properly executed by Borrower, constitutes the valid and legally binding obligation of Borrower and is fully enforceable against Borrower in accordance with its terms, subject only to laws affecting the rights of creditors generally, the exercise of judicial discretion in accordance with general principles of equity or because waivers of statutory or common law rights or remedies may be limited.

**4.04 No Conflicting Agreements.** The execution, delivery of and performance by Borrower of this Agreement, the Pledges and the Note, and the transactions contemplated hereby or thereby, will not: (a) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the charter or by-laws of Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Borrower is a party or by which it or any of its property is bound; or (b) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of Borrower.

**4.05 Litigation.** There are no judgments, claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or its properties, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, which may result in any material adverse change in the business, operations, prospects, properties or assets or in the condition, financial or otherwise, of Borrower, and Borrower is not, to its knowledge, in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would have a material adverse effect on Borrower.

**4.06 Financial Condition.** The financial statements of Borrower as at the date set forth in Schedule 1 hereto, heretofore delivered to the Lender, are complete and correct, fairly present the financial condition of Borrower and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. There are no liabilities of Borrower, direct or indirect, fixed or contingent, as of the date of such statements that are not reflected therein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes previously disclosed in writing to the Lender prior to the date hereof.

**4.07 Taxes.** Borrower has paid or caused to be paid all federal, state and local taxes to the extent that such taxes have become due, unless the Borrower is contesting in good faith any such tax. Borrower has filed or caused to be filed all federal, state and local tax returns that are required to be filed by Borrower.

**4.08 Title to Properties.** Borrower has good and marketable title to all of its real properties and owns or has other rights in all of its other properties and assets free and clear of any liens, except (a) the lien of the Pledges and prior mortgages to Lender, and taxes or assessments not yet due; (b) deposits or pledges to secure payment of workmen's compensation, unemployment insurance, old age pensions or other social security; (c) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business; and (d) liens permitted under Section 7.02(c) of this Agreement after the date hereof.

**4.09 Licenses and Permits.** Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by federal, state and local laws of the jurisdictions in which Borrower conducts its business and each remains valid and in full force and effect.

**4.10 Subsidiaries.** Borrower has no Subsidiaries other than Subsidiaries heretofore disclosed to the Lender, or hereafter formed or acquired with the prior written consent of the Lender.

**4.11 Certain Indebtedness.** There is no indebtedness of Borrower owing to any employee, officer, stockholder, member, partner or director of the board of Borrower other than accrued salaries, commissions and the like and any indebtedness subordinated to the Obligations pursuant hereto.

**4.12 Borrower's Legal Status.** (a) The Borrower's exact legal name is that indicated on the signature page hereof, (b) the Borrower is an organization of the type and organized in the jurisdiction set forth on the first page hereof, (c) Schedule 1 hereto accurately sets forth the Borrower's organizational identification number or accurately states that the Borrower has none and (d) Schedule 1 hereto accurately sets forth the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

**4.13 Required Approvals.** No license, consent, permit or approval of any governmental agency or authority is required to enable the Borrower to enter into this Agreement or to perform any of its obligations provided for herein except as disclosed on Schedule 1 hereto and except with respect to regulatory approvals which may be required in connection with the Lender's enforcement of certain remedies hereunder.

**4.14 ERISA.** Each pension plan of Borrower and its Subsidiaries providing benefits for employees of Borrower or such Subsidiary covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereto ("ERISA"), is in compliance with ERISA in all material respects, and no material liability to the Pension Benefit Guaranty Corporation or to a multiemployer plan has been, or is expected by Borrower or its Subsidiaries to be, incurred by Borrower or such Subsidiary.

## 5. CONDITIONS OF LENDING

The Lender shall have no obligation to make Advances to Borrower hereunder unless each of the following conditions shall be satisfied as provided below:

**5.01 Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for the Lender and to such local counsel as counsel for the Lender may retain.

**5.02 Documents.** There shall have been delivered to the Lender, fully completed and duly executed (when applicable), the following, satisfactory to the Lender and its counsel:

- (a) This Agreement and the Note.
- (b) Certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions herein contemplated.
- (c) A written opinion from Borrower's counsel addressing such legal matters as the Lender or its counsel shall reasonably require.
- (d) (i) The Pledges; (ii) filed financing statements in all jurisdictions necessary to provide Lender a first priority, perfected security interest in all Collateral (as defined in the Pledges) which may be perfected by the filing of financing statements; and (iii) such other documents as are necessary to create or continue a perfected security interest in favor of the Lender in the Collateral.

**5.03 Landlord Waiver.** If any Collateral is located on real property leased by the Borrower, Lender shall have received a landlord's waiver of lien from each landlord of Borrower, in form and substance satisfactory to Lender.

**5.04 Government Approvals.** The Borrower shall have furnished to the Lender true and correct copies of all certificates, authorizations and consents, including without limitation the consents referred to in Section 4.13 hereof, necessary for the execution, delivery or performance by the Borrower of this Agreement, the Note and the Pledges. Borrower and Lender acknowledge that written consent of the Rural Utilities Service or the Rural Telephone Bank (collectively the "United States") may be necessary for the Pledge by Silver Star Telephone Company, Inc. to be effective. Borrower shall cause Silver Star Telephone Company, Inc. to obtain such consent as soon as possible after closing. Lender acknowledges that such consent need not accommodate or subordinate the prior lien of the Rural Utilities Service and the Rural Telephone Bank to the lien of the Pledge.

**5.05 Representations, Warranties and Material Change.** The representations and warranties contained in this Agreement shall be true and correct on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on and as of such date; no Event of Default specified in Section 8 and no event which, with the lapse of time or the notice and lapse of time specified in Section 8 would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to the Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of the Lender materially and adversely affects the Borrower's ability to meet its obligations hereunder.

**5.06 Special Conditions.** The Lender and its counsel shall be fully satisfied that the Borrower has complied and will continue to comply with any special conditions identified in Schedule 1 hereto.

**5.07 Requisitions.** The Borrower will request Advances in form and substance satisfactory to the Lender. Pursuant to the terms and conditions hereof, the Lender will wire the proceeds of the requested Advance to an account as directed by the Borrower.

## **6. AFFIRMATIVE COVENANTS**

Borrower covenants and agrees with the Lender that, until all of the Obligations have been paid in full, Borrower will:

**6.01 Membership.** Remain or an affiliate thereof will remain, a member in good standing of the Lender.

### **6.02. Financial Books; Financial Reports and Other Information.**

(a) At all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with methods of accounting prescribed by the

state regulatory body having jurisdiction over the Borrower, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission ("FCC") or in accordance with generally accepted accounting principles.

(b) Prepare and furnish Lender not later than sixty (60) days from the six-month period ending June 30 of each year and the twelve-month period ending December 31 of each year, or at more frequent intervals when reasonably specified by the Lender, financial and statistical reports on its and any Subsidiaries' condition and operation. The December year-end reports shall include individual financial statements for the Borrower and consolidated and consolidating financial statements for the Borrower and each of its Subsidiaries, in such detail as the Lender may reasonably prescribe.

(c) Cause to be prepared and furnished to the Lender, not more than one hundred twenty (120) days after the close of each of Borrower's fiscal years, a full and complete report of its and its Subsidiaries' financial condition as of the end of each such fiscal year, in form and substance reasonably satisfactory to the Lender, audited and certified by independent certified public accountants reasonably satisfactory to the Lender and accompanied by a report of such audit in form and substance reasonably satisfactory to the Lender.

(d) Furnish to the Lender such other information, reports or statements concerning the operations, business affairs and/or financial condition of Borrower as the Lender may reasonably request from time to time.

(e) Promptly upon becoming available, information, in form and substance satisfactory to Lender, and evidence of any and all changes or modification of licenses, permits, certifications, approvals and the like necessary for Borrower to own or operate its business or a substantial part of its business.

**6.03 Lender's Right of Inspection.** Permit the Lender, through its representatives, at all times during normal business hours, to have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in possession of the Borrower and its Subsidiaries and pertaining to the Borrower's and its Subsidiaries' property or business.

**6.04 Financial Ratios.** Subject to applicable laws and rules and orders of regulatory bodies, and to events which in the judgment of the Lender are beyond the control of the Borrower, shall so operate and manage its business as to achieve an annual DSC of not less than 1.25 and an annual TIER of not less than 1.50.

**6.05 Annual Certificate.** Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the Initial Advance hereunder shall have been made, deliver to the Lender a written statement signed by the general manager stating that to the best of said person's knowledge, the Borrower has fulfilled all of its Obligations under this Agreement, the Note and the Pledges throughout such year or, if there has been a default in the fulfillment of any such Obligations, specifying each such default known to said person and the nature and status thereof.

