

GIVENS **GP** PURSLEY LLP

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Gary G. Allen	Jeremy G. Ladle	G. Andrew Page
Peter G. Barton	Michael P. Lawrence	Angela M. Reed
Christopher J. Beeson	Franklin G. Lee	Scott A. Tschirgi, LL.M.
Clint R. Bolinder	David R. Lombardi	J. Will Varin
Erik J. Bolinder	John M. Marshall	Conley E. Ward
William C. Cole	Kenneth R. McClure	Robert B. White
Michael C. Creamer	Kelly Greene McConnell	Terri R. Yost
Amber N. Dina	Cynthia A. Melillo	
Kristin Bjorkman Dunn	Christopher H. Meyer	RETIRED
Thomas E. Dvorak	L. Edward Miller	Kenneth L. Pursley
Jeffrey C. Fereday	Patrick J. Miller	Raymond D. Givens
Martin C. Hendrickson	Judson B. Montgomery	James A. McClure
Steven J. Hippler	Angela K. Nelson	
Debora K. Kristensen	Deborah E. Nelson	
Anne C. Kunkel	W. Hugh O'Riordan, LL.M.	

October 15, 2007

Via Hand Delivery

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
P.O. Box 83720
Boise, ID 83720-0074

MFD-T-07-01

RECEIVED
2007 OCT 15 PM 5:07
IDAHO PUBLIC UTILITIES COMMISSION

RE: Midvale Telephone Exchange, Incorporated's Application. ATTENTION COMMISSION SECRETARY AND HEAD LEGAL SECRETARY: Midvale Telephone Exchange, Incorporated requests that the Commission issue an Order approving loan agreement on or before November 14, 2007.

Dear Jean:

I am enclosing an original and four copies of Midvale Telephone Exchange, Incorporated's application for loan approval, together with a filing fee in the amount of \$685.20. Please acknowledge receipt by returning a stamped copy of this cover letter.

You will note that Exhibit B has not yet been fully executed. We will substitute fully executed copies as soon as they are received.

Thank you for your help.

Sincerely,



Cynthia A. Melillo

MCC/CAM/and
Enclosures

S:\CLIENTS\1614\84\Ltr to PUC re Application.DOC

Michael C. Creamer [ISB No. 4030]
Cynthia A. Melillo [ISB No. 5819]
GIVENS PURSLEY LLP
601 W. Bannock Street
P. O. Box 2720
Boise, ID 83701-2720
Telephone No. (208) 388-1200
Fax No. (208) 388-1300

RECEIVED
2007 OCT 15 PM 5:07
IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Midvale Telephone Exchange, Incorporated
S:\CLIENTS\1614\84\PUC Application GP02.DOC

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF MIDVALE TELEPHONE EXCHANGE,
INCORPORATED FOR AUTHORITY TO
BORROW FROM THE RURAL UTILITIES
SERVICE ("RUS") IN AN AMOUNT NOT
TO EXCEED \$12,145,000.

Case No. MED-T-07-01

**APPLICATION OF MIDVALE
TELEPHONE EXCHANGE,
INCORPORATED**

Midvale Telephone Exchange, Incorporated ("Midvale" or "Applicant"), by and through its attorneys, Givens Pursley LLP, makes this Application pursuant to Idaho Code § 61-901 for authority to execute a Loan Agreement and Promissory Note in an amount not to exceed Twelve Million, One Hundred Forty Five Thousand Dollars (\$12,145,000) together with a supplemental mortgage with the Rural Utilities Service ("RUS"). In support of its Application, Midvale states as follows:

1. Applicant is a certificated telephone corporation organized under the laws of the State of Idaho providing telecommunication services including local exchange service within the states of Idaho, Arizona, and Oregon.

2. All notices and communications with regard to this Application should be served

upon:
Michael C. Creamer
GIVENS PURSLEY LLP
601 W. Bannock Street
P. O. Box 2720
Boise, ID 83701-2720
mcc@givenspursley.com

Lane Williams
Midvale Telephone Exchange, Incorporated
2205 Keithley Creek Road
P.O. Box 7
Midvale, ID 83645
laner@ruralnetwork.net

3. The proposed RUS loan proceeds will be used to pay for, and partially reimburse general funds to: (1) extend service to approximately 1081 new customers, (2) provide for switch and software upgrades, (3) provide for central office equipment upgrades, (4) make related system improvements including replacement of an existing analog microwave system with fiber, and (5) repay a line of credit with the Rural Telephone Finance Cooperative ("RTFC") that was used to construct some of the above mentioned facilities and that will be refinanced through the RUS loan. The loan qualification and approval letters dated June 29, 2007 and August 8, 2007, which detail the proposed use of the loan funds, are attached hereto as Exhibit A.

4. Applicant believes the proposed RUS loan will qualify as a hardship loan with an interest rate of approximately five percent (5%) per annum. If the loan is not designated as a hardship loan, the interest rate will be at RUS's then current market rates at the time of closing.

5. The proposed transaction is consistent with the public interest. The extension of service and upgrades will improve service for Midvale's customers and make it possible for Midvale to meet new service demands.

6. A copy of the Applicant's most recent Annual Report showing the authorized and outstanding classes of Applicant's securities is on file with the Commission, and the Applicant respectfully requests the Commission take official notice thereof.

7. A certified copy of Applicant's Board of Directors consent resolution authorizing the proposed transaction is attached hereto as Exhibit B.

8. A Proposed Order granting this Application is attached hereto as Exhibit C.

9. Notice of this Application will be published within seven (7) days in *The Idaho Statesman* (Boise). A copy of this Notice is attached as Exhibit D.

10. Applicant submits that the public interest does not require a hearing on this matter and it requests that the Commission process this Application and determine this matter by

Modified Procedure, pursuant to Rule 23 of the Commission's Rules of Practice and Procedure. In the event the Commission determines that formal proceedings on this Application are necessary, Applicant stands ready for immediate hearing.

11. 47.6 percent of Applicant's total book value is located in Idaho. Applicant has therefore attached its filing fee, calculated pursuant to Idaho Code Section 61-905, in the amount of Six Hundred Eighty Five and 20/100 Dollars (\$685.20).

WHEREFORE, Applicant respectfully requests an Order of this Commission:

1. Granting the foregoing Application of Midvale Telephone Exchange, Incorporated to execute and deliver to the Rural Utilities Service a Loan Agreement, Promissory Note and related documents for a loan in an amount not to exceed \$12,145,000; and
2. Granting such other relief as the Commission deems just and reasonable in this matter.

DATED this 15th day of October, 2007.

GIVENS PURSLEY LLP

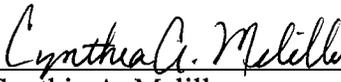
By Cynthia A. Melillo
Cynthia A. Melillo
Attorneys for Midvale Telephone Exchange,
Incorporated

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 15th day of October, 2007, I caused to be served a true and correct copy of the foregoing document by the method indicated below, and addressed to the following:

Ms. Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
P. O. Box 83720
Boise, ID 83720-0074

U.S. Mail
 Hand Delivered
 Overnight Mail
 Facsimile



Cynthia A. Melillo

Michael C. Creamer [ISB No. 4030]
Cynthia A. Melillo [ISB No. 5819]
GIVENS PURSLEY LLP
601 W. Bannock Street
P. O. Box 2720
Boise, ID 83701-2720
Telephone No. (208) 388-1200
Fax No. (208) 388-1300

Attorneys for Midvale Telephone Exchange, Incorporated

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of Midvale Telephone Exchange, Incorporated for Authority to Borrow from the Rural Utilities Service ("RUS") in an Amount Not to Exceed \$12,145,000.

Case No. MEID-T-07-01

PROPOSED ORDER

On October 15, 2007, Midvale Telephone Exchange, Incorporated (hereinafter "Applicant"), filed an Application for Loan Approval with this Commission requesting authority to execute a loan contract amendment and supplemental mortgage in an amount not to exceed \$12,145,000 with the United States of America, acting through the Rural Utilities Service ("RUS").

In support of said Application, Applicant states that the proceeds of the RUS loan will be used to pay for, and partially reimburse general funds to: (1) extend service to approximately 1081 new customers, (2) provide for switch and software upgrades, (3) provide for central office equipment upgrades, (4) make related system improvements including replacement of an existing analog microwave system with fiber, and (5) repay a line of credit with the Rural Telephone Finance Cooperative ("RTFC") that was used to construct some of the above mentioned facilities and that will be refinanced through the RUS loan.

After examining the Application and supporting documents and being fully advised in the premises, the Commission hereby finds that a hearing in this matter is not required, and that the proposed transaction is consistent with the public interest and the Applicant's proper performance of its duties as a public utility.

IT IS THEREFORE ORDERED that the Application of Midvale Telephone Exchange, Incorporated for authority to execute a loan contract amendment and supplemental mortgage with the RUS in an amount not to exceed \$12,145,000 be, and the same is hereby granted.

DONE by Order of the Idaho Public Utilities Commission this ____ day of _____, 2007.

Paul Kjellander, President

Mack Redford, Commissioner

Marsha Smith, Commissioner

ATTEST:

Jean Jewell, Secretary

**LEGAL NOTICE OF MIDVALE TELEPHONE EXCHANGE, INCORPORATED
APPLICATION FOR AUTHORITY TO BORROW FUNDS**

NOTICE IS HEREBY GIVEN that on October 15, 2007, Midvale Telephone Exchange, Incorporated, completed and filed with the Idaho Public Utilities Commission an Application for authority to borrow up to \$12,145,000 from the United States of America, acting through the Rural Utilities Service and in connection with the borrowing, to execute a telephone loan contract amendment and a supplemental mortgage.

The Application is on file and is available for public inspection at the Idaho Public Utilities Commission. Any person desiring to comment on said Application must file petitions or protests with the Idaho Public Utilities Commission within fourteen (14) days of the filing date. If no protests are received within this time limit, the Commission may consider the Application and enter its Order without setting the matter for hearing. If written protests are filed with the Commission within the time limit set, the Commission will consider the same, and in its discretion, may set a hearing. Petitions or protests must be filed with: Jean Jewell, Secretary, Idaho Public Utilities Commission, Statehouse, Boise, Idaho 83720.

Jean Jewell, Secretary
Idaho Public Utilities Commission

EXHIBIT A

Aug 13 2007 3:44PM HP LASERJET FAX



United States Department of Agriculture
Rural Development

AUG - 8 2007

Mr. Lane R. Williams
President and CEO
Midvale Telephone Exchange, Inc.
P. O. Box 7
Midvale, Idaho 83645

Dear Mr. Williams:

We are pleased to advise that a loan in the amount of \$12,145,000 from the Rural Development Utilities Programs, under Section 305(d)(1) of the Rural Electrification Act of 1936, as amended, at an interest rate of 5.00 percent per annum has been approved for your organization. The loan contract and other documents will be forwarded in the near future for execution. This loan is approved with the understanding that the loan contract will be authorized and executed by your organization and returned to us by the date which will be set forth in the letter transmitting the loan contract.

Sincerely,

JACQUELINE M. PONTI-LAZARUK
Assistant Administrator
Telecommunications Program

1400 Independence Ave. S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-8382 (TDD).

Jun 29 2007 2:45PM HP LASERJET FAX

p. 2



United States Department of Agriculture
Rural Development

JUN 29 2007

Mr. Lane R. Williams
President and CEO
Midvale Telephone Exchange, Inc.
P. O. Box 7
Midvale, Idaho 83645

Dear Mr. Williams:

We have completed the preliminary studies of your organization's "H" loan application and are submitting the results of these studies for your consideration. Our studies show that your organization qualifies for a Rural Utilities Service (RUS) hardship loan in the amount of \$12,145,000 at an interest rate of 5.0 percent. It should be understood that this letter is not a commitment that a loan will be approved.

Hardship loans are approved quarterly using a priority system (See RUS regulation 7 CFR 1735.30). Specifically, RUS will rank all applications at the end of the quarter based on criteria provided in the regulation. At that time, you will be notified of the status of your organization's loan application.

Our studies show that the above funds will be needed to: (1) serve 1081 new subscribers; 2) replace existing switches in Cascabel, Granite Mountain, Millsite, Young, Stanley, Harper, and Juntura with new "soft" switches; 2) install new centralized voice mail system at Midvale; 3) replace existing analog microwave system with a new fiber toll connection in Lakeview; 4) construct new toll routes in Arizona, Idaho, and Oregon; 5) deploy FTTP in Cascabel, Granite Mountain, Millsite, Young, Midvale, and Stanley; 6) install four broadband loop carriers in Cascabel to support the FTTP system; 7) replace existing copper with a fiber facility in Juntura; 8) upgrade all DSL central office equipment throughout system; 9) purchase test equipment for plant maintenance; and (10) provide for other system improvements. Funds required for construction are shown on the enclosed preliminary Telephone Loan Budget, RUS Form 493.

Also enclosed is a copy of the "Forecast of Revenues and Expenses" for the proposed system. It is based on the number of subscribers proposed to be served, existing local service rates without mileage or zone charges, and other revenues and expenses outlined on the form.

Please note that under the terms of Article I, Section 1 of your organization's Restated Mortgage, Security Agreement and Financing Statement, dated January 2, 1998, RUS will not be able to approve the loan until evidence has been submitted to the Administrator which indicates that the Rural Telephone Finance Cooperative has no objections to your organization executing and delivering notes evidencing the proposed "H" loan.

1400 Independence Ave. S.W. • Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-8382 (TDD).

Mr. Lane R. Williams

2

If a loan is approved, no "H" loan funds will be released until your organization has furnished to RUS, among other things, all of the documents, opinions, and other evidence listed in the loan contract applicable to this loan, including evidence that your organization has duly authorized, executed, recorded, and filed a security instrument, in form and substance satisfactory to RUS.

The first advance of "H" loan funds will include but not be limited to:

1. An amount then owing for interim financing for construction subsequent to November 15, 2006, as approved by RUS.
2. The cost of preloan engineering services in an amount to be approved by RUS.

Subsequent advances of "H" loan funds will not be made until your organization has submitted evidence, satisfactory to RUS, that any debts incurred through interim financing and all associated prior liens have been discharged.

A generic environmental report was reviewed and approved for loan purposes for your application. A site specific report was approved for the Crossroads Ranch project in the Millsite exchange on December 13, 2006. No "H" loan funds will be advanced for construction in Cascabel, Granite Mountain, Young, Lakeview, Midvale, Stanley, Harper, and Juntura exchanges until site specific surveys are submitted and approved by RUS.

No "H" loan funds will be advanced for the construction of certain toll facilities until your organization has submitted evidence of connecting company concurrence from Valley Telephone Cooperative for Cascabel.

Debt service payments are to be made on a monthly basis. This requirement will be included in the mortgage notes. The outstanding loans will continue to be billed as required by the mortgage notes for those loans.

The mortgage will contain a provision requiring your organization to maintain a TIER of at least 1.0 throughout the forecast period ending December 31, 2011. After that date your organization will be required to maintain a TIER of at least 1.50.

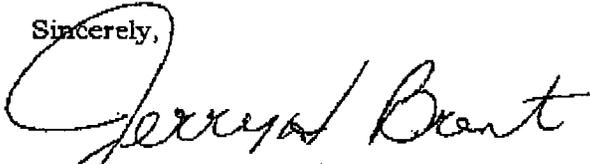
The maturity period for your "H" loan is 19 years with a principal repayment period of 17 years. The approximate amount to be repaid will be \$18,062,000 at a monthly payment of \$88,500, assuming the interest rate used in the feasibility study. The actual repayment of the loan will depend on the schedule of advances of loan funds. A savings in interest costs over the life of the loan would result if a shorter amortization period were selected.

Mr. Lane R. Williams

3

We would appreciate any suggestions you may have with respect to the matters discussed in this letter. If you concur in the above requirements, please let us know by facsimile (202-690-4654) with a follow-up letter from an officer of your organization and indicate the maturity period desired for the loan, if shorter than the period stated above. We will then proceed with our studies. Our office should, however, be advised of your decision no later than 15 days from receipt of this letter.

Sincerely,



JERRY H. BRENT, Director
Northern Division
Telecommunications Program

Enclosures

USDA-RUS Preliminary TELEPHONE LOAN BUDGET		NAME OF BORROWER Midvale Telephone Exchange, Inc.	
		BORROWER and LOAN DESIGNATION ID 514-H11 Midvale	
BUDGET ITEM	PRIOR LOAN RESERVES AS OF: 4/17/2007		NEW PROJECT BUDGET C.
	RESERVE BALANCES A.	AVAILABLE FOR NEW PROJECTS B.	
1. CONSTRUCTION	a. CENTRAL OFFICE		\$3,702,000
	b. OUTSIDE PLANT		6,119,000
	c. LAND and BUILDINGS		
	d. SPECIAL PROJECTS		
2. ENGINEERING	e. PRELOAN		73,000
	f. CONSTRUCTION		2,229,000
3. OPERATING EQUIPMENT	a. OFFICE EQUIPMENT		
	b. VEHICLES and WORK EQUIPMENT		22,000
4. OVERHEAD EXPENDITURES			
5. OPERATING FUNDS			
6. REFINANCING WITH LOAN FUNDS			
7. ACQUISITIONS			
8. OTHER			
9. TOTALS			\$12,145,000
10. LESS AVAILABLE FROM PRIOR LOANS (COL. B. ITEM 9)			
11. LESS NONLOAN FUNDS			
12. TOTAL NEW LOAN FUNDS			\$12,145,000
13. HARDSHIP LOAN			12,145,000
14. COST OF MONEY LOAN			
15. GUARANTEED LOAN			
16. OTHER LOAN			
REQUIRED ADDITIONAL BUDGET DATA			
17. PRIOR LOANS		18. NONLOAN FUNDS, AS ADJUSTED	
PRIOR LOAN TOTALS	\$12,104,000	NONLOAN FUNDS, PRIOR LOAN	50
REA LOANS	12,104,000	SALE OF PROPERTY	22
RTB LOANS		OTHER	
RUS LOANS		TOTAL NONLOAN FUNDS	\$22
GUARANTEED LOANS			
		19. CUMULATIVE ADVANCES AS OF FEB 07	
		REA	\$12,104,000
		RTB	
		FPB	
		RUS	
		20. ENCUMBERED BUT UNADVANCED FUNDS	
21. RETIRED PLANT		EXISTING AREAS	
ESTIMATED ORIGINAL COST OF RETIRED PLANT (this loan)		\$1,100,000	
ESTIMATED SALVAGE VALUE OF RETIRED PLANT (this loan)		\$105,000	
NOTES			
	Retired Plant	COE	OSP
	Original Cost	\$1,085,000	\$15,000
	Salvage Value	\$ 105,000	\$ -0-

FORECAST OF REVENUES AND EXPENSES		CORPORATE NAME AND ADDRESS	
		Midvale Telephone Exchange, Inc. Midvale, Idaho	
	LOAN DESIGNATION	SUBSCRIBER FORECAST	
	ID 514-H11 Midvale	3,697	
1. Local Network Service Revenues*		\$1,278,212	
2. Access, Long Distance Network, and Carrier Billing & Collection Revenues		8,817,746	
3. Miscellaneous Revenues		135,976	
4. Less Uncollectible Revenues		407	
5. Net Operating Revenues		\$10,231,527	
6. Plant Specific Operations Expense		\$3,874,308	
7. Plant Nonspecific Operations Expense		68,025	
8. Depreciation Expense		2,237,473	
9. Amortization Expense		0	
10. Customer Operations Expense		482,902	
11. Corporate Operations Expense		1,544,052	
12. Other Operating Income and Expense		0	
13. Taxes Excluding F.I.T.		260,528	
14. Total Fixed Charges (Interest)		872,441	
15. Nonoperating Net Income (expressed with the opposite arithmetic sign)		0	
16. Extraordinary Items		0	
17.		0	
18. Nonregulated Net Income		(275,000)	
19. Total Expenses, Excluding Federal Income Taxes		\$9,064,728	
20. Net Income Before Federal Income Taxes		\$1,166,799	
21. Federal Income Taxes		240,217	
22. Net Income After Federal Income Taxes		\$926,582	
23. Add Interest		872,441	
24. Net Operating Income		\$1,799,023	
25. Add: Depreciation And Amortization		2,237,473	
26. Available For Interest And Principal Payments		\$4,036,495	
27. Scheduled Interest And Principal Payments		2,380,727	
28. Available For Plant Additions, Replacements, Etc.		\$1,655,768	
29. Times Interest Earned Ratio (Line 24 / Line 23)		2.06	
Item 14 (interest)			
Outstanding Loan Balance(s).....@ 4.50%	\$4,962,519.00 =		\$223,256
Current Loan(s).....@ 5.00%	\$12,145,000.00 =		\$607,250
Total Outside Financing.....@ 8.75%	\$479,252.00 =		\$41,935
Total Interest.....			\$872,441
*Local Service Revenues Based On Approved Rates			

EXHIBIT B

**CONSENT RESOLUTION
OF THE BOARD OF DIRECTORS
MIDVALE TELEPHONE EXCHANGE, INCORPORATED
(RUS "H" Loan)**

The undersigned being all of the directors of MIDVALE TELEPHONE EXCHANGE, INCORPORATED, an Idaho corporation (the "Corporation") do hereby take the following corporate actions without a meeting in accordance with the general corporation laws of the State of Idaho and the constituent documents of the Corporation:

WHEREAS, the undersigned are familiar with the proposal to borrow funds from the United States of America, acting through the Rural Utilities Service ("RUS"), in the principal amount of \$12,145,000.00 (the "Loan") upon the terms and conditions set forth in the Loan Agreement, Promissory Note, Restated Mortgage, Security Agreement, Financing Statement and other documents and instruments contemplated therein (the "Loan Documents").

WHEREAS, the Restated Mortgage, Security Agreement and Financing Statement provide for RUS and the Rural Telephone finance Cooperative ("RTFC") to each have a shared first lien on the Corporation's property, and which mortgage is intended to secure the Loan, as well as all prior loans from RUS and RTFC in parity.

WHEREAS, the undersigned have reviewed and desire to approve and execute the Loan Documents, by and between the Corporation, RUS, and RTFC, dated effective as of September 4, 2007 copies of which are attached hereto as Exhibits A, B and C.

NOW THEREFORE, BE IT HEREBY RESOLVED that the Corporation (a) borrow from the United States of America, acting through the Rural Utilities Service, an aggregate amount not to exceed \$12,145,000.00; and (b) use the funds so borrowed from RUS (exclusive of any funds borrowed for refinancing) to finance the construction and operation of additional telephone lines and facilities and the operation of its system and for such other purposes as approved by RUS.

BE IT FURTHER RESOLVED that Lane R. Williams, as president of the Corporation, in conjunction with such Loans, is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest as many counterparts as shall be deemed advisable of the Loan Documents as required by RUS, which provide, among other things, that the notes at any one time secured thereby shall not exceed \$50,000,000.00.

BE IT FURTHER RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute, deliver and/or certify all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate to carry out the purposes and intent of the foregoing resolutions; and

BE IT FURTHER RESOLVED, that said officers be, and each of them hereby is, authorized and directed to execute, deliver and/or certify in the name of and on behalf of the Corporation such other documents and to take such other actions as such person, in

CONSENT OF DIRECTORS - 1

S:\CLIENTS\1614\84\CONSENT RESOLUTION (AUTHORIZING LOAN) FINAL.DOC

such officer's sole discretion, shall deem necessary or advisable to carry out the intent and purpose of the foregoing resolutions or the transactions contemplated thereby; and

BE IT FURTHER RESOLVED, that any person or entity may rely upon any of the foregoing upon presentation of a copy of this Resolution certified by the Secretary or any Assistant Secretary of the Corporation declaring that said Resolution has not been revoked hereafter.

[end of text]

The undersigned, being all of the directors of Midvale Telephone Exchange Incorporated, hereby execute this Consent Resolution effective as of the 3rd day of October 2007.


Lane R. Williams

Julianne Johnson

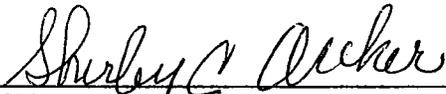
Shirley C. Archer

Conley Ward

The undersigned, being all of the directors of Midvale Telephone Exchange Incorporated, hereby execute this Consent Resolution effective as of the 3rd day of October 2007.

Lane R. Williams

Julianne Johnson



Shirley C. Archer

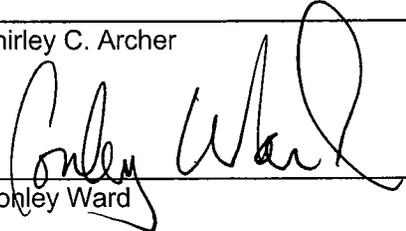
Conley Ward

The undersigned, being all of the directors of Midvale Telephone Exchange Incorporated, hereby execute this Consent Resolution effective as of the 3rd day of October 2007.

Lane R. Williams

Julianne Johnson

Shirley C. Archer



Conley Ward

EXHIBIT A
Loan Agreement
[attached]

RUS Project Designation:
IDAHO 514-H11 MIDVALE

LOAN AGREEMENT
dated as of September 4, 2007

between
MIDVALE TELEPHONE EXCHANGE, INC.
and
THE UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement,") dated as of September 4, 2007, is between MIDVALE TELEPHONE EXCHANGE, INC. (hereinafter the "Borrower,") a corporation organized and existing under the laws of Idaho], and the UNITED STATES OF AMERICA, (hereinafter the "Government") acting through the Administrator of the Rural Utilities Service ("RUS.")

The Borrower has applied to RUS, requesting financial assistance (hereinafter the "Application") to provide telecommunications and/or broadband services in rural areas.

RUS is willing to extend financial assistance, in the form of loans or loan guarantees to the Borrower, pursuant to the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*)(the "Act,") and all applicable federal regulations, on the terms and conditions stated herein.

THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties agree and bind themselves as follows:

ARTICLE I – DEFINITIONS

The terms defined herein include both the plural and the singular. Unless otherwise specifically provided, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made in accordance with Accounting Requirements.

"Accounting Requirements" shall mean the system of accounting prescribed by RUS in RUS Regulations.

"Advance" or "Advances" shall mean an advance or advances made or approved by RUS under its respective Note(s).

"Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity. For the purpose of this definition, "control" of any specified person or entity means the power to direct the management and policies of such specified person or entity, directly or indirectly, whether through the ownership of stock, by contract, or otherwise.

"Application" shall have the meaning as defined above in the second paragraph hereof.

"Broadband Loan" shall mean the broadband loan described in Section 3.1.

"Broadband Loan Expiration Date" shall have the meaning as defined in Paragraph (a)(ii) of Section 3.1.

"Business Day" shall mean any day that RUS and the Department of Treasury are both open for business.

"Construction Fund Account" shall have the meaning as defined in Paragraph (d) of Section 5.4.

"Distributions" shall have the meaning as defined in Section 6.9.

"Event of Default" shall have the meaning as defined in Article VIII.

"Interest Expense" shall have the meaning as defined in Attachment 3.

"Laws" shall have the meaning as defined in paragraph (e) of Article II.

"Loan(s)" shall mean, collectively, the loans described in Section 3.1.

"Loan Documents" shall mean, collectively, this Agreement, Security Documents, and the Note(s).

"Material Adverse Effect" shall mean a material adverse effect on, or change in, the condition, financial or otherwise, operations, properties, business or prospects of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents as determined by RUS.

"Net Income" or "Net Margins" shall have the meaning as defined in Attachment 3.

"Net Worth" shall have the meaning as defined in Attachment 3.

"Note(s)" shall have the meaning as defined in Paragraph (a) of Section 3.2.

"Permitted Encumbrances" shall have the meaning as defined in the Security Documents.

"Pledged Deposit Account" shall have the meaning as defined in Section 5.4.

"Prior Telephone Loan Contracts" shall mean all telephone loan agreements previously entered into by RUS and the Borrower.

"Project" shall have the meaning as defined in Paragraph (a) of Section 3.4.

"RUS Regulations" shall mean the rules, regulations and bulletins of general applicability published by RUS from time to time, as such rules, regulations and bulletins exist at the date of applicability thereof, and shall also include any rule and regulations of other Federal entities which RUS is required by law to implement. Any reference to specific RUS Regulations shall mean the version of and cite to such regulation effective at the date of applicability thereof.

"Security Documents" shall mean, collectively, any mortgage, security agreement, financing statement, deposit account control agreement or other document providing collateral for the Loan(s).

"Subsidiaries" shall mean the subsidiaries listed in Schedule 1.

"Telecommunications Loan" shall mean the telecommunications loan described in Section 3.1.

"Telecommunications Loan Expiration Date" shall have the meaning as defined in Paragraph (b)(ii) of Section 3.1.

"Telecommunications Loan Guarantee" shall mean the telecommunications loan guarantee described in Section 3.1.

"TIER" shall mean the Borrower's total Net Income or Net Margins plus Interest Expense payable for such year divided by Interest Expense payable for such year, as determined in Schedule I hereto.

"TIER Commencement Date" shall have the meaning as defined in Section 5.12.

"Total Assets" shall have the meaning as defined in Attachment 3.

- (h) *Location of Properties.* All real property and interests therein of the Borrower are located in the states, counties, or parishes identified in the Security Documents.
- (i) *Principal Place of Business.* The principal place of business and chief executive office of the Borrower is at the address of the Borrower specified in Schedule 1 hereto.
- (j) *Organization Number.* The Borrower's organization number is correctly identified in Schedule 1 hereto.
- (k) *Subsidiaries and Parent.* Any subsidiaries or parent of the Borrower are disclosed on the attached Schedule 1.
- (l) *Defaults Under Other Agreements.* No default by the Borrower has occurred under any agreement or instrument to which the Borrower is a party, or to which any of its property is subject, that could have a Material Adverse Effect.
- (m) *Title to Property.* Except as disclosed in writing in the opinion of counsel, the Borrower holds good and marketable title to all of the collateral securing the Loan(s), free and clear of any liens, security interests, or other encumbrances except for Permitted Encumbrances.

ARTICLE III – THE LOANS

Section 3.1 Loans

- (a) *Broadband Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Broadband Loan, in the amount specified in Schedule 1 hereto.
 - (i) *Interest Rate.* The portion of the Broadband Loan specified in Schedule 1 hereto will bear interest at the comparable Treasury rate for comparable maturities, as determined by RUS, and the portion of the Loan specified in Schedule 1 hereto will bear interest at the rate of four percent (4%) per annum.
 - (ii) *Broadband Loan Expiration Date.* The obligation of RUS to advance the Broadband Loan or any portion thereof shall expire on a date ("Broadband Loan Expiration Date") five years from the date of the Note(s). No portion of the Broadband Loan will be advanced by RUS to the Borrower after the Broadband Loan Expiration Date. RUS, in its sole discretion, may approve an extension of the Broadband Loan Expiration Date, provided that the Borrower notifies RUS, in writing at least ten days prior to the Broadband Loan Expiration Date, of the reasons and need for an extension, together with a suggested revised Broadband Loan Expiration Date.
- (b) *Telecommunications Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Telecommunications Loan, in the amount specified in Schedule 1 hereto.
 - (i) *Interest Rate.* The portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the Cost-of-Money Interest Rate determined by the Government pursuant to 7 U.S.C. 935(d)(2)(A) of the Act and its implementing regulations, as amended from time to time (7 C.F.R. 1735.31(c)) and the portion of the Telecommunications Loan

specified in Schedule 1 hereto will bear interest at the rate of five percent (5%) per annum.

- (ii) *Telecommunications Loan Expiration Date.* The obligation of RUS to advance the Telecommunications Loan or any portion thereof shall expire on a date ("Telecommunications Loan Expiration Date") five (5) years from the date of the Note(s). No portion of the Telecommunications Loan will be advanced by RUS to the Borrower after the Telecommunications Loan Expiration Date. RUS, in its sole discretion, may approve an extension of the Telecommunications Loan Expiration Date, provided that the Borrower notifies RUS, in writing at least ten (10) days prior to the Telecommunications Loan Expiration Date, of the reasons and need for an extension, together with a suggested revised Telecommunications Loan Expiration Date.
- (c) *Telecommunications Loan Guarantee.* RUS agrees to guarantee the loan identified in Schedule 1 hereto and the Borrower agrees to accept such guarantee, on the terms and conditions stated in this Agreement.
 - (i) *Interest Rate.* Each Advance of funds subject to the Telecommunications Loan Guarantee shall bear interest at the rate established by FFB at the time such Advance is made on the basis of the determination made by the Secretary of the Treasury pursuant to 12 U.S.C. 2285(b) of the Federal Financing Bank Act of 1973, as amended.
 - (ii) *Telecommunications Loan Guarantee Expiration Date.* The obligation of RUS to approve requests for Advances made under the Telecommunications Loan Guarantee or any portion thereof shall expire on the Last Advance Date as specified in the applicable guaranteed Note.

Section 3.2 Loan Documents

- (a) The debt created by the Loan(s) will be evidenced by a note(s) ("Note(s)") executed by the Borrower and payable, as applicable, to the United States of America or, in the case of a loan guarantee, to the guaranteed lender. The Borrower shall repay the Loan(s) in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.
- (b) The Borrower shall execute the Security Documents covering all of the Borrower's property, in form and substance satisfactory to RUS and such other security instruments as required by RUS.

Section 3.3 Payment

Except as otherwise prescribed by RUS, if any, the Borrower shall make all payments on the Note(s) utilizing electronic funds transfer procedures as specified by RUS.

Section 3.4 Project

- (a) *Loan Purpose.* The Loan has been made solely to finance the project specifically described in the Application to furnish or improve telecommunications and/or broadband services in rural areas (the "Project.")
- (b) *Changes to Project.* The Borrower shall obtain the prior written approval of RUS regarding any material change to the scope, loan design, construction, delivery of services, or objectives of the Project.

ARTICLE IV – CONDITIONS OF LENDING

Section 4.1 General Conditions

In connection with the execution and delivery of this Agreement, each of the following conditions shall be satisfied (all documents, certificates, and other evidence of such conditions are to be satisfactory to RUS in its discretion):

- (a) *Legal Matters.* All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS;
- (b) *Loan Documents.* RUS shall receive duly executed originals of the Loan Documents;
- (c) *Filed and Recorded Security Documents.* RUS shall have received the following documents securing the Loan(s): (i) executed, filed, and indexed financing statements covering all of the personal property and fixtures of the Borrower and (ii) executed, filed, and recorded counterparts of a mortgage covering all of the Borrower's real property;
- (d) *Articles of Incorporation, Charter, Bylaws, and Organizational Documents.* With respect to corporate and cooperative Borrowers, RUS shall have received copies of the Borrower's articles of incorporation, charter, and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received copies of the Borrower's organizational documents containing provisions reflecting the obligations of the Borrower in paragraphs (c) and (d) of Section 6.3.
- (e) *Authorizations.* RUS shall have received satisfactory evidence that all Loan Documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery, and performance of the Loan Documents have been obtained and are in full force and effect;
- (f) *Approvals.* RUS shall have received satisfactory evidence that the Borrower has duly registered as required by law with all state, federal, and other public authorities and regulatory bodies and has obtained all authorizations, certificates, permits, licenses, franchises and approvals necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents and for the construction and operation of the Project;
- (g) *Title Evidence.* RUS shall have received satisfactory evidence that the Borrower has good and marketable title to its property, including the Project, and holds such franchises, permits, leases, easements, rights, privileges, licenses, or right-of-way instruments, reasonably adequate in form and substance, as may be required by law for the continued maintenance and operation of its existing facilities and the Project;
- (h) *Tariff Evidence.* RUS shall receive evidence from each Borrower with rates imposed by tariff, that it has duly adopted a tariff, which (1) will provide for such grades of telephone service as RUS may approve, (2) does not include mileage or zone charges on any telephone service provided by the Project, and (3) is designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto;

- (i) *Broadband Rate Evidence.* For Broadband loans, RUS shall receive evidence that the Borrower has duly adopted rates which are designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto.
- (j) *Opinion of Counsel.* RUS shall receive an opinion of counsel for the Borrower (who shall be acceptable to RUS) in form and content acceptable to RUS;

Section 4.2 Conditions to Advances

The obligations of RUS to make any Advances under its Loan(s) or approve any requests for Advances under its Loan Guarantee(s) are subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance (all documents, certificates and other evidence of such conditions precedent are to be satisfactory to RUS in its discretion):

- (a) *Continuing Representations and Warranties.* That the representations and warranties of the Borrower contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date;
- (b) *Material Adverse Effect.* That no event has occurred which has had or could have a Material Adverse Effect;
- (c) *Event of Default.* That no Event of Default and no event which with the passage of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, or shall have occurred after giving effect to such Advance on the books of the Borrower;
- (d) *Requisitions and Supporting Documentation*
 - (1) *Broadband Loans.* That RUS shall have received a requisition for Broadband loan funds, not more frequently than once a month, and supporting documentation from the Borrower in accordance with Rural Utilities Service RUS Bulletin 1738-2, *Rural Broadband Access Loan and Loan Guarantee Advance and Construction Procedures Guide*, as amended and supplemented from time to time (hereinafter "RUS Bulletin 1738-2,") attached hereto as Attachment 1 or available at <http://www.usda.gov/rus/telecom/broadband/rus-bulletin-1738-web2-6-03.doc>;
 - (2) *Telecommunications Loan and Loan Guarantee.* That RUS shall have received a requisition for Telecommunications Loan funds and Loan Guarantee funds not more frequently than once a month, and supporting documentation from the Borrower in accordance with RUS Regulations;
- (e) *Flood Insurance.* That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Borrower and located in such a flood hazard area, the Borrower shall have submitted evidence, in form and substance satisfactory to RUS or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by

the Flood Insurance Act and any related regulations, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any related regulations;

- (f) *Current Financial Information and Certification of Authority.* That RUS has received from the Borrower (i) its current, updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Form 675, "Certification of Authority," designating an officer, employee, or agent of the Borrower as the person or persons authorized to execute and submit, on behalf of the Borrower, REA Form 481, "Financial Requirement Statement;"
- (g) *Fidelity Bond or Theft Insurance Coverage.* That RUS has received from the Borrower, except Borrowers which are units of government, evidence, that the Borrower has obtained fidelity bond or theft insurance coverage in accordance with RUS Regulations;
- (h) *Pledged Deposit Account.* That, in connection with Broadband Loans (or with respect to Telecommunications Loans and Loan Guarantees when required on Schedule 1, or otherwise directed in writing by RUS), the Borrower has opened a Pledged Deposit Account under terms satisfactory to RUS;
- (i) *Compliance with Deposit Requirements for Broadband Loans.* That, in connection with Broadband Loans, RUS has received from the Borrower, evidence that the Borrower has maintained on deposit in account, funds in the amount specified in Schedule 1 to cover operating expenses, in accordance with 7 C.F.R. Section 1738.20(b), and has provided RUS with an advance schedule for such funds;
- (j) *Compliance with Loan Documents.* That the Borrower is in material compliance with the Loan Documents;
- (k) *RUS Loan Guarantee Requirements.* In connection with the Telecommunications Loan Guarantee:
 - (1) That RUS and the FFB have entered into a contract and that the FFB has agreed to make the loan to the Borrower, which will be guaranteed by RUS;
 - (2) That RUS has received evidence that any conditions in the contract referred to above in subparagraph (1) have been satisfied; and
 - (3) That RUS has received a promissory note payable to FFB in the amount to be guaranteed by RUS and a reimbursement note payable to the order of the Government, both duly authorized, executed and delivered by the Borrower, within the time period prescribed by RUS;
- (l) *Additional Documents.* The Borrower agrees to provide RUS with such additional documents as RUS may request; and
- (m) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

Section 4.3 First Advance to Pay Off Interim Construction Financing; Restrictions on Subsequent Advances

Loan funds to pay off RUS approved interim construction financing, if any, will be included in the first loan advance. Thereafter no further advances will be made unless and until the Borrower has

furnished evidence, in form and content satisfactory to RUS, that such interim construction financing has been paid in full and any associated liens have been duly discharged from record.

ARTICLE V – AFFIRMATIVE COVENANTS

Section 5.1 Generally

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the affirmative covenants contained in this Article V.

Section 5.2 Use of Advances

The Borrower shall apply the proceeds of Advances in accordance with its Application with such modifications as may be mutually agreed to in writing by RUS and the Borrower.

Section 5.3 Unused and Disallowed Advances

- (a) The Borrower shall return forthwith to RUS any and all advanced portions of the Loan(s) or Loan Guarantee(s) not disbursed by the Borrower for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account or other account approved by RUS.
- (b) The Borrower shall reimburse RUS for any advanced funds whose original expenditure has been disallowed by a RUS loan audit. Disallowances shall be satisfied, as directed by RUS, by either administrative offset against requests for Advances or repaying the disallowed amount directly to the United States Treasury. Such disallowed amounts shall accrue interest payable to RUS from the date RUS delivers to the Borrower a written demand for payment. Interest shall accrue at the lesser of the following: the interest rate of the disallowed Advance or the then current United States Treasury rate as prescribed by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletin. Closeout of the Loan will not affect such right to disallow expenditures and recover, in full, any amount on the basis of a subsequent audit, or other review or the Borrower's obligation to return any disallowed expenditures.

Section 5.4 Deposit of Advances into Pledged Deposit Account and Construction Fund Account

- (a) *Broadband Loans.* The Borrower of Broadband Loans shall open and maintain a deposit account pledged to RUS ("Pledged Deposit Account,") in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the RUS name of the Borrower followed by the words "Pledged Deposit Account." The Borrower shall promptly deposit proceeds from all Advances of the Broadband Loan, including previously advanced funds whose original expenditure has been disallowed by a RUS loan audit, and other funds described on Schedule 1 hereto (hereinafter "Additional Funds") into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes for which the Advance was made, for the purposes as set forth in Schedule 1 hereto (hereinafter "Additional Purposes,") or for such other purposes as may be approved by RUS. Deposits and disbursements from the Pledged Deposit Account shall be made and recorded in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (b) *Telecommunications Loans and Loan Guarantees and Bank Loans.* The Borrower of Telecommunications Loans and/or Loan Guarantees, when required on Schedule 1 or

otherwise directed in writing by RUS, shall open and maintain a deposit account pledged to RUS for Telecommunications Loans and Loan Guarantees. Such account shall be in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS, and shall be designated by the corporate name of the Borrower followed by the words "Pledged Deposit Account." The Borrower shall promptly deposit proceeds from Loan Advances, including previously advanced funds whose original expenditure has been disallowed by a RUS loan fund audit, and any Additional Funds into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes approved by RUS or other Additional Purposes and shall be withdrawn from time to time only as permitted by RUS.

- (c) *First Lien on Pledged Deposit Account.* The Borrower shall establish and maintain the Pledged Deposit Account as a deposit account and perfect a first and prior lien in such account for RUS, (pursuant to a deposit account agreement or similar agreement or mechanism for perfecting as provided by applicable law) in form acceptable to RUS.
- (d) *Construction Fund Account.* The Borrower shall promptly deposit Loan Advances not required to be deposited in a Pledged Deposit Account, including previously advanced Loan funds whose original expenditure has been disallowed by a RUS loan fund audit, in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS. Such account (hereinafter called the Construction Fund Account) shall be designated by the corporate name of the Borrower followed by the words "Construction Fund Account." Moneys in the Construction Fund Account shall be used solely for the purposes approved by RUS and shall be withdrawn from time to time only as permitted by RUS.

Section 5.5 Use of Operating Funds Required in Connection with Broadband Loans

The Borrower shall expend the operating funds required by 7 C.F.R. Section 1738.20(b), as approved by RUS.

Section 5.6 Financial Books

The Borrower shall maintain, at its premises, such books, documents, papers, or other records and supporting documents, including, but not limited to, invoices, receipts, and bills of sale, adequate to identify the purposes for which and the manner in which Loan and other funds were expended on the Project. The Borrower shall at all times keep and safely preserve proper books, records, and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Borrower and its Subsidiaries (as listed in Schedule 1 hereto,) in accordance with any applicable Accounting Requirements. The Borrower shall maintain copies of all documents submitted to RUS in connection with the Loan until the Loan has been paid in full and all audits have been completed.

Section 5.7 Rights of Inspection

The Borrower shall afford RUS, the Office of Inspector General of USDA and the General Accounting Office, through their representatives, reasonable opportunity, at all times during business hours and upon prior notice, to access and inspect the Project, any other property encumbered by the Security Documents, and any and all books, records, accounts, including electronic books, records, accounts, and electronic mail messages, regardless of the physical form or characteristics, invoices, contracts, leases, payrolls, canceled checks, statements, other documents, and papers of every kind belonging to or in any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

Section 5.8 Annual and Special Financial Reports

- (a) One hundred twenty (120) days from the end of the Borrower's fiscal year in which the first Advance is made and, thereafter, one hundred twenty (120) days from the close of each fiscal year of the Borrower, the Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, and as provided in 7 C.F.R. 1773, which is audited and certified by an independent certified public accountant satisfactory to RUS, and accompanied by a report of such audit in form and substance satisfactory to RUS.
- (b) The Borrower shall also furnish to RUS fifteen (15) Business Days after March 31st of each year, and on such additional date(s) as specified in Schedule 1 (hereinafter "Additional Reporting Dates,") or as otherwise requested in writing by RUS, balance sheets, income statements, statements of cash flow, or such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may request or RUS Regulations require.

Section 5.9 Annual Compliance Certificate

Commencing forty-five (45) days from the date hereof, and thereafter within forty-five (45) days after the close of each calendar year, or sooner if required in writing by RUS, the Borrower shall deliver to RUS, a written statement signed by its general manager, managing member, or equivalent corporate official satisfactory to RUS, stating that, during such year the Borrower has fulfilled its obligations under the Loan Documents in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to such official and the nature and status thereof.

Section 5.10 Miscellaneous Reports and Notices

The Borrower shall furnish to RUS:

- (a) *Notice of Default.* Promptly after becoming aware thereof, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder or under the other Loan Documents.
- (b) *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower or any Affiliate which, if adversely determined, could have a Material Adverse Effect on the Borrower.
- (c) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect on the Borrower.
- (d) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect on the Borrower.
- (e) *Corporate Document Changes.* Thirty (30) days prior to their effectiveness, any amendments, supplements or modifications to the Borrower's Articles of

Incorporation, Charter, Bylaws, Operating Agreement, Members Agreements or other Organizational Documents.

- (f) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

Section 5.11 Tariff and Rate Design

- (a) Tariff Requirements for Telecommunications Loan and Telecommunications Loan Guarantee Borrowers are as follows:

- (1) *Regulatory Approval Necessary.* If regulatory approval is required to effectuate its telephone service tariff, the Borrower shall seek and use its diligent best efforts to obtain all regulatory body approvals necessary to place in effect and thereafter to maintain in effect a tariff for telephone service which (A) provides for such grades of service as RUS shall approve, (B) does not include mileage or zone charges for any telephone service provided by the Project, and (C) is designed with a view to (1) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (2) making all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (3) providing and maintaining reasonable working capital for the Borrower, and (4) producing and maintaining the TIER specified on Schedule 1 hereto. The Borrower shall place such tariff into effect as soon as permitted by applicable laws and regulations and shall use its diligent best efforts to obtain all necessary regulatory body approvals of such revisions of its tariff as may be necessary from time to time to satisfy the requirements of this provision.

- (2) *Regulatory Approval Not Required.* If regulatory approval is not required to effectuate its telephone service tariff, the Borrower shall design, charge and maintain in effect a tariff for telephone service which (A) provides for such grades of service as RUS shall approve, (B) does not include mileage or zone charges for any telephone service provided by the Project, and (1) pays and discharges all taxes, maintenance expenses, and operating expenses of the Borrower's system, (2) makes all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (3) provides and maintains reasonable working capital for the Borrower, and (4) produces and maintains the TIER specified on Schedule 1 hereto.

- (b) *Rate Requirement for Broadband Service.* The Borrower shall design, charge, and maintain in effect rates for Broadband service which (i) pay and discharge all taxes, maintenance expenses and operating expenses of its system, (ii) make all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (iii) provide and maintain reasonable working capital for the Borrower, and (iv) produce and maintain the TIER specified on Schedule 1 hereto.

Section 5.12 TIER Requirement

From the date of this Agreement until the date specified in Schedule 1, the Borrower will maintain a TIER of at least 1.0. Thereafter, starting on the date specified in Schedule 1 (hereinafter called the "TIER Commencement Date") the Borrower shall maintain the TIER level(s) as specified in Schedule 1.

Section 5.13 Corrective Action

Within thirty (30) days of (i) sending the financial reports required by Section 5.8 hereof that shows the TIER specified by Section 5.12 was not achieved for the reported fiscal year or (ii) being notified by RUS that the TIER specified in Section 5.12 was not achieved for the reported fiscal year, whichever is earlier, the Borrower, in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the specified TIER on a timely basis and shall promptly implement said plan.

Section 5.14 Obligations with Respect to the Construction, Operation and Maintenance of the Project Funded by the Broadband Loan

- (a) *Project Management and Operation.* The Borrower shall be responsible for managing the day to day operations of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.
- (b) *Design Standards, Construction Standards, and Lists of Materials.* The Borrower shall use design standards, construction standards, and lists of acceptable materials in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (c) *Plans and Specifications.* The Borrower shall submit plans and specifications for construction to RUS for review and approval in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (d) *Standard Forms of Purchase Contracts, Installation Contracts, Construction Contracts, and Engineering and Architectural Service Contracts.* The Borrower shall use the standard forms of contracts promulgated by RUS for construction, procurement, engineering services, and architectural services in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time, and shall submit to RUS such contracts for review and approval in accordance with such Attachment 1.
- (e) *Contract Bidding Requirements.* The Borrower shall follow RUS bidding procedures when contracting for construction or procurement in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (f) *Construction in Accordance with Loan Design.* The Borrower shall cause the Project to be constructed and completed in accordance with the loan design submitted with the Application.
- (g) *General Insurance Requirements.* The Borrower shall take out and maintain insurance on the Project and any other property acquired with the Loan in accordance with 7 CFR Section 1788 as well as maintaining the fidelity bond or theft insurance coverage required in Section 4.2 paragraph (g) hereof.

Section 5.15 Obligations with Respect to the Construction, Operation and Maintenance of the Project Funded by the Telecommunications Loan and Telecommunications Loan Guarantee

- (a) *Project Management and Operation.* The Borrower shall be responsible for managing the day to day operations of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.

- (b) *Design Standards, Construction Standards and List of Material.* The Borrower shall use design standards, construction standards, and lists of acceptable materials in accordance with RUS Regulations.
- (c) *Plans and Specifications.* The Borrower shall submit plans and specifications for construction to RUS for review and approval in accordance with RUS Regulations.
- (d) *Standard Forms of Purchase Contracts, Installation Contracts, Construction Contracts, and Engineering and Architectural Service Contracts.* The Borrower shall use the standard forms of contracts promulgated by RUS for construction, procurement, engineering services, and architectural services in accordance with RUS Regulations and shall submit to RUS such contracts for review and approval in accordance with RUS Regulations.
- (e) *Contracts for Toll Traffic, Operator Assistance Services, and Extended Area Service.* The Borrower shall submit contracts for toll traffic, operator assistance services and contracts for extended area service to RUS for review and approval in accordance with RUS Regulations.
- (f) *Contract Bidding Requirements.* The Borrower shall follow RUS bidding procedures when contracting for construction or procurement in accordance with RUS Regulations.
- (g) *Construction in Accordance with Loan Design.* The Borrower shall cause the Project to be constructed and completed in accordance with the loan design submitted with the Application.
- (h) *General Insurance Requirements.* The Borrower shall take out and maintain insurance on the Project and any other property acquired with the Loan as well as maintaining fidelity bond or theft insurance coverage in accordance with RUS Regulations.

Section 5.16 Obligations Applicable to Telecommunications Loan and Telecommunications Loan Guarantee Borrowers with Respect to Area Coverage of Telephone Service

The Borrower shall furnish adequate telephone service to the widest practicable number of rural users in the Borrower's telephone service area, as such area is shown on the map which is a part of the Borrower's application for the Telecommunications Loan or Telecommunications Loan Guarantee and which map, as revised by agreement between the Borrower and RUS, is incorporated herein by reference thereto. In the performance of this obligation, the Borrower shall:

- (a) furnish service to all applicants for telephone service included in the Project funded by the Telecommunications Loan, or Telecommunications Loan Guarantee, without payment by such applicants of any extra charge as a contribution to the cost of construction of facilities to provide such service; and
- (b) take all action that may be required to enable it to extend service, without payment to the Borrower of any extra charge as a contribution to construction of facilities to provide such service, to every unserved rural applicant for service in its telephone service area if the cost of constructing the required line extension for such applicant will not exceed seven times the estimated annual local service revenues from such applicant. Such service shall be furnished with the use of such funds as may from time to time be available to the Borrower, either from surplus earnings, increased equity capital, additional loans made by lenders other than the Government, or otherwise as the Borrower may elect, pursuant to terms and conditions set forth in

the Borrower's tariff, as duly filed with or approved by regulatory bodies having jurisdiction in the premises, or in the absence of any such regulatory body, as adopted by the Borrower; provided that the Borrower shall not file with or submit for approval of appropriate regulatory bodies or adopt any proposed tariff, or continue in effect any existing tariff not required to be continued by any regulatory body, unless under such tariff the Borrower will be obligated to serve unserved rural applicants as provided herein.

Section 5.17 Preservation of Existence and Rights

The Borrower shall, until the Loan is repaid in full, take or cause to be taken all such actions as from time to time may be necessary to preserve its existence and to preserve and renew all franchises, contracts, rights of way, easements, permits, and licenses now or hereafter to be granted or conferred upon it, with respect to the Project, the loss of which would have a Material Adverse Effect on the Borrower.

Section 5.18 Compliance with Laws

The Borrower shall operate and maintain the Project and its properties in compliance in all material respects with all applicable Laws.

Section 5.19 Nondiscrimination

- (a) *Equal Opportunity Provisions in Construction Contracts.* The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS, or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Attachment 2 hereto, entitled Equal Opportunity Contract Provisions.
- (b) *Equal Opportunity Contract Provisions Also Bind the Borrower.* The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.
- (c) *Sanctions and Penalties.* The Borrower agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS' primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this Agreement, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 5.20 Buy American

The Borrower shall use or cause to be used in connection with the expenditures of funds if such funds were obtained in whole or in part by a loan being made or guaranteed by RUS only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, material, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, material, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that has with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that Country, as determined by the United States Trade Representative.

Section 5.21 Additional Affirmative Covenants

The Borrower shall comply with the additional affirmative covenants set forth in Schedule 1 hereto.

ARTICLE VI – NEGATIVE COVENANTS

Section 6.1 General

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the negative covenants set forth in this Article VI.

Section 6.2 Merger, Consolidation and Transfer of Property

The Borrower shall not, without the prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with, or merge into any other corporation, or to sell, lease or transfer (or make any agreement therefor) all or any part of its property, including, without limitation, the Project.

Section 6.3 Covenants for Limited Liability Companies and Similar Borrowers

Borrowers which are limited liability companies or similar organizations agree that:

- (a) The death, retirement, resignation, expulsion, termination, bankruptcy, or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Borrower to be dissolved or its affairs to be wound up;
- (b) Prior to the date on which any and all obligations owed to RUS or the guaranteed lender with respect to Telecommunications Loan Guarantees, including the note evidencing the Loan, are discharged in full, the Borrower shall not be dissolved or terminated;
- (c) The organizational documents of the Borrower shall contain provisions reflecting the obligations of the Borrower in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of RUS; and
- (d) No direct or indirect addition, issuance, or transfer of any membership units (or any other ownership interest) in the Borrower may be made by the Borrower or its members without the prior written consent of RUS.

Section 6.4 Additional Indebtedness

The Borrower shall not, without the prior written consent of RUS, incur additional indebtedness in the event:

- (a) The Borrower is not maintaining a TIER of 1.0 or if the additional indebtedness will cause the Borrower's TIER to fall below 1.0; or
- (b) An Event of Default as defined in Section 8.1(b) hereof has occurred and is continuing.

Section 6.5 Negative Pledge

The Borrower shall not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in its property, other than Permitted Encumbrances.

Section 6.6 Contracts

The Borrower shall not, without the prior written consent of RUS, enter into any contract or contracts for the operation or maintenance of all or any part of its property, including, without limitation, the Project, and shall not enter into any contract for the use by others of all or any part of its property, including, without limitation, the Project.

Section 6.7 Salaries

Salaries, wages and other compensation paid by the Borrower for services, and directors', members', managers' or trustees' fees, shall be reasonable and in conformity with the usual practice of entities of the size and nature of the Borrower.

Section 6.8 Extension of Credit

Except as specifically authorized in writing in advance by RUS, the Borrower will make no advance payments or loans, or in any manner otherwise extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members, managers, Affiliates or Affiliated Companies; provided, however, the Borrower may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to an Affiliated Company that is used by such Affiliate for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the Net Worth and (2) the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets.

Section 6.9 Distributions or Withdrawals

- (a) *Corporations and Cooperatives.* Corporate or cooperative Borrowers shall not, without the prior written approval of RUS, make any dividend, stock, capital, or other distribution in the nature of an investment, guarantee, extension of credit, advance, or loan, nor make a capital credit distribution (all such distributions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:
 - (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's net worth is at least one percent (1%) of its Total Assets;

- (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
 - (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or
 - (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's Net Worth is at least forty percent (40%) of its Total Assets.
- (b) *Limited Liability Companies.* Borrowers which are limited liability companies shall not, without the prior written approval of RUS, make any membership withdrawals, unit redemptions, or other type of profit allocation to its members and shall not, without the prior written approval of RUS, make capital distributions in the nature of an investment, guarantee, extension of credit, advance, or loan (all such actions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:
- (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least one percent (1%) of its Total Assets;
 - (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
 - (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or
 - (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's net worth is at least forty percent forty percent (40%) of its Total Assets.
- (c) In addition to the Distributions authorized under the immediately, preceding subsections, the Borrower may make any Distribution or investment as provided in 7 CFR 1744 Subpart D.

Section 6.10 Changing Principal Place of Business, Place of Conducting Business, or Type of Organization

The Borrower shall not change its principal place of business, place of conducting business, or type of organization without the prior consent of RUS.

Section 6.11 Changing Name or Place of Incorporation or Organization

The Borrower shall not change its legal name or place of incorporation or organization without giving RUS sixty (60) days prior written notice.

Section 6.12 Changing Rates or Tariffs

The Borrower shall not file for or change its rates or tariffs without prior written approval by RUS.

Section 6.13 Historic Preservation

The Borrower shall not, without the prior written consent of RUS, use any Advance(s) to construct any facility which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

Section 6.14 Limitations on Using non-FDIC Insured Depositories.

Without the prior written approval of RUS, the Borrower shall not place the proceeds of the Loans or any loan which has been made or guaranteed by RUS, in the custody of any bank or other depository that is not insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS.

Section 6.15 Affiliated Transactions

The Borrower shall not enter into any transaction, contract, or dealing with an Affiliate of the Borrower or with the Borrower's or Affiliate's directors, trustees, officers, managers, members (if the Borrower is a limited liability company), or other corporate officials, without the prior written consent of RUS.

Section 6.16 Obligations with Respect to Nonduplication of Facilities for Telecommunications Loan and Telecommunications Loan Guarantee Loan Borrowers

If the Borrower has outstanding Telecommunications Loan(s) or Telecommunications Loan Guarantee(s) and provides telephone service in any state in which there is no state regulatory body with authority to regulate telephone service and to require certificates of convenience and necessity to the Borrower, the Borrower shall not use any portion of such Loan(s) for the construction of telephone facilities to furnish or improve service to persons located in such state receiving telephone service from any other telephone company at the time the Borrower proposes to furnish or improve service to such persons, except that the Borrower may provide or improve service to persons receiving service through facilities acquired or to be acquired by the Borrower, and except to the extent RUS, on the basis of evidence submitted to it by the Borrower, shall have determined that service by the Borrower to such persons will not result in duplication of lines, facilities or systems providing reasonably adequate service.

Section 6.17 Additional Negative Covenants

The Borrower shall comply with the additional negative covenants set forth in Schedule I hereto.

ARTICLE VII - LENDER'S RIGHTS

Section 7.1 Termination of Loan Offer

RUS, in its sole discretion, may terminate the offer to make the Loan(s) if Loan Documents, duly executed on behalf of the Borrower, are not received and all other conditions in Section 4.1 hereof are not satisfied within one hundred twenty (120) days from the date hereof.

Section 7.2 Audits and Compliance Reviews

After giving prior notification to the Borrower, RUS has the right to conduct compliance reviews and audits of the Borrower to assure compliance with the Loan Documents and RUS Regulations.

Section 7.3 Disallowed Expenditures

Upon a determination by RUS that the Borrower did not utilize the Loan in the manner and exclusively for the Project as approved by RUS, RUS may, in its sole discretion:

- (a) Disallow all or a part of the expenditures and disbursements of the Loan and require the Borrower to deposit such funds in the Construction Fund Account or in the Pledged Deposit Account, to be applied toward other approved Project purposes or to reimburse the Government, as provided in Section 5.3 hereof;
- (b) Suspend making Advances; and/or
- (c) Take any other action RUS determines to be necessary including, without limitation, exercising any right or remedy available under the Loan Documents or at law.

Section 7.4 Suspension of Advances

RUS may, in its absolute discretion, suspend making or approving Advances hereunder, if RUS determines that an event has occurred that is likely to have a Material Adverse Effect on the Borrower.

Section 7.5 Payment Extensions

RUS may, at any time or times in succession without notice to, or the consent of, the Borrower and upon such terms as RUS may prescribe, grant to any person, firm or entity who shall have become obligated to pay all or any part of the principal of or interest on any Note held by, or indebtedness owed to, RUS or who may be affected by the lien created by the Loan Documents, an extension of the time for the payment of such principal or interest. After any such extension the Borrower will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

ARTICLE VIII - EVENTS OF DEFAULT

Section 8.1. Events of Default

The following shall be Events of Default under this Agreement:

- (a) Representations and Warranties. Any representation or warranty made by the Borrower in the Loan Documents or in the Application, any certificate furnished to RUS thereunder, shall prove to have been incorrect in any material respect at the time made;
- (b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is herein defined;
- (c) Corrective Actions. Default by the Borrower in the observance or performance of Section 5.13;

- (d) Limited Liability Companies. Default by the Borrower or its members in the observance or performance of Section 6.3;
- (e) Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days, after written notice thereof had been given to the Borrower by RUS;
- (f) Adverse Effects. The Borrower shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Borrower files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;
- (g) Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (h) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Borrower in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;
- (i) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Borrower, or the filing of such by the Borrower;
- (j) Impaired Business. The failure by the Borrower to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; or
- (k) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) or more shall be entered against the Borrower and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days.

ARTICLE IX - REMEDIES

Section 9.1 Generally

Upon the occurrence of an Event of Default, RUS may pursue all rights and remedies that are contemplated by the Loan Documents in the manner, upon the conditions, and with the effect provided in the Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief, or damages. Nothing herein shall limit the rights of RUS to pursue, jointly or severally, all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article VIII hereof. Each right, power, and remedy of RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

Section 9.2 Remedies

In addition to the remedies referred to in Section 9.1 hereof, upon the occurrence of an Event of Default RUS may:

- (a) Refuse to make any Advance or further Advance on account of the Loan(s), but any Advance thereafter made by RUS shall not constitute a waiver of such default; or
- (b) Declare all unpaid principal of and all interest accrued on the Note(s) to be immediately due and payable and upon such declaration all such principal and interest shall become immediately due and payable.

ARTICLE X - MISCELLANEOUS

Section 10.1 Notices

All notices, requests, and other communications provided for herein including, without limitation, any modifications, waivers, requests, or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notices of the respective parties are as follows:

RUS
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C.20250-1500
Attention: Administrator
Fax: (202) 720-1725

Borrower
See Schedule 1

With a copy to:
See Schedule 1

With a copy to:
See Schedule 1

Section 10.2 Expenses

To the extent allowed by law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such enforcement may be necessary.

Section 10.3 Late Payments

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC or such other location as RUS may designate to the Borrower within five (5) Business Days after the due date thereof, or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period,") the Borrower shall pay to RUS in addition to all other amounts due under the terms of the Notes, the Security Documents and this Agreement, any late payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

Section 10.4 Filing Fees

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation, transfer taxes, and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

Section 10.5 No Waiver

No failure on the part of RUS to exercise, nor any delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 10.6 Governing Law

This Agreement shall be governed by and construed in accordance with applicable federal law and, in the absence of controlling federal law, by the laws of the State identified in the first paragraph herein, except those that would render such choice of law ineffective.

Section 10.7 Holiday Payments

If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

Section 10.8 Rescission

The Borrower may elect not to borrow the Loan, in which event RUS shall release the Borrower from its obligations hereunder, provided the Borrower complies with such terms and conditions as RUS may impose for such release.

Section 10.9 Successors and Assigns

- (a) This Agreement shall be binding upon and inure to the benefit of the Borrower and RUS, and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.
- (b) Pursuant to federal claims collection laws, RUS' claims hereunder may be transferred to other agencies of the United States of America; in the event of such a transfer, all rights and remedies hereby granted or conferred on RUS shall pass to and inure to the benefit of any such successor agency.

Section 10.10 Complete Agreement; Waivers and Amendments

Subject to RUS Regulations, this Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserve the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of

either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 10.11 Prior Telephone Loan Contracts

With respect to all Prior Telephone Loan Contracts, the Borrower shall, commencing on the delivery date hereof, prospectively meet the affirmative and negative covenants as set forth in this Agreement rather than those set forth in the Prior Telephone Loan Contracts. In addition, any remaining obligation of RUS to make or approve additional advances on promissory notes of the Borrower that have been previously delivered to RUS under Prior Telephone Loan Contracts shall, after the date hereof, be subject to the conditions set forth in this Agreement. In the event of any conflict between any provision set forth in a Prior Telephone Loan Contract and any provision in this Agreement, the requirements as set forth in this Agreement shall apply. Nothing in this section shall, however, eliminate or modify (i) any special condition, special affirmative covenant or special negative covenant, if any, set forth in any Prior Telephone Loan Contract or (ii) alter the repayment terms of any promissory notes which the Borrower has delivered under any Prior Telephone Loan Contract, except, in either case, as RUS may have specifically agreed to in writing.

Section 10.12 Headings

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 10.13 Severability

If any term, provision, condition, or any part thereof, of this Agreement, Note(s) or the Security Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision, or condition nor any other term, provision, or condition, and this Agreement, the Note(s), and the Security Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 10.14 Right of Setoff

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS, owed to the Borrower, or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder or under the Note(s). RUS agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Borrower waives all rights of setoff, deduction, recoupment, or counterclaim.

Section 10.15 Schedules and Attachments

Each Schedule and Attachment attached hereto and referred to herein is each an integral part of this Agreement.

Section 10.16 Authority of Representatives of RUS

In the case of any consent, approval, or waiver from RUS that is required under this Agreement or any other Loan Document, such consent, approval, or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS or any person to whom the Administrator has officially delegated specific or general authority to take the action in question.

Section 10.17 Amendment of Laws and RUS Regulations

Nothing contained herein shall restrict in any way RUS' right to amend, rescind, or supplement any of the RUS Regulations or to seek such changes to existing Laws.

Section 10.18 Term

This Agreement shall remain in effect until one of the following two events has occurred:

- (a) The Borrower and RUS replace this Agreement with another written agreement; or
- (b) All of the Borrower's obligations under this Agreement have been discharged and paid.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

MIDVALE TELEPHONE EXCHANGE, INC.

by _____
Name:
Title:

(Seal)

Attested to by: _____
Secretary

THE UNITED STATES OF AMERICA

by _____
as Assistant Administrator,
Telecommunications Program
of the Rural Utilities Service

SCHEDULE 1

Article II Representations and Warranties

1. Paragraph (i) Borrower's address: **Midvale Telephone Exchange, Inc.
2205 Keithley Creek Road
Midvale, Idaho 83645**
2. Paragraph (j) Borrower's Organization Number: **C30686**
3. Paragraph (k) Borrower's Subsidiaries: **M & L Enterprises, Inc. d/b/a
Skyline Telephone Company**
4. Paragraph (k) Borrower's Parent: **None**

Article III The Loans

1. **Broadband Loan**
Section 3.1(a) Broadband Loan amount: **\$0**
Section 3.1(a)(i) Broadband Loan portion at the cost-of-money interest rate: **\$0**
Section 3.1(a)(i) Broadband Loan portion at the four percent (4%) rate of interest: **\$0**
2. **Telecommunications Loan**
Section 3.1(b) Telecommunications Loan amount: **\$12,145,000**
Section 3.1(b)(i) Telecommunications Loan amount at the cost-of-money interest rate: **\$0**
Section 3.1(b)(i) Telecommunications Loan amount five percent (5%) rate of interest: **\$12,145,000**
3. **Telecommunications Loan Guarantee**
Section 3.1(c) Telecommunications Loan Guarantee amount: **\$0**
4. **Bank Loan**
Section 3.1(d) Bank Loan amount: **\$0**

Article IV Conditions of Lending

1. Section 4.2(i) funds required on deposit by Broadband borrower in accordance with 7 C.F.R. 1738.20(b): **None**
2. The additional conditions to advance referred to in Section 4.2(m) are as follows:
 - a. **No Loan funds will be advanced for outside plant construction until site specific Environmental Reports have been submitted by the Borrower and approved by RUS.**
 - b. **No Loan funds will be advanced for the construction of toll facilities until evidence, satisfactory to RUS, has been received and approved for connecting company concurrence from Valley Telephone Cooperative for the Cascabel Exchange.**

Article V Affirmative Covenants

1. Section 5.4(a) Additional Funds: **None**
2. Section 5.4(a) Additional Purposes: **None**
3. Section 5.4(b) Pledged Deposit Account **IS NOT** required.

4. Section 5.8(b) Additional Reporting Date(s): **None**
5. Section 5.12 TIER: **1.50**
6. Section 5.12 TIER Commencement Date: **December 31, 2011**
7. The additional affirmative covenants referred to in Section 5.21 are as follows: **None**

Article VI Negative Covenants

1. The additional negative covenants referred to in Section 6.17 are as follows: **None**

Article X Miscellaneous

1. Section 10.1 Borrower's address for purposes of notification:

**Midvale Telephone Exchange, Inc.
2205 Keithley Creek Road
Midvale, Idaho 83645
Attention: Mr. Lane R. Williams
Telephone: (208) 355-2211
Fax: (208) 355-2222**

2. Section 10.1 Address for Borrower's notification copy:

**Givens Pursley, LLP
601 W. Bannock Street
Boise, Idaho 83701
Telephone: (208) 388-1200
Fax: (208) 388-1300**

3. Section 10.1 Address for RUS' notification copy:

**United States Department of Agriculture
Rural Utilities Service
1400 Independence Avenue, SW
Room 2839-S, STOP 1595
Attention: Mr. Jerry H. Brent, Director
Telephone (202) 720-1025
Fax: (202) 690-4654**

Attachment 1
Not applicable

ATTACHMENT 2

Equal Opportunity Contract Provisions

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.
- (d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965 and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965 and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulation, and orders.
- (f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

ATTACHMENT 3

UNIFORM SYSTEM OF ACCOUNTS

All references regarding account numbers are to 47 C.F.R. Part 32

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

NET INCOME OR NET MARGINS: the sum of the balances of the following accounts of the Borrower/Mortgagor

Local Network Services Revenues)		
Network Access Services Revenues)		
Long Distance Network Services Revenues	)	5000s	thru 5300s
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
Other Operating Income and Expense		7100*	7100
Non-operating Income and Expense		7300*	7300
Income Effect of Jurisdictional Rate-making Difference – Net		7910	7910
Non-regulated Net Income		7990	7990
Other Non-regulated Revenues		7991	7991
LESS: balances of the following accounts:			
Plant Specific Operations Expense)		
Plant Non-specific Operations Expense	)	6100s	thru 6700s
Customer Operations)		
Corporate Operations)		
Operating Taxes		7200*	7200
Non-operating Taxes		7400*	7400
Interest and Related Items		7500*	7500
Extraordinary Items		7600*	7600

INTEREST EXPENSE: the sum of the balances of the following accounts of the Borrower/Mortgagor

Interest and Related Items		7500*	7500
Interest on Funded Debt		7510	
Interest Expense – Capital Leases		7520	
Amortization of Debt Issuance Expense		7530	
Other Interest Deductions		7540	
LESS: Allowance for Funds Used During Construction		7340	7300.4

TOTAL TELECOMMUNICATIONS PLANT: the sum of the balances of the following accounts of the Borrower/Mortgagor

Telecommunications Plant in Service		2001	2001
Property Held for Future Telecommunications Use		2002	2002
Telecommunications Plant Under Construction – Short Term		2003	2003
Telecommunications Plant Under Construction – Long Term		2004	2004
Telecommunications Plant Adjustment		2005	2005
Non-Operating Plant		2006	2006
Goodwill		2007	2007

*Summary Accounts

NET WORTH OR EQUITY: the sum of the balances of the following accounts of the Borrower/Mortgagor

Capital Stock	4510
Additional Paid-in-Capital	4520
Treasury Stock	4530
Other Capital	4540
Retained Earnings	4550

NOTE: For Non-Profit Organizations – Owner’s equity shall be shown in sub-accounts of 4540 and 4550.

TOTAL ASSETS: the sum of the balances of the following accounts of the Borrower/Mortgagor

Current Assets	1100s	thru	1300s
Non-Current Assets	1400s	thru	1500s
Total Telecommunications Plant	2001	thru	2007
LESS: Accumulated Depreciation	3100	thru	3300s
LESS: Accumulated Amortization	3400	thru	3600s

DEPRECIATION AND AMORTIZATION: the sum of the balances of the following accounts of the Borrower/Mortgagor

Depreciation and Amortization Expenses	6560*
Depreciation Expense – Telecommunications Plant in Service	6561
Depreciation Expense – Property Held for Future Telecommunications Use	6562
Amortization Expense – Tangible	6563
Amortization Expense – Intangible	6564
Amortization Expense – Other	6565

EXHIBIT B
Promissory Note
[attached]

PROMISSORY NOTE

Idaho 514-H11 Midvale
Midvale, Idaho

THIS PROMISSORY NOTE (hereinafter the "Note,") dated as of September 4, 2007, is made by **MIDVALE TELEPHONE EXCHANGE, INC.** (hereinafter the "Borrower,") a corporation, duly organized and existing under the laws of the State of Idaho, and the **UNITED STATES OF AMERICA**, (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service. For value received, the Borrower promises to pay to the order of the Government, at the United States Treasury, Washington, D.C., Twelve Million One Hundred Forty Five Thousand Dollars (\$12,145,000), with interest payable, from the date of each advance, on the amount advanced by the Government (hereinafter the "Advance,") pursuant to a certain Loan Agreement, dated as of the same date as this Note (hereinafter the "Loan Agreement,") made by and between the Borrower and the Government, and remaining unpaid from time to time, in the time and manner herein provided:

1. *Interest Rate.* Interest on each Advance shall be at the rate of five per cent (5%) per annum.
2. *Maturity Date.* On a date nineteen (19) years after the date hereof, the principal hereof advanced pursuant to the Loan Agreement and remaining unpaid, if any, and interest thereon, shall be due and payable (hereinafter the "Maturity Date.")
3. *Fund Advance Period.* Funds will be advanced pursuant to the Loan Agreement. The fund advance period for this Note begins on the date hereof and terminates five (5) years from the date of this Note (hereinafter the "Termination Date.") No funds will be advanced subsequent to the Termination Date unless the Administrator extends the fund advance period in accordance with the Loan Agreement.
4. *Payments on Advances.*
 - (a) *Made Within Two (2) Years.* Interest on Advances made during the first two (2) years from the date of the first Advance hereunder, and remaining unpaid, shall be payable on the last day of each month (hereinafter the "Monthly Payment Date,") beginning on the last day of the month following the month of each Advance for the period ending two (2) years from the date of the first Advance hereunder. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each Advance which shall be: (i) substantially equal to all subsequent monthly payments and (ii) in an amount that will pay all principal and interest due on each Advance no later than the Maturity Date.

- (b) *Made After Two (2) Years.* Interest and principal payments on Advances made more than two (2) years after the date of the first Advance hereunder shall be repaid in installments beginning with the Monthly Payment Date of the month following each Advance and ending on the Maturity Date. The first such payment on an Advance shall be increased by the amount of interest accruing between the date of the Advance and the first day of the next month. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each such Advance (i) substantially equal to every other monthly payment on such Advance, and (ii) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date. This payment shall be in addition to the payment on the Advances made within two (2) years from the date of the first Advance hereunder and remaining unpaid.

5. *Application of Payments.* Each payment made on this Note shall be applied as follows: First, to expenses, costs, and penalties; Second, to late charges; Third, to the payment of interest on principal; and Fourth, to principal.

6. *Prepayment.* All, or a portion of the outstanding balance, of any Advance may be prepaid on any payment date, as herein provided. However, so long as any of the principal advanced pursuant to the Loan Agreement shall remain unpaid, the Borrower shall be obligated to make the monthly payment on account of principal and interest, in the amount provided herein, unless the Borrower and the Government shall otherwise agree, in writing.

7. *Late Payments.* A late charge shall be charged on any payment not made within five (5) days of the date the payment becomes due. The late charge rate shall be computed on the payment from the due date at a rate equal to the rate of the cost of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. In addition, the Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable Government regulations. Acceptance by the Government of a late payment shall not be deemed to be a waiver of any right or remedy of the Government.

8. *Security.* This Note is secured by a security interest in collateral described in the Restated Mortgage, Security Agreement and Financing Statement, dated as of the same date as this Note made by and among the Borrower, the Government and the Rural Telephone Finance Cooperative (such mortgage, as amended, supplemented, consolidated or restated from time to time, hereinafter called the "Mortgage.") Rights and obligations with respect to the collateral are stated in the Mortgage.

9. *Noteholder.* This Note evidences indebtedness created by a loan made under the Rural Electrification Act (7 U.S.C. § 901 *et seq.*). The Government shall be, and shall have all rights as, holder of this Note. If the Government shall at any time assign this Note and insure the payment hereof, the Borrower shall continue to make payments hereunder to the Government as collection agent for the insured holder, and for purposes of the Mortgage, the Government, and not such insured holder, shall be considered to be, and shall have the rights of, the noteholder.

10. *Default.* In an event of default, as provided in the Loan Agreement and/or Mortgage, all principal advanced pursuant to the Loan Agreement and remaining unpaid on this Note, and all interest thereon may be declared or may become due and payable in the manner and with the effect provided in the Loan Agreement and/or Mortgage.

11. *Costs.* The Borrower shall pay any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Loan Agreement and/or Mortgage.

12. *Waivers.* The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonor, protest, and notice of non-payment of this Note.

13. *Obligations.* The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment, or counterclaim it might otherwise have against the Government.

IN WITNESS WHEREOF, the Borrower has caused this Note to be signed in its corporate or legal name and its corporate seal, if any, to be hereunto affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

MIDVALE TELEPHONE EXCHANGE, INC.

by _____

Name:

Title:

(SEAL)

Attested to by: _____
Secretary

EXHIBIT C

Restated Mortgage, Security Agreement and Financing Statement

[attached]

RUS DESIGNATION:
Idaho 514-H11 Midvale

RESTATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and among

MIDVALE TELEPHONE EXCHANGE, INC.,
2205 Keithley Creek Road
Midvale, Idaho 83645

as Mortgagor and Debtor,

THE UNITED STATES OF AMERICA,
Rural Utilities Service
Washington, D.C. 20250-1500,

as Mortgagee and secured party,

and

RURAL TELEPHONE FINANCE COOPERATIVE
2201 Cooperative Way
Herndon, Virginia 20171-3025

as Mortgagee and secured party.

**THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY,
AFTER-ACQUIRED PROPERTY, FIXTURES, PROCEEDS, FUTURE ADVANCES AND FUTURE
OBLIGATIONS.
THIS INSTRUMENT WAS DRAFTED BY THE RURAL UTILITIES DIVISION, OFFICE OF
THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-
1400.
ORGANIZATION NUMBER: C30686.**

No. 11

THIS RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (hereinafter this "Restated Mortgage,") dated as of September 4, 2007, made by and between **MIDVALE TELEPHONE EXCHANGE, INC.** (hereinafter the "Mortgagor,") a corporation existing under the laws of the State of Idaho, as Mortgagor and Debtor and **THE UNITED STATES OF AMERICA** (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS") as Mortgagee and secured party and the **RURAL TELEPHONE FINANCE COOPERATIVE** (hereinafter called "Co-Lender,") a District of Columbia corporation (the Government and Co-Lender being hereinafter sometimes collectively called the "Mortgagees.")

RECITALS

WHEREAS, the Mortgagor, the Government and the Co-Lender are parties to that certain mortgage (the "Prior Mortgage") identified in Schedule A hereof;

WHEREAS, the Mortgagor deems it necessary to borrow funds to provide broadband and/or telecommunication services and to issue its promissory notes and other debt obligations from time to time in one or more series, and to mortgage and pledge its property herein described or mentioned to secure payment of the same;

WHEREAS, the Mortgagor desires to enter into this Restated Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Restated Mortgage restates and consolidates the Prior Mortgage while preserving the priority of the Lien under the Prior Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Prior Mortgage, which indebtedness is described more particularly by listing the same under "Outstanding RUS Notes" and "Outstanding Co-Lender Notes" in Schedule A hereof;

WHEREAS, the Mortgagor has determined at this time to borrow additional funds or obtain loan guarantees from RUS and/or the Co-Lender which indebtedness is described more particularly by listing the same under "Current RUS Notes" in Schedule A hereof and/or "Current Co-Lender Notes" in Schedule A hereof;

WHEREAS, to the extent that any of the property described or referred to in this Restated Mortgage is governed by the provisions of the Uniform Commercial Code of any State (hereinafter the "UCC,") the parties hereto desire that this Restated Mortgage be regarded as a "security agreement" under the UCC; and

WHEREAS, all acts necessary to make this Restated Mortgage a valid and binding legal instrument for the security of such notes and obligations, subject to the terms of this Restated Mortgage, have been in all respects duly authorized

NOW, THEREFORE, this Restated Mortgage

WITNESSETH: That each of the instruments constituting the Prior Mortgages are hereby amended, supplemented, restated, and consolidated to read in their entirety from and after the date of execution of this Restated Mortgage, as follows:

GRANTING CLAUSE

NOW, THEREFORE, THIS RESTATED MORTGAGE WITNESSETH: That to secure the payment of the principal, interest, and premium, if any, on the Outstanding Notes, Current Notes and all Notes secured hereunder according to their tenor and effect, and to secure the performance of all provisions therein, in the Loan Agreements and herein contained and in consideration of the covenants herein contained, the purchase or guarantee of Notes by the guarantors or holders thereof and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant

unto the Mortgagees, for the purposes herein expressed, a continuing security interest and lien in all property, assets, rights, privileges, licenses and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein, or any other kind or nature now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including without limitation all or in part the following (hereinafter the "Mortgaged Property:")

I

All right, title, and interest of the Mortgagor in and to the Existing Facilities, buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties, whether real, personal, or mixed, tangible or intangible, of every kind or description, now or hereafter owned, leased, constructed, or acquired by the Mortgagor, wherever located, and in and to all extensions, improvements, and additions thereto, including but not limited to all buildings, plants, works, structures, towers, antennas, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, wires, cables, whether underground, overhead, or otherwise, exchanges, switches, including, without limitation, host and remote switches, desks, testboards, frames, racks, motors, generators, batteries, and other items of central office equipment, pay stations, protectors, instruments, connections and appliances, office furniture, equipment, and any and all other property of every kind, nature, and description, used, useful, or acquired for use by the Mortgagor in connection therewith, and including, without limitation, the following property:

- (a) The Existing Facilities located in the Counties listed in Schedule B in the States identified in Schedule B.
- (b) The real estate described on Schedule B, and by this reference made a part hereof, as if fully set forth at length at this point.
- (c) If the real estate described in Schedule B is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is, by reference, made a part of Schedule B as though fully set forth at length therein.
- (d) The real estate described in Schedule B shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures, towers, antennas, and improvements now or hereafter located on such real estate, and all tenements, hereditaments, and appurtenances now or hereafter belonging, or in any way appertaining, thereunto.

II

All right, title, and interest of the Mortgagor in, to, and under any and all grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised, by the Mortgagor for the purposes of, or in connection with, the construction or operation by, or on behalf of, the Mortgagor of its properties, facilities, systems, or businesses, whether underground, overhead, or otherwise, wherever located;

III

All right, title, and interest of the Mortgagor in, to, and under any and all licenses and permits (including without limitation those granted by the FCC), franchises, ordinances, and privileges, whether heretofore or hereafter granted, issued, or executed, to it or to its assignors by the Government, or by any state, county, township, municipality, village, or other political subdivision thereof, or by any agency, board, commission, or department of any of the foregoing, authorizing the construction, acquisition, or operation of the Mortgagor's properties, facilities, systems, or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title, and interest of the Mortgagor in, to, and under all personal property and fixtures of every kind and nature, including without limitation all goods (such as inventory, equipment and any accessions thereto), instruments (such as promissory notes or chattel paper, electronic or otherwise), documents, accounts (such as deposit accounts or trust accounts pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (such as certificated and uncertificated securities or security entitlements and accounts), software, general intangibles (such as payment intangibles), supporting obligations, contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently and hereafter defined in the UCC; provided, however, that the term "instrument" shall be such term as defined in Article 9 of the UCC rather than Article 3);

V

All right, title, and interest of the Mortgagor in, to, and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, corporation, or other corporate entity relating to the Mortgaged Property (including contracts for the lease, occupancy, or sale of the Mortgage Property, or any portion thereof);

VI

All right, title, and interest of the Mortgagor in, to, and under any and all books, records and correspondence relating to the Mortgage Property, including, but not limited to, all records, ledgers, leases, computer and automatic machinery, software, programs, databases, disc or tape files, print-outs, batches, runs, and other electronically-prepared information indicating, summarizing, evidencing, or otherwise necessary or helpful in the collection or realization on the Mortgaged Property;

VII

Also, all right, title, and interest of the Mortgagor in, to, and under all other property, real or personal, tangible or intangible, of every kind, nature, and description, and wherever situated, now or hereafter owned or leased by the Mortgagor, it being the intention hereof that all such property now owned or leased but not specifically described herein, or acquired or held by the Mortgagor after the date hereof, shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

Together with all rents, income, revenues, proceeds, products, profits and benefits at any time derived, received, or had from any and all of the above-described property of the Mortgagor;

Provided, however, that except as provided in section 2.13 of Article II herein, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

TO HAVE AND TO HOLD all or in part the Mortgaged Property unto the Mortgagees and its respective assigns forever, to secure equally and ratably the payment of the principal and interest on the Notes, according to their tenor and effect, without preference, priority, or distinction as to interest, principal (except as otherwise specifically provided herein), lien, or otherwise, of any note over any other note by reason of the priority in time of the execution, delivery, maturity, assignment, negotiation, or otherwise, thereof, and to secure the due performance of the covenants, agreements and provisions herein and contained in the Prior Telephone Loan Contracts and in the Loan Agreement, and for the uses and purposes and upon the terms, conditions, provisos, and agreements herein expressed and declared.

ARTICLE I

SECTION 1.1 Definitions

In addition to the terms defined elsewhere in this Restated Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

"Act" shall mean the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*).

"Additional Co-Lender Notes" shall mean any notes, including renewal and substitute notes, issued by the Mortgagor to the Co-Lender pursuant to Article II, Section 2.1 of this Mortgage.

"Additional Notes" shall mean the Additional Co-Lender Notes and the Additional RUS Notes.

"Additional RUS Notes" shall mean any notes, including renewal and substitute notes, issued by the Mortgagor to RUS or FFB and guaranteed by RUS, pursuant to Article II, Section 2.1 of this Mortgage.

"Business Day" shall mean any day that RUS, the Department of Treasury and the Co-Lender are all open for business.

"Current Co-Lender Notes" shall mean the notes more particularly described in Schedule A hereto, heretofore or about to be executed and delivered by the Mortgagor to the Co-Lender.

"Current Notes" shall mean the Current Co-Lender Notes and the Current RUS Notes.

"Current RUS Notes" shall mean the notes more particularly described in Schedule A hereto, heretofore or about to be executed and delivered by the Mortgagor to RUS to evidence obligations to RUS on account of loans made or guaranteed by RUS.

"Co-Lender Loan Agreement" shall mean the Co-Lender Loan Agreement more particularly described in Schedule A hereto.

"Co-Lender Notes" shall mean the Outstanding Co-Lender Notes, Current Co-Lender Notes and Additional Co-Lender Notes.

"Existing Facilities" shall mean the telephone system and other facilities presently owned by the Mortgagor identified in the Granting Clause of this Mortgage.

"Interest Expense" shall have the meaning as defined in Attachment I.

"Loan Agreements" shall mean the Co-Lender Loan Agreement and the RUS Loan Agreement.

"Majority Noteholders" shall have the meaning as defined in Section 3.3.

"Mortgage Debt Limit" shall mean the maximum outstanding principal debt owing on Notes secured under this Mortgage, as set forth in Schedule A hereto.

"Net Income" or "Net Margins" shall have the meaning as defined in Attachment 1.

"Notes" shall mean collectively the Co-Lender Notes and the RUS Notes.

"Outstanding Co-Lender Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Co-Lender, described under the heading "Outstanding Co-Lender Notes" in Schedule A hereto.

"Outstanding Notes" shall mean the Outstanding Co-Lender Notes and Outstanding RUS Notes.

"Outstanding RUS Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Government, described under the heading "Outstanding RUS Notes" in Schedule A hereto.

"Permitted Encumbrances" shall have the meaning as defined in Section 2.2(a).

"Prior Mortgages" shall mean the instruments identified as such in Schedule A hereto.

"Restated Mortgage" shall mean this Restated Mortgage, Security Agreement and Financing Statement, including any amendments or supplements thereto from time to time.

"RUS Loan Agreement" shall mean the RUS Loan Agreement more particularly described in Schedule A hereto.

"RUS Notes" shall mean the Outstanding RUS Notes, the Current RUS Notes, and the Additional RUS Notes.

SECTION 1.2 Additional Notes

(a) *Additional RUS Notes.*

(i) Without the prior consent of the Co-Lender, the Mortgagor may issue Additional RUS Notes to the Government to evidence loans made or guaranteed pursuant to the Act when written acknowledgment is obtained from RUS and the Co-Lender indicating that RUS' and the Co-Lender's pro forma financial analysis of the Mortgagor, for the test year used by RUS in establishing the economic feasibility of such loan shows that the Mortgagor shall have a TIER of not less than 1.5; a debt service coverage (as such term is defined in 7 C.F.R. 1744.21, hereinafter "DSC") of not less than 1.25; and an Equity to Assets ratio equal to or greater than 40%, taking into account the interest to be charged on the Additional RUS Notes proposed to be executed and delivered to evidence such loan.

(ii) No Additional RUS Notes shall be secured by this Restated Mortgage without the prior written consent of the Co-Lender, except as provided in the paragraph immediately above; provided, however, no such prior written approval is required for Additional RUS Notes which refinance, renew or substitute for any outstanding RUS Note.

(b) *Additional Co-Lender Notes.* No Additional Co-Lender Notes shall be secured by this Restated Mortgage without the prior written consent of RUS; provided, however, no such prior approval is required for Additional Co-Lender Notes which refinance, renew or substitute for any outstanding Co-Lender Note.

(c) *All Additional Notes.* Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors, members, or other relevant governing body of the Mortgagor authorizing the execution and delivery thereof, shall prescribe; provided, however, that the outstanding principal balances owing on the Notes shall not at any one time exceed the limit set forth in Schedule A (hereinafter the "Mortgage Debt Limit,") and no Note shall mature more than fifty (50) years after the date hereof. Additional Notes, when and as executed and delivered, shall be secured by this Restated Mortgage, equally and ratably with all other Outstanding Notes, without preference, priority, or distinction of any Note over any other Note by reason of the priority of the time of the execution, delivery, maturity, assignment, or negotiation thereof. As used in this Restated Mortgage, the term "directors" includes trustees.

SECTION 1.3 Supplemental Mortgage

The Mortgagor, when authorized by resolution(s) of its board of directors, members, or other relevant governing body, may from time to time execute, acknowledge, deliver, record, and file mortgages supplemental to this Restated Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this Restated Mortgage as security for the Notes.

ARTICLE II - PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants with the Mortgagees and the holders of Notes secured hereby (hereinafter collectively the "Noteholders") as follows:

SECTION 2.1 Authority to Execute and Deliver Notes, the Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations

The Mortgagor has all requisite corporate and legal power to enter into and perform its obligations under the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage and to execute and deliver Additional Notes; and all official action on its part for the execution and delivery of the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

SECTION 2.2 Warranty of Title

- (a) At the time of execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the Mortgaged Property, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except for the following Permitted Encumbrances:
- (i) as to the Mortgaged Property that is real property, restrictions, exceptions, reservations, conditions, limitations, interests, and other matters which are set forth or referred to in deeds or other conveyance documents, and each of which fits one or more of the clauses of this definition; provided however, that such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
 - (ii) liens for taxes, assessments, and other governmental charges which are not delinquent;
 - (iii) liens for taxes, assessments, and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
 - (iv) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
 - (v) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;

- (vi) easements and similar rights granted by the Mortgagor over, or in respect of, any Mortgaged Property, provided that in the opinion of the Mortgagor's board, members, other relevant governing body, or official acceptable to RUS, such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (vii) easements, leases, reservations, or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record of title; provided, that the above do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;
- (viii) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (vii) of this definition, securing indebtedness neither created, assumed, nor guaranteed by the Mortgagor, nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (ix) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing, and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (x) terminable or short term leases or permits for occupancy which expressly grant to the Mortgagor the right to terminate at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (xi) any lien or privilege vested in any lessor, licensor, or permittor for rent or other obligations or acts to be performed, the payment or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (xii) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (xiii) the burdens of any law, governmental regulation, or permit requiring the Mortgagor to maintain certain facilities or to perform certain acts as a condition of the Mortgagor's occupancy of certain real estate, or prohibiting the interference with any public lands or any river or stream or navigable waters;
- (xiv) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes; provided, that in the opinion of counsel for the Mortgagor; (1) the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way, a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation, or maintenance of the lines,

appurtenances, or improvements for which the same are used or to be used; or (2) the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

- (xv) rights reserved to, or vested in, any municipal, governmental, or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes it is held by the Mortgagor;
 - (xvi) any obligations or duties affecting the property of the Mortgagor, to any municipal, governmental, or other public authority with respect to any franchise, grant, license or permit;
 - (xvii) any right which any municipal, governmental, or other public authority may have by virtue of any franchise, license, contract or statute (1) to purchase, (2) to designate a purchaser of, or (3) to order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor; or to terminate any franchise, license or other rights; or to regulate the property and business of the Mortgagor; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
 - (xviii) any lien required by law or government regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions, or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
 - (xix) liens arising out of any defeased mortgage or indenture of the Mortgagor;
 - (xx) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor, as well as the rights of such owners to such property pursuant to the ownership contracts; and/or
 - (xxi) this Restated Mortgage and any Prior Mortgages.
- (b) The Mortgagor warrants that it has good right and lawful authority to mortgage the Mortgaged Property for the purposes herein expressed.
 - (c) At the time of execution and delivery of this Restated Mortgage, the Mortgagor lawfully owns and is possessed of the personal property described in the Granting Clauses herein, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except Permitted Encumbrances.

SECTION 2.3 Maintain Superior Lien of Mortgage, After-Acquired Property, Further Assurances, and Recording

- (a) The Mortgagor will, so long as any of the Notes shall be outstanding, maintain and preserve the lien of this Restated Mortgage superior to all other liens affecting the Mortgaged Property, and will execute, file and/or record such financing statements, continuation statements, mortgages or other security instruments as necessary to maintain such superior lien and will forever warrant and defend the title to said property against any and all claims and demands whatsoever.

- (b) All property of every kind acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance, or assignment, become subject to the lien of this Restated Mortgage. Nevertheless, the Mortgagor will do, execute, acknowledge, and deliver any and all such further acts, conveyances, mortgages, security agreements, financing statements, and assurances as either Mortgagee shall require for accomplishing the purposes of this Restated Mortgage.
- (c) The Mortgagor will cause this Restated Mortgage and all supplemental mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and place as may be required by law, or requested by either Mortgagee, fully to preserve and protect the rights of the Mortgagees and Noteholders hereunder to the Mortgaged Property.

SECTION 2.4 Negative Pledge

The Borrower shall not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in, the Mortgaged Property, other than the Permitted Encumbrances.

SECTION 2.5 Payment of Taxes

The Mortgagor will promptly pay or discharge any and all obligations for which, or on account of which, any lien, claim, or charge against the Mortgagor's property might exist or could be created, and for any and all lawful taxes, rates, levies, or assessments imposed upon, or accruing upon, any of the Mortgagor's property (whether taxed to the Mortgagor or to any Noteholder), franchises, earnings, or businesses, as and when the same shall become due and payable; and whenever called upon to do so, the Mortgagor will furnish to the Mortgagees or to any Noteholder adequate proof of such payment or discharge.

SECTION 2.6 Payment of Notes and Secured Obligations

The Mortgagor will duly and punctually pay the principal and interest on the Notes, at the time, place, and manner provided therein, according to the true intent and meaning thereof, as well as all other sums becoming due hereunder.

SECTION 2.7 Prepayment of Co-Lender Notes and RUS Notes

The Mortgagor may at any time make prepayments on account of all or part of the principal of the Notes to the extent and in the manner therein provided and as set forth in the applicable Loan Agreement; provided that any such prepayment shall be applied pro rata to the RUS Notes and the Co-Lender Notes, according to the proportions that the aggregate unpaid principal amount of the RUS Notes and the aggregate unpaid principal amount of the Co-Lender Notes, respectively, bear to the aggregate unpaid principal amount of the RUS Notes and the Co-Lender Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. For purposes of this section, delivery by the Mortgagor of any note which renews or is in substitution for an outstanding note shall not be considered a prepayment hereunder and delivery of a refinancing note shall not be considered a prepayment provided that the refinancing note will result in (1) an economic benefit defined as a present value savings when comparing the cash flows of the refinancing note with the cash flows of the note being refinanced; (2) will not cause the TIER as of the most recent December 31 RUS Form 479, when recalculated by substituting the actual interest expense of the note to be refinanced with the projected interest expense of the refinancing note, to be less than the greater of the TIER before such recalculation or 1.5; and (3) will not cause the DSC as of the most recent December 31 RUS Form 479, when recalculated by substituting the scheduled principal payments of the note to be refunded with the scheduled principal repayments of the refinancing note, to be less than 1.25. Additionally, the Majority RUS Noteholders and the Majority Co-Lender Noteholders may agree that such noteholder shall not be paid the pro rata prepayment to which such noteholder may be entitled hereunder.

SECTION 2.8 Restrictions on Transfers of Property

Except as provided in Section 2.9 below, the Mortgagor shall not sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor) without the prior written consent of the Mortgagees.

SECTION 2.9 Disposal of Obsolete or Damaged Mortgaged Property

So long as the Mortgagor is not in default hereunder, the Mortgagor may, without obtaining the consent of the Mortgagees or Noteholders, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to, nor useful for, the operation of the Mortgagor's business, or which has become obsolete, worn out, damaged, or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the prepayment of the outstanding indebtedness on the RUS Notes and Co-Lender notes in the proportions which the aggregate principal balances then owing on the RUS Notes and the aggregate principal balances then owing on the Co-Lender Notes, respectively, bear to the aggregate principal balances then owing on the RUS Notes and the Co-Lender Notes, collectively, and shall be applied to such notes and installments thereof as may be designated by the respective Noteholders at the time of any such receipt; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes in proportion and manner as provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into such bank accounts as the Mortgagees shall specify, and shall use the same only for such additions to, or improvements in, the Mortgaged Property, on such terms and conditions as the Mortgagees shall specify.

SECTION 2.10 Maintenance, Preservation and Operation of Mortgaged Property

- (a) At all times the Mortgagor will maintain and preserve the Mortgaged Property in good repair, working order, and condition, and will, subject to contingencies beyond its reasonable control, keep its plant and properties in continuous operation, and from time to time make all needed and proper repairs, renewals, replacements, useful and proper alterations, additions, betterments and improvements, and use all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telecommunications and broadband telephone service.
- (b) If in the sole judgment of either Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this Section, either Mortgagee may send the Mortgagor a written report of needed improvements, upon receipt of which the Mortgagor will promptly undertake to accomplish such improvements.

SECTION 2.11 Mortgaged Property to be Purchased Free of Encumbrances

Except as specifically authorized in writing in advance by the Mortgagees, the Mortgagor will purchase all materials, equipment, supplies, and replacements to be incorporated in, or used in connection with, the Mortgaged Property outright, and not subject to any conditional sales agreement, chattel mortgage, bailment lease, or other agreement reserving to the seller any right, title, or lien.

SECTION 2.12 Insurance Requirements; Application of Insurance Proceeds

- (a) The Mortgagor shall take out and maintain insurance on the property acquired with the Loan in accordance with 7 C.F.R. Part 1788.
- (b) Sums recovered under any policy or fidelity bond by the Mortgagor or any Noteholder for a loss of funds advanced under the Notes or for any loss under such policy or bond shall, unless applied

as provided in 7 C.F.R. Part 1788, be used to finance construction of utility plant secured or to be secured by this Restated Mortgage, or, unless otherwise directed by the Mortgagees, be applied to the prepayment of the Outstanding Notes, and shall be applied to such Notes and installments thereof as may be designated by the respective Noteholders at the time of receipt. At the request of either Mortgagee, the Mortgagor shall exercise such rights and remedies under such policy or fidelity bond as designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as each Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee(s) in connection with such exercise.

SECTION 2.13 When Mortgage Lien Attaches to Vehicles, Ships, Etc.

In the event the Mortgagor has or suffers a deficit in Net Income or Net Margins, during any fiscal year while any of the Notes are outstanding, the Mortgagor will at any time, upon written demand of either Mortgagee, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged, and delivered all such further and supplemental indentures of mortgages, security agreements, financing statements, instruments, and conveyances, and take or cause to be taken all such further action, as may be requested by the Mortgagee, in order to attach to this Restated Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Restated Mortgage, all right, title, and interest of the Mortgagor in and to, all or in part, the automobiles, trucks, tractors, trailers, aircraft, ships, boats and other vehicles then or thereafter owned or acquired by the Mortgagor. From the moments of such written demand by the Mortgagee, such vehicles shall be deemed part of the Mortgaged Property for all purposes hereof.

SECTION 2.14 Application of Proceeds from Eminent Domain

In the event the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that all Noteholders shall consent to other use and application thereof, shall forthwith be applied by the Mortgagor: First, to the ratable payment of any indebtedness by this Restated Mortgage secured other than principal or interest on the Notes; Second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; Third, to the ratable payment of, or on account of, the unpaid principal of the Notes and to such installments thereof as may be designated by the respective Noteholders at the time of any such payment; and if any, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 2.15 Compliance with Loan Agreements

The Mortgagor will well and truly observe and perform all applicable covenants, agreements, terms, and conditions contained in the Loan Agreements.

SECTION 2.16 Covenants for Limited Liability Companies and Similar Mortgagors

Mortgagors which are limited liability companies or similar organizations agree that:

- (a) The death, retirement, resignation, expulsion, termination, bankruptcy, or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Mortgagor to be dissolved or its affairs to be wound up;
- (b) Prior to the date on which any and all Notes are discharged in full, the Mortgagor shall not be dissolved or terminated;
- (c) The organizational documents of the Mortgagor shall contain provisions reflecting the obligations of the Mortgagor in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of the Mortgagees.

SECTION 2.17 Government to be Noteholder

At all times when any Note is held by the Government, or in the event the Government shall assign an Additional Note without having insured the payment of such Note, this Restated Mortgage shall secure payment of such Note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any Additional Note may be sold to an insured purchaser, it shall continue to be considered a "Note" as defined herein, but as to any such insured Note, the Government, and not such insured purchaser, shall be considered and shall have the rights of the Noteholder for purposes of this Restated Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured Notes. As to any Note which evidences a loan made by a third party lender to the Mortgagor and guaranteed by the Government, acting through the Administrator, pursuant to the Act, the Government and not such third party lender shall be considered to be and shall have the rights of the Noteholder for purposes of this Restated Mortgage.

SECTION 2.18 Mortgagees Right to Expend Money to Protect Mortgaged Property

If in any respect the Mortgagor fails to comply with the covenants and conditions herein contained regarding the procuring of insurance, the payment of taxes, assessments, and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims, or to comply with any other covenant contained in this Restated Mortgage or the Loan Agreement, the Mortgagees shall have the right, without prejudice to any other remedies arising by reason of such default: (1) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges; (2) to save the Mortgaged Property from sale or forfeiture for any unpaid tax, assessment, or otherwise; (3) to redeem the same from any tax or other sale; (4) to purchase any tax title thereon; (5) to remove or purchase any mechanics' liens or other encumbrance thereon; (6) to make repairs thereon; (7) to comply with any other covenant herein contained; (8) to prosecute and defend any suit in relation to the Mortgaged Property; or (9) in any manner, to protect the Mortgaged Property and the title thereto. All sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate, but not in excess of twelve percent (12%) per annum, shall be deemed a charge upon the Mortgaged Property in the same manner as the Notes at the time outstanding are secured and shall be forthwith paid to the Mortgagees upon demand. It shall not be obligatory for the Mortgagees in making any such advances or expenditures to inquire into the validity of any such title, tax, assessment, sale, mechanics' lien, or other encumbrance thereof.

ARTICLE III - REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

SECTION 3.1 Events of Default:

Each of the following shall be an "Event of Default" under this Restated Mortgage:

- (a) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) consecutive Business Days;
- (b) Representations and Warranties. Any representation or warranty made by the Mortgagor herein or in the Loan Agreements or any certificate furnished to RUS or the Co-Lender hereunder or under the Loan Agreements shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;
- (c) Limited Liability Company. Default by the Mortgagor or its members in the observance or performance of Section 2.16 hereof;
- (d) Other Covenants. Default by the Mortgagor in the observance or performance of any other covenant or agreement contained herein or in the Loan Agreements, which shall remain

unremedied for thirty (30) calendar days, after written notice thereof had been given to the Mortgagor by RUS or the Co-Lender;

- (e) Adverse Effects. The Mortgagor shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Mortgagor files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;
- (f) Other Obligations. Default by the Mortgagor in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (g) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Mortgagor in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Mortgagor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;
- (h) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Mortgagor, or the filing of such by the Mortgagor;
- (i) Impaired Business. The failure by the Mortgagor to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; and
- (j) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) or more shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days.

SECTION 3.2 Acceleration of Maturity; Annulment of Acceleration

- (a) If any Event of Default has occurred and is continuing, the Mortgagees and/or any other Noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other Noteholders, if any, declare all unpaid principal and accrued interest on any or all of their respective Notes to be due and payable immediately; and upon any such declaration, all such unpaid principal and accrued interest shall immediately become due and payable, notwithstanding anything contained herein or in any Note to the contrary.
- (b) If after the unpaid principal and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which have become due and payable by the terms of such Note(s) shall be paid to the respective Noteholders, and all other defaults hereunder and under the Notes shall have been made good or secured to the satisfaction of all of the Noteholders, the Noteholder(s) which have declared the principal and interest on Notes held by such Noteholder(s) to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other Noteholders, annul such declaration or declarations and waive such default(s) and consequences thereof, with such waiver not extending to or affecting any subsequent default or impairing any right consequent thereon.

SECTION 3.3 Remedies of Majority Noteholders

If any Events of Default has occurred and is continuing, the holder or holders of not less than a majority of the total amount of principal outstanding on the notes, (hereinafter called the "Majority Noteholders,") for itself or themselves, and as the agent or agents of the other Noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

- (a) (i) take immediate possession of the Mortgaged Property, (ii) collect and receive all credits, outstanding accounts, bills, receivables, rents, income, revenues, and profits of the Mortgagor, pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and (iii) manage, control, and/or operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;
- (b) Majority Noteholders, or any employee or agent of it, is hereby constituted and appointed as true and lawful attorney-in-fact of the Mortgagor with full power to (i) notify or require the Mortgagor to notify any and all customers that the Mortgaged Property has been assigned to Mortgagees and/or that Mortgagees have a security interest in the Mortgaged Property; (ii) sign and endorse the name of the Mortgagor upon any notes, checks, acceptances, drafts, money orders, or other instruments of payment (including payments made under any policy of insurance) that may come into possession of Majority Noteholders or Mortgagees, or upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, assignment, verification, or notice in connection with receivables, all in full or part payment of any amount owing to any Noteholder; (iii) send requests for verifications of Mortgaged Property to customers or account debtors; (iv) sell, assign, sue for, collect, or compromise payment of all or any part of the Mortgaged Property in the name of the Mortgagor or in its own name, or make any other disposition of Mortgaged Property, or any part thereof, for cash, credit, or any combination thereof; granting to the Majority Noteholders, as the attorney-in-fact of the Mortgagor, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Mortgagor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The Majority Noteholders, Mortgagees, their employees, or agents shall not be liable for any act, omission, error of judgment, or mistake of fact or law in its capacity as attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Restated Mortgage so long as any Notes shall remain outstanding;
- (c) proceed to protect and enforce the rights of the Mortgagees and the rights of the Noteholder(s) under this Restated Mortgage by suits or actions in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein, for aid of execution of any power herein granted, for foreclosure hereunder, for sale of the Mortgaged Property, or any part thereof, for collection of debts hereby secured, or for enforcement of other appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred; and in the event any such action or suit is instituted, the Majority Noteholders shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues, and profits pertaining thereto, or arising, derived, received, or had therefrom, from the commencement of such suit or action. Such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to the fullest extent permitted by law; and if application shall be made for the appointment of a receiver, the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment;
- (d) sell or cause to be sold the Mortgaged Property, all or in part, and all right, title, interest, claim, and demand of the Mortgagor therein or thereto, at public auction in any county in which the property to be sold is located, at such time, place, and manner as may be specified in the notice of

sale, containing a brief general description of the property to be sold, giving a copy thereof to the Mortgagor by mail at least fifteen (15) days prior to the date fixed for such sale, and publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county, or if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale made under this subparagraph may be adjourned from time to time by announcement, at the time and place appointed for such sale or adjourned sale(s); and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law, the notice of sale shall be given or the sale shall be conducted, as the case may be, in accordance with the applicable provisions of law. The expenses incurred by the Mortgagee(s), including but not limited to receiver's fees, attorneys' fees, cost of advertisement, and agents' compensation, in the exercise of any of the remedies provided in this Restated Mortgage shall be secured by this Restated Mortgage; and

- (e) enter and/or remain upon the premises of the Mortgagor without any obligation to pay rent to the Mortgagor or others, or any other place(s) where any of the Mortgaged Property is located and kept, and: (i) remove the Mortgaged Property therefrom in order to maintain, collect, sell, and/or liquidate the Mortgaged Property or, (ii) use such premises, together with materials, supplies, books, and records of the Mortgagor, to maintain possession and/or the condition of the Mortgaged Property, and to prepare the Mortgaged Property for sale, liquidation, or collection. Mortgagees may require the Mortgagor to assemble the Mortgaged Property and make it available to Mortgagees at a place to be designated by Mortgagees.

SECTION 3.4 Rights and Remedies of Noteholders

If, within thirty (30) days after the Majority Noteholders shall have had knowledge of the happening of an Event or Events of Default, the Majority Noteholders shall not have proceeded to exercise the rights and enforce each of the remedies herein or by law conferred upon or reserved to the Mortgagees or to said Majority Noteholders, then, and only then, any Noteholders, including the Majority Noteholders, and/or any Mortgagee may proceed to exercise any such right or rights and remedy or remedies not being enforced by the Majority Noteholders. Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

SECTION 3.5 Right to Purchase Mortgaged Property

At any sale hereunder any Noteholder or Mortgagee shall have the right to bid for and purchase the Mortgaged Property, or such part thereof as shall be offered for sale, and any Noteholder or Mortgagee may in lieu of actual payment of the purchase price, set off against the purchase price the amount owing to said Noteholder or Mortgagee secured hereunder and such set off amount shall be credited as a payment on account of principal and interest on the Note(s) held by such Noteholder.

SECTION 3.6 Right of Set-Off and Recoupment

Any Noteholder or Mortgagee shall have the right, without prior notice to the Mortgagor, to exercise rights of setoff, recoupment, or any counterclaim and apply any and all amounts held or hereafter held by such Noteholder or Mortgagee, owed to the Mortgagor, or for the credit of the Mortgagor, against any and all of the Notes. Noteholders and Mortgagees agree to notify the Mortgagor promptly after any such setoff or recoupment and the application thereof; provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Mortgagor waives all rights of setoff, deduction, recoupment, or counterclaim.

SECTION 3.7 Application of Proceeds from Remedial Actions

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment, or provision for the payment, of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied: First, to the payment of indebtedness hereby secured other than the principal or interest on the Notes; Second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; Third, to the ratable payment of, or on account of, the unpaid principal of the Notes, and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

SECTION 3.6 Notice of Default

The Mortgagor covenants that it will give immediate written notice to the Mortgagees and to all Noteholders of the occurrence of an Event of Default, or in the event that any right or remedy described in Sections 3.2, 3.3, 3.4, 3.5 or 3.6 of this Article III is exercised or enforced, or of any action taken to exercise or enforce any such right or remedy.

SECTION 3.7 Remedies Cumulative, No Election

Every right or remedy herein conferred upon or reserved to the Mortgagee(s) or to the Noteholder(s) shall be cumulative and shall be in addition to every other right and remedy given hereunder, or now or hereafter existing at law, in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

SECTION 3.8 Waiver of Appraisal Rights, Marshaling of Assets Not Required

The Mortgagor, for itself and for all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatsoever, claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, or redemption laws, now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Restated Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser(s) thereat, and the Mortgagor, for itself and for all who may claim through or under it, hereby waives the benefit of all such laws, unless such waiver shall be forbidden by law. Under no circumstance shall there be any marshaling of assets upon any foreclosure or other enforcement of this Restated Mortgage.

SECTION 3.9 Rights as Secured Party

Mortgagees shall have, in addition to any other rights and remedies contained in this Restated Mortgage, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time hereafter executed by the Mortgagor and delivered to Mortgagee(s), all of the rights and remedies of a secured party under the UCC in force in the state of the Mortgagor's organization and all jurisdictions where the Mortgaged property is located, all of which rights and remedies shall be cumulative, and nonexclusive.

Section 3.10 Federal Communications Commission Matters.

Notwithstanding any other provision of this Restated Mortgage, the following provisions shall be applicable in the event that the Mortgaged Property includes (to the extent such property can be included under the applicable law) licenses, permits, or similar rights granted by the Federal Communications Commission (hereinafter referred to as the "FCC") to the Mortgagor (such licenses, permits or similar rights hereinafter referred to as "FCC Licenses:")

- (a) Any loss, revocation, foreclosure on, sale, transfer, or other disposition of FCC Licenses by the Mortgagee(s) shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, and applicable rules and regulations thereunder, and, if and to the extent required thereby, subject to the prior approval or notice to and non-opposition of the FCC.

- (b) If an Event of Default shall have occurred and be continuing, the Mortgagor shall take any action which the Mortgagees may request in order to transfer and assign to the Mortgagees, or to such one or more third parties as the Mortgagees may designate, or to a combination of the foregoing, each FCC License held by the Mortgagor. The Mortgagees are empowered, to the extent permitted by applicable law, to request the appointment of a receiver from any court of competent jurisdiction. Such receiver may be instructed by the Mortgagees to seek from the FCC an involuntary transfer of control of each such FCC License for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. The Mortgagor hereby agrees to authorize such an involuntary transfer of control upon the request of the receiver so appointed and, if the Mortgagor shall refuse to authorize the transfer, its approval may be required by the court. Upon the occurrence and during the continuance of an Event of Default, the Mortgagor shall further use its best efforts to assist in obtaining approval of the FCC and any state regulatory bodies, if required, for any action contemplated by this Restated Mortgage, including, without limitation, the preparation, execution and filing with the FCC and any state regulatory bodies of the assignor's or transferor's portion of any application or applications for consent to the assignment of any FCC license or transfer of control necessary or appropriate under the rules and regulations of the FCC or any state regulatory body for approval or non-opposition of the transfer or assignment of any portion of the Mortgaged Property, including, without limitation any FCC License.
- (c) The Mortgagor acknowledges that the assignment, transfer, loss, or revocation of any FCC License is integral to the Mortgagees' realization of the value of the Mortgaged Property, that there is no adequate remedy at law for failure by the Mortgagor to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees, without limiting the rights of the Mortgagees to seek and obtain specific performance of other obligations of the Mortgagor contained in this Restated Mortgage, that the agreements contained in this Section may be specifically enforced.
- (d) In accordance with the requirements of 47 C.F.R. Section 22.937, or any successor provision thereto, the Mortgagees shall notify the Mortgagor and the FCC in writing at least ten (10) days prior to the date on which the Mortgagees intend to exercise their rights under this Restated Mortgage or any other document or instrument relating to the Notes, by foreclosing on, or otherwise disposing of any Mortgaged Property in connection with which such notice is required pursuant to 47 C.F.R. Section 22.937 or any successor provision thereto.

ARTICLE IV - POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 4.1 Possession until Default

Until one or more of the Events of Default has happened, the Mortgagor shall be permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, products, and profits thereof or therefrom, subject to the provisions of this Restated Mortgage.

SECTION 4.2 Defeasance

If the Mortgagor shall pay or cause to be paid the whole amount of the principal and interest on the Notes at the time and manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Restated Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights, and interests hereby conveyed, assigned, or pledged shall revert to the Mortgagor, and the estate, right, title and interest of the Mortgagees and the Noteholders shall thereupon cease, determine, and become void and the Mortgagees and the Noteholders, in such case, on written demand of the

Mortgagor, but at the Mortgagor's cost and expense, shall enter satisfaction of this Restated Mortgage upon the record. In any event, each Noteholder, upon payment in full to him by the Mortgagor of all principal and interest on any Note held by him, and the payment and discharge by the Mortgagor of all charges due such Noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge, or release as shall be required by law in the circumstances.

ARTICLE V - MISCELLANEOUS

SECTION 5.1 Mortgage to Bind and Benefit Successors and Assigns

All of the covenants, stipulations, promises, undertakings, and agreements herein contained by, or on behalf of, the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights, and remedies hereby granted to, or conferred upon, the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of Notes executed and delivered as herein provided.

SECTION 5.2 Headings

The descriptive headings of the various articles of this Restated Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof.

SECTION 5.3 Notices

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified in Schedule A; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notice of the respective parties are set forth in Schedule "A."

SECTION 5.4 Mortgage Deemed Security Agreement

To the extent that any of the property described or referred to in this Restated Mortgage is governed by the provisions of the UCC, this Restated Mortgage is hereby deemed a "security agreement" under the UCC. The mailing addresses of the Mortgagor, as debtor, and of the Mortgagees as secured parties, are as set forth in Schedule "A."

SECTION 5.5 Mortgagees Right to File Financing Statements

Mortgagees shall have the right to file such financing statements and continuation statements on behalf of itself, as secured party, and Mortgagor, as Debtor, as Mortgagees deem necessary to perfect a first lien on the Mortgaged Property and to maintain and preserve such perfected first lien as long as any Note remains outstanding. Mortgagor shall reimburse the Mortgagees for any expenses incurred in the exercise of this right.

SECTION 5.6 Severability Cause

If any provision of this Restated Mortgage shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity, legality, and enforceability of the remainder of such provision, nor any other provision thereof and this Restated Mortgage shall survive and be construed as if such invalid or unenforceable provision had not been contained therein. Any invalidity or unenforceability as to any Mortgagee hereunder shall not affect or impair the rights hereunder of any other Mortgagee.

SECTION 5.7 Indemnification by Mortgagor of Mortgagees

The Mortgagor agrees to indemnify the Mortgagees against any liability or damages which it may incur or sustain in the exercise and performance of its rightful powers and duties hereunder. For such reimbursement and indemnity, the Mortgagees shall be secured under this Restated Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagees incurring or suffering the same with interest at the rate specified in Section 2.18 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Restated Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

SECTION 5.8 Counterparts

This Restated Mortgage may be simultaneously executed and delivered in two or more counterparts, each of which so executed and delivered shall be deemed an original, and shall constitute but one and the same instrument.

IN WITNESS WHEREOF, MIDVALE TELEPHONE EXCHANGE, INC., as Mortgagor, has caused this Restated Mortgage to be signed in its name and its seal, if any, to be hereunto affixed and attested by its duly authorized officer, the UNITED STATES OF AMERICA, as Mortgagee and secured party, has caused this Restated Mortgage to be duly executed on its behalf, and Co-Lender, as Mortgagee and secured party, has caused this Restated Mortgage to be duly executed on its behalf all as of the day and year first above written.

MIDVALE TELEPHONE EXCHANGE, INC.

by _____
Name:
Title:

(Seal)

Attested to by: _____
Secretary

Executed by the Mortgagor
in the presence of:

Name:

Name:

UNITED STATES OF AMERICA

by _____
Name: Jacqueline M. Ponti-Lazaruk
Title: Assistant Administrator

Executed by the Mortgagee
in the presence of:

Name:

Name:

RURAL TELEPHONE FINANCE COOPERATIVE

by _____
Name:
Title:

Executed by the Mortgagee
in the presence of:

Name:

Name:

DISTRICT OF COLUMBIA

)

SS

This instrument was acknowledged before me on _____, 20 _____, by
Jacqueline M. Ponti-Lazaruk, Assistant Administrator of the Rural Utilities Service of the United States of America.

Notary Public

(Notarial Seal)

My commission expires: _____.

COMMONWEALTH OF VIRGINIA
COUNTY OF FAIRFAX

)
)SS

BE IT REMEMBERED, that on this _____ day of _____, 2005, before me, the undersigned, a notary public in and for the Commonwealth of Virginia, aforesaid, came Robert A. Dyson, signing as an Assistant Secretary-Treasurer of the RURAL TELEPHONE FINANCE COOPERATIVE, a District of Columbia corporation, who is personally known to me to be the person who executed the within instrument of writing on behalf of such corporation and such person duly acknowledged the execution of the same as the act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year above written.

Notary Public

(Notarial Seal)

My commission expires:

SCHEDULE A

1. A. The Outstanding RUS Notes referred to in the Recitals are:

<u>Note Designation</u>	<u>Note Date</u>	<u>Stated Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
A8	08-07-1980	\$1,068,000	08-07-2015	2%
C8#1	12-19-1985	\$ 367,000	12-19-2020	5%
C8#2	12-19-1985	\$1,295,000	12-19-2020	5%
E8	06-01-1992	\$ 276,000	06-01-2016	5%
F11	09-29-1994	\$3,403,000	09-29-2014	5%
G11	02-01-2002	\$5,695,000	02-01-2016	5%

- B. The Outstanding Co-Lender Notes referred to in the Recitals are:

<u>Note Designation</u>	<u>Note Date</u>	<u>Stated Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
ID 514-9003	02-01-2002	\$2,103,981	10-15-2011	Variable
ID 514-9004	02-01-2002	\$ 378,947	07-17-2013	Variable

2. The Prior Mortgages referred to in the Recitals are: **Restated Mortgage, Security Agreement and Financing Statement dated February 1, 2002, made by and among the Mortgagor and the Mortgagees.**

3. A. The Co-Lender Loan Agreement referred to in Section 1.1 is: **Amended Loan Agreement by and between the Corporation and RTFC dated February 1, 2002.**

- B. The RUS Loan Agreement referred to in Section 1.1 is the Loan Agreement, dated the same day as this Restated Mortgage between the Mortgagor and the Mortgagees.

4. A. The Current RUS Note(s), made by the Mortgagor to the Government, dated the same day as this Restated Mortgage and referred to in the Recitals are:

RUS Designation: **ID 514-H11**
 Stated Principal Amount: **\$12,145,000**
 Interest Rate: **5%**
 Maturity Date: **September 4, 2026**

5. The "Mortgage Debt Limit" referred to in Section 1.2(c) is **\$50,000,000**

6. The following addresses are for purposes of providing notice pursuant to Section 5.4:

Mortgagees: Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1500
Attention: Administrator
Fax: (202) 720-1725

With a copy to: Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Stop 1595, Room No. 2839-S
Washington, D.C. 20250-1599
Attention: Mr. Jerry H. Brent
Fax: (202) 690-4654

Mortgagee: Rural Telephone Finance Cooperative
2201 Cooperative Way
Herndon, Virginia 20171
Attention: Mr. Robert Parrett
Fax: (703) 709-6780

Mortgagor: Midvale Telephone Exchange, Inc.
2205 Keithley Creek Road
Midvale, Idaho 83645
Attention: Mr. Lane R. Williams
Fax: (208) 355-2222

With a copy to: Givens Pursley, LLP
601 W. Bannock Street
P.O. Box 2720
Boise Idaho (208) 388-1200
Fax: (208) 388-1300

SCHEDULE B

1. The "Existing Facilities" referred to in Granting Clause I are located in the counties of COCHISE, GILA, PINAL and YAVAPAI in the State of Arizona, the counties of CUSTER and WASHINGTON in the State of Idaho, and the county of MALHEUR in the State of Oregon
2. The real estate mortgaged and pledged hereunder includes the following:

County, Arizona

PARCEL I:

That portion of the Northwest quarter of Section 2, Township 17 South, Range 20 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona, more particularly described as follows:

COMMENCING at the North quarter corner of said Section 2; thence South 00° 05' 50" West along the North-South center section line a distance of 982.26 feet, more or less, to the Southeast corner of the Northeast quarter of the Southeast quarter of Government Lot 3 of said Section 2; thence South 00° 05' 18" West along the North-South center section line a distance of 327.42 feet; thence South 87° 41' 09" West a distance of 281.03 feet to the POINT OF BEGINNING; thence continuing South 87° 41' 09" West a distance of 150.00 feet; thence North 00° 05' 18" East a distance of 290.40 feet; thence North 87° 41' 09" East a distance of 150.00 feet; thence South 00° 05' 18" West a distance of 290.40 feet the POINT OF BEGINNING;

PARCEL II:

Lot 29, Block 18, BENSON TOWNSITE, according to Book 1 of Maps, page 130, records of Cochise County, Arizona.

Custer County, Idaho

LOTS 5 AND 6, LESS THE WEST 35 FEET OF SAID LOT 6, BLOCK 3, STANLEY GOVERNMENT TOWNSITE, CUSTER COUNTY, IDAHO, ACCORDING TO THE OFFICIAL SURVEY THEREOF, NOW ON FILE IN THE OFFICE OF THE SURVEYOR GENERAL, BOISE, IDAHO.

ALSO:

THAT PORTION OF THE ALLEY, 20 FEET WIDE, LYING NORTHERLY AND IMMEDIATELY ADJACENT TO LOT 5 AND PORTION OF LOT 6, EXCEPTING THE WEST 35 FEET THEREOF IN BLOCK 3, STANLEY GOVERNMENT TOWNSITE VACATED BY ORDER OF THE CUSTER COUNTY COMMISSIONERS APRIL 11, 1960.

ALSO INCLUDING:

A PART OF THE LOWER STANLEY TOWNSITE LOCATED IN SECTION 34, TOWNSHIP 11 NORTH, RANGE 13 EAST, BOISE MERIDIAN, CUSTER COUNTY, IDAHO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT CORNER 4 OF TRACT 5 OF THE SAWTOOTH NATIONAL RECREATION AREA (AN ALUMINUM PIPE AND CAP); THENCE SOUTH 0° 33' 00" EAST FOR 128.69 FEET ALONG THE EAST LINE OF TRACT 6 TO A BRASS CAP THAT IS CORNER 3 OF TRACT 6; THENCE SOUTH 34° 39' 14" WEST FOR 84.38 FEET ACROSS THOMPSON STREET TO A BRASS CAP THAT IS CORNER 2 OF TRACT 7 OF THE SAWTOOTH NATIONAL RECREATION AREA; THENCE SOUTH 74° 57' EAST FOR 20.10 FEET ALONG THE SOUTH LINE OF THOMPSON STREET TO THE NORTH CORNER OF LOT 12, BLOCK 3 OF THE LOWER STANLEY TOWNSITE; THENCE SOUTH 20° 43' WEST FOR 108.19 FEET ALONG THE NORTHWEST LINE OF LOT 12, THE POINT OF BEGINNING; THENCE SOUTH 36° 40' 51" WEST FOR 72.72 FEET TO CORNER 3 OF TRACT 7 OF THE SAWTOOTH NATIONAL RECREATION AREA; THENCE NORTH 20° 43' EAST, APPROXIMATELY 81 FEET TO A POINT WHICH LIES NORTH 37° 27' WEST FROM THE POINT OF BEGINNING; THENCE SOUTH 37° 27' EAST, APPROXIMATELY 25 FEET, MORE OR LESS TO THE POINT OF BEGINNING.

PARCEL II:

LOT 3 IN BLOCK 1 OF STANLEY TOWNSITE IN NE1/4NE1/4 OF SECTION NINE (9), TOWNSHIP TEN (10) NORTH, RANGE THIRTEEN (13) EAST, BOISE MERIDIAN, AS SHOWN BY THE OFFICIAL PLAT THEREOF NOW ON FILE IN THE OFFICE OF THE CUSTER COUNTY RECORDER IN CHALLIS, IDAHO.

Gila County, Arizona

EXHIBIT "A"

FIRST AMENDED
NO. 903-000-1301657

A portion of that certain piece or parcel of land, situate, lying and being in the Southeast quarter of Section 17 and the Southwest quarter of Section 16 and the Northeast quarter of Section 20, Township 9 North, Range 14 East of the Gila and Salt River Base and Meridian, Gila County, Arizona, more particularly described as follows:

That parcel shown as "Lot 1" on Record of Survey on October 30, 1996, as Map No. 1275.

Malheur County, Oregon

Parcel 1:

Land in the TOWN OF HARPER, located in Section 5, Township 20 South, Range 42 East of the Willamette Meridian, Malheur County, Oregon, according to the Official Plat thereof, as follows:

In Block 9: Lots 3, 4 and 5.

Parcel 2:

Land in the TOWN OF HARPER, located in Section 5, Township 20 South, Range 42 East of the Willamette Meridian, Malheur County, Oregon, according to the Official Plat thereof as follows:

In Block 9: A parcel of land in Lot 6 described as follows:

Beginning at the Northeast corner of said Lot 6 which faces "B" Street;

thence South 460 21' West, along said "B" Street, 25 feet;

thence South 430 39' East, 25 feet;

thence North 460 21' East, 25 feet;

thence North 430 39' West, 25 feet to the Point of Beginning.

Parcel 3:

Land in the TOWN OF JUNTURA, Malheur County, Oregon, according to the Official Plat thereof, as follows:

In Block 19: Beginning at the most Northerly corner of Lot 4;

thence Southwesterly along the Northwest lot line of said Lot 4, 100 feet;

thence Southeasterly on a line parallel with the Southwest line of 3rd Street, 35 feet;

thence Northeasterly on a line parallel with the Northwest lot line of said Lot 4, 100 feet to a point on the Southwest line of 3rd Street;

thence Northwesterly along the Southwest line of 3rd Street, 35 feet to the Point of Beginning.

Washington County, Idaho

EXHIBIT "A"
Order No. 100-00-7731

Situated in Section 7, Township 13 North, Range 3 West of the Boise Meridian, in Washington County, Idaho:

In the SW1/4SE1/4 of said Section 7: Commencing at the southeast corner of the SW1/4SE1/4; thence North 0°34'30" West 322.41 feet to the True Point of Beginning; thence South 88°42' West a distance of 150 feet, more or less; thence South 0°34'30" East a distance of 150 feet, more or less; thence North 88°42' East 150 feet, more or less; thence North 0°34'30" West 150 feet, more or less, to the True Point of Beginning.

AND ALSO

A parcel of land in the SW1/4SW1/4 of Section 8, Township 13 North, Range 3 West of the Boise Meridian, Washington County, Idaho, described as follows:

Beginning at a point S 74°56' E 247 feet from the southeast corner of Lot 19 of Block 7, Middle Valley Townsite, according to the official plat of said Townsite; Thence N 14°51' E 150 feet, more or less, to the south line of Bridge Street, the True Point of Beginning; Thence East 50 feet, more or less, to the center of the channel of the Weiser River; Thence southerly along the center of the Channel of the Weiser River 55 feet; Thence westerly 50 feet, more or less; Thence northerly 55 feet, more or less, to the True Point of Beginning.

SAVE AND EXCEPT that portion deeded to Washington County in Deed recorded November 2, 1994 as Instrument No. 161713, Official Records.

YAVAPAI COUNTY, ARIZONA

That part of Parcel 9, of HENDERSON VALLEY RANCH NORTH as shown on Record of Survey Map recorded in Book 4 of Land Surveys, Page 37 Yavapai County Recorders Office, located within Section 28, Township 14 North, Range 2 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at the Southeast corner of said Parcel 9;

thence South 89 degrees 58 minutes 01 seconds West, along the South line of said Parcel 9, a distance of 264.46 feet to the TRUE POINT OF BEGINNING;

thence continuing South 89 degrees 58 minutes 01 seconds West along said South line, a distance of 330.57 feet;

thence North 00 degrees 02 minutes 04 seconds West, a distance of 263.76 feet;

thence North 89 degrees 58 minutes 30 seconds East, a distance of 330.50 feet;

thence South 00 degrees 03 minutes 02 seconds East, a distance of 263.71 feet to the TRUE POINT OF BEGINNING;

EXCEPTING all coal and other minerals as reserved in the Patent to said land.

Reserving a 20 foot wide easement for ingress, egress, and utility purposes, lying East of, adjacent to, and parallel with the West line of subject Parcel. Also reserving a 68 foot wide easement for ingress, egress, and utility purposes, lying North of, adjacent to, and parallel with the South line of subject Parcel.

Parcel No. 2

An easement for ingress and egress and public utilities being 68.00 feet in width and lying 68.00 feet Northerly of and parallel to and contiguous with the following described sideline:

Located on Parcel 9 of HENDERSON VALLEY RANCH NORTH as recorded in Book 4 of Land Surveys, pages 37 and 38, records of Yavapai County, Arizona and being located in the Northeast one-quarter of Section 28 Township 14 North Range 2 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being more particularly described as follows:

COMMENCING for reference at the North one-quarter corner of said Section 28;

thence South 89 degrees 58 minutes 47 seconds East along the North line of the said Northeast one-quarter of Section 28, a distance of 1715.93 feet to the Northeast corner of the foresaid Parcel 9;

thence South 00 degrees 01 minutes 52 seconds along the East line of said Parcel 9, a distance of 1319.08 feet to the Southeast corner of said Parcel 9 and the TRUE POINT OF BEGINNING of this easement;

thence South 89 degrees 59 minutes 29 seconds West along the South line of said Parcel 9, a distance of 629.00 feet to the POINT OF TERMINATION of this easement.

EXCEPT any portion lying within Parcel No. 1

PINAL COUNTY, ARIZONA

No. 242-1381592

Lot 47, of SILVER BELL ESTATES UNIT FOUR, according to the plat of record in the office of the County Recorder of Pinal County, Arizona, recorded in Book 16 of Maps, Page 59;

EXCEPT all coal, gas and other minerals as reserved in Patent from the United States of America; and

EXCEPT all coal, oil, gas and other minerals, hydrocarbon, hydro-thermo and geo-thermo rights or deposits, as reserved in Deed recorded in Docket 668, Page 964.

ATTACHMENT 1

UNIFORM SYSTEM OF ACCOUNTS

All references regarding account numbers are to 47 C.F.R. Part 32

ACCOUNT NAMES

**ACCOUNT NUMBERS
CLASS A CLASS B**

NET INCOME OR NET MARGINS: the sum of the balances of the following accounts of the Borrower/Mortgagor

Local Network Services Revenues)			
Network Access Services Revenues)			
Long Distance Network Services Revenues	)	5000s	thru	5300s
Miscellaneous Revenues)			
LESS: Uncollectible Revenues)			
Other Operating Income and Expense		7100*		7100
Non-operating Income and Expense		7300*		7300
Income Effect of Jurisdictional Rate-making Difference – Net		7910		7910
Non-regulated Net Income		7990		7990
Other Non-regulated Revenues		7991		7991
LESS: balances of the following accounts:				
Plant Specific Operations Expense)			
Plant Non-specific Operations Expense	)	6100s	thru	6700s
Customer Operations)			
Corporate Operations)			
Operating Taxes		7200*		7200
Non-operating Taxes		7400*		7400
Interest and Related Items		7500*		7500
Extraordinary Items		7600*		7600

INTEREST EXPENSE: the sum of the balances of the following accounts of the Borrower/Mortgagor

Interest and Related Items		7500*		7500
Interest on Funded Debt		7510		
Interest Expense – Capital Leases		7520		
Amortization of Debt Issuance Expense		7530		
Other Interest Deductions		7540		
LESS: Allowance for Funds Used During Construction		7340		7300.4

TOTAL TELECOMMUNICATIONS PLANT: the sum of the balances of the following accounts of the Borrower/Mortgagor

Telecommunications Plant in Service		2001		2001
Property Held for Future Telecommunications Use		2002		2002
Telecommunications Plant Under Construction – Short Term		2003		2003
Telecommunications Plant Under Construction – Long Term		2004		2004
Telecommunications Plant Adjustment		2005		2005
Non-Operating Plant		2006		2006
Goodwill		2007		2007

*Summary Accounts

NET WORTH OR EQUITY: the sum of the balances of the following accounts of the Borrower/Mortgagor

Capital Stock	4510
Additional Paid-in-Capital	4520
Treasury Stock	4530
Other Capital	4540
Retained Earnings	4550

NOTE: For Non-Profit Organizations – Owner’s equity shall be shown in sub-accounts of 4540 and 4550.

TOTAL ASSETS: the sum of the balances of the following accounts of the Borrower/Mortgagor

Current Assets	1100s	thru	1300s
Non-Current Assets	1400s	thru	1500s
Total Telecommunications Plant	2001	thru	2007
LESS: Accumulated Depreciation	3100	thru	3300s
LESS: Accumulated Amortization	3400	thru	3600s

DEPRECIATION AND AMORTIZATION: the sum of the balances of the following accounts of the Borrower/Mortgagor

Depreciation and Amortization Expenses	6560*
Depreciation Expense – Telecommunications Plant in Service	6561
Depreciation Expense – Property Held for Future Telecommunications Use	6562
Amortization Expense – Tangible	6563
Amortization Expense – Intangible	6564
Amortization Expense – Other	6565

EXHIBIT C

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Attorneys for Midvale Telephone Exchange, Incorporated

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of Midvale Telephone Exchange, Incorporated for Authority to Borrow from the Rural Utilities Service ("RUS") in an Amount Not to Exceed \$12,145,000.

Case No. _____

PROPOSED ORDER

On October 15, 2007, Midvale Telephone Exchange, Incorporated (hereinafter "Applicant"), filed an Application for Loan Approval with this Commission requesting authority to execute a loan contract amendment and supplemental mortgage in an amount not to exceed \$12,145,000 with the United States of America, acting through the Rural Utilities Service ("RUS").

In support of said Application, Applicant states that the proceeds of the RUS loan will be used to pay for, and partially reimburse general funds to: (1) extend service to approximately 1081 new customers, (2) provide for switch and software upgrades, (3) provide for central office equipment upgrades, (4) make related system improvements including replacement of an existing analog microwave system with fiber, and (5) repay a line of credit with the Rural Telephone Finance Cooperative ("RTFC") that was used to construct some of the above mentioned facilities and that will be refinanced through the RUS loan.

After examining the Application and supporting documents and being fully advised in the premises, the Commission hereby finds that a hearing in this matter is not required, and that the proposed transaction is consistent with the public interest and the Applicant's proper performance of its duties as a public utility.

IT IS THEREFORE ORDERED that the Application of Midvale Telephone Exchange, Incorporated for authority to execute a loan contract amendment and supplemental mortgage with the RUS in an amount not to exceed \$12,145,000 be, and the same is hereby granted.

DONE by Order of the Idaho Public Utilities Commission this ____ day of _____, 2007.

Paul Kjellander, President

Mack Redford, Commissioner

Marsha Smith, Commissioner

ATTEST:

Jean Jewell, Secretary

EXHIBIT D

GIVENS PURSLEY LLP

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Robert B. White
Terri R. Yost

RETIRED
Kenneth L. Pursley
Raymond D. Givens
James A. McClure

October 15, 2007

The Idaho Statesman
1200 N. Curtis Road
Boise, ID 83706

To Whom It May Concern:

Please publish the enclosed Legal Notice of Midvale Telephone Exchange, Incorporated's application for authority to borrow funds in your newspaper within seven (7) days. A single publication will be sufficient. Thank you.

Sincerely,



Cynthia A. Melillo

MCC/CAM/and
Enclosure

S:\CLIENTS\1614\84\Legal Notice to Idaho Statesman.DOC

**LEGAL NOTICE OF MIDVALE TELEPHONE EXCHANGE, INCORPORATED
APPLICATION FOR AUTHORITY TO BORROW FUNDS**

NOTICE IS HEREBY GIVEN that on October 15, 2007, Midvale Telephone Exchange, Incorporated, completed and filed with the Idaho Public Utilities Commission an Application for authority to borrow up to \$12,145,000 from the United States of America, acting through the Rural Utilities Service and in connection with the borrowing, to execute a telephone loan contract amendment and a supplemental mortgage.

The Application is on file and is available for public inspection at the Idaho Public Utilities Commission. Any person desiring to comment on said Application must file petitions or protests with the Idaho Public Utilities Commission within fourteen (14) days of the filing date. If no protests are received within this time limit, the Commission may consider the Application and enter its Order without setting the matter for hearing. If written protests are filed with the Commission within the time limit set, the Commission will consider the same, and in its discretion, may set a hearing. Petitions or protests must be filed with: Jean Jewell, Secretary, Idaho Public Utilities Commission, Statehouse, Boise, Idaho 83720.

Jean Jewell, Secretary
Idaho Public Utilities Commission