

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²
JAN 18 2000

Missouri Public
Service Commission

In the matter of the Application)
of LE-RU TELEPHONE COMPANY)
for authority to borrow an amount)
not to exceed \$9,164,700 from the)
Rural Utilities Service, the Rural)
Telephone Bank and the Federal)
Financing Bank and in connection)
therewith to execute an Amending)
Telephone Loan Contract Amendment,)
Promissory Notes, and a Restated)
Mortgage, Security Agreement and)
Financing Statement.)

Case No. TF-2000-428

APPLICATION

Comes now Le-Ru Telephone Company (hereinafter referred to as "Applicant") and, pursuant to Section 392.310, RSMo 1994, and 4 CSR 240-2.060, states to the Missouri Public Service Commission ("Commission") as follows:

1. Applicant is a corporation organized and existing under the laws of the State of Missouri and is in good standing in all respects. A certified copy of Applicant's Articles of Incorporation is marked as Appendix 1 attached hereto and made a part hereof for all purposes. Applicant's headquarters and principal place of business is located at 555 Carter Street, Stella, Missouri 64867, and Applicant is engaged generally in the rendering of telecommunications service to approximately 1,400 customers subject to the jurisdiction of the Commission in two (2) exchanges located in the Missouri counties of Newton and McDonald as shown by its exchange area maps on file with and approved by this Commission.

2. All communications with respect to this Application and this proceeding should be directed to:

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Mr. Robert Hart
General Manager
Lu-Ru Telephone Company
P.O. Box 147
Stella, Missouri 64867
Telephone No. (417) 628-3844

W. R. England, III
Sondra B. Morgan
Brydon, Swearingen & England P.C.
P. O. Box 456
Jefferson City, Missouri 65102
Telephone No. (573) 635-7166

3. Applicant proposes to borrow certain sums, not to exceed \$9,164,700, from the Rural Utilities Service ("RUS"), the Rural Telephone Bank ("RTB") and the Federal Financing Bank ("FFB" in order to fund capital improvements and to finance the operating needs of Applicant.

4. The borrowing referred to in paragraph three (3) will be used by Applicant for the construction, completion, extension and improvement of its facilities within the state; specifically, the proceeds of the loan will be used to provide facilities for system improvements, including forecasted growth of 5% per year, and compliance with the Missouri Borrowers State Telecommunications Modernization Plan. The loan proceeds will be used for 1) replacement of air core cable, 2) replacement of air core service entrances, 3) integration of fiber feeder cable in the local loop, 4) utilization of electronic serving area (ESA) terminals, 5) providing approximately 15 KF maximum length non-loaded subscriber loops, 6) further improvements in the fiber toll network, 7) generic updates of digital switches, 8) engineering and constructing new outside plant that will allow virtually all customers access to digital services; and 9) breaking outside plant into multiple Customer Serving Areas in order to manage growth and eliminate the need to continually reinforce feeder plant.

5. Applicant proposes to enter into a loan agreement with RUS substantially in the form of the Amending Telephone Loan Contract marked Appendix 2 attached hereto and made a part hereof for all purposes.

6. In connection with this borrowing and in compliance with the RUS Project Designation "Missouri 592-G13 Stella" as set out in the Amending Telephone Loan Contract, Applicant proposes to execute and deliver the following promissory notes:

a) Mortgage Note payable to the United States of America acting through the Administrator of the Rural Utilities Service in the aggregate principal amount of \$5,747,000 bearing interest at a rate determined in accordance with Section 305(d)(2)(A) of the Rural Electrification Act of 1936, as amended, and the implementing regulations as amended from time to time, (the "Cost of Money Interest Rate") provided that the rate may exceed seven (7) percent per year and providing for payment of the indebtedness evidenced thereby within twenty-one (21) years from the date thereof, substantially in the form of the Mortgage Note marked Appendix 3, attached hereto and made a part hereof for all purposes; and

b) Mortgage Note payable to the Rural Telephone Bank in the amount of \$3,017,700 bearing interest at various rates determined for each advance in accordance with Section 408(b)(3) of the Rural Electrification Act of 1936, as amended (7 U.S.C. § 984 (b) (3), and the implementing regulations as amended from time to time and providing for payment of the indebtedness evidenced thereby within twenty-one (21) years from the date thereof, substantially in the form of the Mortgage Note marked Appendix 4, attached hereto and made a part hereof for all

purposes.

c) Mortgage Note payable to the Federal Financing Bank in the amount of \$400,000 bearing interest at various rates determined for each advance in accordance with Section 408(b)(3) of the Rural Electrification Act of 1936, as amended, and the implementing regulations as amended from time to time and providing for payment of the indebtedness evidenced thereby within twenty-one (21) years from the date thereof, substantially in the form of the Mortgage Note marked Appendix 5, attached hereto and made a part hereof for all purposes.

7. As security for the loan, Applicant proposes to execute and deliver a restated mortgage, security agreement, and financing statement on substantially all the assets of Applicant substantially in the form of the Supplemental Mortgage, Security Agreement and Financing Statement marked Appendix 6, attached hereto and made a part hereof for all purposes.

8. Marked Appendix 7, attached hereto and made a part hereof for all purposes, is an original certified copy of the Resolution of the Board of Directors of Le-Ru Telephone Company which approves the making of the loan, the execution of the promissory notes and the giving of security therefore.

9. Marked Appendix 8, attached hereto and made a part hereof for all purposes, is a pro forma balance sheet and pro forma income statement of Applicant showing the effect of the proposed financing upon bonded and other indebtedness.

10. Marked Appendix 9, attached hereto and made a part hereof for all purposes is a capitalization expenditure schedule for the prior five (5) years as required by § 392.310, RSMo 1994.

11. No portion of the proceeds of the loan will be used for the purpose of guaranteeing, taking over, refunding, discharging or retiring existing indebtedness, therefore the amounts will be subject to the fee schedule as set forth in § 386.300, RSMo, 1994.

WHEREFORE, Applicant prays this Commission enter its order:

A. Approving and authorizing the transactions as set forth in this Application and authorizing Applicant to:

1. Borrow from RUS, RTB, and the FFB an amount not to exceed \$9,164,700, substantially in accordance with the terms and conditions of the Amending Telephone Loan Contract attached hereto as Appendix 2;

2. Execute and deliver promissory notes evidencing the loan, substantially in the form of the Promissory Notes attached hereto as Appendices 3, 4 and 5 in the total sum not to exceed \$9,164,700;

3. Execute and deliver a restated mortgage, security agreement and financing statement for the purpose of placing a lien on its assets and securing the loan substantially in the form of the Supplemental Mortgage, Security Agreement and Financing Statement attached hereto as Appendix 6;

4. Do and perform or cause to be done and performed all such other acts and things, as well as to make, execute and deliver any and all documents as may be necessary, advisable or proper to the end that the intent and purposes of this financing may be fully effectuated;

B. Finding that the money, property and labor to be procured by said transaction is reasonably required for the purposes specified above, and that no part of the proceeds shall be reasonably chargeable to operating expenses or to income; and,

C. Granting such further relief in this matter as the Commission may deem necessary.

By: Robert L. Hart
Robert L. Hart, General Manager
Le-Ru Telephone Company

Sondra B. Morgan
W. R. England, III Mo.23975
Sondra B. Morgan Mo.35482
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P. O. Box 456
Jefferson City, Missouri 65102
(573) 635-7166
Attorneys for Applicant

STATE OF MISSOURI)
) ss.
COUNTY OF Newton)

Robert L. Hart, being duly sworn upon his oath, states that he is the Vice-President of Le-Ru Telephone Company and as such, is duly authorized to sign this Application and this affidavit on its behalf; that he has read the foregoing Application and exhibits thereto; that the matters and things contained in said Application and exhibits are true and correct to the best of his knowledge, information and belief.

Robert L. Hart
Robert L. Hart

Subscribed and sworn to before me this 14th day of Jan, 2000.

Carolyn Dyer
Notary Public
Carolyn Dyer

My commission expires:

2/24/2000

CAROLYN DYER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
COUNTY OF NEWTON
MY COMMISSION EXPIRES 2/24/2000

APPENDIX 1

No. T00000646

STATE OF MISSOURI



Rebecca McDowell Cook
Secretary of State

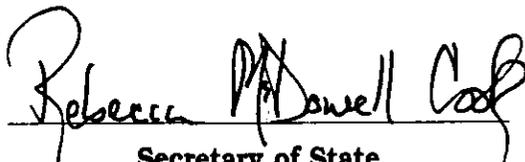
CORPORATION DIVISION

CERTIFICATE OF CORPORATE RECORDS

LE-RU TELEPHONE COMPANY

I, REBECCA McDOWELL COOK, Secretary of State of the State of Missouri and Keeper of the Great Seal thereof, do hereby certify that the annexed pages contain a full, true and complete copy of the original documents on file and of record in this office.

IN TESTIMONY WHEREOF, I have set my hand and imprinted the GREAT SEAL of the State of Missouri, on this, the 4th day of JANUARY, 2000.


Secretary of State



STATE OF MISSOURI



Certificate of Incorporation

WHEREAS, An Association organized under the name of

LE-RU TELEPHONE COMPANY

has filed in the office of the Secretary of State Articles of Incorporation in writing as provided by law and has, in all respects, complied with the requirements of The General and Business Corporation Act of Missouri governing the formation of Private Corporations:

NOW, THEREFORE, I, WARREN E. HEARNES, Secretary of State of the State of Missouri, in virtue and by authority of law, do hereby certify that said association has, on the date hereof, become a body corporate duly organized under the name of

LE-RU TELEPHONE COMPANY

and the address of its Initial Registered Office in Missouri is:

Stella,

and is entitled to all the rights and privileges granted to corporations organized under The General and Business Corporation Act of Missouri for a term of perpetual years, and that the amount of the Authorized Shares of said corporation is 400 Common, @ \$100.00 par value FORTY THOUSAND Dollars.

IN TESTIMONY WHEREOF, I hereunto set my hand and affix the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this

23rd day of August A. D., Nineteen

Hundred and sixty-two

Warren E. Hearnès

Austin Hill

SECRETARY OF STATE

DEPUTY SECRETARY OF STATE

RECEIVED OF: LE-RU TELEPHONE COMPANY

Fifty-nine and 50/100 Dollars, \$ 59.50

For Credit of General Revenue Fund, on Account of Incorporation Tax and Fee.

No. 106647
Vol. 646

Charles Salmon
DEPUTY COLLECTOR OF REVENUE

ARTICLES OF INCORPORATION

State of Missouri
Le-Ru TELEPHONE COMPANY

We, the undersigned, being natural persons over the age of twenty-one years and subscribers to the shares of the corporation to be organized pursuant hereto, for the purpose of forming a corporation under Chapter 351 of the Revised Statutes of Missouri 1959, entitled "The General and Business Corporation Act of Missouri", do hereby adopt the following Articles of Incorporation:

ARTICLE ONE

The name of the corporation is Le-Ru Telephone Company.

ARTICLE TWO

The address of its initial registered office in the State of Missouri is Stella, Missouri, and the name of its initial registered agent at such address is E. L. Millikin.

ARTICLE THREE

The aggregate number of shares which the corporation shall have authority to issue shall be Four Hundred (400) shares of common capital stock of the par value of One Hundred (\$100.00) Dollars each, or a total par value of Forty Thousand (\$40,000.00) Dollars. There shall be no preferences, limitations, restrictions or special rights as to said shares.

ARTICLE FOUR

The number of shares to be issued before the corporation shall commence business shall be five (5) and the consideration to be paid therefor is the sum of Five Hundred (\$500.00) Dollars. Said entire sum of Five Hundred (\$500.00) Dollars has been paid in lawful money of the United States.

ARTICLE FIVE

The names and places of residence of the several shareholders comprising the incorporators and the number and class of shares sub-

scribed by each is as follows:

Names	Address	No. of Common Shares
E. L. Millikin	Stella, Missouri	2
Ruth E. Millikin	Stella, Missouri	2
Thomas A. Johnson	632 Oak Ridge Drive Neosho, Missouri	1

ARTICLE SIX

The number of directors to be elected at the first meeting of the shareholders is three (3).

ARTICLE SEVEN

The duration of the corporation is perpetual.

ARTICLE EIGHT

The corporation is organized for the following purposes:

(a) To purchase, construct or acquire telephone exchanges, render telephone service, and to hold, operate, manage, lease, sell and exchange such utility properties.

(b) To purchase or otherwise acquire franchises, rights-of-way, patents, leases, permits, machinery, equipment and apparatus of all kinds connected with or having to do with the rendering of telephonic communication service; and to sell, lease, mortgage or exchange all such properties.

(c) To purchase or otherwise acquire real estate used or useful in the foregoing purposes; and to improve, sell, mortgage, lease or otherwise deal with such property.

(d) To do, perform and engage in all other acts incidental to, arising out of, or in furtherance of any and all of the foregoing purposes, including all rights, granted generally by the statutes of Missouri.

IN WITNESS WHEREOF, we have hereunto set our hands this 21 day of August, 1962.

E. L. Millikin
E. L. Millikin

Ruth E. Millikin
Ruth E. Millikin

Thomas A. Johnson
Thomas A. Johnson

STATE OF MISSOURI)
) SS.
COUNTY OF NEWTON)

The undersigned, E. L. Millikin, Ruth E. Millikin and Thomas A. Johnson, being all of the incorporators of Le-Ru Telephone Company, being duly sworn upon their oaths, each did say that he has read the foregoing Articles of Incorporation and that the statements set forth therein are true and correct.

E. L. Millikin
Ruth E. Millikin
Thomas A. Johnson

Subscribed and sworn to before me, a Notary Public in and for said County and State, this 21 day of August, 1962.

Della Magee
Notary Public

My commission expires Feb. 14, 1965

STATE OF MISSOURI)
) SS.
COUNTY OF NEWTON)

On this 21 day of August, 1962, before me personally appeared E. L. Millikin, Ruth E. Millikin and Thomas A. Johnson, to me known to be the persons described in and who executed the foregoing instrument and who acknowledged that they executed the same as their free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official office at my office in Neosho, the day and year last above mentioned.

Della Magee
Notary Public

My commission expires Feb. 14, 1965

FILED AND CERTIFICATE OF
INCORPORATION ISSUED

AUG 23 1962

Wm. E. Vance
CORPORATION DEPT. Secretary of State

APPENDIX 2

RUS Project Designation:

MISSOURI 592-G13 STELLA

AMENDING TELEPHONE LOAN CONTRACT

Dated as of September 17, 1999

among

LE-RU TELEPHONE COMPANY,

UNITED STATES OF AMERICA

and

RURAL TELEPHONE BANK

DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

No. 1

Generated: October 13, 1999

AGREEMENT, made as of September 17, 1999, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq., hereinafter called the "Act"), among LE-RU TELEPHONE COMPANY (hereinafter called the "Borrower"), a corporation existing under the laws of the State of Missouri, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government, acting through the Governor of the Bank (hereinafter called the "Governor").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and, for the purposes of the Prior Loan Contract (hereinafter defined), as amended, the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and "Administrator of the RUS"; and

WHEREAS, the Borrower has heretofore entered into a certain telephone loan contract, amending telephone loan contract, consolidating telephone loan contract, or consolidating and amending telephone loan contract, dated as of September 2, 1992, with the Bank, the Government, or the Bank and the Government (such agreement, as it may have been amended, being hereinafter called the "Prior Loan Contract"); and

WHEREAS, pursuant to the Prior Loan Contract the Borrower and/or its predecessor(s) in interest have heretofore borrowed funds from the Government in the aggregate principal amount of \$4,760,000.00 (hereinafter called "Prior RUS Loan"), from the Bank in the aggregate principal amount of \$0 (hereinafter called the "Prior Bank Loan"), except such portion of the Prior Bank Loan used for the purchase of Class B stock of the Bank, and from the Federal Financing Bank (hereinafter called "FFB"), a body corporate and instrumentality of the Government, in the aggregate principal amount of \$0 (hereinafter called the "Prior FFB Loan", and together with the Prior RUS Loan and the Prior Bank Loan being hereinafter collectively called the "Prior Loans"), the Prior FFB Loan being guaranteed by the Government pursuant to the Act, to finance pursuant to the provisions of the Act, the improvements and operation of the initial telephone facilities owned and operated by the Borrower and/or its predecessor(s) in interest (hereinafter called the "Existing Facilities"); and

WHEREAS, the parties to this agreement and the parties to the Prior Loan Contract desire to amend the Prior Loan Contract in certain respects, and it is intended that the entire agreement among such parties, containing such amendments and covering the terms upon which the "Loan" (hereinafter defined) shall be made and expanded, shall be expressed in this agreement, except to the extent such parties have heretofore performed obligations under the Prior Loan Contract in accordance with the terms thereof and except as may hereinafter otherwise be provided; and

WHEREAS, it is intended that the Borrower shall use the proceeds of the loan(s) as provided for in section 1.1 of this agreement to finance partially the improvement and operation of the Existing Facilities, as previously expanded and added to by facilities financed with the proceeds of the Prior Loans, and the construction and operation of additional telephone facilities to serve approximately three hundred seventy-five subscribers in addition to those now being served (the improvements and additional telephone facilities so financed being hereinafter collectively called the "Project", and the Existing Facilities, as the same has previously been expanded and added to, and as improved and added to by the Project or otherwise, being hereinafter called the "System"); and

WHEREAS, it is contemplated that the amounts of such loans may be increased from time to time for purposes permitted by the provisions of the Act, as from time to time amended, and upon the terms and conditions contained in this agreement, as from time to time amended (the RUS Concurrent Loan, the RUS Hardship Loan and the Guaranteed Loan (to be made to the Borrower by FFB), all as provided for in section 1.1 of this agreement, and any such increases in the amounts thereof, and together with the Prior RUS Loan and the Prior FFB Loan, being hereinafter collectively called the "RUS Loan", the Bank Concurrent Loan as provided for in section 1.1 of this agreement and any such increases in the amount thereof, and together with the Prior Bank Loan, being hereinafter collectively called the "Bank Loan", and the RUS Loan and the Bank Loan being hereinafter collectively called the "Loan"); and

WHEREAS, the Government and the Bank, in determining to enter into this agreement, have relied upon the representation of the Borrower to them that it is willing to furnish adequate telephone service to the widest practicable number of persons in rural areas whom it is possible to serve, and the Borrower has agreed to do so as hereinafter provided;

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, the Borrower, the Government and the Bank agree as follows:

ARTICLE I

LOAN, NOTES AND SECURITY

SECTION 1.1. RUS Concurrent Loan: For the purposes provided in section 305(d)(2)(A) of the Act (7 U.S.C. §935(d)(2)(A)), the Government shall lend and the Borrower shall borrow not in excess of \$5,747,000.00 to partially finance the Project.

Bank Concurrent Loan: For the purposes provided in section 408(a)(2) of the Act (7 U.S.C. §948(a)(2)), the Bank shall lend and the Borrower shall borrow not in excess of \$3,017,700.00, (1) to partially finance the Project and (2) to purchase Class B stock from the Bank for \$143,700.00.

RUS Hardship Loan: Pursuant to section 305(d)(1) of the Act (7 U.S.C. §935(d)(1)), the Government shall lend and the Borrower shall borrow not in excess of \$0 to partially finance the Project. RUS Hardship Loan funds shall be used for the purposes provided in section 201 of the Act (7 U.S.C. §922).

Guaranteed Loan - FFB shall lend and the Borrower shall borrow not in excess of \$400,000.00, the repayment of which shall be guaranteed by the Government pursuant to section 306 of the Act (7 U.S.C. §936), to partially finance the Project.

SEC. 1.2. Notes. The debt created by the RUS Loan shall be evidenced by notes previously executed by the Borrower and/or its predecessor(s) in interest to evidence the Prior RUS Loan and the Prior FFB Loan and to be executed by the Borrower, payable to the order of the Government or payable to FFB, as the case may be. The debt created by the Bank Loan shall be evidenced by notes previously executed by the Borrower and/or its predecessors in interest to evidence the Prior Bank Loan and to be executed by the Borrower payable to the order of the Bank (the notes evidencing the Prior RUS Loan and the Prior FFB Loan and the notes payable to the order of the Government or payable to FFB, as the case may be, and any notes executed and delivered to refund, or in substitution for, such notes being hereinafter collectively called the "RUS Notes", and the notes evidencing the Prior Bank Loan and the notes payable to the order of the Bank and any notes executed and delivered to refund, or in substitution for, such notes being hereinafter collectively

called the "Bank Notes", and the RUS Notes and the Bank Notes being hereinafter collectively called the "Notes"). The Notes shall be in form and substance satisfactory to the Administrator. Interest shall accrue on the principal of each Note only in respect of amounts which shall have been advanced to the Borrower from time to time on account of the Loan, shall have been charged against such Note and shall remain unpaid.

The Loans provided for in section 1.1 of this agreement shall bear interest as follows:

RUS Concurrent Loan - Each advance of funds included in the RUS Concurrent Loan shall bear interest at the "Cost-of-Money Interest Rate" determined by the Government pursuant to section 305(d)(2)(A) of the Act (7 U.S.C. §935(d)(2)(A)) and the implementing regulations, as amended from time to time (7 C.F.R. §1735.31(c)).

Bank Concurrent Loan - Each advance (a "Bank Concurrent Loan Advance") of funds included in the Bank Concurrent Loan shall bear interest at the various rates determined by the Bank for that Bank Concurrent Loan Advance in accordance with section 408(b)(3) of the Act (7 U.S.C. §948(b)(3)), and the implementing regulations, as amended from time to time (7 C.F.R. 1610.10).

RUS Hardship Loan - Each advance of funds included in the RUS Hardship Loan shall bear interest at the rate of five per cent per year.

Guaranteed Loan - Each advance (a "Guaranteed Loan Advance") of funds included in the Guaranteed Loan shall bear interest at the rate established by FFB at the time such Guaranteed Loan Advance is made on the basis of the determination made by the Secretary of the Treasury pursuant to section 6(b) (12 U.S.C. §2285(b)) of the Federal Financing Bank Act of 1973, as amended (12 U.S.C. §2281 et seq.).

SEC. 1.3. Loan Closing. The parties may from time to time determine by agreement the amount required to enable the Borrower to perform its obligations hereunder. If any reduction in the maximum amount of the RUS Loan or of the Bank Loan is thus agreed upon, the Administrator shall cause such one or more of the Notes as may be agreed upon, to be appropriately credited with an amount equal to such reduction, and the principal amount of such Note or Notes shall, for the purposes of this agreement, be deemed to be correspondingly reduced. When the Administrator and the Borrower shall agree that no further funds are required to be advanced on account of the RUS Loan or the Bank Loan, as the case may be, in order to enable the Borrower to perform its obligations hereunder to the Government or the Bank, the

Administrator shall execute and deliver to the Borrower a loan closing certificate (hereinafter called the "loan closing certificate") which shall, among other things, specify the date of the closing of the RUS Loan or the Bank Loan, as the case may be, and the amount of the unpaid principal of and any accrued interest on each of the RUS Notes or the Bank Notes, as appropriate.

SEC. 1.4. Security. The Notes shall be secured by a security instrument (hereinafter called the "Mortgage"), in form and substance satisfactory to the Administrator, covering all the property of the Borrower now owned or hereafter acquired, as supplemented by such supplemental mortgages, deeds of trust, supplemental deeds of trust, chattel mortgages or additional chattel mortgages and by such other action on the part of the Borrower as may be required to confirm, fully convey, preserve or renew the lien of the Mortgage as security for the Notes and to effectuate the intention to these presents that the Mortgage shall cover all property of the Borrower, whether now owned or hereafter acquired (any such supplemental mortgage, supplemental deed of trust, supplemental or additional chattel mortgage, and any such other action, as the case may be, being hereinafter called a "supplemental mortgage").

ARTICLE II

ADVANCES AND DISPOSITION OF FUNDS

SECTION 2.1. Prerequisites to Advances. (A) Neither the Government nor the Bank shall be under any obligation to advance funds from time to time on account of the RUS Loan or the Bank Loan, as the case may be, unless and until the Borrower shall have delivered to the Administrator and the Governor, in form and substance satisfactory to them, the following:

(a) one or more of the Notes, the Mortgage, and such supplemental mortgages as may be required pursuant to section 1.4 hereof, all duly executed and accompanied by proof of the due recordation and filing of the Mortgage and any supplemental mortgage in such places as may be required by law in order fully to perfect and maintain the lien of the Mortgage and any supplemental mortgage;

(b) evidence of appropriate corporate action authorizing the execution and delivery of the Notes, the Mortgage, and any supplemental mortgage and amendment to this agreement;

(c) evidence that the Borrower has duly registered when and where required by law with all state, Federal and other public authorities and regulatory bodies and obtained

therefrom all authorizations, certificates, permits, and approvals to the extent required by law in order to enable the Borrower to enter into this agreement, to execute and deliver the Notes, the Mortgage, and any supplemental mortgage and amendment to this agreement; to construct and operate the System, and to perform all other acts to be performed by it hereunder;

(d) evidence that the Borrower has duly adopted a tariff which (1) will provide for such grades of service as the Administrator may approve, (2) does not include mileage or zone charges for any telephone service provided by the Project and (3) is designed to produce net income or margins before interest but after taxes in an amount at least great enough, when divided by the amount of the interest requirements on all of the Borrower's outstanding and proposed loans, to produce the ratio required by section 2.8 hereof;

(e) evidence that there has been no substantial adverse change in the Borrower's financial condition or plant since the date of the last financial statement submitted by the Borrower to the Administrator and the Governor;

(f) evidence that the Borrower is not involved in or threatened with any litigation which may substantially and adversely affect the Borrower's financial condition and that there are no liens or clouds on title except the liens of the Mortgage and any underlying security instruments referred to in the Mortgage and any supplemental mortgage on any of its property;

(g) evidence that the Borrower has duly adopted articles of incorporation and bylaws in form and substance adequate to enable the Borrower to perform all acts to be performed by it hereunder;

(h) such opinions as the Administrator and the Governor may require, by counsel (who may be a member of the Borrower's legal staff, if any, or an attorney regularly employed by the Borrower) selected by the Borrower and approved by the Administrator and the Governor; and

(i) evidence that the Borrower has good and marketable title to the Existing Facilities, subject only to the lien of the Mortgage and any underlying security instruments referred to in the Mortgage, 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 the Existing Facilities, and every part thereof, in their present location.

(B) Notwithstanding the provisions set forth in (A) above of this section 2.1 the Government shall not cause to be advanced any funds on account of any Guaranteed Loan unless and until the following special conditions applicable to the Guaranteed Loan have been satisfied:

(a) the Government, acting through the Administrator, has entered into a contract with FFB and FFB has agreed to make the Borrower the Guaranteed Loan;

(b) the Borrower has submitted evidence to the Administrator, in form and substance satisfactory to him, that conditions in the contract of guarantee referred to in subsection (a) above have been satisfied to the extent and in the manner prescribed by the Administrator; and

(c) the Borrower has duly authorized, executed and has delivered to the Administrator a promissory note payable to FFB in the amount of the Guaranteed Loan and a reimbursement note payable to the order of the Government in the manner prescribed by the Administrator.

SEC. 2.2. Requisitions. The Borrower shall from time to time submit to the Administrator requisitions, on forms furnished by the Administrator, requesting advances on account of the Loan. Each requisition shall be accompanied by the following:

(a) evidence that the construction of the Project effected to the date of the requisition complies with the provisions hereof;

(b) a certificate signed by a duly authorized officer or employee of the Borrower, which shall specify all payments not previously accounted for theretofore made by the Borrower from funds in the Special Construction Account provided for in section 2.4 hereof;

(c) a statement, on a form to be furnished by the Administrator, setting forth the purposes for which it is intended the requested advance will be used by the Borrower; and

(d) such additional information, opinions, documents, and proofs relating to the construction of the Project, the expenditure of Loan funds and the security for the Loan, as may reasonably be requested by the Administrator.

SEC. 2.3. Advances. Loan funds shall be advanced to the Borrower only if the Borrower has (1) complied with section 2.1 hereof and all other conditions precedent to advance of Loan funds, (2) furnished the Administrator with a requisition and accompanying documents complying with section 2.2 hereof and (3) notified the Administrator whether such Loan funds are to be advanced on account of the RUS Loan, the Bank Loan, or both. Within a reasonable time thereafter, the Government or the Bank, or both, as requested by the Borrower, shall advance Loan funds to the Borrower sufficient in the aggregate for such of the purposes specified in the statement accompanying the requisition as the Administrator shall approve. The Administrator may at any time, as a condition to making any advance on account of the Loan, require compliance by the Borrower with any one or more of the covenants, terms or conditions of this agreement and any amendment thereto to be performed by the Borrower. Neither the Government nor the Bank shall be obligated to make advances on account of a loan after the date of the closing of such loan specified in a loan closing certificate.

At the time of each advance of Bank Loan funds, the Borrower shall purchase Class B stock of the Bank in an amount equal to five percent of the amount of Bank Loan funds advanced, exclusive of the amount advanced for Class B stock. The Borrower may purchase the Class B stock with either (1) non-Loan funds or (2) funds included in the Bank Loan. If the initial Bank Loan or any additional Bank Loan includes funds for the purchase of Class B stock, each advance of such Bank Loan funds shall include an appropriate amount to purchase Class B stock. Evidence of such purchase in such form as the Bank may prescribe shall be promptly issued to the Borrower.

SEC. 2.4. Special Construction Account. The Borrower shall promptly deposit all moneys advanced to it by the Government or the Bank hereunder in a special construction account (hereinafter called "Special Construction Account") in a bank, institution or other depository, which shall meet the requirements specified in section 4.3 hereof, and shall hold such moneys in trust for the Government and the Bank as their interests may appear until disbursed. Any Special Construction Account shall be designated by the corporate name of the Borrower, followed by the words "Trustee, RUS Construction Fund Account". All Loan funds in any Special Construction Account shall be used solely for the purposes specified in section 1.1 hereof. Moneys in any Special Construction Account may be withdrawn only upon checks, drafts or orders signed on behalf of the Borrower. The Borrower shall expend each advance on account of the Loan only for such of the purposes specified in the statement of purposes accompanying the requisition for such advance as shall have been approved by the Administrator.

SEC. 2.5. Unexpended Loan Funds. Any funds advanced on account of the RUS Loan or on account of the Bank Loan remaining in any Special Construction Account upon the closing of such loan shall be forthwith remitted to the Government, if such unexpended funds were advanced on account of the RUS Loan, or to the Bank, if such unexpended funds were advanced on account of the Bank Loan. A credit in the amount of such remittance shall be allowed against such one or more of the RUS Notes or the Bank Notes (depending upon whether the unexpended advances were made on account of the RUS Loan or the Bank Loan) as shall be agreed upon by the Administrator and the Borrower.

SEC. 2.6. Compliance with Restrictions on Use of Materials. No advances will be made on account of the Loan for the construction of any part of the Project with respect to which the Borrower shall have failed to submit to the Administrator and the Bank satisfactory evidence that the Borrower has obtained from the appropriate agency or agencies of the Government all necessary orders or approvals with respect to the use of the materials required for the construction of such part of the Project. No construction shall be undertaken except in accordance with authorizations or regulations of any such agency or agencies having jurisdiction in the premises.

SEC. 2.7. Loan Rescissions. The Borrower may request rescission of all or part of the unadvanced portion of the RUS Loan or the Bank Loan at any time. The Administrator or the Governor, as the case may be, shall comply with such request if the Borrower demonstrates, to the satisfaction of the Administrator or the Governor, that (1) the purposes intended to be financed by the unadvanced Loan funds have been completed, (2) sufficient funds are available from non-governmental sources to complete such purposes, or (3) the Loan funds being rescinded are no longer required to extend or improve telephone service in rural areas. The Administrator or the Governor, as the case may be, shall not initiate rescission of the unadvanced portion of the RUS Loan or the Bank Loan, unless all of the purposes for which telephone loans have been made to the Borrower under the Act have been accomplished with funds provided under such Act. Loan funds that have been rescinded are no longer available to the Borrower.

SEC. 2.8. Tariff. (a) The Borrower shall, during the period ending on December 31, 2003 (hereinafter called the "Forecast Period") (1) 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 which (i) provides for such grades of service as the Administrator shall approve, (ii) does not include mileage or zone charges for any telephone service provided by the Project, and (iii) is designed to produce net income or margins, before interest but after taxes, in such amounts that when divided by the amount of interest requirements

on all of the Borrower's outstanding and proposed loans, produces a ratio of at least 1.0, and (2) place such tariff into effect as soon as permitted by applicable laws and regulations. The Borrower 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.

(b) The Borrower shall continue to comply with the requirements of this provision after the Forecast Period except that the ratio required by (a) above shall be changed to 1.5.

(c) The Borrower shall provide the Administrator with evidence, in form and substance satisfactory to him, that the Borrower is in full compliance with this section 2.8 whenever the Administrator shall so request.

ARTICLE III

CONSTRUCTION

SECTION 3.1. Labor and Materials Contract. The Borrower shall cause the Project to be constructed under labor and materials contract by a responsible contractor or contractors selected by the Borrower and approved by the Administrator, except to the extent that the Administrator may in writing authorize other methods of construction. The Borrower shall keep accurate and detailed records of all costs and expenses in connection with construction of the Project.

SEC. 3.2. Commencement and Completion. The Project shall be constructed in accordance with the approved plans and specifications hereinafter provided for, the provisions of this agreement and all contracts and subcontracts made pursuant hereto. Construction of the Project or any portion thereof shall be commenced promptly after the Administrator shall have notified the Borrower of approval to commence such construction, and the Borrower shall cause such construction to be prosecuted diligently and to be completed within a reasonable time, unless prevented from so doing by causes beyond the control and without the fault or negligence of the Borrower. The Borrower shall cause the Project to be completed in such manner that the System shall be free and clear of all liens and lawful claims for liens except the liens of the Mortgage and any supplemental mortgage.

SEC. 3.3. Bidding. The Borrower shall invite bids for construction of outside plant and buildings, for installation of station equipment, and for purchase and installation, or either, of central office equipment, included in the Project, unless otherwise authorized in writing by the Administrator. The

Borrower shall open all bids publicly at the time and place which shall have been specified in the notice to bidders, after reasonable prior written notification of such time and place has been given by the Borrower to the Administrator. The Borrower shall award each contract to the lowest responsible bidder, unless all bids are rejected.

SEC. 3.4. Inspection by Administrator. The Administrator may inspect the construction and equipment of the Project, and shall have the right to examine and test all work and materials, and the Borrower shall provide reasonable facilities therefor for the use of the Administrator and his agents. The Administrator may reject any defective material or workmanship and require that any such material shall be replaced with proper material and that any such workmanship shall be corrected, to the end that all material and workmanship shall conform with the approved plans and specifications hereinafter provided for.

SEC. 3.5. Certificates and Maps. The Borrower shall, at the request of the Administrator, furnish to the Government and the Bank: (a) such certificates of the approved engineer and of the officers and employees of the Borrower as the Administrator shall reasonably require with respect to construction of the Project, or any portion thereof, and the cost thereof; (b) a complete inventory by construction units, in sufficient detail to reflect accurately all construction costs, and a description of the Project, or any portion thereof; and (c) a map or maps, in the same form as contained in the approved plans and specifications hereinafter provided for, corrected to show actual locations and classifications of all exchanges, lines and other properties of the Borrower except those, if any, not directly connected with the Project.

ARTICLE IV

PARTICULAR COVENANTS

SECTION 4.1. Appointments by Borrower. The Borrower shall designate: (a) one or more engineers who shall perform the engineering services involved in the construction of the Project or the several portions thereof, and execute all certificates and other instruments pertaining to engineering details required hereunder to be delivered to the Administrator; and (b) a person (who may be regularly employed by the Borrower) who, subject to the general policies fixed by the board of directors for the conduct of the Borrower's business, shall have active charge of the management and operations of the Borrower (hereinafter called the "Manager"). Persons so designated by the Borrower shall be subject to the approval of the Administrator; provided that if any such person is disapproved by the Administrator, the

Administrator shall notify the Borrower in writing of the reasons why the designated person is deemed not qualified to perform the proposed duties properly; and provided further that the Administrator's approval shall not be required for a person designated as the Manager by the Borrower if, for each of the five years immediately preceding such designation, the Borrower has owned and operated the Existing Facilities and has not had a deficit in net income or net margins as determined in accordance with methods of accounting prescribed by the state regulatory body having jurisdiction over the Borrower, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission.

SEC. 4.2. Submission of Plans, Specifications and Contracts With Third Parties. The Borrower shall submit, when requested by the Administrator and subject to the Administrator's approval:

(a) a contract or contracts with one or more approved engineers for all necessary engineering services in connection with the construction of the Project;

(b) plans and specifications for the construction of each portion of the Project, identified by the signatures of the approved engineer for such portion or portions, and of a duly authorized and responsible officer or employee of the Borrower;

(c) a contract or contracts for the construction of outside plant and buildings, for installation of station equipment, and for purchase and installation, or either, of central office equipment, included in the Project, together with any contractor's or subcontractor's bond relating thereto;

(d) a contract or contracts for such toll traffic and operator assistance services, to be furnished by connecting companies, as may be necessary for the proper operation of the System; provided, however, that the Administrator's approval shall not be required for any such contract or contracts, submitted to the Administrator, which in form and substance conform with contracts in general use in the telephone industry;

(e) a contract or contracts for the purchase by the Borrower of materials, equipment and supplies for use in connection with the Project;

(f) a contract or contracts for the purchase, lease, or other acquisition of land for use in connection with the construction or operation of the System; and

(g) a contract or contracts for extended area service to be provided by or for other companies, as may be necessary for the proper operation of the System.

SEC. 4.3. Deposit of Funds. The Borrower shall not deposit or allow to remain on deposit any of its funds, regardless of the source thereof, in any bank, institution or other depository which is not fully insured by the Federal government. The Borrower shall inform the Administrator of the names of the banks, institutions or other depositories which it has selected for deposit of its funds.

SEC. 4.4. Easements and Permits. The Borrower shall submit to the Government and the Bank, when requested by the Administrator, evidence satisfactory to the Administrator that the Borrower has obtained such easements from landowners and releases from lienors and such franchises, authorizations, permits, licenses, certificates of convenience and necessity, approvals, and orders from public bodies and others, reasonably adequate in form and substance, as may be required by law for the construction of the Project and the operation of the System. If requested so to do by the Administrator, the Borrower shall cause such easements and releases to be recorded in appropriate offices of record. Except with the consent of the Administrator, none of the funds advanced on account of the Loan shall be used by the Borrower to pay for easements obtained from landowners or for releases of liens affecting easements.

SEC. 4.5. Area Coverage. 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 Loan, and which map, as revised by agreement between the Borrower and the Administrator, is incorporated herein by reference thereto. In the performance of this obligation, the Borrower shall (except to the extent that the Administrator, upon request of the Borrower, may in writing authorize deviations therefrom):

(a) furnish service to all applicants for service included in the Project, 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, with the use of such funds as may from time to time be available to it, either from surplus earnings, increased equity capital, additional loans made by lenders other than the Government or the Bank, or otherwise as the Borrower may elect, and without payment to the Borrower of any extra charge as a contribution to construction of facilities to provide such service, to every

other 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 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.

The furnishing of service to applicants for service under the conditions provided in this section is of the essence of the Borrower's obligations under this agreement, and the failure or neglect of the Borrower to perform such obligation shall be deemed to be an event of default hereunder.

SEC. 4.6. Mortgage Covenants. The Borrower shall perform all covenants by it to be performed under the Mortgage and any supplemental mortgage.

SEC. 4.7. Representations and Warranties. The Borrower represents and warrants as follows:

(a) it is a corporation duly organized, existing and in good standing under the laws of the State specified in the introductory paragraph of this agreement and has corporate power to enter into this agreement and perform every act required to be performed by it hereunder;

(b) all proceedings prerequisite to the valid execution of this agreement by it have been duly taken and all required authorizations therefor have been secured;

(c) it has not entered into any contract (not heretofore fully performed) for the construction of any portion of the Project, or for engineering or for other services pertaining to the construction or operation of the System, unless such contract has (1) been approved by the Administrator; (2) will be submitted for the approval of the Administrator; or (3) the effectiveness thereof has been made subject to the approval of the Administrator;

(d) the capital structure of the Borrower is as shown in a certified copy of its articles of incorporation last submitted to the Administrator; the Borrower has issued and has outstanding only such numbers and classes of shares of

its capital stock and such bonds and other evidences of indebtedness, if any, as shown in the statement thereof last submitted to the Administrator; and the Borrower has not entered into any agreement for the issuance of any other shares of its capital stock, or of bonds or other evidences of indebtedness; and

(e) every statement contained in this agreement and in every other document, statement, certificate and opinion submitted to the Government or to the Bank by it or in its behalf is true and correct.

SEC. 4.8. Fees and Commissions. No fee or commission has been or shall be paid and no agreement therefor has been or shall be entered into by the Borrower or any of its officers, employees, agents, or representatives in order to obtain the Loan.

SEC. 4.9. "Buy American" Clause. The Borrower shall use or cause to be used in connection with the expenditures of funds advanced on account of the Loan only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States or in any eligible country, except to the extent the Administrator 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 applies 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.

SEC. 4.10. Equal Opportunity Clause. The Borrower hereby agrees that it will incorporate or cause to be incorporated into any contract for construction work, or modification thereof, as defined in Executive Order 11246 of September 24, 1965, or in the rules and regulations of the Secretary of Labor, which is paid for in whole or in part with funds obtained from the Government or the Bank or borrowed on the credit of the Government or the Bank pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any Federal program involving such grant, contract, loan, insurance or guarantee, the following equal opportunity clause:

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

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Contractor will 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 nondiscrimination clause.

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(3) The Contractor will 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 workers' representative of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Contractor will 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.

(5) The Contractor will 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 will 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, regulations and orders.

(6) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part, and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Contractor will include the portion of the sentence immediately preceding paragraph (1) and the provisions of paragraphs (1) through (7) 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 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will 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 noncompliance. 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 administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

The Borrower further agrees that it will be bound by the above equal opportunity clause with respect to its own employment practices when it participates in federally assisted construction work: Provided, that if the Borrower so participating is a State or local government, the above equal opportunity clause is not applicable to any agency, instrumentality or subdivision of such government which does not participate in work on or under the contract.

The Borrower agrees that it will assist and cooperate actively with the administering agency 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 will furnish the administering agency and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it will otherwise assist the administering agency in the discharge of the administering agency's primary responsibility for securing compliance.

The Borrower further agrees that it will refrain from entering into any contract or contract modification subject to Executive Order 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Executive Order 11246, of September 24, 1965, and will carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by the administering agency or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246, of September 24, 1965.

In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings, the administering agency may take any or all of the following actions: cancel, terminate or suspend

in whole or in part this contract; refrain from extending any further assistance to the Borrower under the program with respect to which the failure or refusal occurred until satisfactory assurance of further compliance has been received from such Borrower; and refer the case to the Department of Justice for appropriate legal proceedings.

SEC. 4.11. Evidence of Feasibility. The Borrower shall, whenever requested so to do by the Administrator, submit evidence satisfactory to the Administrator of the economic and engineering feasibility of each portion of the System designated by the Administrator.

SEC. 4.12. Proof of Title. No funds shall be advanced on account of the Loan to finance the acquisition of any real property by the Borrower, or any construction thereon, until the Borrower shall have submitted evidence satisfactory to the Administrator that it has acquired or will acquire good and marketable title to such real property.

SEC. 4.13. Commencement of Operation. The Borrower shall not operate any portion of the Project until the Borrower shall have furnished evidence that (a) such portion of the Project has been properly constructed and is ready to be operated, (b) there are sufficient subscribers ready to take service to permit the economical operation of such portion of the Project, and (c) the Borrower has complied with the provisions of the Mortgage concerning insurance in respect of such portion of the Project.

SEC. 4.14. Operating and Maintenance Procedures. The Borrower shall, subject to applicable laws and rules, regulations and orders of regulatory bodies, operate and maintain the System in accordance with standards of operation and maintenance generally accepted for corporations of the size and character of the Borrower.

SEC. 4.15. Compliance with Environmental Requirements. The Borrower shall, with respect to all facilities which may be part of the System, comply with all applicable water and air pollution control standards and other environmental requirements imposed by Federal or state statutes, regulations, licenses or permits.

SEC. 4.16. Historic Preservation. The Borrower shall not use any portion of the RUS Loan or the Bank Loan without the prior written approval of the Administrator or the Governor, as the case may be, for any project, activity or program that can result in changes in the character or use of any prehistoric or historic district, site, building, structure or object included in, or eligible for inclusion in, the National Register of

Historic Places maintained by the Secretary of the Interior pursuant to the National Historic Preservation Act, as amended.

SEC. 4.17. Historic Landmarks. The Borrower shall not use any portion of the RUS Loan or the Bank Loan, without the prior written approval of the Administrator or the Governor, as the case may be, for any project, activity or program that may directly and adversely affect any property that the Secretary of the Interior has designated a National Historic Landmark pursuant to the National Historic Preservation Act, as amended.

SEC. 4.18. Electronic Funds Transfer. Except as otherwise prescribed by the Administrator and the Governor, the Borrower shall make all payments on all notes issued by the Borrower pursuant to this agreement and any subsequent amendment, utilizing electronic funds transfer procedures as specified by the Administrator and the Governor for payments to the Government or to the Bank, respectively.

SEC. 4.19. Uniform Relocation and Acquisition Act. The Borrower hereby covenants that it shall, in acquiring real property, comply with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the "Uniform Act"), as amended by the Uniform Relocation Act Amendments of 1987, and 49 C.F.R. Part 24, referenced by 7 C.F.R. Part 21, to the extent the Uniform Act is applicable to such acquisition.

SEC. 4.20. Flood Insurance. The Borrower shall not, without the prior written approval of the Administrator or the Governor, respectively, use any portion of the RUS Loan or the Bank Loan, as the case may be, to finance, in whole or in part, the acquisition, construction, repair or improvement of any building or any machinery, equipment, fixtures or furnishings contained or to be contained therein in any area identified by the Director of the Federal Emergency Management Agency (the "Director of FEMA") pursuant to the Flood Disaster Protection Act of 1973, as amended (the "Flood Insurance Act") as an area having special flood hazards unless and until the Borrower has submitted evidence satisfactory to the Administrator, or the Administrator has otherwise determined: (i) the Director of FEMA has made flood insurance available, pursuant to the Flood Insurance Act, in the area in which the acquisition, construction, repair or improvement is proposed to occur; and (ii) the Borrower has obtained flood insurance coverage with respect to such building, machinery, equipment, fixtures or furnishings as may then be required pursuant to the Flood Insurance Act.

SEC. 4.21. Nonduplication of Facilities. If the Borrower 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 the Loan 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 the Administrator, on the basis of evidence submitted to him 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.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. Events of Default. The happening of any of the following events (hereinafter called "events of default") shall constitute a default by the Borrower hereunder:

(a) any failure to perform, or any violation of, any term, covenant, promise, condition, or agreement on the part of the Borrower to be performed hereunder at the time and in the manner herein provided;

(b) any breach of any warranty or any material or substantial inaccuracy in any representation on the part of the Borrower; or

(c) any event of default which is specified in the Mortgage or any supplemental mortgage.

SEC. 5.2. Remedies Upon Default. Upon the happening of any event of default, as specified in section 5.1 hereof, the Government or the Bank or the holder or holders of any one or more of the Notes, as their respective interests may appear, may exercise any one or more of the following rights, privileges, powers, and remedies, to the extent that the exercise thereof is not prohibited by law:

(a) refuse to make any advance or any further advances on account of the Loan, but any advance thereafter made by the Government or the Bank shall not constitute a waiver of such default;

(b) declare all unpaid principal of and all interest accrued on any or all of the Notes held by such holder or holders (which may include the Government or the Bank) to be due and payable immediately and upon such declaration all such principal and interest shall become due and payable

immediately, anything herein or in any other agreement to which the Borrower shall be a party, or in the Notes or in the Mortgage or any supplemental mortgage to the contrary notwithstanding.

SEC. 5.3. Remedies Cumulative. Every right, privilege, power or remedy herein or in the Notes or in the Mortgage or in any supplemental mortgage conferred upon or reserved to the Government or the Bank or any holder or holders of the Notes shall be cumulative and shall be in addition to every other right, privilege, power, and remedy now or hereafter existing at law or in equity or by statute. The pursuit of any right, privilege, power, or remedy shall not be construed as an election.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1. Members of Congress. No Member of or Delegate to the Congress of the United States shall be admitted to any share or part of this agreement or to any benefit to arise therefrom other than the receiving of telephone service through the System on the same terms accorded others served through the System.

SEC. 6.2. Receipt of Certain Criminal Sections of U.S. Code. The Borrower and each of the officers signing this agreement respectively acknowledge that they are familiar with the provisions of sections 201, 286, 287, 641, 666, 1001, 1361 and 1366 of Title 18, United States Code, Crimes and Criminal Procedure.

SEC. 6.3. Relations of Administrator and Governor.

(a) Insofar as required by the Act, the Administrator shall act in his capacity as Governor in the exercise of his authority and the performance of his obligations under this agreement and any amendment thereto.

(b) Upon payment by the Borrower of all amounts due on account of the RUS Notes and all amounts due the Government pursuant to the terms hereof, and to the terms of the Mortgage and any supplemental mortgage executed by the Borrower, all of the rights, powers, obligations and functions of the Administrator hereunder shall pass to and be vested in the Governor.

SEC. 6.4. Definitions. Whenever the following terms are used in this agreement, unless the context indicates another

or different meaning or intent, they shall be construed to have meanings as follows:

(a) "Administrator" means the Administrator of the Rural Utilities Service or his duly authorized representative or any other person or authority in whom may be vested the duties and functions relating to loans for telephone service in rural areas made pursuant to the Act which the Administrator is now or may hereafter be authorized by law to perform.

(b) "Governor" means the Governor of the Rural Telephone Bank provided for in Title IV of the Rural Electrification Act of 1936, as amended, or his duly authorized representative, or any other person or authority in whom may be vested the duties and functions relating to loans for telephone service made pursuant to said Title IV which the Governor is now or may hereafter be authorized to perform.

(c) "plans and specifications" means the plans and specifications for the Project originally approved by the Administrator and shall include such changes and modifications thereof as may from time to time be agreed upon by the Borrower and the Government and the Bank;

(d) "note" includes "bond"; and

(e) "construction" includes "acquisition", and the word "construct" includes the word "acquire".

SEC. 6.5. Approvals in Writing. No counsel, engineer, manager or other person, or instruments, or act of the Borrower, who or which shall be subject to the approval of the Administrator, shall be deemed to be approved unless and until the Administrator shall have given such approval in writing.

SEC. 6.6. Waiver. The Administrator, in his absolute discretion and upon such terms and conditions as he may determine, may waive the performance or doing of any one or more of the acts to be performed or things to be done by the Borrower, and any provision hereof may be modified or amended by mutual consent of the Borrower and the Administrator. The Borrower shall not claim any modification, amendment, rescission, release, or annulment of any part hereof except pursuant to a written instrument subscribed by the Administrator. The approval by or on behalf of the Administrator of any advance of funds on account of the Loan shall constitute a finding of sufficient performance by the Borrower of all acts prerequisite to such advance, or a waiver thereof; provided, however, that any such waiver shall be effective only with reference to such advance and shall not

preclude the Administrator from requiring full performance of the acts so waived as a prerequisite to any subsequent advance.

SEC. 6.7. Non-Assignability. The Borrower shall not assign this agreement or any part hereof or any moneys due or to become due hereunder.

SEC. 6.8. Descriptive Headings; Separability. The descriptive headings of the various articles and sections hereof were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. The invalidity of any one or more phrases, clauses, sentences, paragraphs, or provisions of this agreement shall not affect any remaining portion or portions hereof.

SEC. 6.9. Notices. All demands, notices, approvals, designations, or directions permitted or required to be made upon or given to the Borrower hereunder shall be mailed to the Borrower at 555 Carter Street, Stella, Missouri 64867 or such other address as the Borrower shall designate in writing to the Administrator. All notices, designations, or communications permitted or required to be given or sent to the Government, the Bank or the Administrator hereunder shall be mailed to the Administrator at Washington, D.C. 20250-1500, or such other address as the Administrator shall designate in writing to the Borrower.

SEC. 6.10. Duration of Agreement. Except where otherwise required by the context, all provisions of this agreement shall continue in full force and effect until all amounts owing by the Borrower to the Government and the Bank on account of the Loan shall have been paid, and upon such payment this agreement shall be deemed to have been fully performed.

SEC. 6.11. Nature of Obligations. The obligations of the Government and the Bank under this agreement, and any amendment thereto, shall be several and not joint.

SEC. 6.12. Counterparts. This agreement may be simultaneously executed and delivered in two or more counterparts, each of which so executed and delivered shall be deemed to be an original, and all shall constitute but one and the same instrument.

IN WITNESS WHEREOF the Borrower and the Bank have caused this agreement to be signed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their officers thereunto duly authorized, and the Government has caused this agreement to be duly executed all as the day and year first above written.

LE-RU TELEPHONE COMPANY

by 

President

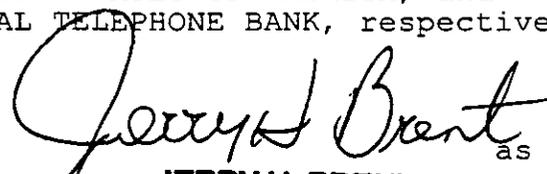
(Seal)

Attest:

Secretary

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by

 as

JERRY H. BRENT

Director, Northwest Area
telecommunications Program

of the

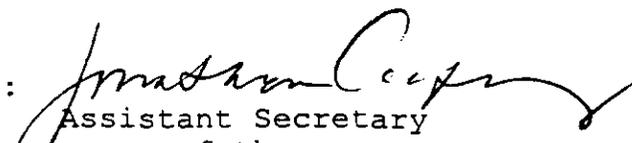
Rural Utilities Service

and for the

Rural Telephone Bank

(Seal)

Attest:


Assistant Secretary
of the
Rural Telephone Bank

APPENDIX 3

PROJECT DESIGNATION:

MISSOURI 592-G13 STELLA

MORTGAGE NOTE

made by

LE-RU TELEPHONE COMPANY

to

UNITED STATES OF AMERICA

E

Generated: October 13, 1999

MORTGAGE NOTE

Stella, Missouri
November 1, 1999

Article I: Special Provisions - RUS Variable Rate Note

1. Amount

LE-RU TELEPHONE COMPANY (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Missouri, for value received, promises to pay to the order of the UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, at the United States Treasury, Washington, D.C., at the times and in the manner hereinafter provided, such sums as may be advanced from time to time, not to exceed five million seven hundred forty-seven thousand dollars (\$5,747,000), with interest payable from the date of each advance ("Advance") on the unpaid principal balance, pursuant to a certain loan contract, dated as of September 17, 1999, among the Corporation, the Government and the Rural Telephone Bank (hereinafter called the "Bank"), as the same may be amended from time to time (said loan contract, as it may be so amended, being hereinafter called the "Loan Contract"), and remaining unpaid from time to time.

2. Payment on Advances made within two (2) years

Interest on each Advance made pursuant to the Loan Contract and remaining unpaid shall be payable on the last day of each month (the "Monthly Payment Date"), of each year for a period ending on a date two (2) years after the date hereof. Thereafter, to and including a date twenty-one (21) years after the date hereof (the "Maturity Date"), the Corporation shall make a payment every Monthly Payment Date on each such Advance (substantially equal to every other monthly payment on such Advance, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date.

3. Payment on Advances made after two (2) years

Interest and principal payments on Advances made pursuant to the Loan Contract more than two (2) years after the date hereof shall be repaid in installments beginning with the Monthly Payment Date of the month following the month of each Advance and ending on the Maturity Date. The first payment on an Advance made more than two (2) years after the date of this Note shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the Advance. Thereafter, to and including the Maturity Date, the Corporation shall make a payment every Monthly Payment Date on

each such Advance (a) substantially equal to every other monthly payment on such Advance, and (b) 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 payments on the Advances made and unpaid two (2) years after the date hereof.

4. Prepayment

The Corporation on any Monthly Payment Date, as hereinabove provided, may pay all or any part of an Advance remaining unpaid, but so long as any of the principal of such Advance shall remain unpaid, the Corporation shall be obligated to make the monthly payment on account of principal and interest, in the amount first determined pursuant to this Note, unless the Corporation and the holder of this Note shall otherwise agree.

5. Interest Rate

Each Advance hereunder shall bear interest at a rate (the "Cost of Money Interest Rate") determined for that Advance in accordance with Section 305(d)(2)(A) of the Rural Electrification Act of 1936, as amended (7 U.S.C. §935(d)(2)(A)) and the implementing regulations (7 CFR §1735.31(c)), as amended from time to time, provided, however, that the Cost of Money Interest Rate may exceed seven (7) per cent per year (P.L. 104-180, 110 Stat. 1587).

Article II: Standard Provisions

1. Application of Payments

Each payment made on this Note shall be applied first to the payment of interest on principal and then on account of principal. Any principal hereof advanced pursuant to the Loan Contract remaining unpaid, and interest thereon, shall become due and payable on the Maturity Date.

2. Security

This Note has been executed and delivered pursuant to and is secured by a certain mortgage, dated as of November 1, 1999, made by and among the Corporation, the Government and the Bank, as the same may have been amended or supplemented by any supplemental mortgage or supplemental mortgages (said mortgage and any such supplemental mortgage or supplemental mortgages being hereinafter collectively called the "Mortgage"), and is one of several notes (hereinafter called the "notes") permitted to be executed and delivered by the Corporation pursuant to the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature

and extent of the security and the rights of the holders of notes with respect thereto.

3. Default

In case of default by the Corporation, as provided in the Mortgage, all principal advanced pursuant to the Loan Contract and remaining unpaid, on this Note and any other notes at the time outstanding, and all interest thereon, may be declared or may become due and payable in the manner and with the effect provided in the Mortgage.

4. Noteholder

This Note evidences indebtedness created by a loan made under the Rural Electrification Act of 1936, as amended.

If the Government shall at any time assign this Note and insure the payment hereof, the Corporation 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.

5. Additional Notes

If the Government, at any time prior to the advance of the entire principal amount hereof on account of this Note, shall make a written endorsement hereon stating the amount advanced on account of the principal hereof, and shall notify the Corporation, in writing, of such endorsement, then the principal amount of this Note shall be deemed to be and shall become reduced to the amount specified in such endorsement, and the Corporation shall then execute and deliver to the Government one or more additional notes, in an amount or amounts designated by the Government which in the aggregate shall be equal to the then unadvanced portion of the original principal amount of this Note, such additional notes to be dated currently when executed, to be in the same form, and to bear the same interest rate, as this Note. The Corporation, upon the request therefor in writing by the Government, shall execute and deliver to the Government two or more notes, in substitution for this Note, in the same form and bearing the same interest rate and date (except that any such substitute note which will evidence only an unadvanced portion of this Note may, at the discretion of the Government, be dated currently when executed), in an aggregate principal amount which shall be equal to the principal amount of this Note, but in such individual principal amounts as the Government shall request; provided that (i) all payments which shall have been made on account of the principal of and interest on this Note shall be credited on account of such substitute notes and (ii) the Government shall

return this Note to the Corporation upon receipt of such substitute notes.

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

LE-RU TELEPHONE COMPANY

by



President

(SEAL)

Attest:

Secretary

APPENDIX 4

PROJECT DESIGNATION:

MISSOURI 592-G13 STELLA

MORTGAGE NOTE

made by

LE-RU TELEPHONE COMPANY

to

RURAL TELEPHONE BANK

Identified as form of document presented
to and approved by the Board of Directors
Trustees of the above named Corporation at
a meeting held _____, 19

Secretary of Meeting

Generated: October 13, 1999

A

MORTGAGE NOTE

Stella, Missouri
November 1, 1999

Article I: Special Provisions - Bank Note

1. Amount

LE-RU TELEPHONE COMPANY (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Missouri, for value received, promises to pay to the order of RURAL TELEPHONE BANK (the "Bank"), at Washington, D.C., at the times and in the manner hereinafter provided, such sums as may be advanced from time to time, not to exceed three million seventeen thousand seven hundred dollars (\$3,017,700), with interest payable from the date of each advance ("Advance") on the unpaid principal balance, pursuant to a certain loan contract, dated as of September 17, 1999, among the Corporation, the United States of America (hereinafter called the "Government") and the Bank, as the same may be amended from time to time (said loan contract, as it may be so amended, being hereafter called the "Loan Contract"), and remaining unpaid from time to time.

2. Payment on Advances made within two (2) years

Interest on each Advance made pursuant to the Loan Contract and remaining unpaid shall be payable on the last day of each month (the "Monthly Payment Date"), for a period ending on a date two (2) years after the date hereof. Thereafter, to and including a date twenty-one (21) years after the date hereof (the "Maturity Date"), the Corporation shall make a payment every Monthly Payment Date on each such Advance (substantially equal to every other monthly payment on such Advance while it is subject to the same rate of interest, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date.

3. Payment on Advances made after two (2) years

Interest and principal payments on Advances made pursuant to the Loan Contract more than two (2) years after the date hereof shall be repaid in installments beginning with the Monthly Payment Date of the month following the month of each Advance and ending on the Maturity Date. The first payment on an Advance made more than two years after the date of this Note shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the Advance. Thereafter, to and including the Maturity Date, the Corporation shall make a payment every Monthly Payment Date on each such Advance (a) substantially equal to every other monthly payment on

such Advance while it is subject to the same rate of interest, and (b) 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 payments on the Advances made and unpaid two (2) years after the date hereof.

4. Prepayment

The Corporation on any Monthly Payment Date, as hereinabove provided, may pay all or any part of an Advance remaining unpaid, but so long as any of the principal of such Advance shall remain unpaid, the Corporation shall be obligated to make the monthly payment on account of principal and interest, in the amount first determined pursuant to this Note, unless the Corporation and the holder of this Note shall otherwise agree.

5. Interest Rate

Each Advance hereunder shall bear interest at the various rates determined for that Advance in accordance with Section 408(b)(3) of the Rural Electrification Act of 1936, as amended (7 U.S.C. §984(b)(3)) and the implementing regulations, as amended from time to time.

6. Determination of payment if interest rate changes

Whenever, under the terms of this Note, a payment consists of principal and interest equal to every other payment on such Advance, the payment shall be determined as if the interest rate then in effect would continue to apply to such Advance until the Maturity Date; provided, however, that if the interest rate applying to such Advance is changed pursuant to Article I, Section 5 hereof, then the payments of principal and interest on such Advance, beginning with the payment due on the next Monthly Payment Date after such change, shall be redetermined using the new interest rate.

Article II: Standard Provisions

1. Application of Payments

Each payment made on this Note shall be applied first to the payment of interest on principal and then on account of principal. Any principal hereof advanced pursuant to the Loan Contract remaining unpaid, and interest thereon, shall become due and payable on the Maturity Date.

2. Security

This Note has been executed and delivered pursuant to and is secured by a certain mortgage, dated as of November 1, 1999, made by and among the Corporation, the Government and the Bank, as the same may have been amended or supplemented by any supplemental mortgage or supplemental mortgages (said mortgage and any such supplemental mortgage or supplemental mortgages being hereinafter collectively called the "Mortgage"), and is one of several notes (hereinafter called the "notes") permitted to be secured by the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security and the rights of the holders of notes with respect thereto.

3. Default

In case of default by the Corporation, as provided in the Mortgage, all principal advanced pursuant to the Loan Contract and remaining unpaid, on this Note and any other notes at the time outstanding, and all interest thereon, may be declared or may become due and payable in the manner and with the effect provided in the Mortgage.

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

LE-RU TELEPHONE COMPANY

by

President

(SEAL)

Attest:

Secretary

APPENDIX 5

FOR FFB USE ONLY:

Note Identifier: _____

Purchase Date: _____

FOR RUS USE ONLY:

RUS Note Number: _____

Last Day for an Advance (¶3) June 30, 2019

Maximum Principal Amount (¶4) \$400,000

Final Maturity Date (¶5) December 31, 2020

First Principal Payment Date (¶8) December 31, 2001

Security Instrument (¶24) Supplemental Mortgage, Security Agreement and Financing Statement, dated as of November 1, 1999, made by and among Le-Ru Telephone Company, the United States of America and the Rural Telephone Bank.
(Missouri 592-G13 Stella)

Note Date November 1, 1999

Place of Issue Stella, Missouri

FUTURE ADVANCE PROMISSORY NOTE

1. Promise to Pay.

FOR VALUE RECEIVED, LE-RU TELEPHONE COMPANY

(the "Borrower," which term includes any successors or assigns) promises to pay the **FEDERAL FINANCING BANK** ("FFB," which term includes any successors or assigns) at the times, in the manner, and with interest at the rates to be established as hereinafter provided, such amounts as may be advanced from time to time by FFB to the Borrower under this Note (each such amount being an "Advance", and more than one such amount being "Advances").

Identified as form of document presented to and approved by the Board of Directors Trustees of the above named Corporation at a meeting held _____, 19

B

Secretary of Meeting

2. Reference to Note Purchase Commitment and Servicing Agreement; RUS as Successor to REA.

This Note is entitled to the benefits of, and is subject to the requirements of, the Note Purchase Commitment and Servicing Agreement dated as of January 1, 1992, between FFB and the Administrator of the Rural Electrification Administration ("REA"), as amended (such agreement, as it has heretofore been, and as it may hereafter be, amended, supplemented, or restated from time to time in accordance with its terms, being the "Agreement"). The Administrator of the Rural Utilities Service ("RUS") is the successor to the Administrator of REA pursuant to Public Law No. 103-354, 108 Stat. 3209 (1994), and Secretary of Agriculture Memorandum 1010-1 dated October 20, 1994.

3. Advances; Advance Requests; RUS Approval Requirement; Last Day for an Advance.

(a) FFB shall make Advances to the Borrower from time to time under this Note, in each case upon the written request by the Borrower for an Advance under this Note, in the form of request attached to this Note as Annex A (each such request being an "Advance Request"), making reference to the particular "Note Identifier" (as that term is defined in the Agreement) that FFB assigns to this Note (as provided in the Agreement) and specifying:

(1) the particular amount of funds that the Borrower requests to be advanced (such amount being the "Requested Advance Amount" for the respective Advance);

(2) the particular calendar date that the Borrower requests to be the date on which the respective Advance is to be made (such date being the "Requested Advance Date" for such Advance), which date must be a Business Day;

(3) the particular bank account to which the Borrower requests that the respective Advance be made;

(4) the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature (such date being the "Maturity Date" for such Advance), which date must meet the criteria for Maturity Dates prescribed in paragraph 5 of this Note;

(5) with respect to each Advance for which the Borrower selects a Maturity Date that will occur on or after the particular date specified on page 1 of this Note as being the "First Principal Payment Date," the particular method for the repayment of principal that the Borrower selects for the respective Advance from among the options described in subparagraph (b) of paragraph 8 of this Note; and

(6) with respect to each Advance for which the Borrower selects a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date specified in the respective Advance Request, the particular prepayment/refinancing privilege that the Borrower elects for such Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note.

(b) To be effective, an Advance Request must first be delivered to RUS for approval and be approved by RUS in writing, and such Advance Request, together with written notification of RUS's approval thereof, must be received by FFB on or before the third Business Day before the Requested Advance Date specified in such Advance Request.

(c) FFB shall make each requested Advance on the Requested Advance Date specified in the respective Advance Request, subject to the provisions of the Agreement describing certain circumstances under which a requested Advance shall be made on a later date; provided, however, that no Advance shall be made under this Note after the particular date specified on page 1 of this Note as being the "Last Day for an Advance."

(d) FFB shall make each requested Advance by electronic funds transfer to the particular bank account specified in the respective Advance Request.

(e) The Borrower hereby agrees that each Advance made by FFB in accordance with an RUS-approved Advance Request delivered to FFB shall reduce, by the amount of the respective Advance made, FFB's remaining commitment to make Advances under this Note.

4. Principal Amount of Advances; Maximum Principal Amount.

The principal amount of each Advance shall be the Requested Advance Amount specified in the respective Advance Request; provided, however, that the aggregate principal amount of all Advances made under this Note shall not exceed the particular amount specified on page 1 of this Note as being the "Maximum Principal Amount."

5. Maturity Dates for Advances.

Each Advance shall mature on the Maturity Date specified in the respective Advance Request, provided that such Maturity Date meets the following criteria:

(a) the Maturity Date for the respective Advance must be a "Payment Date" (as that term is defined in paragraph 7 of this Note);

(b) the Maturity Date for the respective Advance may not be a date that will occur after the particular date specified on page 1 of this Note as being the "Final Maturity Date" (such date being the "Final Maturity Date"); and

(c) the period of time between the Requested Advance Date for the respective Advance and the Maturity Date for such Advance may not be less than one complete calendar quarter.

6. Computation of Interest on Advances.

(a) Subject to paragraphs 11 and 17 of this Note, interest on the outstanding principal of each Advance shall accrue from the date on which the respective Advance is made to the date on which such principal is due.

(b) Interest on each Advance shall be computed on the basis of (1) actual days elapsed from (but not including) the date on which the respective Advance is made (for the first payment of interest due under this Note for such Advance) or the date on which the payment of interest was last due (for all other payments of interest due under this Note for such Advance), to (and including) the date on which the payment of interest is next due; and (2) a year of 365 days (except in calendar years including February 29, when the basis shall be a 366-day year).

(c) The basic interest rate for each Advance shall be established by FFB, as of the date on which the respective Advance is made, on the basis of the determination made by the Secretary of the Treasury pursuant to section 6(b) of the Federal Financing Bank Act of 1973, as amended (codified at 12 U.S.C. § 2281 et seq.) (the "FFB Act"); provided, however, that the shortest maturity used as the basis for any rate determination shall be the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

(d) In the event that (1) the Borrower has selected for any Advance a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date for such Advance, and (2) the Borrower has elected for such Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such Advance shall also include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower selected, which price shall be established by FFB on the basis of a determination made by FFB as to the difference between (A) the estimated market yield of a notional obligation if such obligation were to (i) be issued by the Secretary of the Treasury, (ii) have a maturity comparable to the maturity of such

Advance, and (iii) include prepayment and refinancing privileges identical to the particular prepayment/refinancing privilege that the Borrower elected for such Advance, and (B) the estimated market yield of a notional obligation if such obligation were to (i) be issued by the Secretary of the Treasury, (ii) have a maturity comparable to the maturity of such Advance, but (iii) not include such prepayment and refinancing privileges.

7. Payment of Interest; Payment Dates.

Interest accrued on the outstanding principal amount of each Advance shall be due and payable quarterly on the last day of each calendar quarter (each such day being a "Payment Date"), beginning (except as provided below) on the first Payment Date to occur after the date on which the respective Advance is made, up through and including the Maturity Date of such Advance; provided, however, that with respect to each Advance that is made in the last month of any calendar quarter, payments of accrued interest on the outstanding principal amount of the respective Advance shall be due beginning on the second Payment Date to occur after the date on which such Advance is made.

8. Repayment of Principal; Principal Repayment Options.

(a) The principal amount of each Advance shall be payable in quarterly installments, which installments shall be due beginning on the particular date specified on page 1 of this Note as being the "First Principal Payment Date" (such date being the "First Principal Payment Date"), and shall be due on each Payment Date to occur thereafter until the principal amount of the respective Advance is repaid in full on or before the Final Maturity Date; provided, however, that with respect to each Advance that is made after the First Principal Payment Date, principal installments shall be due beginning on the second Payment Date to occur after the date on which the respective Advance is made; and provided, further, however, that for so long as the Borrower has not selected a method for the repayment of principal for any of the Advances made under this Note from among the options described in subparagraph (b) of this paragraph 8, the First Principal Payment Date of this Note may be deferred by the mutual agreement of the Borrower, RUS, and FFB, provided that a written amendment to this Note reciting the new and later First Principal Payment Date shall have been executed by the Borrower, approved by RUS, and received by FFB on or before the third Business Day before the First Principal Payment Date that is in effect immediately before such deferral.

(b) At the time that the Borrower first selects for any Advance a Maturity Date that will occur on or after the First Principal Payment Date, the Borrower must also select, subject to RUS approval, a method for the repayment of principal of such

Advance (each such Advance being an "Amortizing Advance") from among the following options:

(1) "equal principal installments" -- the amount of each quarterly principal installment shall be substantially equal to the amount of every other quarterly principal installment and shall be sufficient, when added to all other such quarterly installments of equal principal, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date);

(2) "graduated principal installments" -- the amount of each of the first one-third (or nearest number of payments that rounds to one-third) of the total number of quarterly principal installments shall be substantially equal to one-half of the amount of each of the remaining quarterly principal installments, and shall be sufficient, when added to all other such quarterly installments of graduated principal, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date); or

(3) "level debt service" -- the amount of each quarterly payment consisting of a principal installment and accrued interest shall be substantially equal to the amount of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such level quarterly payments consisting of a principal installment and accrued interest, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date).

(c) For each Amortizing Advance, the amount of principal that shall be due and payable on each of the dates specified in subparagraph (a) of this paragraph 8 shall be the amount of the principal installment due under a principal repayment schedule for the respective Amortizing Advance that is computed in accordance with the principles of the particular method for the repayment of principal that is selected by the Borrower for such Amortizing Advance from among the options described in subparagraph (b) of this paragraph 8. Except at the times described in the immediately following sentence, the method for the repayment of principal that is selected by the Borrower for any Amortizing Advance, and the resulting principal repayment

schedule that is so computed for such Amortizing Advance, may not be changed. Notwithstanding the foregoing, with respect to each Amortizing Advance for which the Borrower has selected a Maturity Date that will occur before the Final Maturity Date, the Borrower may change the particular method for the repayment of principal that was selected by the Borrower for the respective Amortizing Advance from either the "equal principal installments" method or the "graduated principal installments" method to the "level debt service" method at the time (if ever) that the Borrower elects to extend the maturity of such Amortizing Advance (as provided in paragraph 15 of this Note), effective as of the effective date of such maturity extension, or at the time (if ever) that the Borrower elects to refinance the outstanding principal amount of such Amortizing Advance (as provided in paragraph 18 of this Note), effective as of the effective date of such refinancing, and the principal repayment schedule for such Amortizing Advance shall thereupon be newly computed in accordance with the "level debt service" method for the repayment of principal. After the Borrower has selected the Final Maturity Date as the Maturity Date for any Amortizing Advance, the Borrower may so change the particular method for the repayment of principal of any Amortizing Advance, and the principal repayment schedule for such Amortizing Advance shall be so newly computed, only at the time (if ever) that the Borrower elects to refinance the outstanding principal amount of such Amortizing Advance (as provided in paragraph 18 of this Note), effective as of the effective date of such refinancing.

(d) With respect to each Advance that has a Maturity Date that will occur before the Final Maturity Date, the entire unpaid principal amount of the respective Advance shall be payable on such Maturity Date, subject to extensions of the maturity of such Advance (as provided in paragraph 15 of this Note).

(e) Notwithstanding which of the methods for the repayment of principal described in subparagraph (b) of this paragraph 8 is selected by the Borrower for any Amortizing Advance, the aggregate of all quarterly payments of principal and interest on such Amortizing Advance shall be such as will repay the entire principal amount of such Amortizing Advance, and pay all interest accrued thereon, on or before the Final Maturity Date.

9. Fee.

A fee to cover expenses and contingencies, assessed by FFB pursuant to section 6(c) of the FFB Act, shall accrue on the outstanding principal amount of each Advance from the date on which the respective Advance is made to the date on which the principal amount of such Advance is due. The fee on each Advance shall be equal to one-eighth of one percent (0.125%) per annum of the unpaid principal balance of such Advance. The fee on each Advance shall be computed in the same manner as accrued interest

is computed under paragraph 6(b) of this Note, and shall be due and payable at the same times as accrued interest is due and payable under paragraph 7 of this Note (adjusted as provided in paragraph 10 of this Note if a Payment Date is not a Business Day). The fee on each Advance shall be credited to RUS as required by section 505(c) of the Federal Credit Reform Act of 1990, as amended (codified at 2 U.S.C. § 661d(c)).

10. Business Days.

(a) Whenever any Payment Date, the Maturity Date for any Advance, or the Final Maturity Date shall fall on a day on which either FFB or the Federal Reserve Bank of New York is not open for business, the payment that would otherwise be due on such Payment Date, Maturity Date, or Final Payment Date, as the case may be, shall be due on the first day thereafter on which FFB and the Federal Reserve Bank of New York are both open for business (any such day being a "Business Day").

(b) In the event that any Payment Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Payment Date shall be (1) taken into account in establishing the interest rate for the respective Advance, (2) included in computing interest due in connection with such payment, and (3) excluded in computing interest due in connection with the next payment.

(c) In the event that the Maturity Date for any Advance or the Final Maturity Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Maturity Date or the Final Maturity, as the case may be, shall be (1) taken into account in establishing the interest rate for such Advance, and (2) included in computing interest due in connection with such payment.

11. Late Payments.

(a) In the event that any payment of any amount owing under this Note is not made when and as due (any such amount being then an "Overdue Amount"), then the amount payable shall be such Overdue Amount plus interest thereon (such interest being the "Late Charge") computed in accordance with this subparagraph (a).

(1) The Late Charge shall accrue from the scheduled date of payment for the Overdue Amount (taking into account paragraph 10 of this Note) to the date on which payment is made.

(2) The Late Charge shall be computed on the basis of (A) actual days elapsed from (but not including) the scheduled date of payment for such Overdue Amount (taking into account paragraph 10 of this Note) to (and including)

the date on which payment is made, and (B) a year of 365 days (except in calendar years including February 29, when the basis shall be a 366-day year).

(3) The Late Charge shall accrue at a rate (the "Late Charge Rate") equal to one and one-half times the rate to be determined by the Secretary of the Treasury taking into consideration the prevailing market yield on the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

(4) The initial Late Charge Rate shall be in effect until the earlier to occur of either (A) the date on which payment of the Overdue Amount and the amount of the accrued Late Charge is made, or (B) the first Payment Date to occur after the scheduled date of payment for such Overdue Amount. In the event that the Overdue Amount and the amount of the accrued Late Charge are not paid on or before the such Payment Date, then the amount payable shall be the sum of the Overdue Amount and the amount of the accrued Late Charge, plus a Late Charge on such sum accruing at a new Late Charge Rate to be then determined in accordance with the principles of clause (3) of this subparagraph (a). For so long as any Overdue Amount remains unpaid, the Late Charge Rate shall be redetermined in accordance with the principles of clause (3) of this subparagraph (a) on each Payment Date to occur thereafter, and shall be applied to the Overdue Amount and all amounts of the accrued Late Charge to the date on which payment of the Overdue Amount and all amounts of the accrued Late Charge is made.

(b) Nothing in subparagraph (a) of this paragraph 11 shall be construed as permitting or implying that the Borrower may, without the written consent of FFB, modify, extend, alter or affect in any manner whatsoever (except as explicitly provided herein) the right of FFB to receive any and all payments on account of this Note on the dates specified in this Note.

12. Final Due Date.

Notwithstanding anything in this Note to the contrary, all amounts outstanding under this Note remaining unpaid as of the Final Maturity Date shall be due and payable on the Final Maturity Date.

13. Manner of Making Payments.

(a) For so long as FFB is the holder of this Note and RUS is the loan servicing agent for FFB (as provided in the Agreement), each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account

specified from time to time by RUS, as loan servicing agent for FFB, in a written notice delivered by RUS to the Borrower.

(b) In the event that FFB is the holder of this Note but RUS is not the loan servicing agent for FFB, then each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account specified from time to time by FFB in a written notice delivered by FFB to the Borrower.

(c) In the event that FFB is not the holder of this Note, then each payment under this Note shall be made in the manner and to the account specified from time to time by the holder in a written notice delivered by the holder to the Borrower.

14. Application of Payments.

Each payment made on this Note shall be applied, first, to the payment of Late Charges (if any) payable under paragraphs 11 and 19 of this Note, then to the payment of premiums (if any) payable under paragraphs 17 and 18 of this Note, then to the payment of unpaid accrued interest, then on account of outstanding principal, and then to the payment of the fee payable under paragraph 9 of this Note.

15. Maturity Extensions.

(a) With respect to each Advance for which the Borrower has selected a Maturity Date that will occur before the Final Maturity Date (each such Maturity Date being an "Interim Maturity Date"), the Borrower may, effective as of such Interim Maturity Date, elect to extend the maturity of all or any portion of the outstanding principal amount of the respective Advance (subject to subparagraph (c) of this paragraph 15) to a new Maturity Date to be selected by the Borrower in the manner and subject to the limitations specified in this subparagraph (a) (each such election being a "Maturity Extension Election"; each such elective extension of the maturity of any Advance that has an Interim Maturity Date being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such elective Maturity Extension being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) Except under the circumstances described in clause (3) of this subparagraph (a), the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Maturity Extension Election, in the form of notification attached to this Note as Annex B-1 (each such notification being a "Maturity Extension Election Notice"), making reference to the "Advance Identifier" (as that term is defined in the Agreement) that FFB assigned to such

Advance (as provided in the Agreement) and specifying, among other things, the following:

(A) the amount of the outstanding principal of the such Advance with respect to which the Borrower elects to extend the maturity (subject to subparagraph (c) of this paragraph 15); and

(B) the new Maturity Date that the Borrower selects to be in effect for such principal amount after the respective Maturity Extension Effective Date, which date:

(i) may be either a new Interim Maturity Date or the Final Maturity Date; and

(ii) in the event that the Borrower selects a new Interim Maturity Date as the new Maturity Date for any Advance, must meet the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that, for purposes of selecting a new Maturity Date in connection with a Maturity Extension Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date").

(2) To be effective, a Maturity Extension Election Notice must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension.

(3) In the event that either of the circumstances described in subclause (A) or (B) of the next sentence occurs, then a Maturity Extension Election Notice (in the form of notice attached to this Note as Annex B-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Maturity Extension Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension. RUS approval of a Maturity Extension Election Notice will be required under either of the following circumstances:

(A) (i) any payment of any amount owing under this Note is not made by the Borrower when and as due,
(ii) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and

(iii) RUS delivers notice to both the Borrower and FFB advising each of them that each Maturity Extension Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS; or

(B) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Maturity Extension Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS.

(b) With respect to any Advance that has an Interim Maturity Date, in the event that FFB does not receive a Maturity Extension Election Notice (and, if required under clause (3) of subparagraph (a) of this paragraph 15, written notification of RUS's approval thereof) on or before the third Business Day before such Interim Maturity Date, then the maturity of such Advance shall be extended automatically in the manner and subject to the limitations specified in this subparagraph (b) (each such automatic extension of the maturity of any Advance that has an Interim Maturity Date also being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such automatic Maturity Extension also being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) The new Maturity Date for such Advance shall be the immediately following quarterly Payment Date.

(2) If the Interim Maturity Date that is in effect for such Advance immediately before such automatic Maturity Extension is:

(A) a Payment Date that occurs before the First Principal Payment Date (i.e., such Advance is not an Amortizing Advance), then the amount of principal that will have its maturity extended automatically shall be the entire outstanding principal amount of such Advance;

(B) the Payment Date that immediately precedes the First Principal Payment Date, then the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the "level debt service" method; and

(C) either the First Principal Payment Date or a Payment Date that occurs after the First Principal Payment Date (i.e., such Advance is an Amortizing Advance), then:

(i) the amount of principal that will have its maturity extended automatically shall be the outstanding principal amount of such Advance less the principal installment that is due on the respective Maturity Extension Effective Date (as provided in subparagraph (c) of this paragraph 15; and

(ii) the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the same method that applied to such Advance immediately before such Maturity Extension Effective Date.

(c) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the principal installment that is due on the respective Maturity Extension Effective Date, in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date, shall nevertheless be due and payable on such Maturity Extension Effective Date notwithstanding such Maturity Extension.

(d) In the event that the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the basic interest rate for such Advance, from and after the respective Maturity Extension Effective Date, shall be the particular rate that is established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(e) In the event that (1) the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, and (2) the Maturity Date for such extended Advance is a date that will occur before the fifth anniversary of the respective Maturity Extension Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(f) In the event that (1) the Borrower makes a Maturity Extension Election with respect to any Advance that has an Interim Maturity Date, and (2) the Borrower selects as the Maturity Date for such extended Advance a new Maturity Date that will occur on or after the fifth anniversary of the respective Maturity Extension Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such extended Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the

references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date"). The Maturity Extension Election Notice delivered by the Borrower in connection with each such Maturity Extension Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective extended Advance. In the event that the Borrower elects for any such extended Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such extended Advance, from and after the respective Maturity Extension Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower elects, which price shall be established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(g) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the outstanding principal amount of such Amortizing Advance, after the respective Maturity Extension Effective Date, shall be due and payable in accordance with this subparagraph (g).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Maturity Extension Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Maturity Extension Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that is in effect for such Amortizing Advance from and after such Maturity Extension Effective Date) shall be substantially equal to the amount of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued

interest, to repay the outstanding principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected an Interim Maturity Date for such Amortizing Advance).

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Maturity Extension Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the new Maturity Date for such extended Amortizing Advance, on which date the entire unpaid principal amount of such extended Amortizing Advance shall also be payable, subject to further Maturity Extensions if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such extended Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(h) The maturity of each Advance may be extended more than once as provided in this paragraph 15, but upon the occurrence of the Final Maturity Date, no further Maturity Extensions may occur.

16. Prepayment/Refinancing Privileges.

(a) The prepayment/refinancing privilege described in subparagraph (b) of this paragraph 16 shall apply automatically to each Advance that has a Maturity Date that will occur before the fifth anniversary of the Requested Advance Date specified in the respective Advance Request. With respect to each Advance for which the Borrower has selected a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date specified in the respective Advance Request, the Borrower must elect, at the time of requesting the respective Advance, the particular prepayment/refinancing privilege that is to apply to such Advance from between the options described in subparagraphs (b) and (c) of this paragraph 16.

(b) "Market Value Premium (or Discount)" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a premium (or discount credit) equal to the difference between:

(1) the price for such Advance that would, if such Advance (including all unpaid interest accrued thereon through the date of prepayment or refinancing, as the case may be) were purchased by a third party and held to the Maturity Date of such Advance, produce a yield to the third-party purchaser for the period from the date of purchase to the Maturity Date of such Advance substantially equal to the interest rate that would be set on a loan from the Secretary of the Treasury to FFB to purchase an obligation having a payment schedule identical to the payment schedule of such Advance for the period from the date of prepayment or refinancing, as the case may be, to the Maturity Date of such Advance; and

(2) the sum of:

(A) the outstanding principal amount of such Advance on the date of prepayment or refinancing, as the case may be (after taking into account the payment of the principal installment (if any) that is due on date of prepayment or refinancing, as the case may be, in accordance with the principal repayment schedule that applied to such Advance immediately before such prepayment or refinancing); and

(B) all unpaid interest accrued on such Advance through the date of prepayment or refinancing, as the case may be,

(the difference between the price described in clause (1) of this subparagraph (b) and the sum of the amounts described in clause (2) of this subparagraph (b) being the "Market Value Premium (or Discount)"). The price described in clause (1) of this subparagraph (b) shall be calculated by the Secretary of the Treasury as of the close of business on the second Business Day before the date of prepayment or refinancing, as the case may be, using standard calculation methods of the United States Department of the Treasury.

(c) "Fixed Premium" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a fixed premium determined by the Borrower having made, at the time of requesting such Advance, both the election and selection described in this subparagraph (c).

(1) "No-Call Period Option Election" -- First, the Borrower must elect whether or not the fixed premium prepayment/refinancing privilege that is to apply to the respective Advance shall include a 5-year period during

which such Advance shall not be eligible for any prepayment or refinancing (such time period being a "No-Call Period"). The options are:

(A) "yes" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) on or after (but not before):

(i) the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is a Payment Date); or

(ii) the first Payment Date to occur after the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is not a Payment Date),

(in either case, such date being the "First Call Date" for such Advance); or

(B) "no" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege not include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) without a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing.

(2) "Premium Option Selection" -- Second the Borrower must select the particular fixed premium that will be required in connection with any prepayment or refinancing of the respective Advance. The options are:

(A) "10 percent premium declining over 10 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 10 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or the Payment Date immediately preceding the date of prepayment (if the date

of prepayment is not a Payment Date), and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 40,

and no premium (x) on or after the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period), or (y) on the Maturity Date (if the Borrower selected a Maturity Date that will occur before the tenth anniversary of the First Call Date or the tenth anniversary of the Requested Advance Date, as the case may be);

(B) "5 percent premium declining over 5 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 5 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or the Payment Date immediately preceding the date of prepayment (if the date

of prepayment is not a Payment Date), and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 20,

and no premium on or after the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period); or

(C) "par" -- the price for any prepayment or refinancing of the respective Advance shall include no premium.

17. Prepayments.

(a) The Borrower may elect to prepay all or any portion of the outstanding principal amount of any Advance made under this Note, or to prepay this Note in its entirety, in the manner, at the price, and subject to the limitations specified in this paragraph 17 (each such election being a "Prepayment Election").

(b) For each Prepayment Election in which the Borrower elects to prepay a particular amount of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-1 (each such notification being a "Prepayment Election Notice"), making

reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the amount of principal of the respective Advance that the Borrower intends to prepay, which amount may be either:

(A) the total outstanding principal amount of such Advance; or

(B) an amount less than the total outstanding principal amount of such Advance (subject to subparagraph (g) of this paragraph 17) (any such amount being a "Portion").

(c) For each Prepayment Election in which the Borrower elects to have a particular amount of funds applied by FFB toward the prepayment of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-2 (each such notification also being a "Prepayment Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of such Advance.

(d) To be effective, a Prepayment Election Notice must be approved by RUS in writing, and such Prepayment Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Prepayment Date for the respective Advance or Portion.

(e) The Borrower shall pay to FFB a price for the prepayment of any Advance, any Portion of any Advance, or this Note in its entirety (such price being the "Prepayment Price" for such Advance or Portion or this Note, as the case may be) determined as follows:

(1) in the event that the Borrower elects to prepay the entire outstanding principal amount of any Advance, then the Borrower shall pay to FFB a Prepayment Price for such Advance equal to the sum of:

(A) the entire outstanding principal amount of such Advance on the Intended Prepayment Date;

(B) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Prepayment Date; and

(C) the amount of the premium or discount credit (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance;

(2) in the event that the Borrower elects to prepay a Portion of any Advance, then the Borrower shall pay to FFB a Prepayment Price for such Portion that would equal such Portion's pro rata share of the Prepayment Price that would be required for a prepayment of the entire outstanding principal amount of such Advance (determined in accordance with the principles of clause (1) of this subparagraph (e)); and

(3) in the event that the Borrower elects to prepay this Note in its entirety, then the Borrower shall pay to FFB an amount equal to the sum of the Prepayment Prices for all outstanding Advances (determined in accordance with the principles of clause (1) of this subparagraph (e)).

(f) Payment of the Prepayment Price for any Advance, any Portion of any Advance, or this Note in its entirety shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended

Prepayment Date for such Advance or Portion of this Note, as the case may be.

(g) Each prepayment of a Portion shall, as to the principal amount of such Portion, be subject to a minimum amount equal to \$100,000.00 of principal.

(h) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the Prepayment Price paid for such Portion shall be applied as provided in paragraph 14 of this Note and, with respect to application to outstanding principal, such Prepayment Price shall be applied to principal installments in the inverse order of maturity.

(i) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after such partial prepayment, shall be due and payable in accordance with this subparagraph (i).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after such partial prepayment shall be equal to the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such partial prepayment.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the quarterly payments consisting of a principal installment and accrued interest that will be due after such partial prepayment shall be equal to the amount of the level debt service payments that were due in accordance with the level debt service payment schedule that applied to such Amortizing Advance immediately before such partial prepayment, and such payments shall be allocated by FFB between principal and accrued interest, as appropriate.

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after such partial prepayment, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the Maturity Date for such

Amortizing Advance, on which date the entire unpaid principal amount of such Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(j) The Borrower may make more than one Prepayment Election with respect to an Advance, each such Prepayment Election being made with respect to a different Portion of such Advance, until such time as the entire principal amount of such Advance is repaid in full.

18. Refinancings.

(a) The Borrower may elect to refinance the outstanding principal amount of any Advance (but not any Portion) in the manner, at the price, and subject to the limitations specified in this paragraph 18 (each such election being a "Refinancing Election").

(b) Except under the circumstances described in subparagraph (d) of this paragraph 18, the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Refinancing Election, in the form of notification attached to this Note as Annex D-1 (each such notification being a "Refinancing Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to refinance the respective Advance (such date being the "Intended Refinancing Date" for the respective Advance), which date:

(A) must be a Payment Date; and

(B) for any Advance for which the Borrower has selected a prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date;

(2) the amount of the outstanding principal of the respective Advance that the Borrower elects to refinance (subject to the clause (1) of subparagraph (e) of this paragraph 18); and

(3) the Maturity Date that the Borrower selects to be in effect for such principal amount after such refinancing, which date may be:

(A) the Maturity Date that is in effect for such Advance immediately before such refinancing; or

(B) a new Maturity Date that the Borrower selects in connection with such Refinancing Election, provided that such new Maturity Date meets the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that for purposes of selecting a new Maturity Date in connection with a Refinancing Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date").

(c) To be effective, a Refinancing Election Notice must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Refinancing Date.

(d) In the event that either of the circumstances described in clause (1) or (2) of the next sentence shall have occurred, then a Refinancing Election Notice (in the form of notice attached to this Note as Annex D-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Refinancing Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein to be the Intended Refinancing Date. RUS approval of a Refinancing Election Notice will be required under either of the following circumstances:

(1) (A) payment of any amount owing under this Note is not made by the Borrower when and as due, (B) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and (C) RUS delivers notice to both the Borrower and FFB advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS; or

(2) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS.

(e) The Borrower shall pay to FFB a price for the refinancing of any Advance (such price being the "Refinancing Price" for such Advance) equal to the sum of:

(1) the principal installment (if any) that is due on the particular Payment Date that the Borrower specified to be the Intended Refinancing Date, in accordance with the principal repayment schedule that applied to such Advance immediately before such refinancing;

(2) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Refinancing Date; and

(3) the amount of the premium (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance.

In the event that (A) the prepayment/refinancing privilege that applies to the particular Advance being refinanced is the privilege described in subparagraph (b) of paragraph 16 of this Note, and (B) the Market Value Premium (or Discount) that is to be included in the Refinancing Price for such Advance is a discount on such Advance, then such discount shall be applied by FFB in the manner requested by the Borrower in a written notice delivered by the Borrower to FFB and approved by RUS in writing.

(f) Payment of the Refinancing Price for any Advance shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended Refinancing Date for such Advance.

(g) In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB on or before the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on such Intended Refinancing Date (in such event, the Intended Refinancing Date being the "Refinancing Effective Date"). In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB after the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on the fifth Business Day to occur after the day on which such Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB (in such event, the fifth Business Day to occur after the day on which such Refinancing Election Approval Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB being the "Refinancing Effective Date"), provided that the Borrower shall have paid to FFB, in addition to the Refinancing Price required under subparagraph (e) of this paragraph 18, the interest accrued from the Intended Refinancing Date through such Refinancing Effective Date.

(h) In the event that the Borrower makes a Refinancing Election with respect to any Advance, the basic interest rate for such Advance, from and after the respective Refinancing Effective Date, shall be the particular rate that is established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(i) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur before the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur before the fifth anniversary of the respective Refinancing Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(j) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur on or after the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur on or after the fifth anniversary of the respective Refinancing Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such refinanced Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date"). The Refinancing Election Notice delivered by the Borrower in connection with each such Refinancing Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective refinanced Advance. In the event that the Borrower elects for any such refinanced Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such refinanced Advance, from and after the respective Refinancing Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower elects, which increment shall be established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(k) In the event that the Borrower makes a Refinancing Election with respect to any Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after

the respective Refinancing Effective Date, shall be due and payable in accordance with this subparagraph (k).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Refinancing Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before the respective Refinancing Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Refinancing Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that applies to such Amortizing Advance from and after such Refinancing Effective Date) shall be substantially equal to the amount of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued interest, to repay the outstanding principal amount of such refinanced Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such refinanced Amortizing Advance that will occur before the Final Maturity Date).

(3) The quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Refinancing Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of (A) the new Maturity Date that the Borrower selected for such refinanced Amortizing Advance, on which date the entire unpaid principal amount of such refinanced Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such refinanced Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(l) The Borrower may make more than one Refinancing Election with respect to any Advance.

19. Rescission of Prepayment Elections and Refinancing Elections; Late Charges for Late Payments.

(a) The Borrower may rescind any Prepayment Election made in accordance with paragraph 17 of this Note or any Refinancing Election made in accordance with paragraph 18 of this Note, but only in accordance with this paragraph 19.

(b) The Borrower shall deliver to both FFB and RUS written notification of each rescission of a Prepayment Election or a Refinancing Election (each such notification being an "Election Rescission Notice") specifying the particular Advance for which the Borrower wishes to rescind such Prepayment Election or Refinancing Election, as the case may be, which specification must make reference to both:

(1) the particular Advance Identifier that FFB assigned to such Advance (as provided in the Agreement); and

(2) the RUS account number for such Advance.

The Election Rescission Notice may be delivered by facsimile transmission to FFB at (202) 622-0707 and to RUS at (202) 720-1401, or at such other facsimile number or numbers as either FFB or RUS may from time to time communicate to the Borrower.

(c) To be effective, an Election Rescission Notice must be received by both FFB and RUS not later than 3:30 p.m. (Washington, D.C., time) on the second Business Day before the Intended Prepayment Date or the Intended Refinancing Date, as the case may be.

(d) In the event that the Borrower (1) makes a Prepayment Election in accordance with paragraph 17 of this Note or a Refinancing Election in accordance with paragraph 18 of this Note, (2) does not rescind such Prepayment Election or Refinancing Election, as the case may be, in accordance with this paragraph 19, and (3) does not, before 3:00 p.m. (Washington, D.C., time) on the Intended Prepayment Date or Intended Refinancing Date, as the case may be, pay to FFB the Prepayment Price described in subparagraph (e) of paragraph 17 of this Note or Refinancing Price described in subparagraph (e) of paragraph 18 of this Note, as the case may be, then a Late Charge shall accrue on any such unpaid amount from the Intended Prepayment Date or Intended Refinancing Date, as the case may be, to the date on which payment is made, computed in accordance with the principles of paragraph 11 of this Note.

20. Amendments to Note.

To the extent not inconsistent with applicable law, this Note, for so long as FFB or its agent is the holder thereof, shall be subject to modification by such amendments, extensions, and renewals as may be agreed upon from time to time by FFB and the Borrower, with the approval of RUS.

21. Certain Waivers.

The Borrower hereby waives any requirement for presentment, protest, or other demand or notice with respect to this Note.

22. Note Effective Until Paid.

This Note shall continue in full force and effect until all principal outstanding hereunder, all interest accrued hereunder, all premiums (if any) payable under paragraphs 17 and 18 of this Note, all Late Charges (if any) payable under paragraphs 11 and 19 of this Note, and all fees (if any) payable under paragraph 9 of this Note have been paid in full.

23. RUS Guarantee of Note.

Upon execution of the guarantee set forth at the end of this Note (the "Guarantee"), the payment by the Borrower of all amounts due and payable under this Note, when and as due, shall be guaranteed by the United States of America, acting through RUS, pursuant to the Rural Electrification Act of 1936, as amended (codified at 7 U.S.C. § 901 et seq.). In consideration of the Guarantee, the Borrower promises to RUS to make all payments due under this Note when and as due.

24. Security Instrument; RUS as "Holder" of Note for Purposes of the Security Instrument.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the particular security instrument or instruments specified on page 1 of this Note (such security instrument or instruments, as it or they may have heretofore been, and as it or they may hereafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its or their terms, being, collectively, the "Security Instrument"), whereby the Borrower pledged and granted a security interest in certain property of the Borrower, described therein, to secure the payment of and performance of certain obligations owed to REA, predecessor to RUS, or to RUS, as the case may be, as set forth in the Security Instrument. For purposes of the Security Instrument, RUS shall be considered to be, and shall have the rights, powers, privileges, and remedies of, the holder of this Note.

25. Guarantee Payments; Reimbursement.

If RUS makes any payment, pursuant to the Guarantee, of any amount due and payable under this Note, when and as due, each and every such payment so made shall be deemed to be a payment hereunder; provided, however, that no payment by RUS pursuant to the Guarantee shall be considered a payment for purposes of determining the existence of a failure by the Borrower to perform its obligation to RUS to make all payments under this Note when and as due. RUS shall have any rights by way of subrogation, agreement or otherwise which arise as a result of such payment pursuant to the Guarantee and as provided in the reimbursement note executed and delivered by the Borrower to the United States of America, acting through RUS, to evidence the Borrower's obligation to reimburse RUS for payment made by RUS pursuant to the Guarantee.

26. Default and Enforcement.

In case of a default by the Borrower under this Note or a the occurrence of an event of default under the Security Instrument, then, in consideration of the obligation of RUS under the Guarantee, in that event, to make payments to FFB as provided in this Note, RUS, in its own name, shall have all rights, powers, privileges, and remedies of the holder of this Note, in accordance with the terms of this Note and the Security Instrument, including, without limitation, the right to enforce or collect all or any part of the obligation of the Borrower under this Note or arising as a result of the Guarantee, to file proofs of claim or any other document in any bankruptcy, insolvency, or other judicial proceeding, and to vote such proofs of claim.

27. Acceleration.

The entire unpaid principal amount of this Note, and all interest thereon, may be declared, and upon such declaration shall become, due and payable to RUS, under the circumstances described, and in the manner and with the effect provided, in the Security Instrument.

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

LE-RU TELEPHONE COMPANY

(name of Borrower)

BY:

Signature:

Ruth E McClary

Print Name:

Title:

President

ATTEST:

Signature:

Print Name:

Title:

Secretary

(SEAL)

RUS GUARANTEE

The United States of America, acting through the Administrator of the Rural Utilities Service ("RUS"), successor to the Administrator of the Rural Electrification Administration ("REA"), hereby guarantees to the Federal Financing Bank, its successors and assigns ("FFB"), all payments of principal, interest, premium (if any), and late charges (if any), when and as due in accordance with the terms of the note dated November 1, 1999, made by LE-RU TELEPHONE COMPANY

(the "Borrower") payable to FFB, to which this Guarantee is attached (such note being the "Note"), with interest on the principal until paid, irrespective of (i) acceleration of such payments under the terms of the Note, or (ii) receipt by RUS of any sums or property from its enforcement of its remedies for the Borrower's default.

This Guarantee is issued pursuant to section 306 of the Rural Electrification Act of 1936, as amended (7 U.S.C. § 936), section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. § 2285), and the Note Purchase Commitment and Servicing Agreement dated as of January 1, 1992, between FFB and REA, as amended by certain amendments thereto including, without limitation, the Fourth Amendment dated as of December 5, 1994, between FFB and RUS.

UNITED STATES OF AMERICA

By: _____

Name: _____

Title: Administrator of the Rural Utilities Service, successor to the Administrator of the Rural Electrification Administration

Date: _____

APPENDIX 6

RUS PROJECT DESIGNATION:

MISSOURI 592-G13 STELLA

SUPPLEMENTAL MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

made by and among

LE-RU TELEPHONE COMPANY
555 Carter Street
Stella, Missouri 64867,

as mortgagor and debtor,

and

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

as mortgagee and secured party,

and

RURAL TELEPHONE BANK
Rural Telephone Bank
c/o Rural Utilities Service
Washington, D.C. 20250-1500,

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, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.

THIS INSTRUMENT SECURES FUTURE ADVANCES MADE BY THE MORTGAGEE(S) TO THE MORTGAGOR AND FUTURE OBLIGATIONS OF THE MORTGAGOR TO THE MORTGAGEE(S).

THIS INSTRUMENT SECURES OBLIGATIONS UP TO AND INCLUDING \$25,000,000.00.

No. C

Generated: October 13, 1999

SUPPLEMENTAL MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT dated as of November 1, 1999, made by and among LE-RU TELEPHONE COMPANY (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Missouri, as mortgagor and debtor, and UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, successor to the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the United States of America, as mortgagees and secured parties (the Government and the Bank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and, for the purposes of the RUS Mortgage, as amended, as hereinafter defined, the terms "REA" and "Administrator" will be deemed to mean respectively "RUS" and "Administrator of the RUS"; and

WHEREAS, the Mortgagor has heretofore borrowed funds from the Government, or from a third party lender whose loans are guaranteed by the Government, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq., hereinafter called the "Act"), and pursuant to a loan contract or amending loan contract and any amendments thereto prior to the date of the Amending Telephone Loan Contract identified in the twelfth recital hereof (hereinafter called the "Instruments Recital"), by and between the Mortgagor, the Government and the Bank (said Amending Telephone Loan Contract, as the same may be amended from time to time, and together with the Contract of Guarantee (as hereinafter defined), being hereinafter called the "Consolidated Loan Agreement") and has duly authorized and executed, and delivered to the Government, certain mortgage notes all payable to the order of, or obligating the Mortgagor otherwise to the Government, in installments, of which mortgage notes (hereinafter called the "Outstanding RUS Notes") identified in the Instruments Recital are now outstanding and held by the Government; and

WHEREAS, the Outstanding RUS Notes are secured by the security instrument (hereinafter called the "RUS Mortgage") made by the Mortgagor to the Government identified in the Instruments Recital; and

WHEREAS, the Mortgagor and the Government desire to add the Bank as a secured party under the RUS Mortgage and further desire to amend, supplement and consolidate the RUS Mortgage (the RUS Mortgage, as amended, supplemented and consolidated hereby being hereinafter called "this Mortgage"); and

WHEREAS, the Mortgagor has determined at this time to borrow funds from the Federal Financing Bank (hereinafter called "FFB") and has accordingly duly authorized, executed and delivered its mortgage note (identified in the Instruments Recital and hereinafter called the "Concurrent FFB Note") to be secured by this Mortgage of the property hereinafter described pursuant to the Act and the Consolidated Loan Agreement, and has accordingly duly authorized, executed and delivered its mortgage note payable to FFB, identified in the Instruments Recital and hereinafter called the "Current FFB Note", to be secured by this Mortgage of the property hereinafter described; and

WHEREAS, the repayment of the Concurrent FFB Note by the Mortgagor is guaranteed by the Government, pursuant to the Act, in accordance with an agreement by and between FFB and the Administrator (such agreement, as it may be amended from time to time, being hereinafter called "Contract of Guarantee"); and

WHEREAS, the Mortgagor has determined to reimburse the Government, acting through the Administrator, for certain amounts paid by the Government, acting through the Administrator, from time to time pursuant to the Contract of Guarantee and has accordingly duly authorized, executed and delivered its mortgage note (identified in the Instruments Recital and hereinafter called the "Concurrent Reimbursement Note") to be secured by this Mortgage of the property hereinafter described; and

WHEREAS, the Mortgagor has determined at this time to borrow funds from the Bank pursuant to the Act and the Amending Telephone Loan Contract, and has accordingly duly authorized and executed, and delivered to the Bank, its mortgage note (identified in the Instruments Recital and hereinafter called the "Concurrent Bank Note") to be secured by this Mortgage of the property hereinafter described; and

WHEREAS, it is contemplated that the Concurrent Bank Note shall be secured hereby, as well as additional notes and refunding, renewal and substitute notes (hereinafter collectively called the "Additional Bank Notes") which may from time to time be executed and delivered by the Mortgagor to the Bank as hereinafter provided, shall be secured hereby (the Concurrent Bank Note and any Additional Bank Notes being hereinafter collectively called the "Bank Notes"); and

WHEREAS, the Mortgagor has determined at this time to borrow additional funds from the Government pursuant to the Act

and the Amending Telephone Loan Contract, and has accordingly duly authorized and executed, and delivered to the Government, its mortgage note (identified in the Instruments Recital and hereinafter called the "Concurrent RUS Note") to be secured by this Mortgage of the property hereinafter described; and

WHEREAS, it is contemplated that the Outstanding RUS Notes, the Concurrent RUS Note, the Concurrent FFB Note and the Concurrent Reimbursement Note shall be secured hereby, as well as additional notes and refunding, renewal and substitute notes (hereinafter collectively called the "Additional RUS Notes" and, together with the Additional Bank Notes, the "Additional Notes") which may from time to time be executed and delivered by the Mortgagor to the Government as hereinafter provided, shall be secured hereby (the Outstanding RUS Notes, the Concurrent FFB Note, the Concurrent Reimbursement Note, the Concurrent RUS Note and any Additional RUS Notes being hereinafter collectively called the "RUS Notes", and the RUS Notes and the Bank Notes, collectively, being hereinafter called the "notes"); and

WHEREAS, the instruments referred to in the preceding recitals are as follows:

INSTRUMENTS RECITAL

"Amending Telephone Loan Contract" dated as of September 17, 1999.

"Contract of Guarantee", Note Purchase Commitment and Servicing Agreement, between the Federal Financing Bank and the Administrator of RUS dated as of January 1, 1992, as amended.

"Outstanding RUS Notes":

Seven (7) certain mortgage notes payable to the order of the Government, in an aggregate principal amount of \$4,865,000.00, all of which will finally mature on or before March 15, 2023.

"Concurrent FFB Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment</u>
\$400,000	(per annum)	Date
	Determined	December 31, 2020
	by Advance	

"Concurrent Reimbursement Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Final Payment Date</u>
Determined when advance made	On demand

"Concurrent RUS Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> <u>(per annum)</u>	<u>Final Payment</u> <u>Date</u>
\$5,747,000	Determined by Advance	November 1, 2020

"Concurrent Bank Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> <u>(per annum)</u>	<u>Final Payment</u> <u>Date</u>
\$3,017,700	Determined by Advance	November 1, 2020

"RUS Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated Mortgage, Security Agreement and Financing Statement	June 4, 1993

WHEREAS, under the provisions of the Act and other applicable law, the Administrator is authorized to amend, supplement and consolidate the RUS Mortgage as herein provided; and

WHEREAS, the changes in the RUS Mortgage which the parties thereto and hereto desire now to effect make advisable the consolidating and restating of each of the instruments constituting the RUS Mortgage in its entirety;

WHEREAS, the Government and the Bank are authorized to enter into this Mortgage; and

WHEREAS, the Mortgagor now owns a telephone system and other facilities identified in the Property Schedule contained in the Granting Clause hereof (hereinafter called the "Existing Facilities"); and

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

NOW, THEREFORE, this Mortgage

WITNESSETH:

That each of the instruments constituting the RUS Mortgage is hereby amended, supplemented and consolidated to read in its entirety from and after the date of execution of this Mortgage, as follows:

GRANTING CLAUSE

In order to secure the payment of the principal of and interest on the notes, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in this Mortgage and the Consolidated Loan Agreement and to declare the terms and conditions upon which the notes are to be secured, the Mortgagor, in consideration of the premises, has executed and delivered this Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged, and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees, and their respective assigns, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the Existing Facilities and buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties real, personal and mixed, tangible or intangible, of every kind or description, now owned or leased by the Mortgagor or which may hereafter be owned or leased, constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all buildings, plants, works, structures, improvements, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches including, without limitation, host switches 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 and equipment, work 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 property described in the following property schedule:

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the Counties of McDonald and Newton in the State of Missouri.

(b) The property referred to in the last line of paragraph 1 of the Granting Clause includes the real estate described on Exhibit A attached hereto, 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 Exhibit A 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 Exhibit A as though fully set forth at length therein.

(d) The real estate described in Exhibit A shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on such real estate, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in any wise appertaining.

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 telephone properties, facilities, systems or businesses, whether underground or overhead or otherwise, wherever located;

III

All right, title and interest of the Mortgagor in, to and under any and all licenses, franchises, ordinances, privileges and permits heretofore granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or by any state, or by any 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 telephone 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 any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation relating to the Mortgaged Property together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code), and all stock, bonds, notes, debentures, commercial paper, subordinated capital certificates, securities, obligations of or beneficial interests or investments in any corporation, association, partnership, joint venture, trust, United States of America or any agency or department thereof, or any other entity of any kind, heretofore or hereafter acquired by the Mortgagor;

V

Also, all right, title and interest of the Mortgagor in and to all other property, real or personal, tangible or intangible, of every kind, nature and description, and wheresoever situated, now owned or leased or hereafter acquired 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, 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 hereinafter provided in section 12(b) of article II hereof, 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 and singular the Mortgaged Property unto the Mortgagees and their respective assigns forever, to secure equally and ratably the payment of the principal of and interest on the notes, according to their tenor and effect, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any note over any other note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of the covenants, agreements and provisions herein and in the Consolidated Loan Agreement contained, and for the uses and purposes and upon the

terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE I

ADDITIONAL NOTES

SECTION 1. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act, and (2) execute and deliver to the Bank one or more Additional Bank Notes to evidence loans made by the Bank to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Bank created by a loan or loans theretofore made by the Bank to such third party or parties pursuant to the Act. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any note or notes at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding note or notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the outstanding principal balances owing on the notes shall not at any one time exceed twenty-five million dollars (\$25,000,000), and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. As used in this Mortgage, the term "directors" includes trustees.

SECTION 2. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time execute, acknowledge, deliver, record and file mortgages supplemental to this Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this

Mortgage as security for the notes. Nothing herein contained shall require the execution and delivery by the Mortgagor of a supplemental mortgage in connection with the issuance hereunder or the securing hereby of notes except as hereinafter provided in section 12 of article II hereof.

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants with the Mortgagees and the holders of notes secured hereby (hereinafter sometimes collectively called the "noteholders") and each of them as follows:

SECTION 1. The Mortgagor is duly authorized under its articles of incorporation and bylaws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Outstanding RUS Notes, the Concurrent RUS Note, the Concurrent Bank Note, the Concurrent FFB Note, the Concurrent Reimbursement Note and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Outstanding RUS Notes, the Concurrent RUS Note, the Concurrent Bank Note, the Concurrent FFB Note, the Concurrent Reimbursement Note and this Mortgage has been duly and effectively taken; and the Outstanding RUS Notes, the Concurrent RUS Note, the Concurrent Bank Note, the Concurrent FFB Note, the Concurrent Reimbursement Note and this 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. The Mortgagor warrants that it has good right and lawful authority to mortgage the property described in the granting clauses of this Mortgage for the purposes herein expressed, and that the said property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto, except (i) the lien of this Mortgage and taxes or assessments not yet due; (ii) deposits or pledges to secure payment of workmen's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business.

The Mortgagor will, so long as any of the notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and

will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge.

SECTION 3. The Mortgagor will duly and punctually pay the principal of and interest on the notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due hereunder.

SECTION 4. (a) The Mortgagor will at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the RUS Notes at the time outstanding (hereinafter called the "majority RUS noteholders") and of the holder or holders of not less than a majority in principal amount of the Bank Notes at the time outstanding (hereinafter called the "majority Bank noteholders"), take or suffer to be taken any steps to reorganize, or to consolidate with or merge into any other corporation, or to sell, lease or transfer (or make any agreement therefor) the Mortgaged Property, or any part thereof.

(b) Nothing herein contained shall prevent any such reorganization, consolidation or merger provided that the lien and security of this Mortgage and the rights or powers of the Mortgagees and the noteholders hereunder shall not thereby be impaired or adversely affected, and provided that upon such reorganization, consolidation or merger, the due and punctual payment of the principal of and interest on the notes according to their tenor and the due and punctual performance of all covenants and conditions of this Mortgage shall be assumed by the corporation formed by such reorganization, consolidation or merger, and the lien of this Mortgage shall remain a superior lien upon the property owned by the Mortgagor at the time of such reorganization, consolidation or merger and upon any improvements

or additions to such property, either prior to or subsequent to such reorganization, consolidation or merger.

(c) The Mortgagor may, however, without obtaining the approval of the holder or holders of any of the notes at the time outstanding, at any time or from time to time so long as the Mortgagor is not in default hereunder, 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 or damaged or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall: (1) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the RUS Notes and the Bank Notes in the proportions which the aggregate principal balances then owing on the RUS Notes and the aggregate principal balances then owing on the Bank Notes, respectively, bear to the aggregate principal balances then owing on the RUS Notes and the Bank 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; or (2) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the RUS Notes and the Bank Notes in the proportions and in the manner provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority RUS noteholders and the majority Bank noteholders shall specify in such restricted bank accounts as such holder or holders shall designate, and shall use the same only for such additions to or improvements of the Mortgaged Property and on such terms and conditions as such holder or holders shall specify.

SECTION 5. The Mortgagor will at all times maintain and preserve the Mortgaged Property in good repair, working order and condition, and will from time to time make all needful and proper repairs, renewals, and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times keep its plant and properties in continuous operation and use all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telephone service.

SECTION 6. Except as specifically authorized in writing in advance by the majority RUS noteholders and the majority Bank noteholders, 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 7. (a) The Mortgagor shall take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverage for utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice. Prudent Utility Practice shall mean any of the practices, methods, and acts which, in the exercise of reasonable judgement, in light of the facts, including but not limited to, the practices, methods, and acts engaged in or approved by a significant portion of the telecommunications industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method, or act to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety, and expedition.

(b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of suspension, cancellation, or termination.

(c) In the event of damage to or the destruction of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed, or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction, or loss and shall apply the proceeds of the insurance for that purpose. The Mortgagor shall replace the lost portion of such Mortgaged Property or shall commence such restoration promptly after such damage, destruction, or loss shall have occurred and shall complete such replacement or

restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance form all costs and expenses in connection therewith.

(d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagor or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be 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 such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

SECTION 8. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to 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 Mortgage, any noteholder or noteholders shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of twelve per centum (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 noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of

such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

SECTION 9. The Mortgagor will not, without the approval in writing of the majority RUS noteholders and the majority Bank noteholders: (a) enter into any contract or contracts for the operation or maintenance of all or any part of its property, for the use by others of any of the Mortgaged Property, or for toll traffic, operator assistance, extended scope or switching services to be furnished by or for connecting or other companies; provided, however, that such approval shall not be required for any toll traffic or operator assistance contract which in form and substance conforms with contracts in general use in the telephone industry; or (b) deposit any of its funds, regardless of the source thereof, in any bank, institution or other depository which is not insured by the Federal Government.

SECTION 10. Salaries, wages and other compensation paid by the Mortgagor for services, and directors' or trustees' fees, shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor. Except as specifically authorized in writing in advance by the majority RUS noteholders and the majority Bank noteholders, the Mortgagor will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members or affiliated companies, provided, however, the Mortgagor 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 of the Mortgagor that is used by such company 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 (defined in Exhibit One hereto) of the Mortgagor and (2) the Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One hereto). As used in this section, the term "affiliated companies" shall have the meaning prescribed for this term by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies.

SECTION 11. The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Mortgagor, in accordance with the methods and principles of accounting then prescribed by the state regulatory body having jurisdiction over the Mortgagor, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission in its uniform system of accounts for telecommunications companies, as those methods and

principles of accounting may be supplemented, from time to time, by RUS. The Mortgagor will prepare and furnish each noteholder not later than the thirtieth day of January in each year, or at such more or less frequent intervals when specified by the majority RUS noteholders and the majority Bank noteholders, financial and statistical reports on its condition and operations. Such reports shall be in such form and include such information as may be specified by the majority RUS noteholders and the majority Bank noteholders, including without limitation an analysis of the Mortgagor's revenues, expenses, and subscriber accounts. The Mortgagor will cause to be prepared and furnished to each noteholder at least once during each twelve (12)-month period during the term hereof, full and complete reports of its financial condition and cash flow as of a date (hereinafter called the Fiscal Date"), and a full and complete report of its operations of the twelve (12)-month period ended on the Fiscal Date, all in form and substance satisfactory to the majority RUS noteholders and the majority Bank noteholders, and will cause such reports to be furnished to each noteholder within 120 days of the Fiscal Date, such reports having been audited and certified by independent certified public accountants satisfactory to said noteholders and accompanied by such reports of such audit in form and substance satisfactory to said noteholders. The majority RUS noteholders and the majority Bank noteholders, through their representatives, shall at all times during reasonable business hours have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in possession of the Mortgagor and in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified public accountant in form and substance satisfactory to the majority RUS noteholders and the majority Bank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority RUS noteholders or the majority Bank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority RUS noteholders or the majority Bank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority RUS noteholders or the majority Bank noteholders to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest on the notes according to the terms thereof and for the purpose of fully conveying, transferring and confirming unto the Mortgagees the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it