

and to reflect the assignment of the rights or interests of either of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority RUS noteholders or the majority Bank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income or net margins, as determined in accordance with methods of accounting prescribed in section 11 of article II hereof, for any of the five fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times 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, mortgages, security agreements, financing statements, instruments and conveyances, 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 in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the majority RUS noteholders or the majority Bank noteholders, such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

SECTION 13. Any noteholder may, at any time or times in succession without notice to or the consent of the Mortgagor or any other noteholder and upon such terms as such noteholder may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of or interest on any note held by or indebtedness owed to such noteholder or who may be affected by the lien hereby created, an extension of the time for the payment of such principal or interest, and after any such extension the Mortgagor will remain liable for the payment of such note or indebtedness to the same

extent as though it had at the time of such extension consented thereto in writing.

SECTION 14. The Mortgagor, subject to applicable laws and rules, and regulations and orders of regulatory bodies, will charge for telephone service furnished by it rates which shall yield revenues at least sufficient to enable the Mortgagor to pay and discharge all taxes and expenses when due, and also to make any payment in respect of principal of and interest on the notes when and as the same shall become due.

SECTION 15. (a) The Mortgagor may make a distribution (hereinafter called a "distribution"), in the nature of an investment, guarantee, extension of credit, advance, loan, non-affiliated company joint venture, affiliated company investment, or dividend or capital credit distribution only if the majority RUS noteholders and the majority Bank noteholders have given prior written approval to the distribution or if, after such distribution,

- (1) the Mortgagor's net worth is equal to at least one percent of its total assets and the amount of all such distributions during the calendar year does not exceed twenty-five percent of the Mortgagor's net income or net margins for the prior calendar year;
- (2) the Mortgagor's net worth is equal to at least twenty percent of its total assets and the amount of all such distributions during the calendar year does not exceed fifty percent of the Mortgagor's earnings or margins for the prior calendar year;
- (3) the Mortgagor's net worth is equal to at least thirty percent of its total assets and the amount of all such distributions during the calendar year does not exceed seventy-five percent of its net income or net margins for the prior calendar year; or
- (4) the Mortgagor's net worth is equal to at least forty percent of its total assets, regardless of the aggregate amount of such distributions.

The terms "net worth", "total assets", and "net income or net margins" are determined in accordance with Exhibit One.

(b) In addition to the distributions authorized under the preceding subsection 15(a), the Mortgagor may make any distribution or investment provided in 7 CFR 1744 Subpart D.

SECTION 16. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the

extent that all noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes and to such installments thereof as may be designated by the respective noteholders at the time of any such payment, and fourth, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 17. The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the Consolidated Loan Agreement, on its part to be observed or performed.

SECTION 18. If all the RUS Notes have been paid and discharged while any of the Bank Notes are still outstanding, all rights and powers of the Government and the holders of the RUS Notes under this Mortgage shall immediately vest in the Bank and the holders of the Bank Notes, respectively, and, correspondingly, if all the Bank Notes have been paid and discharged while any of the RUS Notes are still outstanding, all rights and powers of the Bank and the holders of the Bank Notes under this Mortgage shall immediately vest in the Government and the holders of the RUS Notes, respectively. The Bank, the Government, the Mortgagor and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

SECTION 19. At all times when any note is held by the Government, or in the event the Government shall assign a note without having insured the payment of such note, this Mortgage shall secure payment of such note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any note may be sold to an insured purchaser, it shall continue to be considered a "note" as defined herein, but as to any such insured note the Government, and not such insured purchaser, shall be considered to be, and shall have the rights of, the noteholder for purposes of this Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured notes. As to any note which evidences a loan made by a third party lender to the Mortgagor and guaranteed by the Government, acting through the Administrator, pursuant to the Act, the Government and not such third party lender shall be considered to be, and shall have the rights of the noteholder for purposes of this Mortgage.

SECTION 20. (a) The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall

design its rates for telephone service and other services furnished by it with a view to paying and discharging all taxes, maintenance expenses and operating expenses of its telephone system, and also to making all payments in respect of principal of and interest on the notes when and as the same shall become due, to providing and maintaining reasonable working capital for the Mortgagor and to maintaining an Average TIER on all of its outstanding indebtedness to the Government, the Bank, and all other lenders of not less than 1.00 commencing with the date hereof and ending December 31, 2003 (hereinafter called the "Forecast Period"), and the TIER the Mortgagor is required to maintain after the Forecast Period shall be 1.5.

(b) For purposes of this section 20, Average TIER shall be determined as of January 1 of each year during which any obligation secured by this Mortgage remains unsatisfied and shall mean the average of the two highest TIER ratios achieved by the Mortgagor during each of the three calendar years last preceding the various dates of its determination.

(c) As used in this section 20, TIER means the Mortgagor's net income or net margins (determined in accordance with Exhibit One hereto) plus interest expense (determined in accordance with Exhibit One hereto) divided by interest expense.

SECTION 21. (a) Net worth, net income or net margins, interest expense, and total assets, as used in sections 10, 15 or 20 of article II of this Mortgage, are defined in Exhibit One hereto. Net Plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One hereto.

(b) Accounting terms used in this Mortgage shall also apply to accounts or groups of accounts of the Mortgagor, regardless of the account title or the system of accounts used, if such accounts have substantially the same meaning as those prescribed by the Federal Communications Commission in its prevailing uniform system of accounts for telecommunications companies (47 CFR Part 32).

SECTION 22. If the RUS Mortgage contains provisions requiring the Mortgagor to maintain a net plant to secured debt ratio or a funded reserve, then such provisions are incorporated in and made a part of this Mortgage as though fully set forth herein at this point.

SECTION 23. Exhibit One is attached hereto and by reference is made a part of this Mortgage.

ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

SECTION 1. If one or more of the following events (hereinafter called "events of default") shall happen, that is to say:

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made and such default shall continue for thirty (30) days;

(b) default shall be made in the due observance or performance of any other of the representations, warranties, covenants, conditions or agreements on the part of the Mortgagor in any of the notes or in this Mortgage or in the Consolidated Loan Agreement contained; and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any noteholder;

(c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within thirty (30) days after the institution thereof;

(d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within thirty (30) days after the entry thereof;

(e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits or licenses required to carry on any material portion of its business;

(f) a final judgment shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days;

then in each and every such case any noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other noteholders, declare all unpaid principal of and accrued

interest on any or all notes held by such noteholder to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable, immediately, anything contained herein or in any note or notes to be the contrary notwithstanding; provided, however, that if at any time after the unpaid principal of and accrued interest on any of the notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such note or notes shall be paid to the respective noteholders, and all other defaults hereunder and under the notes shall have been made good or secured to the satisfaction of all of the noteholders, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority in principal amount of the notes at the time outstanding (hereinafter called the "majority noteholders"), for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

(a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues and profits pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

(b) proceed to protect and enforce the rights of the Mortgagees and the rights of the noteholder or noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to

protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the noteholder or noteholders instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

(c) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county in which the property to be sold, or any part thereof is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county, or if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph 2(c) may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned, provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale shall be conducted, as the case may be, in accordance with the applicable provisions of law.

SECTION 3. If, within thirty (30) days after the majority noteholders shall have had knowledge of the happening of an event or events of default, the majority noteholders shall not have proceeded to exercise the rights and enforce each of the remedies herein or by law conferred upon or reserved to the Mortgagees or to said majority noteholders, then, and only then, any noteholder for itself and as the agent of all the other

noteholders, including the majority noteholders, may proceed to exercise any such right or rights and remedy or remedies not being enforced by the majority noteholders. Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

SECTION 4. At any sale hereunder any noteholder or noteholders shall have the right to bid for and purchase the Mortgaged Property, or such part thereof as shall be offered for sale, and any noteholder or noteholders may apply in settlement of the purchase price of the property so purchased the portion of the net proceeds of such sale which would be applicable to the payment on account of the principal of and interest on the note or notes held by such noteholder or noteholders, and such amount so applied shall be credited as a payment on account of principal of and interest on the note or notes held by such noteholder or noteholders.

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes, and the balance, if any, shall be paid to whosoever shall be entitled thereto.

SECTION 6. The Mortgagor covenants that it will give immediate written notice to both of the Mortgagees and to all of the noteholders of the occurrence of an event of default or in the event that any right or remedy described in clauses 2(a) through 2(c) of this article III is exercised or enforced, or of any action taken to exercise or enforce any such right or remedy.

SECTION 7. Every right or remedy herein conferred upon or reserved to the Mortgagees or to the noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

SECTION 8. The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or

take the benefit or advantage of, any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law.

#### ARTICLE IV

##### POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 1. Until some one or more of the events of default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

SECTION 2. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and interest on the notes at the time and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

SECTION 1. It is hereby declared to be the intention of the Mortgagor that all lines, or systems, embraced in the Mortgaged Property, including, without limitation, all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such lines, or systems, and all service and connecting lines, poles, posts, crossarms, wires, cables, conduits, ducts, connections and fixtures forming part of, or used in connection with, such lines, or systems, and all other property physically attached to any of the foregoing-described property, shall be deemed to be real property.

SECTION 2. All acts and obligations of the Mortgagor hereunder shall be subject to all applicable orders, rules and regulations, now or hereafter in effect, of all regulatory bodies having jurisdiction in the premises, to the end that no act or omission to act on the part of the Mortgagor shall constitute a default hereunder insofar as such act or omission shall have been required by reason of any order, rule or regulation of any such regulatory body.

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided.

SECTION 4. The descriptive headings of the various articles of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 5. All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if mailed by registered mail addressed to the proper party or parties at the following addresses:

As to the Mortgagor:	As stated in the testimonium clause hereof
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As to the Mortgagees:

The Bank:

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

The Government:

Rural Utilities Service  
Washington, D. C. 20250-1500

and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being the holder of any note or otherwise, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the Mortgagees. The Mortgagor or the Mortgagees may from time to time designate to one another a new address to which demands, notices, reports, approvals, designations or directions may be addressed and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address hereinabove given. The Mortgagor will promptly notify the Mortgagees in writing of any change in location of its chief place of business or the office where its records concerning accounts and contract rights are kept.

SECTION 6. 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, this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code and a "financing statement" under the Uniform Commercial Code for said security agreement. The mailing address of the Mortgagor, as debtor, and of the Mortgagees as secured parties, are as set forth in section 5 of this article V.

SECTION 7. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions shall not affect the remaining portions of this Mortgage, nor shall any such invalidity as to one Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder of notes.

SECTION 8. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, LE-RU TELEPHONE COMPANY, 555 Carter Street, Stella, Missouri 64867, as Mortgagor, has caused this Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, RURAL TELEPHONE BANK, as Mortgagee, has caused this Mortgage to be signed in its name and its corporate seal to be hereunto

affixed and attested by its officers thereunto duly authorized and UNITED STATES OF AMERICA, as Mortgagee, has caused this Mortgage to be duly executed in its behalf, all as of the day and year first above written.

LE-RU TELEPHONE COMPANY

by

*Ruth E. McClary*

President

(Seal)

Attest:

Secretary

Executed by the Mortgagor  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_

Witnesses

UNITED STATES OF AMERICA, and  
RURAL TELEPHONE BANK, respectively

by

**JERRY H. BRENT**

as

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

Executed by United States  
of America, Mortgagee, and  
Rural Telephone Bank,  
Mortgagee, in the presence  
of:

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Witnesses



DISTRICT OF COLUMBIA

)

SS

This instrument was acknowledged before me on  
\_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_  
Director, Northwest Area - Telecommunications Program of the  
Rural Utilities Service of the United States of America and  
for the Rural Telephone Bank.

\_\_\_\_\_  
Notary Public

(Notarial Seal)

My commission expires: \_\_\_\_\_.

Exhibit One (Exhibit to Mortgage)  
 UNIFORM SYSTEM OF ACCOUNTS  
 ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS  
 THIS EXHIBIT CONSISTS OF 2 PAGES

All references regarding account numbers are to 47 CFR Part 32 and supplementary accounts required by RUS.

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

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

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

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

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

\*\* Summary Accounts

NET WORTH: the sum of the balances of the following accounts of the Mortgagor:

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

NOTE: FOR NONPROFIT ORGANIZATIONS (OWNERS' EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550)

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

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

EXHIBIT "A"

1. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated February 1, 1965, executed and delivered by E. L. Millikin and Ruth Millikin, husband and wife, as grantors to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of deeds of the County of Newton, in the State of Missouri, on February 5, 1965, in Book 244 at Page 682, to-wit:

All that part of Lot 4 in Block 1 in Original Town of Stella, Missouri, described as Commencing at an iron pin at the intersection of the South line of Mill Street and the West line of Carter Street, thence Southeasterly along said West line of carter Street 103 feet to an iron pin, the point of beginning; thence at an angle of 90° Right a distance of 100 feet to an iron pin, thence at an angle of 90° Left a distance of 65 feet to an iron pin, thence at an angle of 90° Left a distance of 100 feet to an iron pin in the West line of Carter Street, thence at an angle of 90° Left a distance of 65 feet along the West line of Carter Street to the point of beginning.

2. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated April 27, 1977, executed and delivered by Rosalie Ellison, single, as Grantor, to Le-Ru Telephone Company, Grantee and recorded in the Office of the Recorder of Deeds of the County of Newton , in the State of Missouri, on April-27, 1977, in Book 306, at Page 923, to-wit:

Town of Stella North 36 feet Lot 3, Block 1

Immediately adjacent to Carter Street in Town of Stella, also described as beginning at the intersection of Carter Street and Ozark Street being NE¼ corner of Block 1, thence South 36 feet; thence West to West line of Lot 3, thence North 35 feet to Carter Street, thence East along Carter Street to point of beginning. Grantor herein states that George Damiano who held title with her as joint tenants died on March 2, 1974.

3. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated March 9, 1974, executed and delivered by Delores Erwin, a single woman, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of Newton, in the State of Missouri, on March 12, 1974, in Book 298, at Page 248, to-wit:

Beginning at the Northeast Corner of Lot 1, Block 1 of Original Town of Stella, Missouri, running thence South 35 feet parallel with Ozark Street, thence West 104 feet, thence North 35 feet to North line of said Lot 1, thence East 104 feet to point of beginning.

4. A certain tract or parcel of land situated in McDonald County, State of Missouri, described in a certain deed, dated February 26, 1965, executed and delivered by Laura Frances Molder, a single woman, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of McDonald, in the State of Missouri, on March 10, 1965, in Book 144, at Page 417, to-wit:

That part of the Northeast Quarter of the Northwest Quarter of Section 21, Township 22, Range 30, described as Commencing at an iron pin 307 feet West of the Northeast corner of said Northeast Quarter of the Northwest Quarter, thence South 31°30' West 22.27 feet to an iron pin—the point of beginning, thence South 31°30' west along the West line of a public road 40.51 feet to an iron pin, thence North 87°16' West 56.22 feet to an iron pin, thence North 2°44' East 35 feet to an iron pin, thence South 87°16' East 75.66 feet to the point of beginning.

5. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated January 13, 1971, executed and delivered by W. V. Carihfield and Alice M. Carihfield, husband and wife, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of Newton, in the State of Missouri, on January 14, 1971, in Book 277, at Page 206, to-wit:

Lot 4 in Block 1 in the Original Town of Stella, Missouri, except South 65 feet thereof.

6. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated December 1, 1992, executed and delivered by Edwin Parker, Robert L. Hart and Allen Busby, Trustees of Stella Masonic Lodge No. 538, A.F. & A.M., as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of Newton, in the State of Missouri, on December 2, 1992, in Book 341, at Page 748, to-wit:

The North forty (40) feet of Lot 1 in Block 1 in the Original Town of Stella, Newton County, Missouri.

Note: This deeded us an additional 5 feet onto the South side of item 3 plus the West 60 feet of Lot 1, Block 1 (alleyway) located to the West of Item 3.

7. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated November 2, 1998, executed and delivered by Robert L. Hart and Mara W. Hart, as Grantors, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of Newton, in the State of Missouri, on November 2, 1998, in Book 347 at Page 11648, to-wit:

Part of the Southwest Quarter of the Northeast Quarter of Section 32, Township 24, Range 30, located with the Original Town of Stella, Missouri, described as: All of a tract beginning at the Southeast corner of Lot 1 in Block 1 of the Original Town of

Stella, thence Southerly along the West side of Ozark Street to the North line of the old bank property (now the post office); thence Westerly along the North line of the old bank property (extended) to the West line of what is platted as the Stable Lot, thence Northerly to the Northwest corner of the Stable Lot, thence Easterly along the South line of said Lot 1 to the point of beginning EXCEPT the North 5 feet thereof.

8. A certain tract or parcel of land situated in McDonald County, State of Missouri, described in a certain deed, dated June 13, 1995, executed and delivered by Evelyn B. Galewski, a single person, surviving spouse of Richard J. Galewski from whom she was never divorced, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of McDonald, in the State of Missouri, on June 30, 1995, in Book 193, at Page 928, to-wit:

Part of the Southeast Quarter of the Southeast Quarter of Section 21, Township 21 North, Range 30 West, McDonald County, Missouri, described as commencing at the Southeast corner of said Section 21; thence West along the South line of said Section 21 a distance of 577.96 feet to the East right of way of Highway "E"; thence North 10 degrees 29 minutes 31 seconds West along said right of way 277.30 feet to the true point of beginning; thence continuing North 10 degrees 29 minutes 31 seconds West along said right of way 20.00 feet; thence North 89 degrees 51 minutes 57 seconds East 20.00 feet; thence South 10 degrees 29 minutes 31 seconds East 20.00 feet; thence South 89 degrees 51 minutes 57 seconds West 20.00 feet to the true point of beginning; containing 393.5 square feet, more or less, and subject to any existing easements or rights of way of record. Bearings are based on the South line of Section 21 being East-West.

9. A certain tract or parcel of land situated in McDonald County, State of Missouri, described in a certain deed, dated June 13, 1995, executed and delivered by Martha O. Boggs, a single person, surviving spouse of Fred R. Boggs, who died on August 11, 1993, from whom she was never divorced, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of McDonald, in the State of Missouri, on July 10, 1995, in Book 193 at Page 970, to-wit:

Part of the Southwest Quarter of the Southwest Quarter of Section 30, Township 21 North, Range 30 West, McDonald County, Missouri, described as commencing at the Southeast corner of Section 25, Township 21 North, Range 31 West; thence South 83.31 feet; thence East 3.87 feet; thence South 89 degrees 31 minutes 18 seconds East 119.50 feet; thence North 0 degrees 28 minutes 42 seconds East 21.00 feet to the true point of beginning; thence continuing North 0 degrees 28 minutes 42 seconds East 20.00 feet; thence South 89 degrees 31 minutes 18 seconds East 20.00 feet; thence South 0 degrees 28 minutes 42 seconds West 20.00 feet; thence North 89 degrees 31 minutes 18 seconds West 20-00 feet to the true point of beginning; containing 400 square feet, more or less, and subject to any existing easements or rights-of-way or record.

10. A certain tract or parcel of land situated in McDonald County, State of Missouri, described in a certain deed, dated October 7, 1997, executed and delivered by Cecil L. Williams and Beth Williams, his wife, as Grantors, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of McDonald, in the State of Missouri, on October 16, 1997, in Book 195, at Page 1549, to-wit:

Commencing at the Northwest corner of Section 14, Township 22 North, Range 31 West, McDonald County, Missouri; thence East along the North line of Section 14, 629.64 feet; thence South 1191.81 feet to the point of beginning; thence south 77 degrees 34 minutes 30 seconds East 12.0 feet; thence South 12 degrees 25 minutes 30 seconds West 12.0 feet, to the North line of the Public Road; thence North 77 degrees 34 minutes 30 seconds West along said road 12.0 feet; thence leaving said road North 12 degrees 25 minutes 30 seconds East 12.0 feet to the point of beginning.

11. A certain tract or parcel of land situated in Newton County, State of Missouri, described in a certain deed, dated June 13, 1995, executed and delivered by Lucy A. Sims, a single person, surviving spouse of J.B. Sims, who died on April 25, 1981, from whom she was never divorced, by Bill Sims, her attorney in Fact, as appointed by Power of Attorney recorded in Book 193 at Page 893, as Grantor, to Le-Ru Telephone Company, as Grantee, and recorded in the Office of the Recorder of Deeds of the County of McDonald, in the State of Missouri, on June 21, 1995, in Book 193, at Page 894, to-wit:

Part of the Southeast Quarter of the Southwest Quarter of Section 9, Township 21 North, Range 30 West, McDonald County, Missouri, described as commencing at the Southwest corner of the Southeast Quarter of the Southwest Quarter; thence East 1082.20 feet; thence North 375.57 feet to the North right of way of Highway 90, the true point of beginning; thence North 26 degrees 45 minutes 25 seconds West 20.00 feet; thence North 63 degrees 14 minutes 35 seconds East 20.00 feet; thence south 26 degrees 45 minutes 25 seconds East 20-00 feet to the North right of way of Highway 90; thence South 63 degrees 14 minutes 35 seconds West along said right of way 20-00 feet to the true point of beginning; containing 400 square feet, more or less, and subject to any existing easements or rights of way of record. Bearings are based on the South line of Section 9 being East-West.

APPENDIX 7

MINUTES OF SPECIAL MEETING  
OF BOARD OF DIRECTORS OF  
LE-RU TELEPHONE COMPANY

A special meeting of the Board of Directors of Le-Ru Telephone Company was held on September 20, 1999 at the office of the Corporation in Stella, Missouri, with Robert Hart, Vickie Roberts, and Ruth Millikin present.

The Vice-President served as Chairman of the meeting, with Vickie Roberts serving as Secretary of the meeting.

The following resolution was passed by the Board of Directors authorizing the borrowing of funds not to exceed \$9,164,700 from The Rural Utilities Service, The Rural telephone Bank, and The Federal Financing Bank.

WHEREAS, the Board of Directors of Le-Ru Telephone Company of Stella, Missouri( the "system" ) at a special meeting held the 20th of September, 1999 has reviewed the financing documents;

and

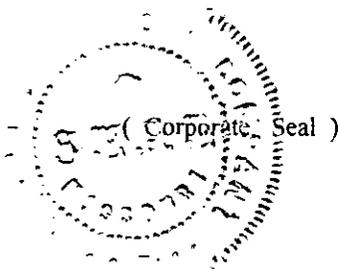
WHEREAS, the Board of Directors has determined that it is in the best interest of the System to fund capital improvements and to finance the operating needs of the System;

NOW, therefore Be It.....

RESOLVED, the System apply for and execute necessary documents to acquire loan funds of up to \$9,164,700 from the Rural Utilities Service, The Rural Telephone Bank, and The Federal Financing Bank, interest rates and payment schedules as indicated in the the RUS letter dated September 9, 1999, a copy of such attached and an integral part of these minutes.

RESOLVED, as security for the loan, Le-Ru will execute and deliver a restated mortgage, security agreement, and financing statement on substantially all the assets of the System substantially in the form of the the Restated Mortgage, Security Agreement and Financing Statement.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said System and affixed the Corporate Seal this 20th day of September, 1999.



*Vickie L Roberts*

( Secretary )



United States Department of Agriculture  
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service  
Washington, DC 20250

SEP 9 1999

Ms. Ruth E. Millikin  
President  
Le-Ru Telephone Company  
P. O. Box 147  
Stella, Missouri 64867

Dear Ms. Millikin:

We have completed the preliminary studies of your organization's "G" loan application and are submitting the results of these studies for your consideration. They show that your organization qualifies for concurrent loans in the amount of \$5,747,000 made by the Rural Utilities Service (RUS) and \$3,017,700 made by the Rural Telephone Bank (RTB) under Sections 305(d)(2) and 408, respectively. They show that, if approved, RUS will guarantee a loan in the amount of \$400,000 from the Federal Financing Bank (FFB).

The RUS cost-of-money loan interest rate will be fixed at the time of each advance. The interest rate on each RTB loan advance, however, will be an interim rate. A permanent interest rate will be determined on each RTB loan advance at the end of the fiscal year in which the advance is made based on RTB's cost-of-money rate for the fiscal year. An interest rate of 6.39 percent for the RUS cost-of-money loan and the RTB loans was used in our feasibility study. It should be understood that this letter is not a commitment that a loan will be approved.

The interest rate for the proposed FFB loan will be fixed with respect to each advance in accordance with the FFB statute. For the purposes of determining feasibility, an interest rate of 6.52 percent was used. Please note that the addition to the headquarters building cannot be financed with the concurrent RUS and RTB loans; however, it may be financed with the FFB loan.

Our studies show that \$9,021,000 of the above funds will be needed to: (1) connect 375 new subscribers, (2) replace air core cable with buried filled cable, (3) place fiber optic cable throughout the system, (4) replace a copper toll route with a fiber optic connection, (5) install software upgrades, (6) purchase five portable standby generators, (7) establish 21 digital serving areas, and (8) construct an addition to the headquarters building and build a warehouse/garage. In addition to funds required for construction, the enclosed preliminary Loan Budget, RUS Form 493, includes \$143,700 for investment in RTB Class B Stock. The stock will be issued at the time of each RTB loan

advance in an amount equal to 5.0 percent of such advance for all other loan purposes.

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

If a loan is approved, no "G" loan funds will be released until RUS has entered into a contract of guarantee with FFB and FFB has agreed, with RUS approval, to make your organization a guaranteed loan of \$400,000 to finance the facilities in the "G" loan guarantee commitment, and your organization has furnished to RUS, among other things, all of the documents, opinions, and other evidence listed in the loan contract applicable to this loan, including:

1. Evidence, in form and substance satisfactory to RUS, that the conditions in the contract of guarantee referred to above have been satisfied to the extent and in the manner prescribed by RUS;
2. The FFB Note and the Reimbursement Note, both duly authorized and executed in the manner prescribed by RUS.
3. Evidence that your organization has duly authorized, executed, recorded, and filed a security instrument, in form and substance satisfactory to RUS.

Debt service payments are to be made on a monthly basis for the concurrent loans and a quarterly basis for the FFB loan. This requirement will be included in the mortgage note. Outstanding loans will continue to be billed as required by the mortgage for those loans.

The mortgage will contain a provision requiring your organization to maintain a TIER of at least 1.0 throughout the forecast period ending December 31, 2003. After this date, your organization will be required to maintain a TIER of at least 1.5.

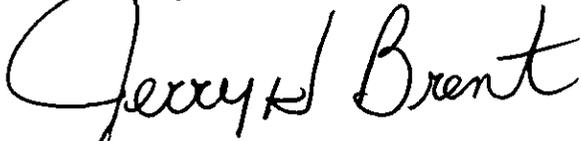
The maturity for your "G" loan is 21 years as you requested in your loan application package. The principal repayment period will be for 19 years. The approximate amounts to be repaid will be \$9,932,000 at a monthly payment of \$43,600 for the RUS cost-of-money portion, \$5,215,000 at a monthly payment of \$22,900 for the RTB portion, and \$700,000 at quarterly payments of \$9,200 for the FFB portion assuming the interest rates used in the feasibility study.

The actual repayment of the loans will depend on the interest rate applicable to each advance and the schedule of those advances. A savings in interest costs

over the life of the loan would result if a shorter amortization period were selected.

We would appreciate any suggestions you may have with respect to the matters discussed in this letter. If you concur in the above requirements, please let us know by facsimile (202-690-4654) with a follow-up letter from an officer of your organization and indicate the maturity period desired for the loan, if shorter than the period stated above. We will then proceed with our studies. Our office should, however, be advised of your decision no later than 5 days from receipt of this letter.

Sincerely,

A handwritten signature in cursive script that reads "Jerry H. Brent". The signature is written in dark ink and is positioned above the typed name and title.

JERRY H. BRENT, Director  
Northwest Area  
Telecommunications Program  
Rural Utilities Service

Enclosures

cc: Mr. Robert L. Hart

**USDA-RUS  
PRELIMINARY  
TELEPHONE LOAN BUDGET**

**NAME OF BORROWER**  
Le-Ru Telephone Company

**BORROWER and LOAN DESIGNATION**  
Missouri 592-G13 Stella

BUDGET ITEM	PRIOR LOAN		NEW PROJECT BUDGET C.
	RESERVES AS OF: 8/10/99		
	RESERVE BALANCES A.	AVAILABLE FOR NEW PROJECTS B.	
1. CONSTRUCTION	a. CENTRAL OFFICE		\$2,681,000
	b. OUTSIDE PLANT		4,280,000
	c. LAND and BUILDINGS		880,000
	d. SPECIAL PROJECTS		
2. ENGINEERING	a. PRELOAN		31,000
	b. CONSTRUCTION		1,149,000
3. OPERATING EQUIPMENT	a. OFFICE EQUIPMENT		
	b. VEHICLES and WORK EQUIPMENT		
4. a. OVERHEAD EXPENDITURES			
	b. CLASS B STOCK - RURAL TELEPHONE BANK		143,700
5. OPERATING FUNDS			
6. REFINANCING WITH LOAN FUNDS			
7. ACQUISITIONS			
8. OTHER			
9. TOTALS		\$0	\$9,164,700
10. LESS AVAILABLE FROM PRIOR LOANS (COL. B, ITEM 9)			
11. LESS NONLOAN FUNDS			
12. TOTAL NEW LOAN FUNDS			\$9,164,700
13. HARDSHIP LOAN			0
14. CONCURRENT - COST OF MONEY			5,747,000
15. CONCURRENT - RURAL TELEPHONE BANK			3,017,700
16. GUARANTEED LOAN			400,000
17. OTHER LOAN			

**REQUIRED ADDITIONAL BUDGET DATA**

18. PRIOR LOANS		19. NONLOAN FUNDS, AS ADJUSTED		20. CUMULATIVE ADVANCES AS OF FRS # 77	
PRIOR LOAN TOTALS	\$4,760,000	NONLOAN FUNDS, PRIOR LOAN	\$37,400	REA	\$4,759,909
REA LOANS	4,760,000	SALE OF PROPERTY	0	RTB	
RTB LOANS		OTHER	0	FFB	
RUS LOANS		TOTAL, NONLOAN FUNDS	\$37,400	RUS	
GUARANTEED LOANS				21. ENCUMBERED BUT UNADVANCED FUNDS \$	91
22. RETIRED PLANT		NEW & ACQUIRED AREAS		EXISTING AREAS	
ESTIMATED ORIGINAL COST OF RETIRED PLANT (this loan)					\$334,000
ESTIMATED SALVAGE VALUE OF RETIRED PLANT (this loan)					\$0

**NOTES**

FORECAST OF REVENUES AND EXPENSES	CORPORATE NAME AND ADDRESS	
	Le-Ru Telephone Company Stella, Missouri	
	LOAN DESIGNATION	SUBSCRIBER FORECAST
	Missouri 592-G13 Stella	1,679
1. Local Network Service Revenues*		\$370,170
2. Access, Long Distance Network, and Carrier Billing & Collection Revenues		5,134,072
3. Miscellaneous Revenues		36,065
4. Less Uncollectible Revenues		0
5. Net Operating Revenues		\$5,540,307
6. Plant Specific Operations Expense		\$795,292
7. Plant Nonspecific Operations Expense		93,201
8. Depreciation Expense		831,386
9. Amortization Expense		0
10. Customer Operations Expense		367,382
11. Corporate Operations Expense		993,061
12. Other Operating Income and Expense		0
13. Taxes Excluding F.I.T.		67,194
14. Total Fixed Charges (Interest)		672,690
15. Nonoperating Net Income (expressed with the opposite arithmetic sign)		(31,446)
16. Extraordinary Items		0
17.		0
18. Nonregulated Net Income		
19. Total Expenses, Excluding Federal Income Taxes		\$3,788,760
20. Net Income Before Federal Income Taxes		\$1,751,547
21. Federal Income Taxes		595,526
22. Net Income After Federal Income Taxes		\$1,156,021
23. Add Interest		672,690
24. Net Operating Income		\$1,828,711
25. Add: Depreciation And Amortization		831,386
26. Available For Interest And Principal Payments		\$2,660,097
27. Scheduled Interest And Principal Payments		1,071,300
28. Available For Plant Additions, Replacements, Etc.		\$1,588,797
29. Times Interest Earned Ratio (Line 24 / Line 23)		2.71
Item 14 (interest)		
Outstanding Loan Balance(s).....@ 3.52%	\$2,455,845.00 =	\$86,546
Current Loan(s).....@ 6.40%	\$9,164,700.00 =	\$586,144
Total Outside Financing.....@	=	
Total Interest.....		\$672,690
*Local Service Revenues Based On Approved Rates		

**LE-RU TELEPHONE COMPANY**

BOX 147  
STELLA, MISSOURI 64867



417-628-3844  
FAX 417-628-3686

Ruth E. Millikin, Pres.

September 10, 1999

Jerry H. Brent, Director  
Northwest Area, Telecommunications Program  
USDA - RUS  
Washington, DC 20250

RE: Letter dated 9-9-99  
"G" Loan Description

Dear Mr. Brent,

We at Le-Ru Telephone Company have examined the loan conditions stated in your letter and concur in the requirements stated. We wish to keep the 21 year maturity as stated in the loan documents.

Sincerely,

Le-Ru Telephone Company

Robert L. Hart, V-Pres.

cc: file

*FAXed to Brent  
9-10-99*

APPENDIX 8

**LERU TELEPHONE COMPANY, INC.**

Pro Forma Balance Sheet-Impact of RUS RTB/FFB loans

December 31, 1998

<b>Assets</b>	<b>As stated 1998</b>	<b>Adjustments</b>	<b>Proforma 1998</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$1,054,342	2,121,051	\$3,175,393
Cash - RUS construction fund	9,900	(9,900)	\$0
Telecommunications accounts receivable	281,483	0	\$281,483
Other accounts receivable	30,038	0	\$30,038
Materials and supplies	86,414	0	\$86,414
Prepaid expenses	72,921	0	\$72,921
<b>Total current assets</b>	<b>1,535,098</b>	<b>2,111,151</b>	<b>3,646,249</b>
<b>Noncurrent assets:</b>			
Cash surrender value of life insurance	507,796	0	507,796
Other long-term assets	150,254	0	150,254
Investments in RTB stock	0	143,700	143,700
<b>Total noncurrent assets</b>	<b>658,050</b>	<b>143,700</b>	<b>801,750</b>
<b>Property, plant and equipment:</b>			
Telecommunications plant in service	5,883,402	8,687,000	14,570,402
Telecommunications plant under construction	1,798	0	1,798
Non-operating plant	14,959	0	14,959
Less depreciation reserve	(2,485,916)	(65,809)	(2,551,725)
<b>Net property, plant and equipment</b>	<b>3,414,243</b>	<b>8,621,191</b>	<b>12,035,434</b>
<b>Total assets</b>	<b>\$5,607,391</b>	<b>\$10,876,042</b>	<b>\$16,483,433</b>
<b>Liabilities and stockholders' equity</b>			
<b>Current Liabilities:</b>			
Current maturities of long-term debt	\$157,466	\$0	\$157,466
Accounts payable	21,714	0	\$21,714
Accrued expenses	111,900	0	111,900
<b>Total current liabilities</b>	<b>291,080</b>	<b>0</b>	<b>291,080</b>
Long-term debt, less current maturities-RTB	0	3,017,700	3,017,700
Long-term debt, less current maturities-RUS	2,799,827	5,747,000	8,546,827
Long-term debt, less current maturities-FFB	0	400,000	400,000
Deferred investment tax credit	66,013	0	66,013
<b>Total liabilities</b>	<b>3,156,920</b>	<b>9,164,700</b>	<b>12,321,620</b>
<b>Stockholders' equity:</b>			
Common stock	20,400	0	20,400
Retained earnings	2,430,071	1,711,342	4,141,413
Less treasury stock	0	0	0
<b>Total stockholders' equity</b>	<b>2,450,471</b>	<b>1,711,342</b>	<b>4,161,813</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$5,607,391</b>	<b>\$10,876,042</b>	<b>\$16,483,433</b>

PRICEHOUSSER & CO. FAX: 913-94312211  
**LERU TELEPHONE COMPANY, INC.**

Pro Forma Statement of Income-Impact of RUS/RTB/FFB LOANS  
 Year Ended December 31, 1998

	As stated 1998	Adjustments	Proforma 1998
<b>Operating revenues:</b>			
Local network service revenue	\$269,710	\$100,460	\$370,170
Network access service revenue	2,290,896	2,843,176	5,134,072
Miscellaneous revenues	114,426	(78,361)	36,065
<b>Total operating revenues</b>	<b>2,675,032</b>	<b>2,865,275</b>	<b>5,540,307</b>
<b>Operating expenses:</b>			
Plant specific	603,934	0	603,934
Plant non-specific:			
Network and other	70,773	0	70,773
Depreciation and amortization	344,252	399,809	744,068
Customer operations	278,979	0	278,979
Corporate operations	754,112	0	754,112
<b>Total operating expenses</b>	<b>2,052,057</b>	<b>399,809</b>	<b>2,451,866</b>
<b>Net operating revenue</b>	<b>622,975</b>	<b>2,465,466</b>	<b>3,088,441</b>
<b>Operating taxes:</b>			
Investment tax credits, net	(4,824)	0	(4,824)
Other operating taxes	51,025	167,980	219,005
<b>Total operating tax (benefit) expense</b>	<b>46,201</b>	<b>167,980</b>	<b>214,181</b>
<b>Net income from operations</b>	<b>576,774</b>	<b>2,297,486</b>	<b>2,874,260</b>
<b>Other income (expense):</b>			
Net non-regulated income	7,376	0	7,376
Miscellaneous expense	(16,673)	0	(16,673)
Interest and dividend income	48,118	0	48,118
Gain on sale of investment	429,444	(429,444)	0
Income taxes on sale of investment	(95,150)	95,150	0
<b>Total other income</b>	<b>373,115</b>	<b>(334,294)</b>	<b>38,821</b>
<b>Income available for fixed charges</b>	<b>949,889</b>	<b>1,963,192</b>	<b>2,913,081</b>
<b>Fixed charges:</b>			
Interest on LT debt	100,489	586,144	686,633
Amortization of debt discount	215	0	215
	<b>100,704</b>	<b>586,144</b>	<b>686,848</b>
<b>Net income</b>	<b>\$849,185</b>	<b>\$1,377,048</b>	<b>\$2,226,233</b>

APPENDIX 9

**LERU TELEPHONE COMPANY, INC.**  
**Five Year Capitalization Expenditure Schedule**  
**Years Ended December 31, 1994, 1995, 1996, 1997 and 1998**

CAPITAL EXPENDITURES	YEAR				
	1994	1995	1996	1997	1998
Facilities upgrade financed by RUS/RTB loans	\$0	\$0	\$0	\$0	\$0
Company provided funding for capital expenditures	\$155,150	\$676,794	\$218,053	\$421,296	\$298,838
<b>TOTAL</b>	<b>\$155,150</b>	<b>\$676,794</b>	<b>\$218,053</b>	<b>\$421,296</b>	<b>\$298,838</b>

**LERU TELEPHONE COMPANY, INC.**

Pro Forma Adjustments

Year Ended December 31, 1998

<u>AJE</u>	<u>Account</u>	<u>DR</u>	<u>CR</u>
1	Other investment	143,700	
	Telecom plant in service	9,021,000	
	LTD - RTB		3,017,700
	LTD - RUS		5,747,000
	LTD - FFB		400,000
	To record the issuance of RTB debt for capital expenditures and the required investment in RTB		
2	Interest expense	586,144	
	Cash		586,144
	To record the effect of interest expense on the income statement		
3	Depreciation reserve	334,000	
	Telecom plant in service		334,000
	To record the proposed disposal of buried cable that would be abandoned with the new capital expenditures		
4	Depreciation Expense	414,138	
	Depreciation reserve		414,138
	To record the depreciation that would result from the proposed additions		
5	Local Network Service Revenue		\$100,460
	Long Distance Revenue		2,843,176
	Miscellaneous Revenue		(78,361)
	Cash	2,865,275	
	To record the projected revenue impact of plant additions and additional customers (based on RUS and JSI calculations)		
6	NI	1,377,048	
	RE		1,377,048
	To record the projected closing entry to close out the new income		
7	Depreciation reserve	14,329	
	Depreciation Expense		14,329
	To record the decrease in depreciation expense after the plant removal		
8	Other operating taxes	167,980	
	Cash		167,980
	To record proposed effect on property taxes		
9	Gain on sale of investment	429,444	
	Income tax expense		95,150
	Retained earnings		334,294
	To remove sale of Cellular, Inc. stock in 1998		