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BOOK 130 PAGE 975

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STATE OF WASH
BY *Lewis River Telephone*

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P. Lowry
FOR
GARY M. OLSON

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(Post Bank Loan)
(TEL-SSM) 7-186

SUPPLEMENT TO SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT, dated as of ~~SEPTEMBER~~ 24, 1972, made by and among LEWIS RIVER TELEPHONE COMPANY, INC. (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Washington, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called "REA"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government (the Government and the Bank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to the Government, or has assumed the payment of, certain mortgage notes all payable to the order of the Government, in installments, of which certain mortgage notes (hereinafter collectively called the "Outstanding REA Notes") identified in the eighth recital hereof (hereinafter called the "Instruments Recital") are now outstanding and held by the Government; and

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to the Bank, or has assumed the payment of, a certain mortgage note or notes payable to the order of the Bank, in installments, of which certain mortgage note or notes (hereinafter called the "Outstanding Bank Notes", whether such notes be one or more) identified in the Instruments Recital are now outstanding and held by the Bank; and

WHEREAS, the Outstanding REA Notes and the Outstanding Bank Notes (hereinafter collectively called the "Outstanding Notes") evidence loans made by the Government or the Bank either to the Mortgagor or to third parties to finance telephone exchanges, lines and related facilities; and

REA Project Designation: Washington 503-G9 Lewis River

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.

Registered
Indexed, Dir *p*
Indirect *p*
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WHEREAS, the Outstanding Notes are secured by the security instrument or instruments (hereinafter called the "Mortgage"); made by and among the Mortgagor, the Government and the Bank, identified in the Instruments Recital; and

WHEREAS, the Mortgagor has determined to borrow funds from the Federal Financing Bank (hereinafter called the "Guaranteed Lender") and has accordingly duly authorized, executed and delivered its mortgage note (identified in the Instruments Recital and hereinafter called the "Current Guaranteed Note") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the repayment of the Current Guaranteed Note by the Mortgagor is guaranteed by the Government, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.), in accordance with that certain agreement called, the "Contract of Guarantee", among the Mortgagor, the Government, acting through the Administrator of REA, and the Guaranteed Lender; and

WHEREAS, the Mortgagor has determined to reimburse the Government, acting through the Administrator of REA, for certain amounts paid by the Government, acting through the Administrator of REA, 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 "Current Reimbursement Note") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

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

INSTRUMENTS RECITAL

"Outstanding REA Notes":

Two----- (2) certain mortgage notes in an aggregate principal amount of \$486,000-----, all of which will finally mature on or before September 9, 2004.

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"Outstanding Bank Notes":

Two------(2) certain mortgage note(s) in an (aggregate) principal amount of \$1,761,900----, all of which will finally mature on or before May 21, 2014.

"Mortgage":

<u>Instrument</u>	<u>Date</u>
Supplemental Mortgage and Security Agreement	January 20, 1977

"Current Guaranteed Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$3,895,000	Determined when Advanced	December 31, 2012

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

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

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

WHEREAS, the Government and the Bank are the owners and holders of the Outstanding REA Notes and the Outstanding Bank Notes, respectively, and are the owners and holders of the Mortgage; and

WHEREAS, it was the intention of the Mortgagor at the time of the execution of the Mortgage (or, if the Mortgage consists of more than one instrument, at the time of execution of the earliest instrument thereof) that the property of the Mortgagor of the classes described therein, as being mortgaged or pledged thereby, or intended so to be, whether then owned or thereafter acquired, would secure certain notes of the Mortgagor executed and delivered prior to the execution and delivery of the Mortgage (or, if the Mortgage consists of more than one instrument, prior to the execution and delivery of the earliest instrument thereof), and

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certain notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as from time to time amended or supplemented, and it is intended by the Mortgagor to confirm hereby the Mortgage and the property therein described as being mortgaged or pledged, or intended so to be, as security for the Outstanding Notes, and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

WHEREAS, the Mortgage provides that the Mortgagor shall, upon the request in writing of the holder or holders of not less than a majority in principal amount of the REA Notes or the Bank Notes, duly authorize, execute, and deliver and record and file all such supplemental mortgages and conveyances as may reasonably be requested by such holder or holders to effectuate the intention of the Mortgage and to provide for the conveying, mortgaging and pledging of the property of the Mortgagor intended to be conveyed, mortgaged or pledged by the Mortgage to secure the payment of the principal of and interest on notes executed and delivered thereunder and pursuant thereto, or otherwise secured thereby, and the holders of all such notes have in writing requested the execution and delivery of this Supplement to Supplemental Mortgage and Security Agreement (hereinafter called "this Supplemental Mortgage") pursuant to such provisions; and

WHEREAS, it is further intended by the Mortgagor, at the request and with the consent of the Mortgagees, to amend the Mortgage in the respects hereinafter set forth; and

WHEREAS, all acts, things, and conditions prescribed by law and by the articles of incorporation and bylaws of the Mortgagor have been duly performed and complied with to authorize the execution and delivery hereof and to make the Mortgage, as amended and supplemented hereby, a valid and binding mortgage to secure the Outstanding Notes and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

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

WHEREAS, to the extent that any of the property described or referred to herein and in the 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 Supplemental Mortgage and the Mortgage, collectively, be

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regarded as a "security agreement" under the Uniform Commercial Code and that this Supplemental Mortgage be regarded as a "financing statement" under the Uniform Commercial Code for said security agreement.

NOW, THEREFORE, in consideration of the premises and the sum of \$5 in hand paid by the Mortgagees to the Mortgagor, the receipt whereof by the Mortgagor prior to the execution and delivery of this Supplemental Mortgage is hereby acknowledged, this Supplemental Mortgage witnesseth as follows:

1. The Mortgagor has executed and delivered this Supplemental 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 real and personal property described in the Mortgage as being mortgaged thereby and all and singular the real and personal property of the Mortgagor falling within the classes of property embraced in the description of the "Mortgaged Property" set forth in the Mortgage, including, without limitation, all and singular the real and personal property of said description heretofore or hereafter acquired by or constructed by or on behalf of the Mortgagor, and wheresoever situate, including, without limitation, the "Existing Facilities" identified, and the real estate specifically described (by reference to deeds or otherwise), in the Mortgage and mortgaged thereby (except such portions, if any, thereof as have been released prior to the execution and delivery of this Supplemental Mortgage), and also including, without limitation the following described real estate, to wit:

A tract of land in Clark County, State of Washington, covered by a deed dated November 13, 1986 by the Small Business Administration, as grantor, to Lewis River Telephone Company, Inc. as grantee, which was recorded on December 31, 1986, in the Auditor's Office of Clark County, Auditor's File No. 8612310083, and by a deed dated October 1, 1988 by The Farm Credit Bank of Spokane, as grantor, to Lewis River Telephone Company, Inc., as grantee, which was recorded on October 14, 1988 in the Auditor's Office of Clark County, Auditor's File No. 8810149262, described as follows:

Beginning at the center of the intersection of Fifth and Bond Streets in Brazee's Addition to the town of La Center, according to the plat thereof, recorded in Volume "A" of plats, Page 22, records of Clark County, Washington; thence in a Southerly direction along the centerline of said Bond Street, 774 feet to a point 30 feet East of the Southeast corner of Block 8 in said Addition; thence South along said centerline of Bond Street, 120 feet, more or less, to the middle of Second Street in said Addition; thence North 82° East, along the centerline of said street, 730 feet, more or less, to the East line of Maple Street in said Addition; thence South 5° 45' East along said East line of Maple Street to the South line of said Brazee's Addition of Section 3, Township 4 North, Range 1 East of the Willamette Meridian in Clark County, Washington, thence South to the quarter section line of Section 3, Township 4 North, Range 1 East, W.M.; thence East along said quarter section line to a point 29 rodd West of the Southeast corner of the Northeast quarter of said Section 3; thence North 29 rods, more or less, to an intersection with the South line of lands heretofore conveyed to La Center School District No. 101 by deed dated October 1, 1935, and April 20, 1936,

both of which said deeds are recorded in Volume 242, Page 481, records of said county; thence West 927.5 feet along said South line to the Southwest corner of said School District lands, thence North, along the West boundary line of said School District lands to the center of the county road known as La Center Amboy Road; thence Westerly, along the center of said road and the center of Fifth Street in said Brazee's Addition, to the point of beginning.

EXCEPTING therefrom the following describe tract: Beginning at the intersection of the South line of Fifth Street and the East line of Bond Street in said Brazee's Addition, and thence Easterly along the South line of Fifth Street 171 feet; thence South 100 feet; thence Westerly and parallel with said South line of Fifth Street to an intersection with the East line of Bond Street in said addition; thence Northerly along said East line of Bond Street to the point of beginning.

ALSO EXCEPTING therefrom that portion thereof included within vacated Maple Street.

EXCEPT any portion lying within county or public roads.

ALSO EXCEPT that portion described as follows: Beginning at a point on the South line of Fifth Street that is 211 feet East, as measured along said South line, from the intersection of the South line from the intersection of the South line of Bond Street in Brazee's Addition to the Town of La Center, according to the plat thereof, recorded in Volume "A" of Plats, Page 22, records of Clark County, Washington; thence South 66 feet; thence Easterly, parallel with said South line of Fifth Street, 435.6 feet; thence North 66 feet to the South line of Fifth Street; thence Westerly along said South line, 435.6 feet to the point of beginning.

All water and water rights used upon or appurtenant to said property, however evidenced; together with any and all tenements, hereditaments and appurtenances thereunto belonging or used in connection therewith.

TOGETHER WITH all plants, works, structures, erections, reservoirs, dams, buildings, fixtures, and improvements now or hereafter located on said tract of land, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining.

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AND ALSO including, without limitation:

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, paystations, 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;

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;

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;

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

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to the property mortgaged and pledged by the Mortgage and this Supplemental Mortgage, together with any and all other accounts, chattel paper, 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, the United States of America or any agency or department thereof, or any other entity of any kind, heretofore or hereafter acquired by the Mortgagor;

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, profits and benefits at any time derived, received or had from any and all of the above-described property of the Mortgagor.

Provided, however, that except as provided in section 12(b) of article II of the Mortgage, as amended and supplemented hereby, 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 property mortgaged by the Mortgage and this Supplemental Mortgage.

TO HAVE AND TO HOLD the same forever, for the uses and purposes and upon the terms, conditions, provisos and agreements expressed and declared in the Mortgage, as amended and supplemented hereby.

2. The Outstanding Notes are hereby confirmed as notes of the Mortgagor entitled to the security of the Mortgage, as amended and supplemented by this Supplemental Mortgage, and of the property by the Mortgage and this Supplemental Mortgage mortgaged and pledged, or intended so to be, equally and ratably with one another and with other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and

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supplemented hereby, without preference, priority or distinction of any one of the Outstanding Notes or such other notes over any other thereof and irrespective of the date of the execution, delivery or maturity thereof, or of the assignment or negotiation thereof.

3. The fourth numbered paragraph of the Instruments Recital of the Mortgage is amended by deleting the first sentence thereof.

4. The Instruments Recital of the Mortgage is amended by adding thereto the following paragraph 5:

5. The Forecast Period referred to in Article II, Section 21(a) of this Mortgage shall be the period commencing with the date of the last document to add or amend this paragraph 5 and ending December 31, 1995. Also in Article II, Section 21(a), the TIER the Mortgagor is required to maintain after the end of the Forecast Period shall be 1.5.

5. The first sentence of section 1 of article I of the Mortgage is hereby amended to read as follows:

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 REA Notes to evidence loans made or guaranteed by the Government, acting through the Administrator of REA, to the Mortgagor, 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 by the Government, acting through the Administrator of REA, to such third party or parties, 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 guaranteed by the Government, acting through the Administrator of REA, to such third party or parties, and (2) execute and deliver to the Bank one or more Additional Bank Notes to evidence loans made by the Bank to the Mortgagor 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 made by the Bank to such third party or parties.

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6. The term "Additional REA Notes", as defined in the Mortgage, shall be amended to include additional notes guaranteed by the Government and additional notes executed and delivered to the Government in connection with the guarantee by the Government. The term "REA Notes", as defined in the Mortgage, shall be amended to include the Current Guaranteed Note and the Reimbursement Note. The term "Consolidated Loan Agreement", as defined in the Mortgage, shall be amended to include the Contract of Guarantee and all other contracts between the Mortgagor and the Government whereby the Government guarantees the repayment by the Mortgagor of a loan or loans made by a third party or parties to the Mortgagor.

7. Article II, section 7 of the Mortgage is amended to read as follows:

SECTION 7. (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the following classes and amounts of insurance: (1) fidelity bonds covering each officer and employee of the Mortgagor in not less than the following amounts, based on the estimated annual gross revenues (including gross toll collected) of the Mortgaged Property:

<u>Annual Gross Revenue</u>		<u>Amount of Coverage</u>
Less than	\$ 200,000	\$ 50,000
From \$ 200,001 to	400,000	100,000
400,001 to	600,000	250,000
600,001 to	800,000	300,000
800,001 to	1,000,000	400,000
over	1,000,000	500,000

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 percent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation and employer's liability insurance covering all employees of the Mortgagor, in such amounts as may be required by law, or if the Mortgagor or any of its employees are not subject to the workmen's compensation laws of the State or States in which the Mortgagor conducts its operations, then its workmen's compensation policy shall provide voluntary compensation coverage to the same extent as though the Mortgagor and such employees were subject to such laws; and including occupational disease liability coverage, employer's liability

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insurance and "additional medical" coverage of not less than \$10,000 in States where full medical coverage is not required by law; (3) public liability and property damage liability insurance, covering ownership liability, and all operations of the Mortgagor, with limits for bodily injury or death of not less than \$1,000,000 for one person and \$1,000,000 for each accident and with limits for property damages of not less than \$1,000,000 for each accident and \$1,000,000 aggregate for the policy period; (4) liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the Mortgagor's business, whether owned, non-owned or hired by the Mortgagor, with bodily injury limits of not less than \$1,000,000 for one person and \$1,000,000 for each accident, and with property damage limits of \$1,000,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$1,000,000 per person and \$1,000,000 for each accident; (5) comprehensive, or separate fire, theft and windstorm insurance covering loss of or damage to all owned motor vehicles, trailers, and aircraft of the Mortgagor, having a unit value in excess of \$1,000, in an amount not less than the actual cash value of the property insured; and (6) fire and extended coverage insurance, designating the Government and the Bank as mortgagees in the policy, on each building, each building and its contents, and materials, supplies, poles and crossarms, owned by the Mortgagor, having a value at any one location in excess of \$5,000, or in excess of one percent of the total plant value, whichever is larger, and in an amount not less than 80 percent of the current cost to replace the property new, less actual depreciation.

The Mortgagor will also, from time to time, increase or supplement the classes and amounts of insurance specified above to the extent requested by the Governor or the Administrator or required to conform to the accepted practice of the telephone industry for companies of the size and character of the Mortgagor. The Mortgagor will, upon request of the majority REA noteholders or the majority Bank noteholders, submit to the noteholder or noteholders designated in such request a schedule of its insurance in effect on the date specified in such request. If the Mortgagor shall at any time fail or refuse to take out or

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maintain insurance or to make changes in respect thereof upon appropriate request by such noteholder or noteholders, such noteholder or noteholders may take out such insurance on behalf and in the name of the Mortgagor, and the Mortgagor will pay the cost thereof.

(b) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which shall be covered by insurance, unless the majority REA noteholders and the majority Bank noteholders shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that the Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall deposit the proceeds of the insurance in the Special Construction Account required by the Consolidated Loan Agreement to be applied for that purpose. The Mortgagor shall replace the loss 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 all costs and expenses in connection therewith so that such replacement or restoration shall be so completed that the portion of the Mortgaged Property so replaced or restored shall be free and clear of all mechanics' liens and other claims.

(c) Sums recovered under any fidelity bond by the Mortgagor for a loss of funds advanced under the notes or recovered by a Mortgagee for any loss under such bond shall, 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 installments thereof as may be designated by the respective noteholders at the time of any such prepayments) or to construct or acquire facilities approved by the Mortgagees, which will become part of the Mortgaged Property.

(d) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities, including standard REA endorsements and riders used by the insurance industry to provide coverage for REA borrowers. Each policy or other contract for such

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insurance shall contain an agreement by the insurer that, notwithstanding any right or cancellation reserved to such insurer, such policy or contract shall continue in force for at least ten (10) days after written notice to the Mortgagees of cancellation.

8. Article II, section 9 of the Mortgage is amended to read as follows:

SECTION 9. The Mortgagor will not, without the approval in writing of the majority REA 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.

9. Article II, section 10(b) of the Mortgage is amended to read as follows:

(b) 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 REA 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) of the Mortgagor and (2) the

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Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One). 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.

10. Article II, section 11 of the Mortgage is amended to read as follows:

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 the REA. 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 REA 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 REA 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 REA 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 REA noteholders and the majority Bank noteholders, through its or their representatives, shall at all times during reasonable

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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 REA noteholders and the majority Bank noteholders.

11. Article II, section 12(b) of the Mortgage is amended by adding the words "or net margins" after the words "net income" in the first sentence thereof.

12. Article II, section 15 of the Mortgage is amended to read as follows:

SECTION 15. (a) Except as specifically authorized in writing in advance by the majority REA noteholders and the majority Bank noteholders, the Mortgagor will not declare or pay any dividends on its capital stock, membership certificates or equity capital certificates (other than in shares of such capital stock or in such certificates), or make any other distribution to its stockholders, members or subscribers, or purchase, redeem or retire any of its capital stock, membership certificates or equity capital certificates, or make any investment in affiliated companies (except as allowed by subsection (d) below), unless after such action the Mortgagor's current assets (determined in accordance with Exhibit One hereto) will equal or exceed its current liabilities (determined in accordance with Exhibit One hereto) (exclusive of current liabilities incurred for additions to plant), and the Mortgagor's adjusted net worth (determined in accordance with Exhibit One hereto) will be at least forty percentum (40%) of its adjusted assets (determined in accordance with Exhibit One hereto), or the sum of the following (whichever is the smaller amount):

- (1) ten percentum (10%) of its adjusted assets, plus
- (2) thirty percentum (30%) of its adjusted net worth, if any, in excess of the amount represented by the percentage of adjusted assets set out in the immediately preceding subparagraph (1), plus

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- (3) thirty percentum (30%) of the amount of any reduction of its adjusted net worth after the date specified in the Instruments Recital, resulting from the declaration or payment of dividends or distributions, the purchase, redemption or retirement of its capital stock, membership certificates or equity capital certificates or investments in affiliated companies.

(b) During such time or times as the Mortgagor's adjusted net worth is less than ten percentum (10%):

- (1) The Mortgagor will make no increase, without prior written approval of the majority REA noteholders and the majority Bank noteholders, in salaries, wages, fees and other compensation paid to officers, directors, trustees, executives, or supervisors of the Mortgagor, or to other employees having either a substantial ownership interest in the Mortgagor, or a close family relationship with officers, directors, trustees, executives, supervisors, or holders of substantial ownership interests in the Mortgagor; and
- (2) the Mortgagor will promptly furnish the majority REA noteholders and the majority Bank noteholders with certified copies of the minutes of all meetings of its stockholders, members, directors or trustees;
- (3) if the operation of the Mortgaged Property for the preceding calendar year resulted in a decrease in the Mortgagor's retained earnings (determined in accordance with Exhibit One hereto), the Mortgagor shall upon the written direction of the majority REA noteholders or the majority Bank noteholders, take all required action to promptly (1) increase its charges for telephone service or (2) execute a plan for reducing expenses, such increase in charges and such plan to be submitted to all the noteholders and to be acceptable to and approved in writing by the majority REA noteholders and the majority Bank noteholders.

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(c) During such time or times as the Mortgagor's adjusted net worth is less than twenty percentum (20%) of its adjusted assets, the Mortgagor will promptly furnish the REA noteholders and the Bank noteholders with a detailed report on ownership or transfers of its capital stock, membership certificates or equity capital certificates whenever requested in writing by the majority REA noteholders or the majority Bank noteholders, or whenever one percentum (1%) or more of its outstanding ownership interests has been transferred since the last preceding report to such noteholders on ownership interests or transfers; and

(d) If the Mortgagor's net worth (defined in Exhibit One hereto) is equal to at least 20 percent of its total assets (defined in Exhibit One), then the term "investment in affiliated companies" used in subsection (a) of this section 15 shall not include investments by the Mortgagor 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, the aggregate of such investments does not exceed one-third of the net worth of the borrower.

13. Article II of the Mortgage is hereby amended by adding at the end thereof the following new sections:

SECTION 20. 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.

SECTION 21. (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

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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 and all other lenders of not less than 1.00 hereof during the Forecast Period described in the Instruments Recital and the TIER specified in the Instruments Recital after the Forecast Period.

(b) For purposes of this section 21, 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 21, 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 22. (a) Current assets, current liabilities, net worth, adjusted net worth, adjusted assets, retained earnings, net income or net margins, interest expense, and total assets, as used in sections 10, 15 or 21 of Article II of this Mortgage, are determined in accordance with Exhibit One of this Mortgage. Net plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One.

(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 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 23. For all purposes under this Mortgage, the Government shall be considered to be and shall have the rights of the holder of the Current Guaranteed Note and any other

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note secured by this Mortgage which may hereafter be issued by the Mortgagor that is guaranteed as to payment by the Government.

14. To the extent that any of the property described or referred to herein and in the Mortgage is governed by the provisions of the Uniform Commercial Code, the Mortgage and this Supplemental Mortgage, collectively, are hereby deemed a "security agreement" under the Uniform Commercial Code, and this Supplemental Mortgage is also hereby declared to be a "financing statement", under the Uniform Commercial Code for said security agreement. The mailing address of the Mortgagor and debtor is as stated in the testimonium clause hereof, and the mailing addresses of the Mortgagees and secured parties are, respectively, Rural Electrification Administration, Washington, D. C. 20250-1500, and Rural Telephone Bank c/o Rural Electrification Administration, Washington, D. C. 20250-1500.

15. Exhibit One, attached hereto, is made a part of the Mortgage as Exhibit One thereto.

16. All of the terms, provisions and covenants of the Mortgage, except as expressly modified hereby, shall be and remain in full force and effect.

17. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Supplemental Mortgage shall not affect the validity of the remaining portions hereof.

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

IN WITNESS WHEREOF LEWIS RIVER TELEPHONE COMPANY, INC., P.O. Box 218, La Center, Washington 98629, as Mortgagor, has caused this Supplemental 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 Supplemental Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers

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



Deed for
Secretary

LEWIS RIVER TELEPHONE COMPANY, INC.

by

James H. Hemenway
President

Executed by the Mortgagor
in the presence of:

E. Robert J. J. J.
James H. Hemenway
Witnesses



Matthew Lind
Assistant Secretary
of
Rural Telephone Bank

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by *Ken B. Chandler* as

Director, Western Regional Division
of the
Rural Electrification Administration
and for the
Rural Telephone Bank

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

Leena McCoy
Wayle Moss
Witnesses

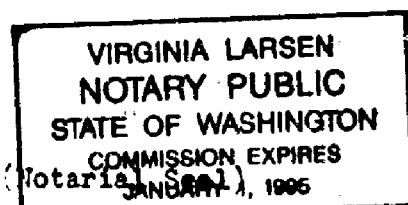
STATE OF WASHINGTON

COUNTY OF

)
) SS
)

On this 24th day of September, 1992, before me personally appeared James P. Conway Jr. to me known to be the President of the Corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said Corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



Virginia Larsen
Notary Public in and for the State
of Washington, residing at La Center.

My commission expires: 1-1-95

DISTRICT OF COLUMBIA) SS

On this 24th day of June, 1992, before me personally appeared KEN B. CHANDLER, known to me to be the Director, Western Regional Division acting for the Rural Electrification Administration, an agency of the United States of America, and for the Rural Telephone Bank that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said Rural Electrification Administration, and of said Rural Telephone Bank, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said Rural Telephone Bank.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 24th day of June, 1992.



Sheila M. Vallot
Notary Public in and for
of Columbia

(Notarial Seal)

My commission expires:

Sheila M. Vallot
Notary Public, District of Columbia
My Commission Expires Sept. 14, 1998

EX-ONE.A - 9/91

Exhibit One (Exhibit to Mortgage)
UNIFORM SYSTEM OF ACCOUNTS
ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS
THIS EXHIBIT CONSISTS OF 4 PAGES

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

ACCOUNT NAMES	ACCOUNT NUMBERS CLASS A	CLASS B
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ADJUSTED ASSETS - Article II, Sec. 15(a): 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 (Defined Below)		
LESS: Accumulated Depreciation	3100 thru	3300s
LESS: Accumulated Amortization	3400 thru	3600s
Funded Debt (Still to be advanced under Loan Contract)	(4210.20	4210.20
	(4210.21	4210.21
	(4210.22	4210.22
	(4210.24	4210.24
	(4210.23	4210.23
LESS: Adjustments (Defined Below)		

ADJUSTMENTS: the sum of the balances of the following accounts of the Mortgagor:

Telecommunications Accounts Receivable	1180*	1180*
Accounts Receivable Allowance - Telecommunications	1181*	1181*
Other Accounts Receivable	1190*	1190*
Accounts Receivable Allowance - Other	1191*	1191*
Notes Receivable	1200*	1200*
Notes Receivable Allowance	1201*	1201*
(* Include Only Those Portions of These Accounts Shown in Subsidiary Record Accounts Related to Affiliates)		
Investments in Affiliated Companies	1401	1401
Telecommunications Plant Adjustment & Goodwill (Debit Amounts in Excess of Accumulated Amortization)		
	2005 & 2007, LESS 3600	

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

Telecommunications Plant In Service	2001	2001
Property Held for Future Telecommunications Use	2002	2002
Telecommunications Plant Under Construction - Short Term	2003	2003
Telecommunications Plant Under Construction - Long Term	2004	2004
Telecommunications Plant Adjustment	2005	2005
Nonoperating Plant	2006	2006
Goodwill	2007	2007

ADJUSTED NET WORTH - Article II, Sec. 15(a): 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)

LESS: Adjustments (Defined above)

CURRENT ASSETS - Article II, Sec 15(a): the balances of the following accounts of the Mortgagor:

Current Assets 1100s thru 1300s

CURRENT LIABILITIES - Article II, Sec. 15(a): the balances of the following accounts of the Mortgagor:

Current Liabilities 4010 thru 4100s

EX-ONE.A - 9/91

INTEREST EXPENSE - Article II, Sec 21 or any other section of the Mortgage setting forth a TIER requirement for the Mortgagor: 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 - Article II Sec 21 or any other section of the Mortgage setting forth a TIER requirement for the Mortgagor: 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	6300s
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
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

NET WORTH - Article II, Sec. 10(b) and Sec. 15(d): 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)

** Summary Accounts

EX-ONE.A - 9/91

RETAINED EARNINGS - Article II, Sec. 15(b)(3): the balance of the following account of the Mortgagor:

Retained Earnings	4550	4550
NOTE: FOR NONPROFIT ORGANIZATIONS - RETAINED EARNINGS (MARGINS) SHALL BE SHOWN IN SUBACCOUNTS OF 4550		

TOTAL ASSETS - Article II, Sec. 10(b) and 15(d): 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