

WHEREAS, the Mortgagor has determined to borrow funds from the Bank pursuant to the Act and to the Prior REA Loan Agreement, as amended by the Telephone Loan Contract Amendment, identified in the Instruments Recital (the Prior R.A. Loan Agreement, as so amended, and as it may from time to time be further amended or supplemented, being hereinafter called the "Consolidated Loan Agreement") and has accordingly duly authorized and executed, and delivered to the Bank, its mortgage note (identified in the Instruments Recital and hereinafter called the "Bank Note") to be secured by this Mortgage of the property hereinafter described; and

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

WHEREAS, if the Instruments Recital identifies a "Concurrent REA Note", the Mortgagor has determined at this time to borrow funds also from the Government pursuant to the Act and the Consolidated Loan Agreement, and has accordingly duly authorized and executed, and delivered to the Government, its mortgage note so identified (and hereinafter called the "Concurrent REA Note"); and

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

WHEREAS, the instruments referred to in the preceding recitals, the Maximum Debt Limit referred to in Article I, Section 1 hereof, the subdivision or subdivisions, of Article II hereof, made applicable by this recital, and certain data referred to in Article II, Section 15 hereof are as follows:

INSTRUMENTS RECITAL

1. The instruments referred to in the preceding recitals are as follows:

"Prior REA Loan Agreement" (exclusive of amendments) dated as of May 16, 1953

"Telephone Loan Contract Amendment", dated as of October 7, 1976

"Outstanding REA Notes":

five ----- (5 -----) certain notes, in the aggregate principal amount of \$701,000 -----, all of which will mature on or before September 9 -----, 2004.

<u>"REA Mortgage":</u>	<u>Instrument</u>	<u>Date</u>	<u>Trustee, if any</u>
1.	Mortgage	March 22, 1954	
2.	Supplemental Mortgage	September 26, 1961	
3.	Supplemental Mortgage	September 9, 1969	

"Bank Note"

<u>Date</u> of even date herewith	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>
	\$1,142,400	7%	Thirty-five (35) years after the date thereof

"Concurrent REA Note:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>
N/A.			

2. "Maximum Debt Limit" for purposes of Article I, Section 1 hereof shall be \$25,000,000

3. The following subdivision(s) of Article II hereof is(are) hereby made applicable:

Section 4(b)

4. The percentage referred to in Section 15(a)(1) and Section 15(b) of Article II hereof is hereby established as ten ----- percentum (10 --- %). The date referred to in Section 15(a)(3) of Article II hereof is hereby established as December 31, 1967.

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

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

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

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

I

All right, title and interest of the Mortgagor in and to the Existing Facilities and buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties real, personal and mixed, tangible or intangible, of every kind or description, now owned by the Mortgagor or which may hereafter be owned, 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, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, subscriber station equipment, including house wiring and protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the property described in the following property schedule:

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the following Counties:

Clark and Cowlitz, in the State of Washington

(b) The property referred to in the last line of paragraph 1 of the Granting clause includes the following described real estate:

"1. A certain tract of land described in a certain deed, dated July 1, 1953, by Andrew L. Short and L.W. Short, husband and wife, as grantors to La Center Telephone Company, Inc., as grantee and recorded on April 22, 1958, in Clark County Auditors office in the State of Washington, In Bk 5-47, Page 576-A;

This property referred to in the granting clause includes the following described real estate located in Clark County, Washington:

All of Lots One (1) and Ten (10) in Block Five (5) of Brazee Addition to the Town of La Center, Clark County, Washington, as more fully recorded plat thereof of record in the office of the county auditor of said Clark County."

"2. A certain tract of land described in a certain deed, dated January 18, 1955, by J.P. Coryeny and Constance Y. Coryeny, husband and wife, as grantors, to La Center Telephone Company, Incorporated as grantee, and recorded on January 21, 1955, in the Auditors office of Clark County, Washington, State of Washington, Book 5-6, Page 149:

"That portion of the Northwest Quarter of the Northeast Quarter of the Northwest Quarter of Section 21, Township 5 North, Range 3 East of the Willamette Meridian, described as follows: Beginning at a point that is 100 feet South and 347 feet East of the Northwest corner of the Northeast Quarter of the Northwest Quarter of said Section, said point being 318 feet East of the East line of the Northwest Quarter of the Northeast Quarter of said Northwest Quarter; thence South 220 feet; thence West to the corner of the County Road; thence Northwesterly along said center line to a point West of point of beginning; thence East 221 feet to the point of beginning. EXCEPT the North 160 feet thereof. EXCEPT County Roads.

That portion of the Northwest Quarter of the Northeast Quarter of the Northwest Quarter of Section 21, Township 5 North, Range 3 East of the Willamette Meridian, described as follows: Beginning at a point that is 320 feet South and 312 feet East of the Northwest corner of the Northeast Quarter of the Northwest Quarter of said Section, said point being 318 feet East of the East line of the Northwest Quarter of the Northeast Quarter of the Northeast Quarter; thence South 50 to an iron pipe thence West to the south of the County Road; said line passing through another pipe line approximately 50 feet East of the center of said County Road;

thence Northwesterly along said center line of said County Road to a point West of point of beginning; thence East to the point of beginning."

"3. A certain tract of land described in a certain deed, dated January 18, 1955, by J.P. Cerveny and Constance Y. Cerveny, husband and wife, as grantors to La Center Telephone Company, Incorporated, as grantee, and recorded on January 21, 1955, in the Auditors office of Clark County Washington in the State of Washington, in Book D-4, Page 140;

That portion of the Southwest Quarter of the Southeast Quarter of Section twenty-one (21), Township Five (5) North Range two (2) East of the Willamette Meridian described as follows: Beginning at the intersection of the North line of the Ambry-La Center Road and the West line of the County Road designated as Road No. 45 said point being in the Southeast corner of the Southeast Quarter of said Southeast Quarter; thence North along the West line of said road No. 45, 100 feet; thence West Fifty (50) feet; thence South one hundred (100) feet to the North line of said Ambry-La Center road; thence East along the North line of said road to the point of beginning."

"4. A certain tract of land described in a certain deed, dated November 1, 1955, by David M. Boyer and Nettie M. Boyer, husband and wife, as grantors to La Center Telephone Co., Inc., as grantee, and recorded on November 15, 1955, in the Auditors office of Clark County Washington, State of Washington, in Book D-16, Page 465:

The West 50 feet of the following described tract: Beginning at a point 86 feet East of the intersection of the South line of Fifth Street and the East line of Bond Street in Brazee's Addition to La Center, according to the plat thereof recorded in Volume "A" of plats, page 22, records of said county; thence Easterly along the South line of Fifth Street, 85 feet; thence South 100 feet; thence West 85 feet; thence North 100 feet to the point of beginning."

"5. A certain tract of land described in a certain deed, dated November 22, 1955, by David M. Boyer and Nettie M. Boyer, husband and wife, as grantors to La Center Telephone Company, Inc., as grantee, and recorded on November 25, 1955, in the Auditors office of Clark County Washington in the State of Washington, in Book D-17, Page 19:

The East 75 feet of the following described tract: Beginning at a point 86 feet East of the intersection of the South line of Fifth Street and the East line of Bond Street in Brazee's Addition to La Center, according to the plat thereof recorded in Volume "A" of plats, page 22, records of said county; thence Easterly along the South line of Fifth Street, 85 feet; thence South 100 feet; thence West 85 feet; thence North 100 feet to the point of beginning."

"6. A certain tract of land described in a certain deed, dated February 16, 1964, by C. H. Tingle, and Maxine Tingley, husband and wife, as grantors to Lewis River Telephone Co., Inc., as grantee, and recorded on February 24, 1964, in the Auditors office of Clark County Washington, in the State of Washington, under Auditors File No. 4378044, microfilm No. 589653;

Beginning at the Northeast corner of the Northwest Quarter of the Northeast Quarter of Section 28, Township 5 North, Range 2 East of the Willamette Meridian, and running thence East 229 1/3 feet; thence South 203 1/3 feet to the point of beginning; Containing one (1) acre, more or less; EXCEPT County Roads."

"7. A certain tract of land described in a certain deed, dated July 1, 1966, by Margaret B. Rhodes, in her separate capacity, grantor, to Lewis River Telephone Company, Inc., as grantee, and recorded on July 7, 1966, in the office of Clark County Washington, in the State of Washington, under Auditor's File No. C 457030, Microfilm No. 651072;

That portion of the Northeast Quarter of Section 3, Township 4 North, Range 1 East of the Willamette Meridian, described as follows: Beginning at an iron pipe that is North 83° 20' 45" East 721.3 feet from the Northeast corner of Block 18, Brazee Addition, according to the plat thereof recorded in Volume "A" of plats, page 22, records of Clark County, Washington, said point being the Northwest corner of the land conveyed to Ellis E. Rhodes, et al, by deed recorded under Auditor's File No. C 313636, records of said County; thence South 89° 15' East 40 feet along said East line to the point of beginning; thence said line along said East line South 77° 49' 15" East 191 feet to the corner of County Road No. 42; thence along said center line South 78° 41' East 211 feet, more or less, to the East line of said Rhodes tract; thence along said East line North 6° 39' 15" West 193 feet; thence North 78° 41' East 211 feet, more or less, to the true point of beginning."

"8. A certain tract of land described in a certain deed, dated July 7, 1966, by Gary Blim, also known as Gary Blim Nefre, a married woman as her separate property, grantor to Lewis River Telephone Company, Inc., as grantee, and recorded on July 11, 1966, in the Auditors office of Clark County Washington, State of Washington, under Auditors file No. C 457378, Microfilm No. 651280;

Beginning at the intersection of the South line of Fifth Street and the East line of Bond Street, as shown on the plat of Brazee's Addition to the Town of La Center, recorded in Volume "A" of Plats, Page 22, records of said County; thence East along the South line of Fifth Street, 80 feet; thence South 100 feet; thence West 80 feet, more or less, to the East line of Bond Street; thence Northerly along the East line of Bond Street, 100 feet, more or less, to the point of beginning."

PROPERTY SCHEDULE

"9. A certain tract of land described in a certain deed, dated October 21, 1971, by Alfred E. Soehl and Margaret E. Soehl, husband and wife, as grantors, to Lewis River Telephone Company, Inc., as grantee, and recorded on October 26, 1971, in Auditors office of Clark County Washington, State of Washington, Auditor's File No. G 587300, Microfilm No. 800120;

The North 35 feet measured along the East and West lines of Lot 9, Block 5, of Brazee Addition to La Center, according to the plat thereof recorded in Volume A of plats, page 22, records of said county."

"10. A certain tract of land described in a certain deed, dated October 22, 1975, by C. Mason, as grantor to Lewis River Telephone Co., Inc. as grantee, and recorded on February 9, 1976, in the Auditors office of Clark County Washington, State of Washington, under Auditor's File No. G 713295, Microfilm No. 994212;

A portion of the Northwest quarter of the Northeast quarter of the Northwest quarter of Section 21, Township 5 North, Range 3 East, Willamette Meridian, Clark County, Washington, described as follows: BEGINNING at the Northeast corner of the Corveny tract as conveyed under Auditor's File No. G-19635 on March 11, 1949; THENCE North $01^{\circ} 13' 07''$ East, 15.91 feet; THENCE North $87^{\circ} 59' 31''$ West parallel with the North line of said Corveny tract, 200 feet more or less to the center of the County Road; THENCE Southeasterly along said road centerline, 16 feet more or less to the Northwest corner of said Corveny Tract; THENCE South $87^{\circ} 59' 31''$ East along the North line of said Corveny tract, 200 feet more or less to the point of BEGINNING; Containing 0.073 acres more or less; Except Grants, Reservations, Easements and Restrictions of Record."

"11. A certain tract of land described in a certain deed, dated June 16, 1961, by Gene Byland and Ruth Byland, husband and wife, as grantors, to La Center Telephone Company, as grantee, and recorded on May 22, 1961, in the Auditors office of Cowlitz County Washington, State of Washington, under Auditor's File No. 534950, Volume 665, Page 38;

The West 75 feet of the following described tract: An acreage parallel to the West line thereof; starting at an iron pipe in the ground at the Southeast corner of the right of way intersection of State Highway 1-S with Yale-Cougar Highway in Section 18, Township 6 North, Range 4 East of the Willamette Meridian and running thence North $72^{\circ} 10'$ East along the South right of way line of the Yale-Cougar Highway 665.1 feet to an iron pipe in the ground, which is the point of beginning; thence South 244.9 feet to the North right of way line of the Pacific Power and Light Company right of way 217.9 feet; thence North 289.8 feet to the right of way of Yale-Cougar Highway; thence along said right of way North $72^{\circ} 10'$ East 200.00 feet to the point of beginning and containing 1.12 acres, more or less."

II

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

III

All right, title and interest of the Mortgagor in, to and under any and all licenses, franchises, ordinances, privileges and permits heretofore granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or by any state, or by any county, township, municipality, village or other political subdivision thereof, or by any agency, board, commission or department of any of the foregoing, authorizing the construction, acquisition or operation of telephone properties, facilities, systems or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation relating to the Mortgaged Property together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor;

V

Also, all right, title and interest of the Mortgagor in and to all other property, real or personal, tangible or intangible, of every kind, nature and description, and wheresoever situated, now owned or hereafter acquired by the Mortgagor, it being the intention hereof that all such property now owned 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 hereinafter provided in section 12(b) of article II hereof, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

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

ARTICLE I

ADDITIONAL NOTES

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

SECTION 2. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time execute, acknowledge, deliver, record and file mortgages supplemental to this Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this Mortgage as security for the notes. Nothing herein contained shall require the execution and delivery by the Mortgagor of a supplemental mortgage in connection with the issuance hereunder or the securing hereby of notes except as hereinafter provided in section 12 of article II hereof.

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

SECTION 1. The Mortgagor is duly authorized under its articles of incorporation and by-laws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Bank Note and the Outstanding REA Notes and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Bank Note and the Outstanding REA Notes and this Mortgage has been duly and effectively taken; and the Bank Note and the Outstanding REA Notes and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms. If the Instruments Recital identifies a Concurrent REA Note, the covenants in the next preceding sentence shall also apply to the Concurrent REA Note.

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SECTION 2. The Mortgagor warrants that it has good right and lawful authority to mortgage the property described in the granting clauses of this Mortgage for the purposes herein expressed, and that the said property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto, except (i) the lien of this Mortgage and taxes or assessments not yet due; (ii) deposits or pledges to secure payment of workmen's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business.

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

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

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

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

(c) The Mortgagor may, however, without obtaining the approval of the holder or holders of any of the notes at the time outstanding, at any time or from time to time so long as the Mortgagor is not in default hereunder, sell or otherwise dispose of, free from the lien hereof, any of its

property which is neither necessary to nor useful for the operation of the Mortgagor's business, or which has become obsolete, worn out or damaged or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall: (1) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the REA Notes and the Bank Notes in the proportions which the aggregate principal balances then owing on the REA Notes and the aggregate principal balances then owing on the Bank Notes, respectively, bear to the aggregate principal balances then owing on the REA Notes and the Bank Notes, collectively, and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such receipt; or (2) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the REA Notes and the Bank Notes in the proportions and in the manner provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority REA noteholders and the majority Bank noteholders shall specify in such restricted bank accounts as such holder or holders shall designate, and shall use the same only for such additions to or improvements of the Mortgaged Property and on such terms and conditions as such holder or holders shall specify.

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

SECTION 6. Except as specifically authorized in writing in advance by the majority REA noteholders and the majority Bank noteholders, the Mortgagor will purchase all materials, equipment, supplies and replacements to be incorporated in or used in connection with the Mortgaged Property outright, and not subject to any conditional sales agreement, chattel mortgage, bailment, lease, or other agreement reserving to the seller any right, title or lien.

SECTION 7. (a) The Mortgagor 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:

Annual Gross Revenue			Amount of Coverage
From	Less than	\$200,000	\$ 10,000
	\$200,001	to 400,000	20,000
	400,001	to 600,000	40,000
	600,001	to 800,000	60,000
	800,001	to 1,000,000	80,000
	over	1,000,000	100,000

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 per cent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation 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, 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 \$100,000 for one person and \$300,000 for each accident, and with limits for property damage of not less than \$50,000 for each accident and \$100,000 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 \$100,000 for one person and \$300,000 for each accident, and with property damage limits of \$25,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$100,000 per person and \$300,000 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 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 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 apply the proceeds of the insurance 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 or for the Mortgagor or for a loss of funds advanced under the notes or recovered by a Mortgagee or 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 prepayment), 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.

SECTION 8. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, any noteholder or noteholders shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of twelve per centum (12%) per annum shall be deemed a charge upon the Mortgaged Property in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

SECTION 9. The Mortgagor will not, without the approval in writing of the majority 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 which is not insured by the Federal Deposit Insurance Corporation, or the successor thereof.

SECTION 10. (a) If this subsection is made applicable by the Instruments Recital, the Mortgagor will not pay its directors or trustees, as such, any salaries for their services, except such as shall have been approved by the majority REA noteholders and the majority Bank noteholders, provided that nothing herein contained shall preclude any director or trustee from serving the Mortgagor in any other capacity and receiving compensation therefor.

(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. As used in this section, the term "affiliated companies" shall have the meaning prescribed for this term by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies.

SECTION 11. The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings business and affairs of the Mortgagor, in accordance with methods of accounting 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. The Mortgagor will prepare and furnish each noteholder not later than the thirtieth

day of January, April, July and October in each year, or at 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 12-month period during the term hereof, a full and complete report of its financial condition as of a date (hereinafter called the Fiscal Date) not more than 90 days prior to the date such report is furnished to the noteholders hereunder, and of its operations for the twelve-month period ended on the fiscal date, in form and substance satisfactory to the majority REA noteholders and the majority Bank noteholders, audited and certified by independent certified public accountants satisfactory to said noteholders and accompanied by a report of such audit in form and substance satisfactory to said noteholders. Either the majority REA noteholders or the majority Bank noteholders, through its or their representatives, shall at all times during reasonable business hours have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, cancelled 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.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority REA noteholders or the majority Bank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority REA noteholders or the majority Bank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority REA noteholders or the majority Bank noteholders to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest on the notes according to the terms thereof and for the purpose of fully conveying, transferring and confirming unto the Mortgagees the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it and to reflect the assignment of the rights or interest 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 refilled 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 REA 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, 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 REA 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 REA 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 REA noteholders or 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, 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 payments in respect of principal of and interest on the notes when and as the same shall become due. The Mortgagor will, not less than ninety (90) days prior to the effective date of any proposed change in its rate, give to the holder or holders of the notes at the time outstanding written notice of such proposed change and a copy of a schedule showing the then existing rates and the proposed changes therein.

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, unless after such action the Mortgagor's current assets will equal or exceed its current liabilities (exclusive of current liabilities incurred for additions to plant), and the Mortgagor's adjusted net worth will be at least forty per centum (40%) of its adjusted assets, or the sum of the following (whichever is the smaller amount):

- (1) the percentage of its adjusted assets specified in the Instruments Recital, plus
- (2) thirty per centum (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
- (3) thirty per centum (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 the percentage of its adjusted assets specified in the Instruments Recital:

- (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,

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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; and
- (3) if the operation of the Mortgaged Property for the preceding calendar year resulted in a decrease in the Mortgagor's earned surplus accounts, the Mortgagor will, upon request in writing of the majority REA noteholders or the majority Bank noteholders, take all required action to increase its charges for telephone service or to 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.

(c) During such time or times as the Mortgagor's adjusted net worth is less than twenty percentum (20%) of its adjusted assets:

- (1) 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
- (2) whenever any change in ownership interests in the Mortgagor occurs which in the sole opinion of the majority REA noteholders or the majority Bank noteholders might adversely affect their security, the Mortgagor will, upon request in writing of the majority REA noteholders or the majority Bank noteholders:
 - (a) increase its adjusted net worth, within one year of such written request, to the level requested by the majority REA noteholders or the majority Bank noteholders, up to twenty percentum (20%) of its adjusted assets; and
 - (b) take no action which would result in reducing its adjusted net worth thereafter below the sum of (1) the amount representing the level of net worth requested by the majority REA noteholders or the majority Bank noteholders pursuant to subparagraph (c) (2) (a) above, plus (ii) thirty percentum (30%) of its adjusted net worth, if any, in excess of the level of net worth referred to in the immediately preceding subclause (1), plus (iii) thirty percentum (30%) of the amount of any reduction of its adjusted net worth after the date of such request by the majority REA noteholders or the majority Bank noteholders, 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.

(d) As used in this section 15, the following terms shall have these meanings:

- (1) The term "adjusted net worth" means the sum of the Mortgagor's "Stock," "Other Capital Surplus" and "Earned Surplus" accounts, less "adjustments."

- (2) The term "adjusted assets" means the sum of the Mortgagor's accounts classified as "Investments," "Current Assets," "Other Assets," and "Prepaid Accounts and Deferred Charges," plus an amount equal to the amount of loan funds still to be advanced under the Consolidated Loan Agreement, if such amount has not been recorded as "Subscriptions to Funded Debt," less the sum of the "Depreciation Reserve," and "Amortization Reserve" accounts and "adjustments."
- (3) The term "adjustments" used in the foregoing definitions means the sum of the following: "Investments in Affiliated Companies," "Adjustments to Affiliated Companies," "Telephone Plant Acquisition Adjustment" debit amounts in excess of "Amortization Reserve," "Telephone Plant Adjustment" debit balances, "Company Securities Owned," unpaid "Subscriptions to Capital Stock," and "Discount on Capital Stock."
- (4) Titles of accounts or groups of accounts and other terms describing accounting transactions, used in the foregoing definitions or in this section 15, shall have the meanings prescribed for them by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies. These terms 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 terms referred to in such uniform system of accounts.

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 this section is made applicable by the Instruments Recital, then: (a) The Mortgagor will not at any time employ, or enter into any contract for the employment of, any manager of its telephone properties, unless such employment or such contract shall first have been approved by the majority REA noteholders and the majority Bank noteholders. (b) If, during such periods as the Mortgagor shall be in default in the making of a payment or payments of principal of or interest on one or more of the notes, the majority REA noteholders or the majority Bank noteholders shall give notice to the Mortgagor that in their opinion its telephone properties are not being efficiently operated, and shall request the termination of the employment of any such manager, or shall request the termination of any operating contract in respect of any such telephone properties, the Mortgagor will terminate such employment or operating contract within thirty (30) days after the date of such notice. (c) All contracts in respect of the employment of any such manager or for the operation of such telephone properties shall contain provisions to permit compliance with the foregoing covenants.

SECTION 19. If all the REA 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 REA 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 REA 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 REA 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 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.

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ARTICLE III

REMEDIES OF THE MORTGAGORS 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; or

(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 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, amend 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 noteholder"), 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 consecutive 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 of this section 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, at the date 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 enter 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.

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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 (a) through (f) of section 1 of this article III is exercised or enforced, or any action is 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 appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this 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-DEFERANCE 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 come 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, cross arms, 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 respective 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.

As to the Mortgagees: The Bank:
Rural Telephone Bank
c/o Rural Electrification Administration
Washington, D. C. 20250

The Government:
Rural Electrification Administration
Washington, D. C. 20250

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. 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 Mortgagees or any other holder of notes.

SECTION 7. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, LEWIS RIVER TELEPHONE COMPANY, INC., LA CENTER,
WASHINGTON 98629, -----

-----, 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.

LEWIS RIVER TELEPHONE COMPANY, INC.

(Seal)

by

President

Attest:

Constance G. Leary
Secretary

Executed by the Mortgagor
in the presence of:

David K. Hendon
John E. Hendon
Witnesses

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by

Harold H. Chappin
Administrator
of
Rural Electrification Administration, and as
Governor
of
Rural Telephone Bank

(Seal)

Attest:

Assistant Secretary

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

Harold H. Chappin
John E. Hendon
Witnesses

STATE OF WASHINGTON)
COUNTY OF CLARK) SS

On this 14th day of March, 1977, before me personally appeared G. P. Cerveny to me known to be the President of the Corporation that executed the within and foregoing instrument, and acknowledged 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.

Mary J. Polson
Notary Public in and for the State of
Washington, residing at Battle Ground

(Notarial Seal)

My commission expires July 10, 1978

UNITED STATES OF AMERICA)
DISTRICT OF COLUMBIA) SS

On this 17 day of November, 1976, before me personally appeared David H. Adams Administrator of the Rural Electrification Administration, an agency of United States of America, and Acting Governor of Rural Telephone Bank, a corporation, personally known to me to be the person described in the foregoing instrument, and acknowledged that as such Acting Administrator of said Rural Electrification Administration, he executed the same in the capacity therein stated and for the purposes therein contained, being authorized by law so to do, and acknowledged 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 to 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.

Janet Benton
Notary Public in and for the District
of Columbia, residing at Washington, D.C.

(Notarial Seal)

My commission expires 10/14/78