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December 18, 2003

Terri Carlock
Idaho Public Utilities Commission
472 W. Washington
P.O. Box 83720
Boise, ID 83720-0074

ALB-T-02-2

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IDAHO PUBLIC
UTILITIES COMMISSION

Re: Direct Communications Rockland, Inc., Rural Utilities Service and
Rural Telephone Bank Loans
Our File:

Dear Terri:

Pursuant to Idaho Public Utilities Commission ("IPUC") Order No. 29378, amending Order No. 29058, which authorized Albion Telephone Company ("Albion") to borrow from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"), Albion was required to file with the IPUC copies of all final executed RUS and RTB loan documents. Enclosed herewith are copies of the following final RUS and RTB loan documents:

1. Amending Telephone Loan Contract, dated as of November 3, 2003;
2. Mortgage Note, made by Albion Telephone Company, dated as of November 3, 2003 (RUS Variable Rate Note);
3. Mortgage Note, made by Albion Telephone Company, dated as of November 3, 2003 (RUS Hardship Note);
4. Mortgage Note, made by Albion Telephone Company, dated as of November 3, 2003
5. Restated Mortgage, Security Agreement and Financing Statement, dated November 3, 2003;
6. Copy of UCC 1 financing statement filed with the Idaho Secretary of State; and
7. Copy of UCC1 financing statement filed with the Utah Department of Commerce, Division of Corporations and Commercial Code.

Terri Carlock
December 18, 2003
Page 2

If you have any questions or comments regarding the enclosed, or if you need any additional information, please do not hesitate to contact me.

Sincerely,

Cynthia A. Melillo

CAM/kn
Enclosures

cc: Mike Creamer (w/o enclosures)
Richard Redman (w/o enclosures)

S:\CLIENTS\5261\3\CAM to IPUC re loan documents.DOC

RUS Project Designation:
IDAHO 504-H12 & K11 ALBION

AMENDING TELEPHONE LOAN CONTRACT

Dated as of November 3, 2003

among

ALBION TELEPHONE COMPANY,

UNITED STATES OF AMERICA

and

RURAL TELEPHONE BANK

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

No. 1

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AGREEMENT, made as of November 3, 2003, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq., hereinafter called the "Act"), among ALBION TELEPHONE COMPANY (hereinafter called the "Borrower"), a corporation existing under the laws of the State of Idaho, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government, acting through the Governor of the Bank (hereinafter called the "Governor").

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

WHEREAS, the Borrower has heretofore entered into a certain telephone loan contract, amending telephone loan contract, consolidating telephone loan contract, or consolidating and amending telephone loan contract, dated as of April 5, 1954, with the Bank, the Government, or the Bank and the Government (such agreement, as it may have been amended, being hereinafter called the "Prior Loan Contract"); and

WHEREAS, pursuant to the Prior Loan Contract the Borrower and/or its predecessor(s) in interest have heretofore borrowed funds from the Government in the aggregate principal amount of \$4,130,000.00 (hereinafter called "Prior RUS Loan"), from the Bank in the aggregate principal amount of \$0 (hereinafter called the "Prior Bank Loan"), except such portion of the Prior Bank Loan used for the purchase of Class B stock of the Bank, and from the Federal Financing Bank (hereinafter called "FFB"), a body corporate and instrumentality of the Government, in the aggregate principal amount of \$0 (hereinafter called the "Prior FFB Loan", and together with the Prior RUS Loan and the Prior Bank Loan being hereinafter collectively called the "Prior Loans"), the Prior FFB Loan being guaranteed by the Government pursuant to the Act, to finance pursuant to the provisions of the Act, the improvements and operation of the initial telephone facilities owned and operated by the Borrower and/or its predecessor(s) in interest (hereinafter called the "Existing Facilities"); and

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

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

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

Loan, being hereinafter collectively called the "RUS Loan", the Bank Concurrent Loan as provided for in section 1.1 of this agreement and any such increases in the amount thereof, and together with the Prior Bank Loan, being hereinafter collectively called the "Bank Loan", and the RUS Loan and the Bank Loan being hereinafter collectively called the "Loan"); and

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

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

ARTICLE I

LOAN, NOTES AND SECURITY

SECTION 1.1. RUS Concurrent Loan: For the purposes provided in section 305(d)(2)(A) of the Act (7 U.S.C. §935(d)(2)(A)), the Government shall lend and the Borrower shall borrow not in excess of \$4,046,000.00 to partially finance the Project.

Bank Concurrent Loan: For the purposes provided in section 408(a)(2) of the Act (7 U.S.C. §948(a)(2)), the Bank shall lend and the Borrower shall borrow not in excess of \$2,355,150.00, (1) to partially finance the Project and (2) to purchase Class B stock from the Bank for \$112,150.00.

RUS Hardship Loan: Pursuant to section 305(d)(1) of the Act (7 U.S.C. §935(d)(1)), the Government shall lend and the Borrower shall borrow not in excess of \$7,500,000.00 to partially finance the Project. RUS Hardship Loan funds shall be used for the purposes provided in section 201 of the Act (7 U.S.C. §922).

Guaranteed Loan - FFB shall lend and the Borrower shall borrow not in excess of \$0, the repayment of which shall be guaranteed by the Government pursuant to section 306 of the Act (7 U.S.C. §936), to partially finance the Project.

SEC. 1.2. Notes. The debt created by the RUS Loan shall be evidenced by notes previously executed by the Borrower and/or its predecessor(s) in interest to evidence the Prior RUS Loan and the Prior FFB Loan and to be executed by the Borrower, payable to the order of the Government or payable to FFB, as the case may be. The debt created by the Bank Loan shall be evidenced by notes previously executed by the Borrower and/or its predecessors in interest to evidence the Prior Bank Loan and to be executed by the Borrower payable to the order of the Bank (the notes evidencing the Prior RUS Loan and the Prior FFB Loan and the notes payable to the order of the Government or payable to FFB, as the case may be, and any notes executed and delivered to refund, or in substitution for, such notes being hereinafter collectively called the "RUS Notes", and the notes evidencing the Prior Bank Loan and the notes payable to the order of the Bank and any notes executed and delivered to refund, or in substitution for, such notes being hereinafter collectively called the "Bank Notes", and the RUS Notes and the Bank Notes being hereinafter collectively called the "Notes"). The Notes shall be in form and substance satisfactory to the Administrator. Interest shall accrue on the principal of each Note only in respect of amounts which shall have been advanced to the Borrower from time to time on account of the Loan, shall have been charged against such Note and shall remain unpaid.

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

RUS Concurrent Loan - Each advance of funds included in the RUS Concurrent Loan shall bear interest at the "Cost-of-Money Interest Rate" determined by the Government pursuant to section

305(d)(2)(A) of the Act (7 U.S.C. §935(d)(2)(A)) and the implementing regulations, as amended from time to time (7 C.F.R. §1735.31(c)).

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

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

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

SEC. 1.3. Loan Closing. The parties may from time to time determine by agreement the amount required to enable the Borrower to perform its obligations hereunder. If any reduction in the maximum amount of the RUS Loan or of the Bank Loan is thus agreed upon, the Administrator shall cause such one or more of the Notes as may be agreed upon, to be appropriately credited with an amount equal to such reduction, and the principal amount of such Note or Notes shall, for the purposes of this agreement, be deemed to be correspondingly reduced. When the Administrator and the Borrower shall agree that no further funds are required to be advanced on account of the RUS Loan or the Bank Loan, as the case may be, in order to enable the Borrower to perform its obligations hereunder to the Government or the Bank, the Administrator shall execute and deliver to the Borrower a loan closing certificate (hereinafter called the "loan closing certificate") which shall, among other things, specify the date of the closing of the RUS Loan or the Bank Loan, as the case may be, and the amount of the unpaid principal of and any accrued interest on each of the RUS Notes or the Bank Notes, as appropriate.

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

ARTICLE II

ADVANCES AND DISPOSITION OF FUNDS

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

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

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

(c) evidence that the Borrower has duly registered when and where required by law with all state, Federal and other public authorities and regulatory bodies and obtained therefrom all authorizations, certificates, permits, and approvals to the extent required by law in order to enable the Borrower to enter into this agreement, to execute and deliver the Notes, the Mortgage, and any supplemental mortgage and amendment to this agreement; to construct and operate the System, and to perform all other acts to be performed by it hereunder;

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

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

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

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

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

(i) evidence that the Borrower has good and marketable title to the Existing Facilities, subject only to the lien of the Mortgage and any underlying security instruments referred to in the Mortgage, and holds such franchises, permits, leases, easements, rights, privileges, licenses or right-of-way instruments, reasonably adequate in form and substance, as may be required by law for the continued maintenance and operation of the Existing Facilities, and every part thereof, in their present location.

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

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

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

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

(C) The first advance of funds on account of the RUS Concurrent Loan, the Bank Concurrent Loan and/or any RUS Hardship Loan and/or any Guaranteed Loan provided for in section 1.1 of this agreement shall include, but shall not be limited to:

- (a) an amount to be determined by the Administrator for the cost of preloan engineering services (as such term is defined at 7 C.F.R. Section 1753.15); and
- (b) an amount to be determined by the Administrator for costs of construction which were incurred subsequent to April 11, 2002, and which have been approved by the Government and the Bank;
- (c) an amount for the purchase of any applicable Class B stock of the Bank.

Thereafter no further advances of funds shall be made unless and until the Borrower has furnished evidence to the Administrator, in form and substance satisfactory to him, that all indebtedness incurred for any interim construction referred to in subsection (b) above has been paid in full and any associated liens have been duly discharged of record.

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

- (a) evidence that the construction of the Project effected to the date of the requisition complies with the provisions hereof;
- (b) a certificate signed by a duly authorized officer or employee of the Borrower, which shall specify all payments not previously accounted for theretofore made by the Borrower from funds in the Special Construction Account provided for in section 2.4 hereof;
- (c) a statement, on a form to be furnished by the Administrator, setting forth the purposes for which it is intended the requested advance will be used by the Borrower; and
- (d) such additional information, opinions, documents, and proofs relating to the construction of the Project, the expenditure of Loan funds and the security for the Loan, as may reasonably be requested by the Administrator.

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

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

Class B stock. Evidence of such purchase in such form as the Bank may prescribe shall be promptly issued to the Borrower.

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

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

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

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

SEC. 2.8. Tariff. (a) The Borrower shall, during the period ending on December 31, 2005 (hereinafter called the "Forecast Period") (1) seek and use its diligent best efforts to obtain all regulatory body approvals necessary to place in effect and thereafter to maintain in effect a tariff which (i) provides for such grades of service as the Administrator shall approve, (ii) does not include mileage or zone charges for any telephone service provided by the Project, and (iii) is designed to produce net income or margins, before interest but after taxes, in such amounts that when divided by the amount of interest requirements on all of the Borrower's outstanding and proposed loans, produces a ratio of at least 1.0, and (2) place such tariff into effect as soon as permitted by applicable laws and regulations. The Borrower shall use its diligent best efforts to obtain all necessary regulatory body approvals of such revisions of its tariff as may be necessary from time to time to satisfy the requirements of this provision.

(b) The Borrower shall continue to comply with the requirements of this provision after the Forecast Period except that the ratio required by (a) above shall be changed to 1.50.

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

ARTICLE III

CONSTRUCTION

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

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

SEC. 3.3. Bidding. The Borrower shall invite bids for construction of outside plant and buildings, for installation of station equipment, and for purchase and installation, or either, of central office equipment, included in the Project, unless otherwise authorized in writing by the Administrator. The Borrower shall open all bids publicly at the time and place which shall have been specified in the notice to bidders, after reasonable prior written notification of such time and place has been given by the Borrower to the Administrator. The Borrower shall award each contract to the lowest responsible bidder, unless all bids are rejected.

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

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

ARTICLE IV

PARTICULAR COVENANTS

SECTION 4.1. Appointments by Borrower. The Borrower shall designate: (a) one or more engineers who shall perform the engineering services involved in the construction of the Project or the several portions thereof, and execute all certificates and other instruments pertaining to engineering details required hereunder to be delivered to the Administrator; and (b) a person (who may be regularly employed by the Borrower) who, subject to the general policies fixed by the board of directors for the conduct of the Borrower's business, shall have active charge of the management and operations of the Borrower (hereinafter called the "Manager"). Persons so designated by the Borrower shall be subject to the approval of the Administrator; provided that if any such person is disapproved by the Administrator, the Administrator shall notify the Borrower in writing of the reasons why the designated person is deemed not qualified to perform the proposed duties properly; and provided further that the Administrator's approval shall not be required for a person designated as the Manager by the Borrower if, for each of the five years immediately preceding such designation, the Borrower has owned and operated the Existing Facilities and has not had a deficit in net income or net margins as determined in accordance with methods of accounting prescribed by the state regulatory body having jurisdiction over the Borrower, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission.

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

- (a) a contract or contracts with one or more approved engineers for all necessary engineering services in connection with the construction of the Project;
- (b) plans and specifications for the construction of each portion of the Project, identified by the signatures of the approved engineer for such portion or portions, and of a duly authorized and responsible officer or employee of the Borrower;
- (c) a contract or contracts for the construction of outside plant and buildings, for installation of station equipment, and for purchase and installation, or either, of central office equipment, included in the Project, together with any contractor's or subcontractor's bond relating thereto;
- (d) a contract or contracts for such toll traffic and operator assistance services, to be furnished by connecting companies, as may be necessary for the proper operation of the System; provided, however, that the Administrator's approval shall not be required for any such contract or contracts, submitted to the Administrator, which in form and substance conform with contracts in general use in the telephone industry;
- (e) a contract or contracts for the purchase by the Borrower of materials, equipment and supplies for use in connection with the Project;
- (f) a contract or contracts for the purchase, lease, or other acquisition of land for use in connection with the construction or operation of the System; and
- (g) a contract or contracts for extended area service to be provided by or for other companies, as may be necessary for the proper operation of the System.

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

SEC. 4.4. Easements and Permits. The Borrower shall submit to the Government and the Bank, when requested by the Administrator, evidence satisfactory to the Administrator that the Borrower has obtained such easements from landowners and releases from lienors and such franchises, authorizations, permits, licenses, certificates of convenience and necessity, approvals, and orders from public bodies and others, reasonably adequate in form and substance, as may be required by law for the construction of the Project and the operation of the System.

If requested so to do by the Administrator, the Borrower shall cause such easements and releases to be recorded in appropriate offices of record. Except with the consent of the Administrator, none of the funds advanced on account of the Loan shall be used by the Borrower to pay for easements obtained from landowners or for releases of liens affecting easements.

SEC. 4.5. Area Coverage. The Borrower shall furnish adequate telephone service to the widest practicable number of rural users in the Borrower's telephone service area, as such area is shown on the map which is a part of the Borrower's application for the Loan, and which map, as revised by agreement between the Borrower and the Administrator, is incorporated herein by reference thereto. In the performance of this obligation, the Borrower shall (except to the extent that the Administrator, upon request of the Borrower, may in writing authorize deviations therefrom):

(a) furnish service to all applicants for service included in the Project, without payment by such applicants of any extra charge as a contribution to the cost of construction of facilities to provide such service; and

(b) take all action that may be required to enable it to extend service, with the use of such funds as may from time to time be available to it, either from surplus earnings, increased equity capital, additional loans made by lenders other than the Government or the Bank, or otherwise as the Borrower may elect, and without payment to the Borrower of any extra charge as a contribution to construction of facilities to provide such service, to every other unserved rural applicant for service in its telephone service area if the cost of constructing the required line extension for such applicant will not exceed seven times the estimated annual local service revenues from such applicant. Such service shall be furnished pursuant to terms and conditions set forth in the Borrower's tariff, as duly filed with or approved by regulatory bodies having jurisdiction in the premises, or in the absence of any such regulatory body, as adopted by the Borrower; provided that the Borrower shall not file with or submit for approval of appropriate regulatory bodies or adopt any proposed tariff, or continue in effect any existing tariff not required to be continued by any regulatory body, unless under such tariff the Borrower will be obligated to serve unserved rural applicants as provided herein.

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

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

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

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

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

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

(d) the capital structure of the Borrower is as shown in a certified copy of its articles of incorporation last submitted to the Administrator; the Borrower has issued and has outstanding only such numbers and classes of shares of its capital stock and such bonds and other evidences of indebtedness, if any, as shown in the statement thereof last submitted to the Administrator; and the Borrower has not entered into any agreement for the issuance of any other shares of its capital stock, or of bonds or other evidences of indebtedness;

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

(f) the Borrower's exact legal name is that indicated on the signature page hereof;

(g) Schedule C accurately sets forth the Borrower's organizational identification number or accurately states that the Borrower has none; and

(h) Schedule C hereto accurately sets forth the borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

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

SEC. 4.9. "Buy American" Clause. The Borrower shall use or cause to be used in connection with the expenditures of funds advanced on account of the Loan only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or in any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or in any eligible country substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States or in any eligible country, except to the extent the Administrator shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative.

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

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

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.

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

(3) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

(5) The Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

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

(7) The Contractor will include the portion of the sentence immediately preceding paragraph (1) and the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance. Provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

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

The Borrower agrees that it will assist and cooperate actively with the administering agency and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it will furnish the administering agency and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it will otherwise assist the administering agency in the discharge of the administering agency's primary responsibility for securing compliance.

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

In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings, the administering agency may take any or all of the following actions: cancel, terminate or suspend in whole or in part this contract; refrain from extending any further assistance to the Borrower under the program with respect to which the failure or refusal occurred until satisfactory assurance of further compliance has been received from such Borrower; and refer the case to the Department of Justice for appropriate legal proceedings.

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

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

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

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

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

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

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

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

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

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

SEC. 4.21. Nonduplication of Facilities. If the Borrower provides telephone service in any state in which there is no state regulatory body with authority to regulate telephone service and to require certificates of convenience and necessity to the Borrower, the Borrower shall not use any portion of the Loan for the construction of telephone facilities to furnish or improve service to persons located in such state receiving telephone service from any other telephone company at the time the Borrower proposes to furnish or improve service to such persons, except that the Borrower may provide or improve service to persons receiving service through facilities acquired or to be acquired by the Borrower, and except to the extent the Administrator, on the basis of evidence submitted to him by the Borrower, shall have determined that service by the Borrower to such persons will not result in duplication of lines, facilities or systems providing reasonably adequate service.

SEC. 4.22. If the Borrower does not have an organizational identification number and later obtains one, the Borrower will promptly notify the Administrator and the Governor in writing of such organizational identification number.

SEC. 4.23. Borrower covenants and agrees with the Government and the Bank that the Borrower will not, directly or indirectly, without giving written notice to the Government and the Bank thirty (30) days prior to the effective date:

- (a) Change the location of the Borrower's place of business or if more than one, its chief executive office.
- (b) Change the name of the Borrower.
- (c) Change the mailing address of the Borrower.
- (d) Change its organizational identification number if it has one.

SEC. 4.24. The Borrower covenants and agrees with the Government and the Bank that the Borrower will not, directly or indirectly, without the prior written consent of the Government and the Bank change its type of organization, jurisdiction of organization or other legal structure.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

(b) declare all unpaid principal of and all interest accrued on any or all of the Notes held by such holder or holders (which may include the Government or the Bank) to be due and payable immediately and upon such declaration all such principal and interest shall become due and payable immediately, anything herein or in any other agreement to which the Borrower shall be a party, or in the Notes or in the Mortgage or any supplemental mortgage to the contrary notwithstanding.

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

ARTICLE VI

MISCELLANEOUS

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

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

SEC. 6.3. Relations of Administrator and Governor.

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

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

SEC. 6.4. Definitions. Whenever the following terms are used in this agreement, unless the context indicates another or different meaning or intent, they shall be construed to have meanings as follows:

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

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

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

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

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

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

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

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

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

SEC. 6.9. Notices. All demands, notices, approvals, designations, or directions permitted or required to be made upon or given to the Borrower hereunder shall be mailed to the Borrower at P.O. Box 98, Albion, Idaho 83311 or such other address as the Borrower shall designate in writing to the Administrator. All notices, designations, or communications permitted or required to be given or sent to the Government, the Bank or the Administrator hereunder shall be mailed to the Administrator at Washington, D.C. 20250-1500, or such other address as the Administrator shall designate in writing to the Borrower.

SEC. 6.10. Duration of Agreement. Except where otherwise required by the context, all provisions of this agreement shall continue in full force and effect until all amounts owing by the Borrower to the

Government and the Bank on account of the Loan shall have been paid, and upon such payment this agreement shall be deemed to have been fully performed.

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

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

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

ALBION TELEPHONE COMPANY

by



President

(Seal)

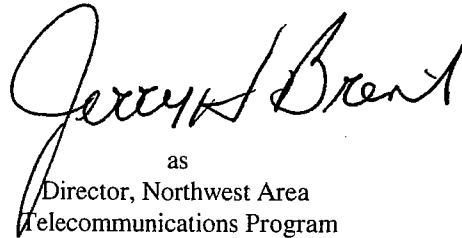
Attest:



Secretary

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by

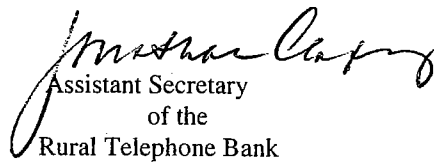


as

Director, Northwest Area
Telecommunications Program
of the
Rural Utilities Service
and for the
Rural Telephone Bank

(Seal)

Attest:



Assistant Secretary
of the
Rural Telephone Bank

SCHEDULE C

1. The place of business, or, if more than one, its chief executive office as well as the Borrower's mailing address, if different, referred to in Section 4.7 is P.O. Box 98, Albion, Idaho 83311.
2. The organizational identification number of the Borrower referred to in Section 4.7 is C26771.

PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

MORTGAGE NOTE

made by

ALBION TELEPHONE COMPANY

to

UNITED STATES OF AMERICA

MORTGAGE NOTE

Albion, Idaho
November 3, 2003

Article I: Special Provisions - RUS Variable Rate Note

1. Amount

ALBION TELEPHONE COMPANY (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Idaho, for value received, promises to pay to the order of the UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, at the United States Treasury, Washington, D.C., at the times and in the manner hereinafter provided, such sums as may be advanced from time to time, not to exceed four million forty-six thousand dollars (\$4,046,000), with interest payable from the date of each advance ("Advance") on the unpaid principal balance, pursuant to a certain loan contract, dated as of November 3, 2003, among the Corporation, the Government and the Rural Telephone Bank (hereinafter called the "Bank"), as the same may be amended from time to time (said loan contract, as it may be so amended, being hereinafter called the "Loan Contract"), and remaining unpaid from time to time.

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

Interest on each Advance made pursuant to the Loan Contract and remaining unpaid shall be payable on the last day of each month (the "Monthly Payment Date"), of each year for a period ending on a date two (2) years after the date hereof. Thereafter, to and including a date eighteen (18) years after the date hereof (the "Maturity Date"), the Corporation shall make a payment every Monthly Payment Date on each such Advance (substantially equal to every other monthly payment on such Advance, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date.

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

Interest and principal payments on Advances made pursuant to the Loan Contract more than two (2) years after the date hereof shall be repaid in installments beginning with the Monthly Payment Date of the month following the month of each Advance and ending on the Maturity Date. The first payment on an Advance made more than two (2) years after the date of this Note shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the Advance. Thereafter, to and including the Maturity Date, the Corporation shall make a payment every Monthly Payment Date on each such Advance (a) substantially equal to every other monthly payment on such Advance, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date. This payment shall be in addition to the payments on the Advances made and unpaid two (2) years after the date hereof.

4. Prepayment

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

5. Interest Rate

Each Advance hereunder shall bear interest at a rate (the "Cost of Money Interest Rate") determined for that Advance in accordance with Section 305(d)(2)(A) of the Rural Electrification Act of 1936, as amended (7 U.S.C. §935(d)(2)(A)) and the implementing regulations (7 CFR §1735.31(c)), as amended from time to time, provided,

however, that the Cost of Money Interest Rate may exceed seven (7) per cent per year (P.L. 104-180, 110 Stat. 1587).

Article II: Standard Provisions

1. Application of Payments

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

2. Security

This Note has been executed and delivered pursuant to and is secured by a certain mortgage, dated as of November 3, 2003, made by and among the Corporation, the Government, the Bank and CoBank, ACB, as the same may have been amended or supplemented by any supplemental mortgage or supplemental mortgages (said mortgage and any such supplemental mortgage or supplemental mortgages being hereinafter collectively called the "Mortgage"), and is one of several notes (hereinafter called the "notes") permitted to be executed and delivered by the Corporation pursuant to the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security and the rights of the holders of notes with respect thereto.

3. Default

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

4. Noteholder

This Note evidences indebtedness created by a loan made under the Rural Electrification Act of 1936, as amended. If the Government shall at any time assign this Note and insure the payment hereof, the Corporation shall continue to make payments hereunder to the Government as collection agent for the insured holder, and, for purposes of the Mortgage, the Government, and not such insured holder, shall be considered to be, and shall have the rights of, the noteholder.

5. Additional Notes

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

Note shall be credited on account of such substitute notes and (ii) the Government shall return this Note to the Corporation upon receipt of such substitute notes.

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

ALBION TELEPHONE COMPANY

by



President

(SEAL)

Attest:


Secretary

PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

MORTGAGE NOTE

made by

ALBION TELEPHONE COMPANY

to

UNITED STATES OF AMERICA

MORTGAGE NOTE

Albion, Idaho
November 3, 2003

Article I: Special Provisions - RUS Hardship Rate Note

1. Amount

ALBION TELEPHONE COMPANY (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Idaho, for value received, promises to pay to the order of the UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, at the United States Treasury, Washington, D.C., at the times and in the manner hereinafter provided, the sum of seven million five hundred thousand dollars (\$7,500,000), with interest on the amount thereof advanced by the Government, pursuant to a certain loan contract, dated as of November 3, 2003, among the Corporation, the Government and the Rural Telephone Bank (hereinafter called the "Bank"), as the same may be amended from time to time (said loan contract, as it may be so amended, being hereafter called the "Loan Contract"), and remaining unpaid from time to time, at the rate of five (5) percent per annum.

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

Interest on principal advanced made pursuant to the Loan Contract and remaining unpaid shall be payable on the last day of each month for a period ending on a date two (2) years after the date hereof. Thereafter, to and including a date (the "Maturity Date") eighteen (18) years after the date hereof, the Corporation shall make a payment on each of said monthly dates in each year at the rate of \$7.58 per \$1,000 of principal amount hereof advanced pursuant to the Loan Contract and unpaid two (2) years after the date hereof.

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

Interest and principal payments on principal advanced more than two (2) years after the date hereof shall be made monthly beginning with the last day of the month following the month of each advance of principal. Each payment shall be (a) substantially equal to all subsequent monthly payments and (b) in an amount that will pay all principal and interest on this Note no later than the Maturity Date. The first payment on an advance made more than two years after the date of this Note shall be increased by the amount of interest accruing between the date of the advance and the first day of the month following the month of the advance. These payments shall be in addition to the payment made on the principal amount advanced and unpaid two (2) years after the date hereof.

4. Prepayment

The Corporation on any payment date, as hereinabove provided may pay all or any part of the principal hereof then advanced pursuant to the Loan Contract and remaining unpaid, but so long as any of the principal hereof advanced pursuant to the Loan Contract shall remain unpaid, the Corporation shall be obligated to make the monthly payment on account of principal and interest, in the amount hereinabove provided, unless the Corporation and the holder of this Note shall otherwise agree.

Article II: Standard Provisions

1. Application of Payments

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

2. Security

This Note has been executed and delivered pursuant to and is secured by a certain mortgage, dated as of November 3, 2003, made by and among the Corporation, the Government, the Bank and CoBank, ACB, as the same may have been amended or supplemented by any supplemental mortgage or supplemental mortgages (said mortgage and any such supplemental mortgage or supplemental mortgages being hereinafter collectively called the "Mortgage"), and is one of several notes (hereinafter called the "notes") permitted to be executed and delivered by the Corporation pursuant to the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security and the rights of the holders of notes with respect thereto.

3. Default

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

4. Noteholder

This Note evidences indebtedness created by a loan made under the Rural Electrification Act of 1936, as amended. If the Government shall at any time assign this Note and insure the payment hereof, the Corporation shall continue to make payments hereunder to the Government as collection agent for the insured holder, and, for purposes of the Mortgage, the Government, and not such insured holder, shall be considered to be, and shall have the rights of, the noteholder.

5. Additional Notes

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

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

ALBION TELEPHONE COMPANY

by



President

(SEAL)

Attest:


Secretary

PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

MORTGAGE NOTE

made by

ALBION TELEPHONE COMPANY

to

RURAL TELEPHONE BANK

MORTGAGE NOTE

Albion, Idaho
November 3, 2003

Article I: Special Provisions - Bank Note

1. Amount

ALBION TELEPHONE COMPANY (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Idaho, for value received, promises to pay to the order of RURAL TELEPHONE BANK (the "Bank"), at Washington, D.C., at the times and in the manner hereinafter provided, such sums as may be advanced from time to time, not to exceed two million three hundred fifty-five thousand one hundred fifty dollars (\$2,355,150), with interest payable from the date of each advance ("Advance") on the unpaid principal balance, pursuant to a certain loan contract, dated as of November 3, 2003, among the Corporation, the United States of America (hereinafter called the "Government") and the Bank, as the same may be amended from time to time (said loan contract, as it may be so amended, being hereafter called the "Loan Contract"), and remaining unpaid from time to time.

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

Interest on each Advance made pursuant to the Loan Contract and remaining unpaid shall be payable on the last day of each month (the "Monthly Payment Date"), for a period ending on a date two (2) years after the date hereof. Thereafter, to and including a date eighteen (18) years after the date hereof (the "Maturity Date"), the Corporation shall make a payment every Monthly Payment Date on each such Advance (substantially equal to every other monthly payment on such Advance while it is subject to the same rate of interest, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date.

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

Interest and principal payments on Advances made pursuant to the Loan Contract more than two (2) years after the date hereof shall be repaid in installments beginning with the Monthly Payment Date of the month following the month of each Advance and ending on the Maturity Date. The first payment on an Advance made more than two years after the date of this Note shall be increased by the amount of interest accruing between the date of the Advance and the first day of the month following the month of the Advance. Thereafter, to and including the Maturity Date, the Corporation shall make a payment every Monthly Payment Date on each such Advance (a) substantially equal to every other monthly payment on such Advance while it is subject to the same rate of interest, and (b) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date. This payment shall be in addition to the payments on the Advances made and unpaid two (2) years after the date hereof.

4. Prepayment

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

5. Interest Rate

Each Advance hereunder shall bear interest at the various rates determined for that Advance in accordance with Section 408(b)(3) of the Rural Electrification Act of 1936, as amended (7 U.S.C. §948(b)(3)) and the implementing regulations, as amended from time to time.

6. Determination of payment if interest rate changes

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

Article II: Standard Provisions

1. Application of Payments

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

2. Security

This Note has been executed and delivered pursuant to and is secured by a certain mortgage, dated as of November 3, 2003, made by and among the Corporation, the Government, the Bank and CoBank, ACB, as the same may have been amended or supplemented by any supplemental mortgage or supplemental mortgages (said mortgage and any such supplemental mortgage or supplemental mortgages being hereinafter collectively called the "Mortgage"), and is one of several notes (hereinafter called the "notes") permitted to be secured by the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security and the rights of the holders of notes with respect thereto.

3. Default

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

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

ALBION TELEPHONE COMPANY

by



President

(SEAL)

Attest:


Secretary

RUS PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

RESTATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and among

ALBION TELEPHONE COMPANY
P.O. Box 98
Albion, Idaho 83311,

as mortgagor and debtor,

and

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

as mortgagee and secured party,

and

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

as mortgagee and secured party,

and

CO BANK, ACB
5500 South Quebec Street
Greenwood Village, CO 80111

as mortgagee and secured party.

Dated as of November 3, 2003

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS C26771.

RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT, dated as of November 3, 2003, made by and among ALBION TELEPHONE COMPANY (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Idaho, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called "the Administrator"), RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government, and CoBANK, ACB, successor to the National Bank for Cooperatives (hereinafter called "CoBank"), a federally chartered instrumentality of the United States (the Government, the Bank and CoBank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and for purposes of the "Underlying Mortgage" (as hereinafter defined) identified in Schedule A of "this Mortgage" (as hereinafter defined) the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and the "Administrator of the RUS"; and

WHEREAS, pursuant to a consolidation, effective January 1, 1995, of the National Bank for Cooperatives, the Springfield Bank for Cooperatives, and the Farm Credit Bank of Springfield to form CoBank and as a result of such consolidation, CoBank succeeded to all rights, title and interests of its predecessors in interest under the Underlying Mortgage; and

WHEREAS, the Mortgagor has heretofore borrowed funds from one or more of the Mortgagees or from "FFB" (as hereinafter defined) whose loans are guaranteed by the Government and to secure such indebtedness has executed and delivered to such Mortgagee(s) the "Outstanding Notes" (as hereinafter defined) identified in Schedule A hereto and/or in Schedule B hereto.

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

WHEREAS, the Outstanding Notes are secured by the Underlying Mortgage; and

WHEREAS, the Mortgagor deems it necessary to borrow additional funds from one or more of the Mortgagees and/or from FFB whose loans are guaranteed by the Government and to evidence such additional indebtedness has executed and delivered to such Mortgagee(s) the "Current Notes" (as hereinafter defined) identified in Schedule A hereto and to secure and pledge its property hereunder described or mentioned to secure the same; and

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all mortgage notes shall be secured on parity; and

WHEREAS, this Mortgage consolidates and restates the Underlying Mortgage in its entirety; and

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of the Outstanding Notes, the Current Notes and other indebtedness of the Mortgagor hereunder, subject to the terms of this Mortgage, have been in all respects duly authorized; 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" (as hereinafter defined), 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" (as hereinafter defined) and the "CoBank Loan Agreement" (as hereinafter defined) 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, and the Mortgagor does hereby grant to the Mortgagees, for the purposes herein expressed, a security interest in, all and singular, the following properties, assets and rights of the Mortgagor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the "Existing Facilities" (as hereinafter defined) 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, equipment, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches, including, without limitation, host switches and remote switches, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, pay-stations, protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the real property described in the following property schedule:

PROPERTY SCHEDULE

- (a) The Existing Facilities are located in the Counties of Butte, Cassia, Custer and Oneida in the State of Idaho, and the County of Box Elder in the State of Utah.
- (b) The property referred to in the last line of paragraph 1 of the Granting Clause includes the real estate described in Exhibit A attached hereto, and by this reference made a part hereof, as if fully set forth at length at this point.
- (c) If the real estate described in Exhibit A is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is by reference made a part of Exhibit A as though fully set forth at length therein.
- (d) The real estate described in Exhibit A shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on such real estate, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in any wise appertaining.

II

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

III

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

IV

All right, title and interest of the Mortgagor, in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds (as such terms are presently and hereinafter defined in the applicable Uniform Commercial Code provided, however, that the term "instrument" shall be such term as defined in Article 9 of the applicable Uniform Commercial Code rather than Article 3);

V

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

VI

All right, title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to: all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

VII

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, proceeds 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) which are titled and/or registered in any state of the United States of America and 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 and in the CoBank Loan Agreement contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE I

DEFINITIONS AND ADDITIONAL NOTES

SECTION 1. (a) The parties to this Mortgage are hereby deemed to be parties to the Underlying Mortgage.

(b) In addition to the terms defined elsewhere in this Mortgage, the terms defined in this subsection (b) shall have the meanings specified herein. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

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

"Additional Notes" shall mean the Additional Bank Notes, the Additional CoBank Notes and the Additional RUS Notes collectively.

"Additional Bank Notes" shall mean any notes issued by the Mortgagor to the Bank pursuant to Article I, Section 1, of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Bank pursuant to the terms of Article I, Section 1.

"Additional CoBank Notes" shall mean any notes issued by the Mortgagor to CoBank pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal or substitute notes which may from time to time be executed and delivered by the Mortgagor to CoBank pursuant to the terms of Article I, Section 1.

"Additional RUS Notes" shall mean any notes issued by the Mortgagor to the Government or FFB, and guaranteed by the Government, pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government pursuant to the terms of Article I, Section 1.

"Bank Notes" means the Outstanding Notes payable to the order of the Bank, the Current Notes payable to the order of the Bank and the Additional Bank Notes.

"CoBank Loan Agreement" shall mean the loan agreement(s) between the Mortgagor and CoBank listed in Schedule B under the heading "Prior CoBank Loan Agreement(s)" and any amendments thereto, the loan agreement under the heading "Current CoBank Loan Agreement" in Schedule B hereto with respect

to any Current Note payable to CoBank listed in Schedule B hereto and any loan agreements with respect to Additional CoBank Notes and any amendments thereto.

"CoBank Notes" means the Outstanding Notes payable to CoBank, the Current Notes payable to CoBank and the Additional CoBank Notes.

"Consolidated Loan Agreement" shall mean the loan agreement between the Mortgagor and the Government, or between the Mortgagor and the Bank, or among the Mortgagor, the Government and the Bank, under the heading "Telephone Loan Contract" in Schedule A hereto, as the same may have been previously amended, and any current or future amendments thereto, any current amendments thereto being under the heading "Telephone Loan Contract Amendment" in Schedule A hereto, together with any agreements among the Mortgagor, the Government, acting through the Administrator, and FFB, pursuant to which the Government guarantees the loans made by FFB to the Mortgagor, pursuant to the Act, and any amendments thereto.

"Current Notes" shall mean the notes issued by the Mortgagor to secure the loans to the Mortgagor made in conjunction with this Mortgage payable to the order of the Government under the heading "Current RUS Note(s)" in Schedule A hereto, payable to the order of the Bank under the heading "Current Bank Note" in Schedule A hereto, payable to the order of CoBank under the heading "Current CoBank Note" in Schedule B hereto, payable to FFB under the heading "Current FFB Note" in Schedule A hereto and payable to the order of the Government to reimburse the Government for certain amounts paid from time to time by the Government to FFB under the heading "Current Reimbursement Note" in Schedule A hereto.

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

"FFB" shall mean the Federal Financing Bank.

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

"notes" shall mean collectively the Bank Notes, the CoBank Notes and the RUS Notes.

"Outstanding Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Government under the heading "Outstanding RUS Notes" in Schedule A hereto, to the Bank under the heading "Outstanding Bank Notes" in Schedule A hereto, to CoBank under the heading "Outstanding CoBank Notes" in Schedule B hereto and to FFB under the heading "Outstanding FFB Notes" in Schedule A hereto.

"RUS Notes" shall mean the Outstanding Notes payable to the order of the Government and payable to FFB, the Current Notes payable to the order of the Government and payable to FFB and the Additional RUS Notes.

"Underlying Mortgage" shall mean the instruments identified as such in Schedule A hereto and Schedule B hereto.

Where in these definitions there is a reference to an instrument as being listed under a particular heading in Schedules A and B and no such heading is included in Schedules A and B then such definition shall be read as though there were no such reference.

(c) The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence

indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act, (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, and (3) execute and deliver to CoBank one or more Additional CoBank Notes to evidence loans made by CoBank 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 CoBank created by a loan or loans theretofore made by CoBank to such party or parties. 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 to renew 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 fifty million dollars and no cents (\$50,000,000.00) and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. Except as hereinafter provided, however, no Additional CoBank Notes shall be secured by this Mortgage without the prior written approval thereof by the Government and the Bank, and no Additional RUS Notes or Additional Bank Notes shall be secured by this Mortgage without the prior written approval thereof by CoBank. No such prior written approval shall be required with respect to the execution and delivery by the Mortgagor of (1) notes issued to refund, renew or substitute for any outstanding note or notes, and (2) the Outstanding Notes, and (3) Additional Notes issued to the Government or the Bank in accordance with Subsection (d) of this Section 1.

(d) The Mortgagor may execute and deliver Additional RUS Notes to evidence a loan or loans from the Government to the Mortgagor and/or a loan or loans from FFB to the Mortgagor and Additional Bank Notes to evidence a loan or loans from the Bank to the Mortgagor provided that the following condition precedent is met with respect to each such loan:

Written acknowledgment is obtained from RUS, the Bank and CoBank indicating that RUS's, the Bank's and CoBank's pro forma financial analysis of the Mortgagor, for the test year used by RUS in establishing the economic feasibility of such loan shows that the Mortgagor shall have a Times Interest Earned Ratio ("TIER") of not less than 1.5; a Debt Service Coverage ("DSC") of not less than 1.25; and an Equity to Assets Ratio equal to or greater than 40%, as the above are defined in Article II, Section 20 hereof, taking into account the interest to be charged on the Additional RUS Notes or Additional Bank Notes proposed to be executed and delivered to evidence such loan.

(e) 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 Outstanding Notes, the Current 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 Outstanding Notes, the Current Notes and this Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current 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.

SECTION 2. The Mortgagor warrants that it has good, right and lawful authority to mortgage the property described in the granting clause 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 worker's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business. The Mortgagor will, so long as any of the notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge.

SECTION 3. The Mortgagor will duly and punctually pay the principal of and interest on the notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due hereunder. The Mortgagor may at any time make prepayments on account of all or part of the principal of the notes to the extent and in the manner therein provided and as set forth in the Consolidated Loan Agreement and the CoBank Loan Agreement; provided that any such prepayment shall be applied pro rata to the RUS Notes, the Bank Notes and the CoBank Notes, according to the proportions that the aggregate unpaid principal amount of the RUS Notes, the aggregate unpaid principal amount of the Bank Notes and the aggregate unpaid principal amount of the CoBank Notes, respectively, bear to the aggregate unpaid principal amount of the RUS Notes, the Bank Notes and the CoBank Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. For purposes of this Section 3, delivery by the Mortgagor of any note which renews or is in substitution for an outstanding note shall not be considered a prepayment hereunder and delivery of a refunding note shall not be considered a prepayment provided that, the refunding note will result in (1) an economic benefit defined as a present value savings when comparing the cash flows of the refunding note with the cash flows of the note being refunded; (2) will not cause the TIER as of the most recent December 31 RUS Form 479, when recalculated by substituting the actual interest expense of the note to be refunded with the projected interest expense of the refunding note, to be less than the greater of the TIER before such recalculation or 1.5; and (3) will not cause the DSC as of the most recent December 31 RUS Form 479, when recalculated by substituting the scheduled principal payments of the note to be refunded with the scheduled principal repayments of the refunding note, to be less than 1.25. Additionally, the majority RUS noteholders and the majority Bank noteholders and the majority CoBank noteholders (as such terms

are defined in Section 4 of Article II hereof) may agree that such noteholder shall not be paid the pro rata prepayment to which such noteholder may be entitled under this Section 3.

SECTION 4. (a) The Mortgagor will, at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the RUS Notes at the time outstanding (hereinafter called the "majority RUS noteholders") and of the holder or holders of not less than a majority in principal amount of the Bank Notes at the time outstanding (hereinafter called the "majority Bank noteholders") and of the holder or holders of not less than a majority of the CoBank noteholders at the time outstanding (hereinafter called the "majority CoBank noteholders"), take or suffer to be taken any steps to reorganize, or to consolidate with or merge into any other corporation or to permit any other corporation to merge into the Mortgagor or acquire all or substantially all of the business or assets of another corporation if such acquisition is analogous in purpose or effect to a merger or consolidation or to sell, lease or transfer, mortgage, convey by deed to secure debt, pledge or encumber other than under the lien hereof (or make any agreement therefor) the Mortgaged Property, or any part thereof.

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

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

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

all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telephone service.

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

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

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

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

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

SECTION 8. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, any noteholder or noteholders shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of Chase Manhattan Prime plus 400 Basis Points per annum shall be deemed a charge upon the Mortgaged Property in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

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

SECTION 10. Salaries, wages and other compensation paid by the Mortgagor for services, and directors' or trustees' fees, shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor. Except as specifically authorized in writing in advance by the majority RUS noteholders and the majority Bank noteholders and the majority CoBank noteholders, the Mortgagor will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members or affiliated companies, provided, however, the Mortgagor may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to, an affiliated company of the Mortgagor that is used by such company for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the net worth (defined in Exhibit One hereto) of the Mortgagor and (2) the Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One hereto). As used herein, 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 in its uniform system of accounts for telecommunications companies as those methods and principles of accounting may be supplemented from time to time by RUS or the Bank. 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 such more or less frequent intervals when specified by the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders, financial and statistical reports on its condition and operations. Such reports shall be on the RUS Form 479 and include such information as may be specified by the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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 and cash flow 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 12-month period ended on the Fiscal Date, in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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. Each of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 the possession of the Mortgagor or in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified public accountant in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 equally and ratably 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 interests of any of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income or net margins, as determined in accordance with methods of accounting prescribed in Section 11 of Article II hereof, for any of the five (5) fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

(c) The foregoing responsibilities of the Mortgagor include, but are not limited to, at the request of the majority RUS noteholders, the majority Bank noteholders or the majority RTFC noteholders,

taking such actions and executing and delivering such documents as are necessary under the Uniform Commercial Code or other applicable law to perfect or establish the Mortgagees' first priority security interests in any Mortgaged Property to the extent that such perfection or priority cannot be accomplished by the filing of a financing statement.

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

SECTION 14. The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall charge rates for its telephone service and other services furnished which shall yield revenues at least sufficient to (1) pay and discharge all taxes, maintenance expenses, operating expenses, and other expenses of its telephone system when due, (2) pay all obligations of the Mortgagor and make all payments of principal of and interest on the notes when due, (3) provide and maintain reasonable capital for the Mortgagor, (4) maintain an Average TIER on all of the notes of not less than 1.50 but in no year shall the TIER be less than 1.00, and (5) maintain a DSC of not less than 1.25. Not less than 90 days prior to the effective date of any proposed change in its rate, the Mortgagor shall give to the holder or holders of the notes written notice of such change and a copy of the schedule showing the then existing rates and the proposed changes therein.

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

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

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

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

SECTION 16. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that all noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable

payment of or on account of the unpaid principal of the notes and to such installments thereof as may be designated by the respective noteholders at the time of any such payment; and fourth, the balance, if any, 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 and the CoBank Loan Agreement, on its part to be observed or performed. The Mortgagor will promptly furnish each Mortgagee with written notice of any amendment or modification of any agreement under which a note or other obligation of the Mortgagor secured by the lien of this Mortgage has been or will be issued, including, without limitation, the Consolidated Loan Agreement and the CoBank Loan Agreement, and the occurrence of any default or event of default of which the Mortgagor has knowledge under any such agreement.

SECTION 18. If all of the notes in any one of the three groups of notes secured hereby (RUS Notes, Bank Notes and CoBank Notes) are paid and discharged while notes of the other group of notes remain outstanding, all rights and powers of the Mortgagee associated with the paid and discharged group of notes shall vest in the Mortgagee associated with the groups of notes remaining outstanding, and the rights and powers of the holder(s) of the paid and discharged group of notes shall vest in the holder(s) of the group of notes remaining outstanding. The Government is the "Mortgagee associated with" the RUS Notes; the Bank is the "Mortgagee associated with" the Bank Notes; and CoBank is the "Mortgagee associated with" the CoBank Notes. The Bank, the Government, the Mortgagor, CoBank and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

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

SECTION 20. As used in Article I, Section 1(d), Article II, Section 3, and Article II, Section 14 hereof and in this Section, TIER shall mean 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.

For purposes of Article II, Section 14 hereof, 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.

As used in Article I, Section 1(d), Article II, Section 3 and Article II, Section 14 hereof, DSC shall mean the sum of net income, plus interest, plus depreciation, plus amortization, all divided by the sum of interest plus scheduled principal payments and capital lease obligations due in the test year.

As used in Article I, Section 1(d), Equity to Asset Ratio shall mean all equity divided by the total assets of the Mortgagor.

SECTION 21. (a) Net worth, net income or net margins, interest expense, total assets, depreciation, amortization and equity, as used in Sections 10, 15 or 20 of this Article II, are defined in Exhibit One

of this Mortgage. Net plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One hereto.

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

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

SECTION 23. The Mortgagor hereby irrevocably authorizes the Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

(a) indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged Property falls within the scope of Article 9 of the applicable Uniform Commercial Code, or (ii) as being of an equal or lesser scope or with greater detail, and

(b) contain any other information required by the applicable Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to, (i) whether the Mortgagor is an organization, the type of organization and any organizational identification number issued to the Mortgagor and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

SECTION 24. Schedule A, Schedule B, Exhibit A and Exhibit One, attached hereto, are made part of this Mortgage.

ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

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

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made whether by acceleration or otherwise 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, this Mortgage, the Consolidated Loan Agreement or the CoBank 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 in an amount of two thousand five hundred dollars (\$2,500) or more shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days;

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, without protest, presentment or demand 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, together with reimbursement for any resulting expenses or damage and together with interest at the highest rate legally permissible, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority of the total amount of principal outstanding on the notes, hereinafter called the "majority noteholders", (for purposes of defining and calculating the majority noteholders the Government and the Bank shall be determined to be one noteholder with their balances combined and also, such Government and Bank combination shall be determined to be the majority noteholders if they together hold 50% or more of the outstanding principal balance) for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

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

(b) proceed to protect and enforce the rights of the Mortgagees and the rights of the noteholder or noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the noteholder or noteholders instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to

the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

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

SECTION 3. If, within thirty (30) days after the majority noteholders shall have had knowledge of the happening of an event or events of default, the majority noteholders shall not have proceeded to exercise the rights and enforce each of the remedies herein or by law conferred upon or reserved to the Mortgagees or to said majority noteholders, then, and only then, any noteholder, including the majority noteholders, may proceed to exercise any such right or rights and remedy or remedies not being enforced by the majority noteholders. Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

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

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes; and fourth, 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 each 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 (c) of Section 2 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 and shall not preclude the pursuit of any other right or remedy.

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 of 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.

SECTION 9. For purposes of this Article III, to the extent permitted by applicable state law, each noteholder appoints the Mortgagee or Mortgagees exercising any remedy as above provided as its attorney(s)-in-fact for such purpose.

SECTION 10. Nothing herein contained shall be deemed to authorize the Mortgagees to authorize or consent to or accept or adopt on behalf of any noteholder any plan of reorganization, arrangement, adjustment or composition affecting the notes or the rights of any holder thereof, or to authorize the Mortgagees to vote in respect of the claim of any noteholder in any such proceeding.

SECTION 11. Any rights of action and claims under this Mortgage or the notes may be prosecuted and enforced by the noteholder or noteholders prosecuting and enforcing the same without the possession of any of the notes or the production thereof in any proceeding relating thereto, and, to the extent permitted by applicable state law, any such proceeding instituted by any noteholder shall be brought in its own name as attorney-in-fact for the noteholders, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the noteholders, their agents and counsel (but only to the extent actually incurred), be for the ratable benefit of the noteholders in respect of which such judgment had been recovered.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

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

SECTION 2. The assignments to the Mortgagees of all of the Mortgagor's right, title and interest in, to and under contracts, licenses, franchises, ordinances, privileges, permits, chattel paper, contract rights, leases, subleases, (hereinafter collectively referred to in this Section 2 as the "assigned items"), to the extent set forth in the granting clauses of this Mortgage, constitutes an assignment for security purposes. Notwithstanding any other provisions of this Mortgage to the contrary, the Mortgagor shall at all times remain liable under each of the assigned items to perform all of its duties and obligations thereunder to the same extent as if there had been no assignment contained in this Mortgage. Furthermore, (i) neither the assignment under this Mortgage nor the exercise by the Mortgagees of the rights assigned hereunder shall cause the Mortgagees to become subject to any obligation or liability under any of the assigned items, or release the Mortgagor from any of its duties or obligations under any of the assigned items, or any instrument or document relating thereto, except to the extent such exercise by any Mortgagee shall constitute performance of such duties or obligations, and (ii) no Mortgagee shall have any obligation by reason of the assignment under this Mortgage to make any inquiry as to the sufficiency or authorization

for any payments received by it or take any other action to collect or enforce any claim for payment assigned hereunder.

SECTION 3. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and the interest on the notes at the time and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

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

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

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided. The Mortgagor and each of the Mortgagees hereby agree to execute and deliver such consents, acknowledgments and other instruments as may be reasonably requested by any of the Mortgagees or any noteholder in connection with any assignment of the rights or interests of any Mortgagee or noteholder hereunder or under the notes.

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:

Albion Telephone Company
P.O. Box 98
Albion, Idaho 83311

As to the Mortgagees

The Government:
Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

The Bank:
Rural Telephone Bank
c/o Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

CoBank:
CoBank, ACB
CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attention: Credit Department

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 effect the remaining portions of this Mortgage, nor shall any such invalidity as to any Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder or holders of notes.

SECTION 7. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code, this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code and a "financing statement" under the Uniform Commercial Code for said security agreement. The Mortgagor herein is the "debtor" and the Mortgagees herein are the "secured parties." The mailing addresses of the Mortgagor as debtor and of the Mortgagees as secured parties are as set forth in Article V, Section 5 hereof. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

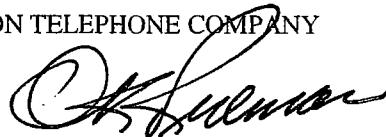
SECTION 8. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagees or any noteholder except for losses resulting from gross negligence or willful misfeasance.

SECTION 9. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, ALBION TELEPHONE COMPANY, 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, COBANK, ACB, 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 this day and year first above written.

ALBION TELEPHONE COMPANY

by



President


(Seal)


Attest:



Secretary

Executed by the Mortgagor
in the presence of:

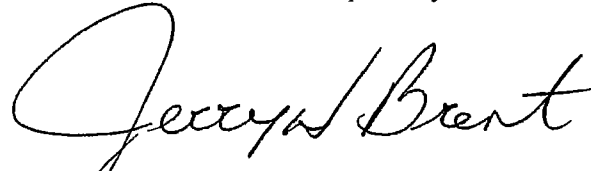




Witnesses

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by

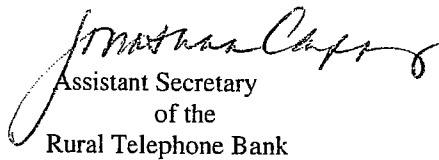


as

Director, Northwest Area
Telecommunications Program
of the
Rural Utilities Service
and for the
Rural Telephone Bank


(Seal)

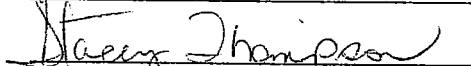
Attest:



Assistant Secretary
of the
Rural Telephone Bank

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





Witnesses

CoBANK, ACB

by



Assistant Corporate Secretary

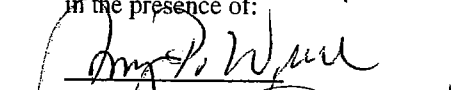
(SEAL)

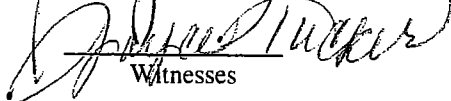
Attest:



Assistant Corporate Secretary

Executed by CoBank, ACB, Mortgagee,
in the presence of:

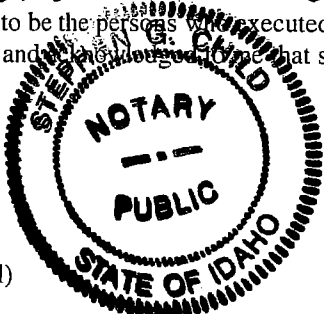




Witnesses

STATE OF IDAHO)
) SS
COUNTY OF *Cassia*)

On the *10th* day of *November*, in the year *2003*, before me personally appeared *ODeen K. Redman* and *Darla Redman*, and known to me to be the persons who executed the foregoing instrument on behalf of ALBION TELEPHONE COMPANY, and I do hereby certify that such corporation executed the same.



Stephen G. Child
Notary Public in and for the State of Idaho, residing at *Albion, ID.*

(Notarial Seal)

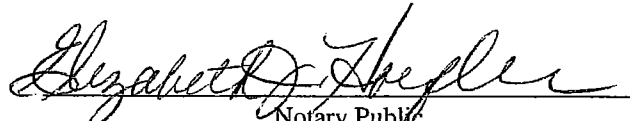
My commission expires: *April 16, 2007*

DISTRICT OF COLUMBIA

)

SS

This instrument was acknowledged before me on October 20, 2003, by
JERRY H. BRENT, Director, Northwest Area - Telecommunications Program of the
Rural Utilities Service of the United States of America and for the Rural Telephone Bank.

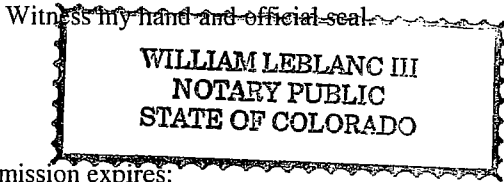

Notary Public

(Notarial Seal)

My commission expires: Elizabeth J. Hoefler
~~Notary Public District of Columbia~~
My Commission Expires: August 1, 2007

STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

This instrument was acknowledged before me on October 29, 2003, by Anne Phelps, each an Assistant Corporate Secretary of CoBank, ACB, a federally chartered instrumentality of the United States, on behalf of said entity.



My commission expires:

5/2/04



Notary Public - State of Colorado

SCHEDULE A

"Telephone Loan Contract" (exclusive of any amendments):

Amending Telephone Loan Contract dated as of November 3, 2003.

"Outstanding RUS Notes":

Six (6) certain mortgage notes payable to the order of the Government, in the aggregate principal amount of \$3,875,000.00, all of which will finally mature on or before August 26, 2020.

"Underlying Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated and Consolidated Mortgage, Security Agreement and Financing Statement	September 1, 2000

"Current RUS Notes" (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$4,046,000	Determined by Advance	November 3, 2021
\$7,500,000	five per centum (5%)	November 3, 2021

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

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$2,355,150	Determined by Advance	November 3, 2021

SCHEDULE B

"Prior CoBank Loan Agreement(s)" shall mean the following loan agreements:

Lien Accommodated Telephone Loan Agreement No. T0809 dated as of September 1, 2000 for term loan in the principal amount of \$8,630,240.

Lien Accommodated Telephone Loan Agreement No. T0810 dated as of September 1, 2000 for term loan in the principal amount of \$1,750,000.

"Outstanding Notes" payable to CoBank shall mean the following:

<u>Designation</u>	<u>Stated Principal Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
No. T0809 1	\$8,630,240	9/1/00	Variable	12/20/11
No. T0810 2	\$1,750,000	9/1/00	Variable	12/20/11

1 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T1 dated October 15, 1996 in the original principal amount of \$8,630,240 made by Westel, Inc. and payable to CoBank, ACB, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

2 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T2 dated October 15, 1996 in the original principal amount of \$1,750,000 made by Westel, Inc. and payable to CoBank, ACB, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

Exhibit One (Exhibit to Mortgage)
UNIFORM SYSTEM OF ACCOUNTS
ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS

All references regarding account numbers are to 47 CFR Part 32.

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

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

Local Network Services Revenues)		
Network Access Services Revenues)		
Long Distance Network Services Revenues)	5000s	thru 5300s
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
Other Operating Income and Expense	7100*	7100
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

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

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

*Summary Accounts

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

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

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

NOTE: FOR NONPROFIT ORGANIZATIONS- OWNER'S EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550.

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

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

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

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

Exhibit A

CASSIA COUNTY, IDAHO

PARCEL NO. 1:

TOWNSHIP 13 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 32: Part of the SE1/4 of Section 32, lying North and West of the right of way of the Connor Creek-Almo County Road, more particularly described as follows:

Commencing at a point 52 rods 14 feet South of the Northwest corner of the SE1/4 of said Section 32;
Thence South 50 rods 8 ½ feet;
Thence East 16 rods;
Thence North 50 rods 8 ½ feet;
Thence West 16 rods to the Point of Beginning.

PARCEL NO. 2:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: A portion of Lot 3 in Section 6, more particularly described as follows:

Commencing at a point 90 feet North and 70 feet West of the Southeast corner of said Lot 3;
Run thence North on a line parallel with the East boundary of said Lot 3 for 172 feet;
Thence West on a line parallel with the South boundary of said Lot 3 for 97 feet;
Thence South on a line parallel with the East boundary line of said Lot 3 for 171 ½ feet;
Thence Easterly 97 feet, more or less to the Point of Beginning.

PARCEL NO. 3:

Lot 11 in Block 3 of the Bascom and Robinson's Addition to the Village of Albion, Cassia County, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of said County.

PARCEL NO. 4:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: Beginning at a point 32 feet West of the Southwest corner of Lot 2 in Section 6;
Thence West 68 feet;
Thence North 90 feet;
Thence East 68 feet;
Thence South 90 feet to the Point of Beginning.

PARCEL NO. 5:

TOWNSHIP 13 SOUTH, RANGE 26 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 12: A parcel of land located in the SE1/4, NW1/4, of Section 12, more particularly described as follows:

Commencing at the Southwest corner of the SE1/4, NW1/4; thence North 0°14' West 223.60 feet; thence South 89°58' East 30.00 feet to a point on the Easterly right-of-way State Highway 81, being the True Point of Beginning;
Thence South 89°58' East 221.00 feet;
Thence North 0°14' West 96.4 feet;
Thence North 89°58' West 221.00 feet to a point on the Easterly right-of-way State Highway 81;
Thence South 0°14' East (along said R/W), 96.4 feet to the True Point of Beginning.

PARCEL NO. 6:

TOWNSHIP 10 SOUTH, RANGE 27 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 26: Part of the SE1/4 of Section 26, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Heglar Canyon Road which lies 1313.9 feet North 29°10' West of the Southeast corner of said Section 26;
Thence North 47°56' West along said Heglar Canyon Road right of way for 100 feet to a point where Heglar Canyon Road right of way interests Yale Road right of way;
Thence North 42°30' East along said Yale Road right of way for 100 feet;
Thence South 47°54' East for 100 feet;
Thence South 42°23' West for 100 feet to the Point of Beginning.

PARCEL NO. 7:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning 221 feet West of the Southwest corner of Lot 2 in Section 6;
Thence North 90 feet, more or less, to the South boundary line of adjacent lots;
Thence Westerly to the East boundary line of Vaughn Street in the City of Albion
Thence South 98.33 feet, more or less, to the North boundary of Jordan and Motter Additions;
Thence Easterly to the Point of Beginning.

PARCEL NO. 8:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 50 feet;
Thence East 50 feet;
Thence South 50 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 9:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at a point 50 feet North of the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 25 feet;
Thence East 50 feet;
Thence South 25 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 10:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning at a point 90 feet North and 167 feet West of the Southeast corner of Lot 3 in Section 6;
Thence running North 171.5 feet;
Thence Westerly 73 ½ feet;
Thence South 170 feet, more or less to a point 90 feet North of the South boundary line of said Lot 3;
Thence East 73 ½ feet to the Place of Beginning.

PARCEL NO. 11:

Lots 8, 9, and 10 in Block 3 of the Bascom and Robinson Addition to Albion, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of the County of Cassia, State of Idaho.

AND

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: Beginning at the Southwest corner of Lot 2 of said Section 6;
Thence West 32 feet;
Thence North 90 feet;
Thence East 32 feet;
Thence South 90 feet to the Point Of Beginning.
(North of the Jordan and Motter Addition to Albion, Idaho.)

BUTTE COUNTY, IDAHO

PARCEL NO. 12:

Beginning at the Northeast (recorded Northwest) corner of Block 9, Arco Original Townsite; thence S. 41° 22'30" E. 100.0 feet along the Southwesterly line of Idaho Street; thence S. 48°31'30" W. 50.0 feet; thence N. 41°31'30" W. 100.00 feet to the Southeasterly line of Era Avenue; thence N. 48°31'30" E. 50.0 feet to the Point of Beginning; same being NW 100 feet of Lot 1, Block 9, Arco Original Townsite, Butte County, Idaho.

PARCEL NO. 13:

Beginning at a point on the Southwesterly line of Idaho Street that is S. 41° 22'30" E. 100.0 feet from the Northeast (recorded Northwest) corner of BLOCK 9, ARCO ORIGINAL TOWNSITE; thence S. 41° 22'30" E. 50.0 feet; thence S. 48° 31'30" W. 100 feet; thence N. 41°22'30" W. 50 feet; thence N. 48°31'30" E. 100 feet to the Point of Beginning; same being the southeast 50 feet of Lots 1 and 2, BLOCK 9, ARCO ORIGINAL TOWNSITE, Butte County, Idaho.

PARCEL NO. 14:

THE PORTION OF LOTS 1 AND 2, BLOCK 1 OF THE ORIGINAL TOWNSITE OF MOORE, Butte County, Idaho, as shown on the recorded plat thereof on file in the office of the County Recorder of said County, described as follows:

Beginning as a point on the South line of said Lot 1, that is West 85 feet from the Southeast corner of said Lot 1; thence along said South line, west 30 feet to the Southwest corner of said Lot 1, thence along the West line of said Lots 1 and 2, North 50 feet to the Northwest corner of said Lot 2; thence along the North line of said Lot 2, East 30 feet; thence South 50 feet to the Point of Beginning.

PARCEL NO. 15:

A portion of Section 32, T. 5 N., R. 26 E.B.M., Butte County, Idaho, described as:

Beginning at a point 119 feet South of the NE corner of said Section 32; thence S. along the East line to said Section 32, 30 feet; thence S. 87°00'00" W. 44 feet; thence N. 30 feet; thence N. 87°00'00" E. 44 feet to the Point of Beginning.

PARCEL NO. 16:

TOWNSHIP 5 NORTH, RANGE 29 EAST, BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 4: A tract in the SE1/4, NW1/4, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Butte County Road Project F.A.P. W240, said point being North 10°37' West 3246.21 feet from the South quarter corner of Section 4; thence North 58°46' East 100 feet; thence North 31°14' West 50 feet; thence South 58°46' West 100 feet, more or less, to the Northeasterly right of way line of said road; thence South 31°14' East along said Northeasterly right of way line 50 feet, more or less, to the Point of Beginning.

CUSTER COUNTY, IDAHO

PARCEL NO. 17:

LOT 3, BLOCK 14, MACKAY ORIGINAL TOWNSITE, CUSTER COUNTY, IDAHO, AS SHOWN BY THE OFFICIAL PLAT THEREOF, NOW ON FILE IN THE OFFICE OF THE SAID COUNTY RECORDER.

ONEIDA COUNTY, IDAHO

PARCEL NO. 18:

Beginning at a point on the Easterly line of Lot 3, Block 2, of the original Townsite of Malad City, Oneida County, Idaho, which point is 25.0 feet Southerly from the Northeast Corner of said Lot 3; thence continuing on the Easterly line of said Block 2 South 0°06' East 40 feet; thence South 89°54' West 103 feet; thence North 0°06' West 68 feet; thence South 89°00' East 48 feet; thence South 0°06' East 26.89 feet; thence North 89°01' East 55 feet, more or less, to the point of beginning.

PARCEL NO. 19:

Commencing at the Southeast Corner of Lot 4, Block 15, of the Townsite of Holbrook, as the same appears upon the plat thereof on file in the office of the County Recorder of Oneida County, Idaho; thence running West 50 feet; thence North 50 feet; thence East 50 feet; thence South 50 feet to the point of beginning.

IDAHO SECRETARY OF STATE
 11/12/2003 02:52
 CK: 37875 CT: 1626 BH: 711219
 1 @ 12.00 = 12.00 UCC1 FILE # 2
 Filing Number:
 B 2003-0955035-6

2003 NOV 12 PM 2:52

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
 Annie Pelletier 208-388-1200

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Givens Pursley LLP
 601 West Bannock Street
 Boise, Idaho 83702

SECRETARY OF STATE
 STATE OF IDAHO

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
 Albion Telephone Company

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
 PO Box 98 Albion ID 83311 USA

1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION 1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID #, if any
 Corporation Idaho C 26771 NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION 2f. JURISDICTION OF ORGANIZATION 2g. ORGANIZATIONAL ID #, if any
 additional Secured Party NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
 United States of America, Rural Utilities Service, USDA

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
 1400 Independence Avenue, S.W. Washington DC 20250-1500 USA

4. This FINANCING STATEMENT covers the following collateral:

See Attached Restated Mortgage, Security Agreement and Financing Statement.

5. ALTERNATIVE DESIGNATION (if applicable): LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG. LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum if applicable. 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional) ADDITIONAL FEE! All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA
 Idaho 504-H12 & K11 Albion ID SoS

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Albion Telephone Company			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. TAX ID #	SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any
					<input type="checkbox"/> NONE

See attached additional Secured Party

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME Rural Telephone Bank					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS 1400 Independence Avenue, S.W.		CITY Washington	STATE DC	POSTAL CODE 20250-1500	COUNTRY USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

See Attached Restated Mortgage, Security Agreement and Financing Statement.

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a Trust or Trustee acting with respect to properly held in trust or Decedent's Estate

18. Check only if applicable and check only one box.

- Debtor is a TRANSMITTING UTILITY
- Filed in connection with a Manufactured-Home Transaction — effective 30 years
- Filed in connection with a Public-Finance Transaction — effective 30 years

SEE ATT

RUS PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

RESTATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and among

ALBION TELEPHONE COMPANY
P.O. Box 98
Albion, Idaho 83311,

as mortgagor and debtor,

and

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

as mortgagee and secured party,

and

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

as mortgagee and secured party,

and

CO BANK, ACB
5500 South Quebec Street
Greenwood Village, CO 80111

as mortgagee and secured party.

Dated as of November 3, 2003

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS C26771.

RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT, dated as of November 3, 2003, made by and among ALBION TELEPHONE COMPANY (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Idaho, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called "the Administrator"), RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government, and CoBANK, ACB, successor to the National Bank for Cooperatives (hereinafter called "CoBank"), a federally chartered instrumentality of the United States (the Government, the Bank and CoBank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and for purposes of the "Underlying Mortgage" (as hereinafter defined) identified in Schedule A of "this Mortgage" (as hereinafter defined) the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and the "Administrator of the RUS"; and

WHEREAS, pursuant to a consolidation, effective January 1, 1995, of the National Bank for Cooperatives, the Springfield Bank for Cooperatives, and the Farm Credit Bank of Springfield to form CoBank and as a result of such consolidation, CoBank succeeded to all rights, title and interests of its predecessors in interest under the Underlying Mortgage; and

WHEREAS, the Mortgagor has heretofore borrowed funds from one or more of the Mortgagees or from "FFB" (as hereinafter defined) whose loans are guaranteed by the Government and to secure such indebtedness has executed and delivered to such Mortgagee(s) the "Outstanding Notes" (as hereinafter defined) identified in Schedule A hereto and/or in Schedule B hereto.

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

WHEREAS, the Outstanding Notes are secured by the Underlying Mortgage; and

WHEREAS, the Mortgagor deems it necessary to borrow additional funds from one or more of the Mortgagees and/or from FFB whose loans are guaranteed by the Government and to evidence such additional indebtedness has executed and delivered to such Mortgagee(s) the "Current Notes" (as hereinafter defined) identified in Schedule A hereto and to secure and pledge its property hereunder described or mentioned to secure the same; and

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all mortgage notes shall be secured on parity; and

WHEREAS, this Mortgage consolidates and restates the Underlying Mortgage in its entirety; and

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of the Outstanding Notes, the Current Notes and other indebtedness of the Mortgagor hereunder, subject to the terms of this Mortgage, have been in all respects duly authorized; 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;

SEE ATT

NOW, THEREFORE, THIS MORTGAGE WITNESSETH that, in order to secure the payment of the principal of and interest on the "notes" (as hereinafter defined), 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" (as hereinafter defined) and the "CoBank Loan Agreement" (as hereinafter defined) 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, and the Mortgagor does hereby grant to the Mortgagees, for the purposes herein expressed, a security interest in, all and singular, the following properties, assets and rights of the Mortgagor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the "Existing Facilities" (as hereinafter defined) 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, equipment, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches, including, without limitation, host switches and remote switches, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, pay-stations, protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the real property described in the following property schedule:

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the Counties of Butte, Cassia, Custer and Oneida in the State of Idaho, and the County of Box Elder in the State of Utah.

(b) The property referred to in the last line of paragraph 1 of the Granting Clause includes the real estate described in Exhibit A attached hereto, and by this reference made a part hereof, as if fully set forth at length at this point.

(c) If the real estate described in Exhibit A is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is by reference made a part of Exhibit A as though fully set forth at length therein.

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

II

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

SEE ATT

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 all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds (as such terms are presently and hereinafter defined in the applicable Uniform Commercial Code provided, however, that the term "instrument" shall be such term as defined in Article 9 of the applicable Uniform Commercial Code rather than Article 3);

V

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

VI

All right, title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to: all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

VII

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, proceeds 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) which are titled and/or registered in any state of the United States of America and 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 and in the CoBank Loan Agreement contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE I

DEFINITIONS AND ADDITIONAL NOTES

SECTION 1. (a) The parties to this Mortgage are hereby deemed to be parties to the Underlying Mortgage.

(b) In addition to the terms defined elsewhere in this Mortgage, the terms defined in this subsection (b) shall have the meanings specified herein. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

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

"Additional Notes" shall mean the Additional Bank Notes, the Additional CoBank Notes and the Additional RUS Notes collectively.

"Additional Bank Notes" shall mean any notes issued by the Mortgagor to the Bank pursuant to Article I, Section 1, of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Bank pursuant to the terms of Article I, Section 1.

"Additional CoBank Notes" shall mean any notes issued by the Mortgagor to CoBank pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal or substitute notes which may from time to time be executed and delivered by the Mortgagor to CoBank pursuant to the terms of Article I, Section 1.

"Additional RUS Notes" shall mean any notes issued by the Mortgagor to the Government or FFB, and guaranteed by the Government, pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government pursuant to the terms of Article I, Section 1.

"Bank Notes" means the Outstanding Notes payable to the order of the Bank, the Current Notes payable to the order of the Bank and the Additional Bank Notes.

"CoBank Loan Agreement" shall mean the loan agreement(s) between the Mortgagor and CoBank listed in Schedule B under the heading "Prior CoBank Loan Agreement(s)" and any amendments thereto, the loan agreement under the heading "Current CoBank Loan Agreement" in Schedule B hereto with respect

to any Current Note payable to CoBank listed in Schedule B hereto and any loan agreements with respect to Additional CoBank Notes and any amendments thereto.

"CoBank Notes" means the Outstanding Notes payable to CoBank, the Current Notes payable to CoBank and the Additional CoBank Notes.

"Consolidated Loan Agreement" shall mean the loan agreement between the Mortgagor and the Government, or between the Mortgagor and the Bank, or among the Mortgagor, the Government and the Bank, under the heading "Telephone Loan Contract" in Schedule A hereto, as the same may have been previously amended, and any current or future amendments thereto, any current amendments thereto being under the heading "Telephone Loan Contract Amendment" in Schedule A hereto, together with any agreements among the Mortgagor, the Government, acting through the Administrator, and FFB, pursuant to which the Government guarantees the loans made by FFB to the Mortgagor, pursuant to the Act, and any amendments thereto.

"Current Notes" shall mean the notes issued by the Mortgagor to secure the loans to the Mortgagor made in conjunction with this Mortgage payable to the order of the Government under the heading "Current RUS Note(s)" in Schedule A hereto, payable to the order of the Bank under the heading "Current Bank Note" in Schedule A hereto, payable to the order of CoBank under the heading "Current CoBank Note" in Schedule B hereto, payable to FFB under the heading "Current FFB Note" in Schedule A hereto and payable to the order of the Government to reimburse the Government for certain amounts paid from time to time by the Government to FFB under the heading "Current Reimbursement Note" in Schedule A hereto.

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

"FFB" shall mean the Federal Financing Bank.

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

"notes" shall mean collectively the Bank Notes, the CoBank Notes and the RUS Notes.

"Outstanding Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Government under the heading "Outstanding RUS Notes" in Schedule A hereto, to the Bank under the heading "Outstanding Bank Notes" in Schedule A hereto, to CoBank under the heading "Outstanding CoBank Notes" in Schedule B hereto and to FFB under the heading "Outstanding FFB Notes" in Schedule A hereto.

"RUS Notes" shall mean the Outstanding Notes payable to the order of the Government and payable to FFB, the Current Notes payable to the order of the Government and payable to FFB and the Additional RUS Notes.

"Underlying Mortgage" shall mean the instruments identified as such in Schedule A hereto and Schedule B hereto.

Where in these definitions there is a reference to an instrument as being listed under a particular heading in Schedules A and B and no such heading is included in Schedules A and B then such definition shall be read as though there were no such reference.

(c) The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence

indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act, (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, and (3) execute and deliver to CoBank one or more Additional CoBank Notes to evidence loans made by CoBank 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 CoBank created by a loan or loans theretofore made by CoBank to such party or parties. 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 to renew 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 fifty million dollars and no cents (\$50,000,000.00) and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. Except as hereinafter provided, however, no Additional CoBank Notes shall be secured by this Mortgage without the prior written approval thereof by the Government and the Bank, and no Additional RUS Notes or Additional Bank Notes shall be secured by this Mortgage without the prior written approval thereof by CoBank. No such prior written approval shall be required with respect to the execution and delivery by the Mortgagor of (1) notes issued to refund, renew or substitute for any outstanding note or notes, and (2) the Outstanding Notes, and (3) Additional Notes issued to the Government or the Bank in accordance with Subsection (d) of this Section 1.

(d) The Mortgagor may execute and deliver Additional RUS Notes to evidence a loan or loans from the Government to the Mortgagor and/or a loan or loans from FFB to the Mortgagor and Additional Bank Notes to evidence a loan or loans from the Bank to the Mortgagor provided that the following condition precedent is met with respect to each such loan:

Written acknowledgment is obtained from RUS, the Bank and CoBank indicating that RUS's, the Bank's and CoBank's pro forma financial analysis of the Mortgagor, for the test year used by RUS in establishing the economic feasibility of such loan shows that the Mortgagor shall have a Times Interest Earned Ratio ("TIER") of not less than 1.5; a Debt Service Coverage ("DSC") of not less than 1.25; and an Equity to Assets Ratio equal to or greater than 40%, as the above are defined in Article II, Section 20 hereof, taking into account the interest to be charged on the Additional RUS Notes or Additional Bank Notes proposed to be executed and delivered to evidence such loan.

(e) 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 Outstanding Notes, the Current 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 Outstanding Notes, the Current Notes and this Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current 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.

SECTION 2. The Mortgagor warrants that it has good, right and lawful authority to mortgage the property described in the granting clause 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 worker's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business. The Mortgagor will, so long as any of the notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge.

SECTION 3. The Mortgagor will duly and punctually pay the principal of and interest on the notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due hereunder. The Mortgagor may at any time make prepayments on account of all or part of the principal of the notes to the extent and in the manner therein provided and as set forth in the Consolidated Loan Agreement and the CoBank Loan Agreement; provided that any such prepayment shall be applied pro rata to the RUS Notes, the Bank Notes and the CoBank Notes, according to the proportions that the aggregate unpaid principal amount of the RUS Notes, the aggregate unpaid principal amount of the Bank Notes and the aggregate unpaid principal amount of the CoBank Notes, respectively, bear to the aggregate unpaid principal amount of the RUS Notes, the Bank Notes and the CoBank Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. For purposes of this Section 3, delivery by the Mortgagor of any note which renews or is in substitution for an outstanding note shall not be considered a prepayment hereunder and delivery of a refunding note shall not be considered a prepayment provided that, the refunding note will result in (1) an economic benefit defined as a present value savings when comparing the cash flows of the refunding note with the cash flows of the note being refunded; (2) will not cause the TIER as of the most recent December 31 RUS Form 479, when recalculated by substituting the actual interest expense of the note to be refunded with the projected interest expense of the refunding note, to be less than the greater of the TIER before such recalculation or 1.5; and (3) will not cause the DSC as of the most recent December 31 RUS Form 479, when recalculated by substituting the scheduled principal payments of the note to be refunded with the scheduled principal repayments of the refunding note, to be less than 1.25. Additionally, the majority RUS noteholders and the majority Bank noteholders and the majority CoBank noteholders (as such terms

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are defined in Section 4 of Article II hereof) may agree that such noteholder shall not be paid the pro rata repayment to which such noteholder may be entitled under this Section 3.

SECTION 4. (a) The Mortgagor will, at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the RUS Notes at the time outstanding (hereinafter called the "majority RUS noteholders") and of the holder or holders of not less than a majority in principal amount of the Bank Notes at the time outstanding (hereinafter called the "majority Bank noteholders") and of the holder or holders of not less than a majority of the CoBank noteholders at the time outstanding (hereinafter called the "majority CoBank noteholders"), take or suffer to be taken any steps to reorganize, or to consolidate with or merge into any other corporation or to permit any other corporation to merge into the Mortgagor or acquire all or substantially all of the business or assets of another corporation if such acquisition is analogous in purpose or effect to a merger or consolidation or to sell, lease or transfer, mortgage, convey by deed to secure debt, pledge or encumber other than under the lien hereof (or make any agreement therefor) the Mortgaged Property, or any part thereof.

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

(c) The Mortgagor may, however, without obtaining the approval of the holder or holders of any of the notes at the time outstanding, at any time or from time to time so long as the Mortgagor is not in default hereunder, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to nor useful for the operation of the Mortgagor's business, or which has become obsolete, worn out or damaged or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall: (1) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the RUS Notes, the Bank Notes and the CoBank Notes in the proportions which the aggregate principal balances then owing on the RUS Notes, the aggregate principal balances then owing on the Bank Notes and the aggregate principal balances then owing on the CoBank Notes, respectively, bear to the aggregate principal balances then owing on the RUS Notes, the Bank Notes and the CoBank Notes, collectively, and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such receipt; or (2) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the RUS Notes, the Bank Notes and the CoBank Notes in the proportions and in the manner provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority RUS noteholders and the majority Bank noteholders and the majority CoBank 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

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all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telephone service.

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

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

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

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

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

SECTION 8. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, any noteholder or noteholders shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of Chase Manhattan Prime plus 400 Basis Points per annum shall be deemed a charge upon the Mortgaged Property in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

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

SECTION 10. Salaries, wages and other compensation paid by the Mortgagor for services, and directors' or trustees' fees, shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor. Except as specifically authorized in writing in advance by the majority RUS noteholders and the majority Bank noteholders and the majority CoBank noteholders, the Mortgagor will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members or affiliated companies, provided, however, the Mortgagor may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to, an affiliated company of the Mortgagor that is used by such company for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the net worth (defined in Exhibit One hereto) of the Mortgagor and (2) the Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One hereto). As used herein, 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 in its uniform system of accounts for telecommunications companies as those methods and principles of accounting may be supplemented from time to time by RUS or the Bank. 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 such more or less frequent intervals when specified by the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders, financial and statistical reports on its condition and operations. Such reports shall be on the RUS Form 479 and include such information as may be specified by the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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 and cash flow 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 12-month period ended on the Fiscal Date, in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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. Each of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 the possession of the Mortgagor or in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified public accountant in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 equally and ratably 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 interests of any of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income or net margins, as determined in accordance with methods of accounting prescribed in Section 11 of Article II hereof, for any of the five (5) fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

(c) The foregoing responsibilities of the Mortgagor include, but are not limited to, at the request of the majority RUS noteholders, the majority Bank noteholders or the majority RTFC noteholders,

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taking such actions and executing and delivering such documents as are necessary under the Uniform Commercial Code or other applicable law to perfect or establish the Mortgagees' first priority security interests in any Mortgaged Property to the extent that such perfection or priority cannot be accomplished by the filing of a financing statement.

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

SECTION 14. The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall charge rates for its telephone service and other services furnished which shall yield revenues at least sufficient to (1) pay and discharge all taxes, maintenance expenses, operating expenses, and other expenses of its telephone system when due, (2) pay all obligations of the Mortgagor and make all payments of principal of and interest on the notes when due, (3) provide and maintain reasonable capital for the Mortgagor, (4) maintain an Average TIER on all of the notes of not less than 1.50 but in no year shall the TIER be less than 1.00, and (5) maintain a DSC of not less than 1.25. Not less than 90 days prior to the effective date of any proposed change in its rate, the Mortgagor shall give to the holder or holders of the notes written notice of such change and a copy of the schedule showing the then existing rates and the proposed changes therein.

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

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

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

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

SECTION 16. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that all noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable

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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, if any, 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 and the CoBank Loan Agreement, on its part to be observed or performed. The Mortgagor will promptly furnish each Mortgagee with written notice of any amendment or modification of any agreement under which a note or other obligation of the Mortgagor secured by the lien of this Mortgage has been or will be issued, including, without limitation, the Consolidated Loan Agreement and the CoBank Loan Agreement, and the occurrence of any default or event of default of which the Mortgagor has knowledge under any such agreement.

SECTION 18. If all of the notes in any one of the three groups of notes secured hereby (RUS Notes, Bank Notes and CoBank Notes) are paid and discharged while notes of the other group of notes remain outstanding, all rights and powers of the Mortgagee associated with the paid and discharged group of notes shall vest in the Mortgagee associated with the groups of notes remaining outstanding, and the rights and powers of the holder(s) of the paid and discharged group of notes shall vest in the holder(s) of the group of notes remaining outstanding. The Government is the "Mortgagee associated with" the RUS Notes; the Bank is the "Mortgagee associated with" the Bank Notes; and CoBank is the "Mortgagee associated with" the CoBank Notes. The Bank, the Government, the Mortgagor, CoBank and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

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

SECTION 20. As used in Article I, Section 1(d), Article II, Section 3, and Article II, Section 14 hereof and in this Section, TIER shall mean 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.

For purposes of Article II, Section 14 hereof, 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.

As used in Article I, Section 1(d), Article II, Section 3 and Article II, Section 14 hereof, DSC shall mean the sum of net income, plus interest, plus depreciation, plus amortization, all divided by the sum of interest plus scheduled principal payments and capital lease obligations due in the test year.

As used in Article I, Section 1(d), Equity to Asset Ratio shall mean all equity divided by the total assets of the Mortgagor.

SECTION 21. (a) Net worth, net income or net margins, interest expense, total assets, depreciation, amortization and equity, as used in Sections 10, 15 or 20 of this Article II, are defined in Exhibit One

of this Mortgage. Net plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One hereto.

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

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

SECTION 23. The Mortgagor hereby irrevocably authorizes the Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

(a) indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged Property falls within the scope of Article 9 of the applicable Uniform Commercial Code, or (ii) as being of an equal or lesser scope or with greater detail, and

(b) contain any other information required by the applicable Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to, (i) whether the Mortgagor is an organization, the type of organization and any organizational identification number issued to the Mortgagor and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

SECTION 24. Schedule A, Schedule B, Exhibit A and Exhibit One, attached hereto, are made part of this Mortgage.

ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

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

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made whether by acceleration or otherwise 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, this Mortgage, the Consolidated Loan Agreement or the CoBank 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 in an amount of two thousand five hundred dollars (\$2,500) or more shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days;

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, without protest, presentment or demand 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, together with reimbursement for any resulting expenses or damage and together with interest at the highest rate legally permissible, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority of the total amount of principal outstanding on the notes, hereinafter called the "majority noteholders", (for purposes of defining and calculating the majority noteholders the Government and the Bank shall be determined to be one noteholder with their balances combined and also, such Government and Bank combination shall be determined to be the majority noteholders if they together hold 50% or more of the outstanding principal balance) for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

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

(b) proceed to protect and enforce the rights of the Mortgagees and the rights of the noteholder or noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the noteholder or noteholders instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to

the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

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

SECTION 3. If, within thirty (30) days after the majority noteholders shall have had knowledge of the happening of an event or events of default, the majority noteholders shall not have proceeded to exercise the rights and enforce each of the remedies herein or by law conferred upon or reserved to the Mortgagees or to said majority noteholders, then, and only then, any noteholder, including the majority noteholders, may proceed to exercise any such right or rights and remedy or remedies not being enforced by the majority noteholders. Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

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

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes; and fourth, 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 each 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 (c) of Section 2 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 and shall not preclude the pursuit of any other right or remedy.

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 appraisement, 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 of 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.

SECTION 9. For purposes of this Article III, to the extent permitted by applicable state law, each noteholder appoints the Mortgagee or Mortgagees exercising any remedy as above provided as its attorney(s)-in-fact for such purpose.

SECTION 10. Nothing herein contained shall be deemed to authorize the Mortgagees to authorize or consent to or accept or adopt on behalf of any noteholder any plan of reorganization, arrangement, adjustment or composition affecting the notes or the rights of any holder thereof, or to authorize the Mortgagees to vote in respect of the claim of any noteholder in any such proceeding.

SECTION 11. Any rights of action and claims under this Mortgage or the notes may be prosecuted and enforced by the noteholder or noteholders prosecuting and enforcing the same without the possession of any of the notes or the production thereof in any proceeding relating thereto, and, to the extent permitted by applicable state law, any such proceeding instituted by any noteholder shall be brought in its own name as attorney-in-fact for the noteholders, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the noteholders, their agents and counsel (but only to the extent actually incurred), be for the ratable benefit of the noteholders in respect of which such judgment had been recovered.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

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

SECTION 2. The assignments to the Mortgagees of all of the Mortgagor's right, title and interest in, to and under contracts, licenses, franchises, ordinances, privileges, permits, chattel paper, contract rights, leases, subleases, (hereinafter collectively referred to in this Section 2 as the "assigned items"); to the extent set forth in the granting clauses of this Mortgage, constitutes an assignment for security purposes. Notwithstanding any other provisions of this Mortgage to the contrary, the Mortgagor shall at all times remain liable under each of the assigned items to perform all of its duties and obligations thereunder to the same extent as if there had been no assignment contained in this Mortgage. Furthermore, (i) neither the assignment under this Mortgage nor the exercise by the Mortgagees of the rights assigned hereunder shall cause the Mortgagees to become subject to any obligation or liability under any of the assigned items, or release the Mortgagor from any of its duties or obligations under any of the assigned items, or any instrument or document relating thereto, except to the extent such exercise by any Mortgagee shall constitute performance of such duties or obligations, and (ii) no Mortgagee shall have any obligation by reason of the assignment under this Mortgage to make any inquiry as to the sufficiency or authorization

for any payments received by it or take any other action to collect or enforce any claim for payment assigned hereunder.

SECTION 3. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and the interest on the notes at the time and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

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

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

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided. The Mortgagor and each of the Mortgagees hereby agree to execute and deliver such consents, acknowledgments and other instruments as may be reasonably requested by any of the Mortgagees or any noteholder in connection with any assignment of the rights or interests of any Mortgagee or noteholder hereunder or under the notes.

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:

Albion Telephone Company
P.O. Box 98
Albion, Idaho 83311

SEE ATT

Albion Telephone Company

As to the Mortgagees

The Government:
Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

The Bank:
Rural Telephone Bank
c/o Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

CoBank:
CoBank, ACB
CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attention: Credit Department

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 effect the remaining portions of this Mortgage, nor shall any such invalidity as to any Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder or holders of notes.

SECTION 7. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code, this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code and a "financing statement" under the Uniform Commercial Code for said security agreement. The Mortgagor herein is the "debtor" and the Mortgagees herein are the "secured parties." The mailing addresses of the Mortgagor as debtor and of the Mortgagees as secured parties are as set forth in Article V, Section 5 hereof. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

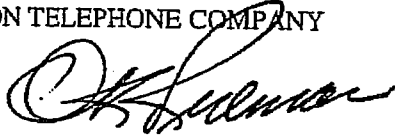
SECTION 8. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagees or any noteholder except for losses resulting from gross negligence or willful misfeasance.

SECTION 9. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, ALBION TELEPHONE COMPANY, 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, COBANK, ACB, 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 this day and year first above written.

ALBION TELEPHONE COMPANY

by



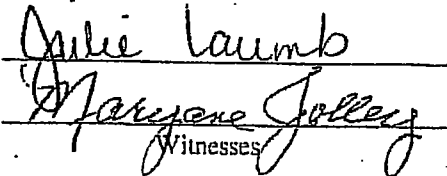
President

(Seal)

Attest:


Secretary

Executed by the Mortgagor
in the presence of:

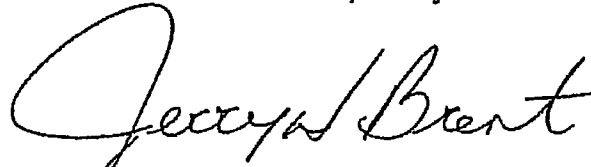

Witnesses

SEE ATT

Albion Telephone Company

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

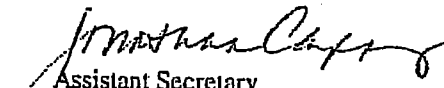
by



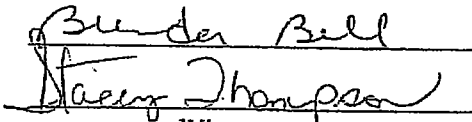
as
Director, Northwest Area
Telecommunications Program
of the
Rural Utilities Service
and for the
Rural Telephone Bank

(Seal)

Attest:


Assistant Secretary
of the
Rural Telephone Bank

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


Witnesses

CoBANK, ACB

by

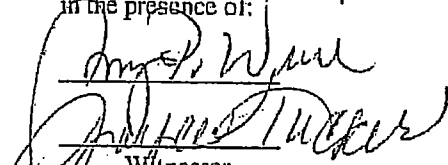

Assistant Corporate Secretary

(SEAL)

Attest:


Assistant Corporate Secretary

Executed by CoBank, ACB, Mortgagee,
in the presence of:


Witnesses

SEE ATT

Albion Telephone Company

STATE OF IDAHO

)

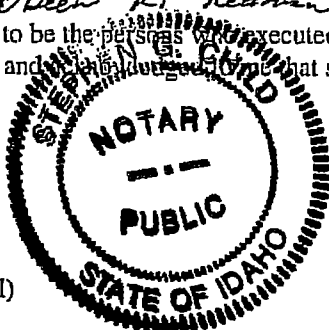
COUNTY OF

Cassia

) SS

)

On the *10th* day of *November*, in the year *2003*, before me personally appeared *ODeen K. Redman* and *Darla Redman*, and known to me to be the persons who executed the foregoing instrument on behalf of ALBION TELEPHONE COMPANY, and I hereby certify that such corporation executed the same.



Stephen B. Chad

Notary Public in and for the State of Idaho, residing at *Albion, ID.*

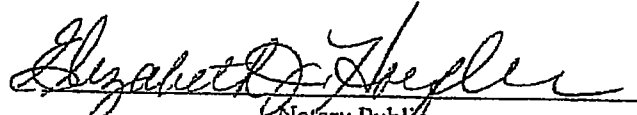
(Notarial Seal)

My commission expires: *April 16, 2007*

DISTRICT OF COLUMBIA)

SEE ATT
SS

This instrument was acknowledged before me on October 20, 2003, by
JERRY H. BRENT, Director, Northwest Area - Telecommunications Program of the
Rural Utilities Service of the United States of America and for the Rural Telephone Bank.


Notary Public

(Notarial Seal)

My commission expires: Elizabeth J. Hoefler
Notary Public District of Columbia
My Commission Expires: August 1, 2007

SEE ATT

SEE ATT

Albion Telephone Company

STATE OF COLORADO)

) ss.

COUNTY OF ARAPAHOE)

This instrument was acknowledged before me on
Penny Probasco and

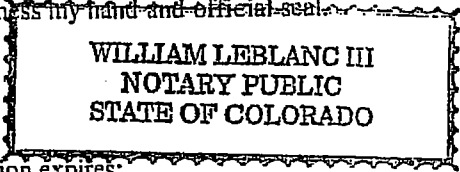
October 29
Anne Phelps

, 2003, by

, each an

Assistant Corporate Secretary of CoBank, ACB, a federally chartered instrumentality of the United States, on behalf of said entity.

Witness my hand and official seal.



My commission expires:

5/2/04

William LeBlanc III

Notary Public - State of Colorado

SCHEDULE A

"Telephone Loan Contract" (exclusive of any amendments):

Amending Telephone Loan Contract dated as of November 3, 2003.

"Outstanding RUS Notes":

Six (6) certain mortgage notes payable to the order of the Government, in the aggregate principal amount of \$3,875,000.00, all of which will finally mature on or before August 26, 2020.

"Underlying Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated and Consolidated Mortgage, Security Agreement and Financing Statement	September 1, 2000

"Current RUS Notes" (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$4,046,000	Determined by Advance	November 3, 2021
\$7,500,000	five per centum (5%)	November 3, 2021

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

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$2,355,150	Determined by Advance	November 3, 2021

SCHEDULE B

"Prior CoBank Loan Agreement(s)" shall mean the following loan agreements:

Lien Accommodated Telephone Loan Agreement No. T0809 dated as of September 1, 2000 for term loan in the principal amount of \$8,630,240.

Lien Accommodated Telephone Loan Agreement No. T0810 dated as of September 1, 2000 for term loan in the principal amount of \$1,750,000.

"Outstanding Notes" payable to CoBank shall mean the following:

<u>Designation</u>	<u>Stated Principal Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
No. T0809 1	\$8,630,240	9/1/00	Variable	12/20/11
No. T0810 2	\$1,750,000	9/1/00	Variable	12/20/11

1 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T1 dated October 15, 1996 in the original principal amount of \$8,630,240 made by Westel, Inc. and payable to CoBank, ACB, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

2 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T2 dated October 15, 1996 in the original principal amount of \$1,750,000 made by Westel, Inc. and payable to CoBank, ACB, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

SEE ATT

Albion Telephone Company

**Exhibit One (Exhibit to Mortgage)
UNIFORM SYSTEM OF ACCOUNTS
ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS**

All references regarding account numbers are to 47 CFR Part 32.

ACCOUNT NAMES **ACCOUNT NUMBERS**
CLASS A CLASS B

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

Local Network Services Revenues)		
Network Access Services Revenues)		
Long Distance Network Services Revenues)	5000s	thru 5300s
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
Other Operating Income and Expense		7100*	7100
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

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

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

*Summary Accounts

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

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

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

NOTE: FOR NONPROFIT ORGANIZATIONS- OWNER'S EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550.

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

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

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

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

SEE ATT

Exhibit A

CASSIA COUNTY, IDAHO

PARCEL NO. 1:

TOWNSHIP 13 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 32: Part of the SE1/4 of Section 32, lying North and West of the right of way of the Connor Creek-Almo County Road, more particularly described as follows:

Commencing at a point 52 rods 14 feet South of the Northwest corner of the SE1/4 of said Section 32;
Thence South 50 rods 8 1/2 feet;
Thence East 16 rods;
Thence North 50 rods 8 1/2 feet;
Thence West 16 rods to the Point of Beginning.

PARCEL NO. 2:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: A portion of Lot 3 in Section 6, more particularly described as follows:

Commencing at a point 90 feet North and 70 feet West of the Southeast corner of said Lot 3;
Run thence North on a line parallel with the East boundary of said Lot 3 for 172 feet;
Thence West on a line parallel with the South boundary of said Lot 3 for 97 feet;
Thence South on a line parallel with the East boundary line of said Lot 3 for 171 1/2 feet;
Thence Easterly 97 feet, more or less to the Point of Beginning.

PARCEL NO. 3:

Lot 11 in Block 3 of the Bascom and Robinson's Addition to the Village of Albion, Cassia County, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of said County.

PARCEL NO. 4:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning at a point 32 feet West of the Southwest corner of Lot 2 in Section 6;
Thence West 68 feet;
Thence North 90 feet;
Thence East 68 feet;
Thence South 90 feet to the Point of Beginning.

PARCEL NO. 5:

TOWNSHIP 13 SOUTH, RANGE 26 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 12: A parcel of land located in the SE1/4, NW1/4, of Section 12, more particularly described as follows:

Commencing at the Southwest corner of the SE1/4, NW1/4; thence North 0°14' West 223.60 feet; thence South 89°58' East 30.00 feet to a point on the Easterly right-of-way State Highway 81, being the True Point of Beginning;
Thence South 89°58' East 221.00 feet;
Thence North 0°14' West 96.4 feet;
Thence North 89°58' West 221.00 feet to a point on the Easterly right-of-way State Highway 81;
Thence South 0°14' East (along said R/W), 96.4 feet to the True Point of Beginning.

PARCEL NO. 6:

TOWNSHIP 10 SOUTH, RANGE 27 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 26: Part of the SE1/4 of Section 26, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Heglar Canyon Road which lies 1313.9 feet North 29°10' West of the Southeast corner of said Section 26;
Thence North 47°56' West along said Heglar Canyon Road right of way for 100 feet to a point where Heglar Canyon Road right of way interests Yale Road right of way;
Thence North 42°30' East along said Yale Road right of way for 100 feet;
Thence South 47°54' East for 100 feet;
Thence South 42°23' West for 100 feet to the Point of Beginning.

PARCEL NO. 7:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning 221 feet West of the Southwest corner of Lot 2 in Section 6;
Thence North 90 feet, more or less, to the South boundary line of adjacent lots;
Thence Westerly to the East boundary line of Vaughn Street in the City of Albion
Thence South 98.33 feet, more or less, to the North boundary of Jordan and Motter Additions;
Thence Easterly to the Point of Beginning.

PARCEL NO. 8:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 50 feet;
Thence East 50 feet;
Thence South 50 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 9:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at a point 50 feet North of the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 25 feet;
Thence East 50 feet;
Thence South 25 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 10:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning at a point 90 feet North and 167 feet West of the Southeast corner of Lot 3 in Section 6;
Thence running North 171.5 feet;
Thence Westerly 73 ½ feet;
Thence South 170 feet, more or less to a point 90 feet North of the South boundary line of said Lot 3;
Thence East 73 ½ feet to the Place of Beginning.

PARCEL NO. 11:

Lots 8, 9, and 10 in Block 3 of the Bascom and Robinson Addition to Albion, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of the County of Cassia, State of Idaho.

AND

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: Beginning at the Southwest corner of Lot 2 of said Section 6;
 Thence West 32 feet;
 Thence North 90 feet;
 Thence East 32 feet;
 Thence South 90 feet to the Point Of Beginning.
 (North of the Jordan and Motter Addition to Albion, Idaho.)

BUTTE COUNTY, IDAHO

PARCEL NO. 12:

Beginning at the Northeast (recorded Northwest) corner of Block 9, Arco Original Townsite; thence S. $41^{\circ} 22'30''$ E. 100.0 feet along the Southwesterly line of Idaho Street; thence S. $48^{\circ}31'30''$ W. 50.0 feet; thence N. $41^{\circ}31'30''$ W. 100.00 feet to the Southeasterly line of Era Avenue; thence N. $48^{\circ}31'30''$ E. 50.0 feet to the Point of Beginning; same being NW 100 feet of Lot 1, Block 9, Arco Original Townsite, Butte County, Idaho.

PARCEL NO. 13:

Beginning at a point on the Southwesterly line of Idaho Street that is S. $41^{\circ}22'30''$ E. 100.0 feet from the Northeast (recorded Northwest) corner of BLOCK 9, ARCO ORIGINAL TOWNSITE; thence S. $41^{\circ} 22'30''$ E. 50.0 feet; thence S. $48^{\circ} 31'30''$ W. 100 feet; thence N. $41^{\circ}22'30''$ W. 50 feet; thence N. $48^{\circ}31'30''$ E. 100 feet to the Point of Beginning; same being the southeast 50 feet of Lots 1 and 2, BLOCK 9, ARCO ORIGINAL TOWNSITE, Butte County, Idaho.

PARCEL NO. 14:

THE PORTION OF LOTS 1 AND 2, BLOCK 1 OF THE ORIGINAL TOWNSITE OF MOORE, Butte County, Idaho, as shown on the recorded plat thereof on file in the office of the County Recorder of said County, described as follows:

Beginning as a point on the South line of said Lot 1, that is West 85 feet from the Southeast corner of said Lot 1; thence along said South line, west 30 feet to the Southwest corner of said Lot 1, thence along the West line of said Lots 1 and 2, North 50 feet to the Northwest corner of said Lot 2; thence along the North line of said Lot 2, East 30 feet; thence South 50 feet to the Point of Beginning.

PARCEL NO. 15:

A portion of Section 32, T. 5 N., R. 26 E.B.M., Butte County, Idaho, described as:

Beginning at a point 119 feet South of the NE corner of said Section 32; thence S. along the East line to said Section 32, 30 feet; thence S. $87^{\circ}00'00''$ W. 44 feet; thence N. 30 feet; thence N. $87^{\circ}00'00''$ E. 44 feet to the Point of Beginning.

PARCEL NO. 16:

TOWNSHIP 5 NORTH, RANGE 29 EAST, BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 4: A tract in the SE1/4, NW1/4, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Butte County Road Project F.A.P. W240, said point being North $10^{\circ}37'$ West 3246.21 feet from the South quarter corner of Section 4; thence North $58^{\circ}46'$ East 100 feet; thence North $31^{\circ}14'$ West 50 feet; thence South $58^{\circ}46'$ West 100 feet, more or less, to the Northeasterly right of way line of said road; thence South $31^{\circ}14'$ East along said Northeasterly right of way line 50 feet, more or less, to the Point of Beginning.

CUSTER COUNTY, IDAHO

PARCEL NO. 17:

LOT 3, BLOCK 14, MACKAY ORIGINAL TOWNSITE, CUSTER COUNTY, IDAHO, AS SHOWN BY THE OFFICIAL PLAT THEREOF, NOW ON FILE IN THE OFFICE OF THE SAID COUNTY RECORDER.

ONEIDA COUNTY, IDAHO

PARCEL NO. 18:

Beginning at a point on the Easterly line of Lot 3, Block 2, of the original Townsite of Malad City, Oneida County, Idaho, which point is 25.0 feet Southerly from the Northeast Corner of said Lot 3; thence continuing on the Easterly line of said Block 2 South $0^{\circ}06'$ East 40 feet; thence South $89^{\circ}54'$ West 103 feet; thence North $0^{\circ}06'$ West 68 feet; thence South $89^{\circ}00'$ East 48 feet; thence South $0^{\circ}06'$ East 26.89 feet; thence North $89^{\circ}01'$ East 55 feet, more or less, to the point of beginning.

PARCEL NO. 19:

Commencing at the Southeast Corner of Lot 4, Block 15, of the Townsite of Holbrook, as the same appears upon the plat thereof on file in the office of the County Recorder of Oneida County, Idaho; thence running West 50 feet; thence North 50 feet; thence East 50 feet; thence South 50 feet to the point of beginning.

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]	
Annie Pelletier	208-388-1200
B. SEND ACKNOWLEDGMENT TO: (Name and Address)	
Givens Pursley LLP	
601 West Bannock Street	
Boise, Idaho 83702	

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME			
Albion Telephone Company			
OR	1b. INDIVIDUAL'S LAST NAME		
	FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE
PO Box 98		Albion	ID
		POSTAL CODE	COUNTRY
		83311	USA
1d. TAX ID #: SSN OR EIN	ADDL INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION
		Corporation	Idaho
			1g. ORGANIZATIONAL ID #, if any
			C 26771 <input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME			
OR	2b. INDIVIDUAL'S LAST NAME		
	FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE
			POSTAL CODE
			COUNTRY
2d. TAX ID #: SSN OR EIN	ADDL INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION
			2g. ORGANIZATIONAL ID #, if any
			<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - Insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME			
United States of America, Rural Utilities Service, USDA			
OR	3b. INDIVIDUAL'S LAST NAME		
	FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE
1400 Independence Avenue, S.W.		Washington	DC
		POSTAL CODE	COUNTRY
		20250-1500	USA

4. This FINANCING STATEMENT covers the following collateral:

See Attached Restated Mortgage, Security Agreement and Financing Statement.

5. ALTERNATIVE DESIGNATION [if applicable]:	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum if applicable	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional]		<input type="checkbox"/> ADDITIONAL FEE	<input type="checkbox"/> All Debtors	<input type="checkbox"/> Debtor 1	<input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA						
Idaho 504-H12 & K11 Albion						UT SoS

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Alblon Telephone Company			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any	<input type="checkbox"/> NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME Rural Telephone Bank					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS 1400 Independence Avenue, S.W.		CITY Washington	STATE DC	POSTAL CODE 20250-1500	COUNTRY USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

See Attached Restated Mortgage, Security Agreement and Financing Statement.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.

Debtor is a TRANSMITTING UTILITY

Filed in connection with a Manufactured-Home Transaction — effective 30 years

Filed in connection with a Public-Finance Transaction — effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME
Albion Telephone Company

OR

9b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME

OR

11b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

11c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

11d. TAX ID #: SSN OR EIN ADD'L. INFO RE ORGANIZATION DEBTOR 11e. TYPE OF ORGANIZATION 11f. JURISDICTION OF ORGANIZATION 11g. ORGANIZATIONAL ID #, if any NONE

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - Insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME
CoBank, ABC

OR

12b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

12c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
PO Box 5110 Denver CO 80217 USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

See Attached Restated Mortgage, Security Agreement and Financing Statement.

16. Additional collateral description:

17. Check only if applicable and check only one box.
Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.
 Debtor is a TRANSMITTING UTILITY
 Filed in connection with a Manufactured-Home Transaction — effective 30 years
 Filed in connection with a Public-Finance Transaction — effective 30 years

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

RUS PROJECT DESIGNATION:

IDAHO 504-H12 & K11 ALBION

RESTATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and among

ALBION TELEPHONE COMPANY
P.O. Box 98
Albion, Idaho 83311,

as mortgagor and debtor,

and

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

as mortgagee and secured party,

and

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

as mortgagee and secured party,

and

CO BANK, ACB
5500 South Quebec Street
Greenwood Village, CO 80111

as mortgagee and secured party.

Dated as of November 3, 2003

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS C26771.

RESTATEMENT, SECURITY AGREEMENT AND FINANCING STATEMENT, dated as of November 3, 2003, made by and among ALBION TELEPHONE COMPANY (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Idaho, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service (hereinafter called "the Administrator"), RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government, and CoBANK, ACB, successor to the National Bank for Cooperatives (hereinafter called "CoBank"), a federally chartered instrumentality of the United States (the Government, the Bank and CoBank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and for purposes of the "Underlying Mortgage" (as hereinafter defined) identified in Schedule A of "this Mortgage" (as hereinafter defined) the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and the "Administrator of the RUS"; and

WHEREAS, pursuant to a consolidation, effective January 1, 1995, of the National Bank for Cooperatives, the Springfield Bank for Cooperatives, and the Farm Credit Bank of Springfield to form CoBank and as a result of such consolidation, CoBank succeeded to all rights, title and interests of its predecessors in interest under the Underlying Mortgage; and

WHEREAS, the Mortgagor has heretofore borrowed funds from one or more of the Mortgagees or from "FFB" (as hereinafter defined) whose loans are guaranteed by the Government and to secure such indebtedness has executed and delivered to such Mortgagee(s) the "Outstanding Notes" (as hereinafter defined) identified in Schedule A hereto and/or in Schedule B hereto.

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

WHEREAS, the Outstanding Notes are secured by the Underlying Mortgage; and

WHEREAS, the Mortgagor deems it necessary to borrow additional funds from one or more of the Mortgagees and/or from FFB whose loans are guaranteed by the Government and to evidence such additional indebtedness has executed and delivered to such Mortgagee(s) the "Current Notes" (as hereinafter defined) identified in Schedule A hereto and to secure and pledge its property hereunder described or mentioned to secure the same; and

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all mortgage notes shall be secured on parity; and

WHEREAS, this Mortgage consolidates and restates the Underlying Mortgage in its entirety; and

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of the Outstanding Notes, the Current Notes and other indebtedness of the Mortgagor hereunder, subject to the terms of this Mortgage, have been in all respects duly authorized; 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" (as hereinafter defined), 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" (as hereinafter defined) and the "CoBank Loan Agreement" (as hereinafter defined) 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, and the Mortgagor does hereby grant to the Mortgagees, for the purposes herein expressed, a security interest in, all and singular, the following properties, assets and rights of the Mortgagor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the "Existing Facilities" (as hereinafter defined) 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, equipment, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches, including, without limitation, host switches and remote switches, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, pay-stations, protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the real property described in the following property schedule:

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the Counties of Butte, Cassia, Custer and Oneida in the State of Idaho, and the County of Box Elder in the State of Utah.

(b) The property referred to in the last line of paragraph 1 of the Granting Clause includes the real estate described in Exhibit A attached hereto, and by this reference made a part hereof, as if fully set forth at length at this point.

(c) If the real estate described in Exhibit A is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is by reference made a part of Exhibit A as though fully set forth at length therein.

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

II

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

III

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

IV

All right, title and interest of the Mortgagor, in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds (as such terms are presently and hereinafter defined in the applicable Uniform Commercial Code provided, however, that the term "instrument" shall be such term as defined in Article 9 of the applicable Uniform Commercial Code rather than Article 3);

V

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

VI

All right, title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to: all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

VII

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, proceeds 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) which are titled and/or registered in any state of the United States of America and 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 and in the CoBank Loan Agreement contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE I

DEFINITIONS AND ADDITIONAL NOTES

SECTION 1. (a) The parties to this Mortgage are hereby deemed to be parties to the Underlying Mortgage.

(b) In addition to the terms defined elsewhere in this Mortgage, the terms defined in this subsection (b) shall have the meanings specified herein. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

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

"Additional Notes" shall mean the Additional Bank Notes, the Additional CoBank Notes and the Additional RUS Notes collectively.

"Additional Bank Notes" shall mean any notes issued by the Mortgagor to the Bank pursuant to Article I, Section 1, of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Bank pursuant to the terms of Article I, Section 1.

"Additional CoBank Notes" shall mean any notes issued by the Mortgagor to CoBank pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal or substitute notes which may from time to time be executed and delivered by the Mortgagor to CoBank pursuant to the terms of Article I, Section 1.

"Additional RUS Notes" shall mean any notes issued by the Mortgagor to the Government or FFB, and guaranteed by the Government, pursuant to Article I, Section 1 of this Mortgage including any refunding, renewal, or substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government pursuant to the terms of Article I, Section 1.

"Bank Notes" means the Outstanding Notes payable to the order of the Bank, the Current Notes payable to the order of the Bank and the Additional Bank Notes.

"CoBank Loan Agreement" shall mean the loan agreement(s) between the Mortgagor and CoBank listed in Schedule B under the heading "Prior CoBank Loan Agreement(s)" and any amendments thereto, the loan agreement under the heading "Current CoBank Loan Agreement" in Schedule B hereto with respect

to any Current Note payable to CoBank listed in Schedule B hereto and any loan agreements with respect to Additional CoBank Notes and any amendments thereto.

"CoBank Notes" means the Outstanding Notes payable to CoBank, the Current Notes payable to CoBank and the Additional CoBank Notes.

"Consolidated Loan Agreement" shall mean the loan agreement between the Mortgagor and the Government, or between the Mortgagor and the Bank, or among the Mortgagor, the Government and the Bank, under the heading "Telephone Loan Contract" in Schedule A hereto, as the same may have been previously amended, and any current or future amendments thereto, any current amendments thereto being under the heading "Telephone Loan Contract Amendment" in Schedule A hereto, together with any agreements among the Mortgagor, the Government, acting through the Administrator, and FFB, pursuant to which the Government guarantees the loans made by FFB to the Mortgagor, pursuant to the Act, and any amendments thereto.

"Current Notes" shall mean the notes issued by the Mortgagor to secure the loans to the Mortgagor made in conjunction with this Mortgage payable to the order of the Government under the heading "Current RUS Note(s)" in Schedule A hereto, payable to the order of the Bank under the heading "Current Bank Note" in Schedule A hereto, payable to the order of CoBank under the heading "Current CoBank Note" in Schedule B hereto, payable to FFB under the heading "Current FFB Note" in Schedule A hereto and payable to the order of the Government to reimburse the Government for certain amounts paid from time to time by the Government to FFB under the heading "Current Reimbursement Note" in Schedule A hereto.

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

"FFB" shall mean the Federal Financing Bank.

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

"notes" shall mean collectively the Bank Notes, the CoBank Notes and the RUS Notes.

"Outstanding Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Government under the heading "Outstanding RUS Notes" in Schedule A hereto, to the Bank under the heading "Outstanding Bank Notes" in Schedule A hereto, to CoBank under the heading "Outstanding CoBank Notes" in Schedule B hereto and to FFB under the heading "Outstanding FFB Notes" in Schedule A hereto.

"RUS Notes" shall mean the Outstanding Notes payable to the order of the Government and payable to FFB, the Current Notes payable to the order of the Government and payable to FFB and the Additional RUS Notes.

"Underlying Mortgage" shall mean the instruments identified as such in Schedule A hereto and Schedule B hereto.

Where in these definitions there is a reference to an instrument as being listed under a particular heading in Schedules A and B and no such heading is included in Schedules A and B then such definition shall be read as though there were no such reference.

(c) The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence

indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act, (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, and (3) execute and deliver to CoBank one or more Additional CoBank Notes to evidence loans made by CoBank 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 CoBank created by a loan or loans theretofore made by CoBank to such party or parties. 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 to renew 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 fifty million dollars and no cents (\$50,000,000.00) and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. Except as hereinafter provided, however, no Additional CoBank Notes shall be secured by this Mortgage without the prior written approval thereof by the Government and the Bank, and no Additional RUS Notes or Additional Bank Notes shall be secured by this Mortgage without the prior written approval thereof by CoBank. No such prior written approval shall be required with respect to the execution and delivery by the Mortgagor of (1) notes issued to refund, renew or substitute for any outstanding note or notes, and (2) the Outstanding Notes, and (3) Additional Notes issued to the Government or the Bank in accordance with Subsection (d) of this Section 1.

(d) The Mortgagor may execute and deliver Additional RUS Notes to evidence a loan or loans from the Government to the Mortgagor and/or a loan or loans from FFB to the Mortgagor and Additional Bank Notes to evidence a loan or loans from the Bank to the Mortgagor provided that the following condition precedent is met with respect to each such loan:

Written acknowledgment is obtained from RUS, the Bank and CoBank indicating that RUS's, the Bank's and CoBank's pro forma financial analysis of the Mortgagor, for the test year used by RUS in establishing the economic feasibility of such loan shows that the Mortgagor shall have a Times Interest Earned Ratio ("TIER") of not less than 1.5; a Debt Service Coverage ("DSC") of not less than 1.25; and an Equity to Assets Ratio equal to or greater than 40%, as the above are defined in Article II, Section 20 hereof, taking into account the interest to be charged on the Additional RUS Notes or Additional Bank Notes proposed to be executed and delivered to evidence such loan.

(e) 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 Outstanding Notes, the Current 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 Outstanding Notes, the Current Notes and this Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current 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.

SECTION 2. The Mortgagor warrants that it has good, right and lawful authority to mortgage the property described in the granting clause 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 worker's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business. The Mortgagor will, so long as any of the notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge.

SECTION 3. The Mortgagor will duly and punctually pay the principal of and interest on the notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due hereunder. The Mortgagor may at any time make prepayments on account of all or part of the principal of the notes to the extent and in the manner therein provided and as set forth in the Consolidated Loan Agreement and the CoBank Loan Agreement; provided that any such prepayment shall be applied pro rata to the RUS Notes, the Bank Notes and the CoBank Notes, according to the proportions that the aggregate unpaid principal amount of the RUS Notes, the aggregate unpaid principal amount of the Bank Notes and the aggregate unpaid principal amount of the CoBank Notes, respectively, bear to the aggregate unpaid principal amount of the RUS Notes, the Bank Notes and the CoBank Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. For purposes of this Section 3, delivery by the Mortgagor of any note which renews or is in substitution for an outstanding note shall not be considered a prepayment hereunder and delivery of a refunding note shall not be considered a prepayment provided that, the refunding note will result in (1) an economic benefit defined as a present value savings when comparing the cash flows of the refunding note with the cash flows of the note being refunded; (2) will not cause the TIER as of the most recent December 31 RUS Form 479, when recalculated by substituting the actual interest expense of the note to be refunded with the projected interest expense of the refunding note, to be less than the greater of the TIER before such recalculation or 1.5; and (3) will not cause the DSC as of the most recent December 31 RUS Form 479, when recalculated by substituting the scheduled principal payments of the note to be refunded with the scheduled principal repayments of the refunding note, to be less than 1.25. Additionally, the majority RUS noteholders and the majority Bank noteholders and the majority CoBank noteholders (as such terms

are defined in Section 4 of Article II hereof) may agree that such noteholder shall not be paid the pro rata prepayment to which such noteholder may be entitled under this Section 3.

SECTION 4. (a) The Mortgagor will, at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the RUS Notes at the time outstanding (hereinafter called the "majority RUS noteholders") and of the holder or holders of not less than a majority in principal amount of the Bank Notes at the time outstanding (hereinafter called the "majority Bank noteholders") and of the holder or holders of not less than a majority of the CoBank noteholders at the time outstanding (hereinafter called the "majority CoBank noteholders"), take or suffer to be taken any steps to reorganize, or to consolidate with or merge into any other corporation or to permit any other corporation to merge into the Mortgagor or acquire all or substantially all of the business or assets of another corporation if such acquisition is analogous in purpose or effect to a merger or consolidation or to sell, lease or transfer, mortgage, convey by deed to secure debt, pledge or encumber other than under the lien hereof (or make any agreement therefor) the Mortgaged Property, or any part thereof.

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

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

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

all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telephone service.

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

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

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

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

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

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 and cash flow 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 12-month period ended on the Fiscal Date, in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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. Each of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 the possession of the Mortgagor or in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified public accountant in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 equally and ratably 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 interests of any of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income or net margins, as determined in accordance with methods of accounting prescribed in Section 11 of Article II hereof, for any of the five (5) fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

(c) The foregoing responsibilities of the Mortgagor include, but are not limited to, at the request of the majority RUS noteholders, the majority Bank noteholders or the majority RTFC noteholders,

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 and cash flow 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 12-month period ended on the Fiscal Date, in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank 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. Each of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 the possession of the Mortgagor or in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified public accountant in form and substance satisfactory to the majority RUS noteholders, the majority Bank noteholders and the majority CoBank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank 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 equally and ratably 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 interests of any of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income or net margins, as determined in accordance with methods of accounting prescribed in Section 11 of Article II hereof, for any of the five (5) fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times upon written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the majority RUS noteholders, the majority Bank noteholders or the majority CoBank noteholders such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

(c) The foregoing responsibilities of the Mortgagor include, but are not limited to, at the request of the majority RUS noteholders, the majority Bank noteholders or the majority RTFC noteholders,

taking such actions and executing and delivering such documents as are necessary under the Uniform Commercial Code or other applicable law to perfect or establish the Mortgagees' first priority security interests in any Mortgaged Property to the extent that such perfection or priority cannot be accomplished by the filing of a financing statement.

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

SECTION 14. The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall charge rates for its telephone service and other services furnished which shall yield revenues at least sufficient to (1) pay and discharge all taxes, maintenance expenses, operating expenses, and other expenses of its telephone system when due, (2) pay all obligations of the Mortgagor and make all payments of principal of and interest on the notes when due, (3) provide and maintain reasonable capital for the Mortgagor, (4) maintain an Average TIER on all of the notes of not less than 1.50 but in no year shall the TIER be less than 1.00, and (5) maintain a DSC of not less than 1.25. Not less than 90 days prior to the effective date of any proposed change in its rate, the Mortgagor shall give to the holder or holders of the notes written notice of such change and a copy of the schedule showing the then existing rates and the proposed changes therein.

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

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

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

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

SECTION 16. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that all noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable

payment of or on account of the unpaid principal of the notes and to such installments thereof as may be designated by the respective noteholders at the time of any such payment; and fourth, the balance, if any, 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 and the CoBank Loan Agreement, on its part to be observed or performed. The Mortgagor will promptly furnish each Mortgagee with written notice of any amendment or modification of any agreement under which a note or other obligation of the Mortgagor secured by the lien of this Mortgage has been or will be issued, including, without limitation, the Consolidated Loan Agreement and the CoBank Loan Agreement, and the occurrence of any default or event of default of which the Mortgagor has knowledge under any such agreement.

SECTION 18. If all of the notes in any one of the three groups of notes secured hereby (RUS Notes, Bank Notes and CoBank Notes) are paid and discharged while notes of the other group of notes remain outstanding, all rights and powers of the Mortgagee associated with the paid and discharged group of notes shall vest in the Mortgagee associated with the groups of notes remaining outstanding, and the rights and powers of the holder(s) of the paid and discharged group of notes shall vest in the holder(s) of the group of notes remaining outstanding. The Government is the "Mortgagee associated with" the RUS Notes; the Bank is the "Mortgagee associated with" the Bank Notes; and CoBank is the "Mortgagee associated with" the CoBank Notes. The Bank, the Government, the Mortgagor, CoBank and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

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

SECTION 20. As used in Article I, Section 1(d), Article II, Section 3, and Article II, Section 14 hereof and in this Section, TIER shall mean 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.

For purposes of Article II, Section 14 hereof, 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.

As used in Article I, Section 1(d), Article II, Section 3 and Article II, Section 14 hereof, DSC shall mean the sum of net income, plus interest, plus depreciation, plus amortization, all divided by the sum of interest plus scheduled principal payments and capital lease obligations due in the test year.

As used in Article I, Section 1(d), Equity to Asset Ratio shall mean all equity divided by the total assets of the Mortgagor.

SECTION 21. (a) Net worth, net income or net margins, interest expense, total assets, depreciation, amortization and equity, as used in Sections 10, 15 or 20 of this Article II, are defined in Exhibit One

of this Mortgage. Net plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One hereto.

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

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

SECTION 23. The Mortgagor hereby irrevocably authorizes the Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

(a) indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged Property falls within the scope of Article 9 of the applicable Uniform Commercial Code, or (ii) as being of an equal or lesser scope or with greater detail, and

(b) contain any other information required by the applicable Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to, (i) whether the Mortgagor is an organization, the type of organization and any organizational identification number issued to the Mortgagor and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

SECTION 24. Schedule A, Schedule B, Exhibit A and Exhibit One, attached hereto, are made part of this Mortgage.

ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

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

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made whether by acceleration or otherwise 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, this Mortgage, the Consolidated Loan Agreement or the CoBank 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 in an amount of two thousand five hundred dollars (\$2,500) or more shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days;

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, without protest, presentment or demand 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, together with reimbursement for any resulting expenses or damage and together with interest at the highest rate legally permissible, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority of the total amount of principal outstanding on the notes, hereinafter called the "majority noteholders", (for purposes of defining and calculating the majority noteholders the Government and the Bank shall be determined to be one noteholder with their balances combined and also, such Government and Bank combination shall be determined to be the majority noteholders if they together hold 50% or more of the outstanding principal balance) for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

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

(b) proceed to protect and enforce the rights of the Mortgagees and the rights of the noteholder or noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the noteholder or noteholders instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to

the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

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

SECTION 3. If, within thirty (30) days after the majority noteholders shall have had knowledge of the happening of an event or events of default, the majority noteholders shall not have proceeded to exercise the rights and enforce each of the remedies herein or by law conferred upon or reserved to the Mortgagees or to said majority noteholders, then, and only then, any noteholder, including the majority noteholders, may proceed to exercise any such right or rights and remedy or remedies not being enforced by the majority noteholders. Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

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

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes; and fourth, 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 each 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 (c) of Section 2 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 and shall not preclude the pursuit of any other right or remedy.

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 appraisement, 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 of 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.

SECTION 9. For purposes of this Article III, to the extent permitted by applicable state law, each noteholder appoints the Mortgagee or Mortgagees exercising any remedy as above provided as its attorney(s)-in-fact for such purpose.

SECTION 10. Nothing herein contained shall be deemed to authorize the Mortgagees to authorize or consent to or accept or adopt on behalf of any noteholder any plan of reorganization, arrangement, adjustment or composition affecting the notes or the rights of any holder thereof, or to authorize the Mortgagees to vote in respect of the claim of any noteholder in any such proceeding.

SECTION 11. Any rights of action and claims under this Mortgage or the notes may be prosecuted and enforced by the noteholder or noteholders prosecuting and enforcing the same without the possession of any of the notes or the production thereof in any proceeding relating thereto, and, to the extent permitted by applicable state law, any such proceeding instituted by any noteholder shall be brought in its own name as attorney-in-fact for the noteholders, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the noteholders, their agents and counsel (but only to the extent actually incurred), be for the ratable benefit of the noteholders in respect of which such judgment had been recovered.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

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

SECTION 2. The assignments to the Mortgagees of all of the Mortgagor's right, title and interest in, to and under contracts, licenses, franchises, ordinances, privileges, permits, chattel paper, contract rights, leases, subleases, (hereinafter collectively referred to in this Section 2 as the "assigned items"); to the extent set forth in the granting clauses of this Mortgage, constitutes an assignment for security purposes. Notwithstanding any other provisions of this Mortgage to the contrary, the Mortgagor shall at all times remain liable under each of the assigned items to perform all of its duties and obligations thereunder to the same extent as if there had been no assignment contained in this Mortgage. Furthermore, (i) neither the assignment under this Mortgage nor the exercise by the Mortgagees of the rights assigned hereunder shall cause the Mortgagees to become subject to any obligation or liability under any of the assigned items, or release the Mortgagor from any of its duties or obligations under any of the assigned items, or any instrument or document relating thereto, except to the extent such exercise by any Mortgagee shall constitute performance of such duties or obligations, and (ii) no Mortgagee shall have any obligation by reason of the assignment under this Mortgage to make any inquiry as to the sufficiency or authorization

for any payments received by it or take any other action to collect or enforce any claim for payment assigned hereunder.

SECTION 3. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and the interest on the notes at the time and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

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

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

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided. The Mortgagor and each of the Mortgagees hereby agree to execute and deliver such consents, acknowledgments and other instruments as may be reasonably requested by any of the Mortgagees or any noteholder in connection with any assignment of the rights or interests of any Mortgagee or noteholder hereunder or under the notes.

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:

Albion Telephone Company
P.O. Box 98
Albion, Idaho 83311

As to the Mortgagees

The Government:
Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

The Bank:
Rural Telephone Bank
c/o Rural Utilities Service
U.S. Department of Agriculture
Washington, D.C. 20250-1500

CoBank:
CoBank, ACB
CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attention: Credit Department

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 effect the remaining portions of this Mortgage, nor shall any such invalidity as to any Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder or holders of notes.

SECTION 7. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code, this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code and a "financing statement" under the Uniform Commercial Code for said security agreement. The Mortgagor herein is the "debtor" and the Mortgagees herein are the "secured parties." The mailing addresses of the Mortgagor as debtor and of the Mortgagees as secured parties are as set forth in Article V, Section 5 hereof. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

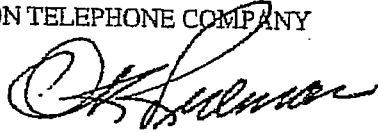
SECTION 8. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagees or any noteholder except for losses resulting from gross negligence or willful misfeasance.

SECTION 9. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, ALBION TELEPHONE COMPANY, 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, COBANK, ACB, 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 this day and year first above written.

ALBION TELEPHONE COMPANY

by



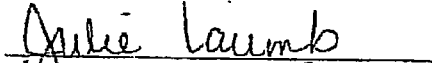
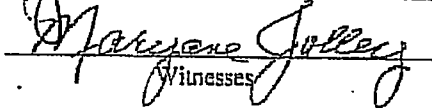
President

(Seal)

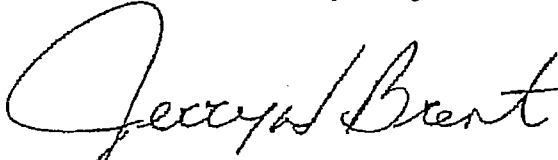
Attest:


Secretary

Executed by the Mortgagor
in the presence of:




Witnesses

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively


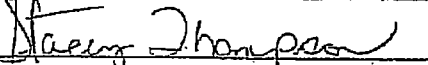
by 

as
Director, Northwest Area
Telecommunications Program
of the
Rural Utilities Service
and for the
Rural Telephone Bank


(Seal)

Attest: 
Assistant Secretary
of the
Rural Telephone Bank

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



Witnesses

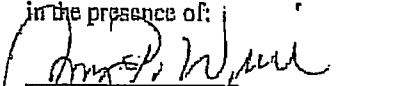
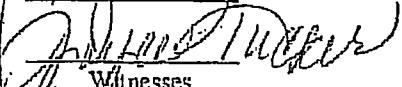
CoBANK, ACB

by 
Assistant Corporate Secretary

(SEAL)

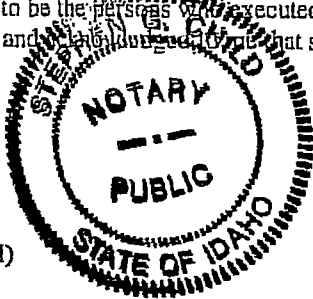
Attest: 
Assistant Corporate Secretary

Executed by CoBank, ACB, Mortgagee,
in the presence of:



Witnesses

STATE OF IDAHO)
) SS
COUNTY OF *Cassia*)

On the *10th* day of *November*, in the year *2003*, before me personally
appeared *Odeen K. Redman* and *Darke Redman*, and
known to me to be the persons who executed the foregoing instrument on behalf of ALBION TELEPHONE
COMPANY, and *Steph B. Child* that such corporation executed the same.



Steph B. Child
Notary Public in and for the State of Idaho, residing at *Albion, ID.*

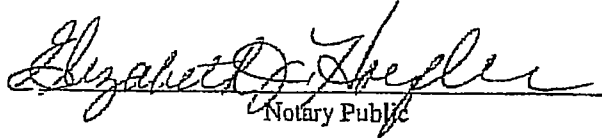
(Notarial Seal)

My commission expires: *April 16, 2007*

DISTRICT OF COLUMBIA

) SS

This instrument was acknowledged before me on October 20, 2003, by
JERRY H. BRENT, Director, Northwest Area - Telecommunications Program of the
Rural Utilities Service of the United States of America and for the Rural Telephone Bank.

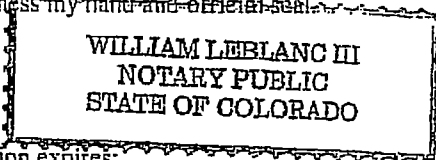

Notary Public

(Notarial Seal)

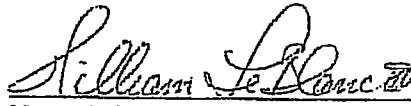
My commission expires: Elizabeth J. Hoefler
Notary Public District of Columbia
My Commission Expires: August 1, 2007

STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

This instrument was acknowledged before me on October 29, 2003, by Penny Probasco and Anne Phelps, each an Assistant Corporate Secretary of CoBank, ACB, a federally chartered instrumentality of the United States, on behalf of said entity.

~~Witness my hand and official seal.~~

WILLIAM LEBLANC III
NOTARY PUBLIC
STATE OF COLORADO

My commission expires:
5/2/04


Notary Public - State of Colorado

SCHEDULE A

"Telephone Loan Contract" (exclusive of any amendments):

Amending Telephone Loan Contract dated as of November 3, 2003.

"Outstanding RUS Notes":

Six (6) certain mortgage notes payable to the order of the Government, in the aggregate principal amount of \$3,875,000.00, all of which will finally mature on or before August 26, 2020.

"Underlying Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated and Consolidated Mortgage, Security Agreement and Financing Statement	September 1, 2000

"Current RUS Notes" (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$4,046,000	Determined by Advance	November 3, 2021
\$7,500,000	five per centum (5%)	November 3, 2021

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

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$2,355,150	Determined by Advance	November 3, 2021

SCHEDULE B

"Prior CoBank Loan Agreement(s)" shall mean the following loan agreements:

Lien Accommodated Telephone Loan Agreement No. T0809 dated as of September 1, 2000 for term loan in the principal amount of \$8,630,240.

Lien Accommodated Telephone Loan Agreement No. T0810 dated as of September 1, 2000 for term loan in the principal amount of \$1,750,000.

"Outstanding Notes" payable to CoBank shall mean the following:

<u>Designation</u>	<u>Stated Principal Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
No. T0809 1	\$8,630,240	9/1/00	Variable	12/20/11
No. T0810 2	\$1,750,000	9/1/00	Variable	12/20/11

1 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T1 dated October 15, 1996 in the original principal amount of \$8,630,240 made by Westel, Inc. and payable to CoBank, ACE, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

2 This Amended and Restated Promissory Note amends and restates in its entirety Promissory Note No. ML0433T2 dated October 15, 1996 in the original principal amount of \$1,750,000 made by Westel, Inc. and payable to CoBank, ACE, which indebtedness was assumed by the Mortgagor in connection with its merger with Westel, Inc. effective January 1, 2000.

**Exhibit One (Exhibit to Mortgage)
UNIFORM SYSTEM OF ACCOUNTS
ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS**

All references regarding account numbers are to 47 CFR Part 32.

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

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

Local Network Services Revenues)		
Network Access Services Revenues)		
Long Distance Network Services Revenues)	5000s	thru 5300s
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
Other Operating Income and Expense		7100*	7100
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

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

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

*Summary Accounts

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

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

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

NOTE: FOR NONPROFIT ORGANIZATIONS- OWNER'S EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550.

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

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

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

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

Exhibit A

CASSIA COUNTY, IDAHO

PARCEL NO. 1:

TOWNSHIP 13 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 32: Part of the SE1/4 of Section 32, lying North and West of the right of way of the Connor Creek-Almo County Road, more particularly described as follows:

Commencing at a point 52 rods 14 feet South of the Northwest corner of the SE1/4 of said Section 32;
Thence South 50 rods 8 ½ feet;
Thence East 16 rods;
Thence North 50 rods 8 ½ feet;
Thence West 16 rods to the Point of Beginning.

PARCEL NO. 2:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: A portion of Lot 3 in Section 6, more particularly described as follows:

Commencing at a point 90 feet North and 70 feet West of the Southeast corner of said Lot 3;
Run thence North on a line parallel with the East boundary of said Lot 3 for 172 feet;
Thence West on a line parallel with the South boundary of said Lot 3 for 97 feet;
Thence South on a line parallel with the East boundary line of said Lot 3 for 171 ½ feet;
Thence Easterly 97 feet, more or less to the Point of Beginning.

PARCEL NO. 3:

Lot 11 in Block 3 of the Bascom and Robinson's Addition to the Village of Albion, Cassia County, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of said County.

PARCEL NO. 4:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: Beginning at a point 32 feet West of the Southwest corner of Lot 2 in Section 6;
Thence West 68 feet;
Thence North 90 feet;
Thence East 68 feet;
Thence South 90 feet to the Point of Beginning.

PARCEL NO. 5:

TOWNSHIP 13 SOUTH, RANGE 26 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 12: A parcel of land located in the SE1/4, NW1/4, of Section 12, more particularly described as follows:

Commencing at the Southwest corner of the SE1/4, NW1/4; thence North $0^{\circ}14'$ West 223.60 feet; thence South $89^{\circ}58'$ East 30.00 feet to a point on the Easterly right-of-way State Highway 81, being the True Point of Beginning;
Thence South $89^{\circ}58'$ East 221.00 feet;
Thence North $0^{\circ}14'$ West 96.4 feet;
Thence North $89^{\circ}58'$ West 221.00 feet to a point on the Easterly right-of-way State Highway 81;
Thence South $0^{\circ}14'$ East (along said RW), 96.4 feet to the True Point of Beginning.

PARCEL NO. 6:

TOWNSHIP 10 SOUTH, RANGE 27 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 26: Part of the SE1/4 of Section 26, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Heglar Canyon Road which lies 1313.9 feet North $29^{\circ}10'$ West of the Southeast corner of said Section 26;
Thence North $47^{\circ}56'$ West along said Heglar Canyon Road right of way for 100 feet to a point where Heglar Canyon Road right of way interests Yale Road right of way;
Thence North $42^{\circ}30'$ East along said Yale Road right of way for 100 feet;
Thence South $47^{\circ}54'$ East for 100 feet;
Thence South $42^{\circ}23'$ West for 100 feet to the Point of Beginning.

PARCEL NO. 7:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning 221 feet West of the Southwest corner of Lot 2 in Section 6;
Thence North 90 feet, more or less, to the South boundary line of adjacent lots;
Thence Westerly to the East boundary line of Vaughn Street in the City of Albion
Thence South 98.33 feet, more or less, to the North boundary of Jordan and Motter Additions;
Thence Easterly to the Point of Beginning.

PARCEL NO. 8:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 50 feet;
Thence East 50 feet;
Thence South 50 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 9:

TOWNSHIP 15 SOUTH, RANGE 24 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 22: Beginning at a point 50 feet North of the Southwest corner of Lot 2 in Block 1 of Durfee Addition (sometimes referred to as Almo Townsite) located in Section 22;
Thence North 25 feet;
Thence East 50 feet;
Thence South 25 feet;
Thence West 50 feet to the Point of Beginning.

PARCEL NO. 10:

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY,
IDAHO

Section 6: Beginning at a point 90 feet North and 167 feet West of the Southeast corner of Lot 3 in Section 6;
Thence running North 171.5 feet;
Thence Westerly 73 ½ feet;
Thence South 170 feet, more or less to a point 90 feet North of the South boundary line of said Lot 3;
Thence East 73 ½ feet to the Place of Beginning.

PARCEL NO. 11:

Lots 8, 9, and 10 in Block 3 of the Bascom and Robinson Addition to Albion, Idaho, as the same is platted in the official plat thereof, now of record in the office of the Recorder of the County of Cassia, State of Idaho.

AND

TOWNSHIP 12 SOUTH, RANGE 25 EAST OF THE BOISE MERIDIAN, CASSIA COUNTY, IDAHO

Section 6: Beginning at the Southwest corner of Lot 2 of said Section 6;
Thence West 32 feet;
Thence North 90 feet;
Thence East 32 feet;
Thence South 90 feet to the Point Of Beginning.
(North of the Jordan and Motter Addition to Albion, Idaho.)

BUTTE COUNTY, IDAHO

PARCEL NO. 12:

Beginning at the Northeast (recorded Northwest) corner of Block 9, Arco Original Townsite; thence S. 41° 22'30" E. 100.0 feet along the Southwesterly line of Idaho Street; thence S. 48°31'30" W. 50.0 feet; thence N. 41°31'30" W. 100.00 feet to the Southeasterly line of Era Avenue; thence N. 48°31'30" E. 50.0 feet to the Point of Beginning; same being NW 100 feet of Lot 1, Block 9, Arco Original Townsite, Butte County, Idaho.

PARCEL NO. 13:

Beginning at a point on the Southwesterly line of Idaho Street that is S. 41° 22'30" E. 100.0 feet from the Northeast (recorded Northwest) corner of BLOCK 9, ARCO ORIGINAL TOWNSITE; thence S. 41° 22'30" E. 50.0 feet; thence S. 48° 31'30" W. 100 feet; thence N. 41°22'30" W. 50 feet; thence N. 48°31'30" E. 100 feet to the Point of Beginning; same being the southeast 50 feet of Lots 1 and 2, BLOCK 9, ARCO ORIGINAL TOWNSITE, Butte County, Idaho.

PARCEL NO. 14:

THE PORTION OF LOTS 1 AND 2, BLOCK 1 OF THE ORIGINAL TOWNSITE OF MOORE, Butte County, Idaho, as shown on the recorded plat thereof on file in the office of the County Recorder of said County, described as follows:

Beginning as a point on the South line of said Lot 1, that is West 85 feet from the Southeast corner of said Lot 1; thence along said South line, west 30 feet to the Southwest corner of said Lot 1, thence along the West line of said Lots 1 and 2, North 50 feet to the Northwest corner of said Lot 2; thence along the North line of said Lot 2, East 30 feet; thence South 50 feet to the Point of Beginning.

PARCEL NO. 15:

A portion of Section 32, T. 5 N., R. 26 E.B.M., Butte County, Idaho, described as:

Beginning at a point 119 feet South of the NE corner of said Section 32; thence S. along the East line to said Section 32, 30 feet; thence S. $87^{\circ}00'00''$ W. 44 feet; thence N. 30 feet; thence N. $87^{\circ}00'00''$ E. 44 feet to the Point of Beginning.

PARCEL NO. 16:

TOWNSHIP 5 NORTH, RANGE 29 EAST, BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 4: A tract in the SE1/4, NW1/4, more particularly described as follows:

Beginning at a point on the Northeasterly right of way of Butte County Road Project F.A.P. W240, said point being North $10^{\circ}37'$ West 3246.21 feet from the South quarter corner of Section 4; thence North $58^{\circ}46'$ East 100 feet; thence North $31^{\circ}14'$ West 50 feet; thence South $58^{\circ}46'$ West 100 feet, more or less, to the Northeasterly right of way line of said road; thence South $31^{\circ}14'$ East along said Northeasterly right of way line 50 feet, more or less, to the Point of Beginning.

CUSTER COUNTY, IDAHO

PARCEL NO. 17:

LOT 3, BLOCK 14, MACKAY ORIGINAL TOWNSITE, CUSTER COUNTY, IDAHO, AS SHOWN BY THE OFFICIAL PLAT THEREOF, NOW ON FILE IN THE OFFICE OF THE SAID COUNTY RECORDER.

ONEIDA COUNTY, IDAHO

PARCEL NO. 18:

Beginning at a point on the Easterly line of Lot 3, Block 2, of the original Townsite of Malad City, Oneida County, Idaho, which point is 25.0 feet Southerly from the Northeast Corner of said Lot 3; thence continuing on the Easterly line of said Block 2 South $0^{\circ}06'$ East 40 feet; thence South $89^{\circ}54'$ West 103 feet; thence North $0^{\circ}06'$ West 68 feet; thence South $89^{\circ}00'$ East 48 feet; thence South $0^{\circ}06'$ East 26.89 feet; thence North $89^{\circ}01'$ East 55 feet, more or less, to the point of beginning.

PARCEL NO. 19:

Commencing at the Southeast Corner of Lot 4, Block 15, of the Townsite of Holbrook, as the same appears upon the plat thereof on file in the office of the County Recorder of Oneida County, Idaho; thence running West 50 feet; thence North 50 feet; thence East 50 feet; thence South 50 feet to the point of beginning.

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
 Annie Pelletier (208) 388-1211

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Givens Pursley LLP
 Attn: Annie Pelletier
 601 West Bannock Street
 Boise, Idaho 83702

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE #
 230822200328

1b. This FINANCING STATEMENT AMENDMENT is to be filed [for record] [or recorded] in the REAL ESTATE RECORDS.

2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4. ASSIGNMENT (full or partial): Give name of assignee in Item 7a or 7b and address of assignee in Item 7c; and also give name of assignor in Item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects Debtor or Secured Party of record. Check only one of these two boxes.
 Also check one of the following three boxes and provide appropriate information in Items 6 and/or 7.
 CHANGE name and/or address: Give current record name in Item 6a or 6b; also give new name (if name change) in Item 7a or 7b and/or new address (if address change) in Item 7c. DELETE name: Give record name to be deleted in Item 6a or 6b. ADD name: Complete Item 7a or 7b, and also Item 7c; also complete Items 7d-7g (if applicable).

6. CURRENT RECORD INFORMATION:

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7. CHANGED (NEW) OR ADDED INFORMATION:

7a. ORGANIZATION'S NAME

OR

7b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
7d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any

NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box.
 Describe collateral deleted or added, or give entire restated collateral description, or describe collateral assigned.

All assets and rights of Debtor as particularly set forth in that certain Restated Mortgage, Security Agreement and Financing Statement, dated 11/3/03 and recorded on 11/13/03, in the real property records of Cassia Co., ID as instrument no. 292560.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by a Debtor, check here and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME
 Albion Telephone Company

OR

9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
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10. OPTIONAL FILER REFERENCE DATA
 Idaho 504-H12 & K11