

**ORIGINAL**

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IDAHO PUBLIC  
UTILITIES COMMISSION

Attorneys for Albion Telephone Company

**NEW CASE**

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF ALBION TELEPHONE COMPANY FOR  
AUTHORITY TO BORROW FROM THE  
FEDERAL FINANCE BANK IN THE  
AMOUNT OF NOT MORE THAN  
\$17,075,000.00

Case No. ALB-T-12-01

**APPLICATION OF ALBION  
TELEPHONE COMPANY**

Albion Telephone Company ("Albion" or "Company"), by and through its attorneys Givens Pursley LLP, makes this Application pursuant to Idaho Code § 61-901 for authority to execute and deliver a Reimbursement Note in favor of Rural Utilities Service ("RUS"), a Future Advance Promissory Note ("FFB Note") in the amount of Seventeen Million Seventy-Five Thousand Dollars (\$17,075,000.00) in favor of the Federal Finance Bank ("FFB") to be guaranteed by RUS and secured by a Restated Mortgage, Security Agreement and Financing Statement ("Mortgage"). In support of its Application, Albion states as follows:

1. Albion is a certificated telephone corporation organized under the laws of the State of Idaho providing telecommunication services including local exchange service within the state of Idaho.

2. All notices and communications with regard to this Application should be served upon:

Michael C. Creamer  
Kelsey J. Nunez  
Givens Pursley LLP  
P. O. Box 2720  
Boise, ID 83701-2720

Richard Redman  
Albion Telephone Company  
225 West North Street  
Albion, ID 83311

3. Albion has applied for and received approval of a telecommunications loan in the amount of \$17,075,000.00 ("Loan") from the FFB, which will be evidenced by the Note, guaranteed by RUS and secured by the Mortgage. Albion also would deliver to RUS the Reimbursement Note evidencing Albion's obligation to reimburse RUS for all payments and costs incurred by RUS, if any, under its guarantee to FFB. The Mortgage as restated secures the Loan obligation, together with Outstanding RUS Notes and Outstanding Co-Lender Notes given in connection with loans to Albion by RUS and CoBank previously approved by the Commission. Copies of the Reimbursement Note, FFB Note, Loan Agreement and the Mortgage are attached hereto as Exhibits A, B, C and D, respectively.

4. A condition to the advance of funds under the Loan is that Albion provide evidence satisfactory to RUS that Albion has been released by D. L Evans Bank from Albion's guarantee of a loan previously made by D.L. Evans to Syringa Wireless, LLC. Albion no longer is a member of Syringa Wireless, LLC, and is arranging for alternate, non-Company sourced security to be provided to D.L. Evans Bank to satisfy this condition.

5. The proceeds of the Loan will be used to build fiber to premises ("FTTP") facilities capable of providing telephony, high-speed data, and broadband services to all the subscribers in the Albion and Arco exchanges and to the majority of subscribers in the Malad exchange. The fiber architecture is similar to a traditional twisted pair network in that each served customer will have a dedicated fiber back to the central office or remote electronic sites.

Installation of optical fiber and FTTP technology will enable the Company to offer carrier-class telephony in addition to interactive two-way broadband services, digital multimedia, Smart Grid applications, TeleMedicine, TeleEducation/Distance Learning, TeleCommuting, public safety services and entertainment services.

8. The proposed transaction is consistent with the public interest. Construction and upgrading of high speed infrastructure will improve basic and advanced service for Albion's customers, further serve the goals of universal service and provide economic stimulus to rural communities in southern Idaho.

9. A Proposed Order granting this Application is attached hereto as Exhibit E.

10. Notice of this Application will be published within seven (7) days in *The Idaho Statesman* (Boise). A copy of this Notice is attached as Exhibit F.

11. Albion submits that the public interest does not require a hearing on this matter and it requests that the Commission process this Application and determine this matter by Modified Procedure, pursuant to Rules 201 to 210 of the Commission's Rules of Practice and Procedure. In the event the Commission determines that formal proceedings on this Application are necessary, Albion stands ready for immediate hearing.

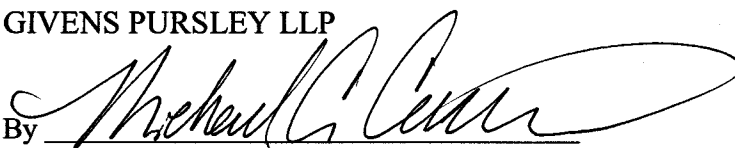
12. Albion has submitted contemporaneously herewith, its filing fee, calculated pursuant to Section 61-905, Idaho Code, in the amount of \$1,000.00.

WHEREFORE, the Company respectfully requests an Order of this Commission granting the foregoing Application of Albion Telephone Company to execute and deliver to the Rural Utilities Service the Note in an amount not to exceed \$17,075,000.00, the Loan Agreement, the Mortgage and related documents in connection with the Loan.

RESPECTFULLY SUBMITTED this 11th day of January 2012.

GIVENS PURSLEY LLP

By

  
Michael C. Creamer


Attorneys for Albion Telephone Company

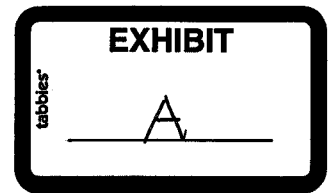
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 11th day of January 2012, I caused to be served the *original* and four (4) copies of the foregoing Application by the method indicated below, and addressed to the following:

Jean Jewell, Secretary  
Idaho Public Utilities Commission  
472 W. Washington Street  
P.O. Box 83720  
Boise, ID 83720-0074

U.S. Mail  
 Hand Delivered  
 Overnight Mail  
 Facsimile

  
\_\_\_\_\_  
Michael C. Creamer



## REIMBURSEMENT NOTE

Idaho 504-L9  
Albion, Idaho

THIS REIMBURSEMENT NOTE (hereinafter the "Note,") dated as of October 26, 2011, is made by **ALBION TELEPHONE COMPANY** (hereinafter the "Borrower,") a corporation duly organized and existing under the laws of the State of Idaho, to the **UNITED STATES OF AMERICA**, (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS.") For value received, the Borrower promises to pay on demand to the order of the Government, at the United States Treasury, Washington, D.C., pursuant to a certain Loan Agreement, dated the same date as this Note (hereinafter the "Loan Agreement,") made by and between the Borrower and the Government, and remaining unpaid from time to time, in the time and manner herein provided:

1. **Amount.** All amounts, including, without limitation, principal and interest (the "Reimbursed Amount,") paid by the Government from time to time pursuant to that certain Loan Agreement and guaranteed by RUS (the "RUS Guarantee,") made by RUS to the Federal Financing Bank ("FFB") of amounts payable to FFB under a note dated the same date as this Note, made by the Borrower payable to FFB and guaranteed by RUS (the "FFB Note,") pursuant to the Rural Electrification Act (7 U.S.C. 901 *et seq.*) (the "Act,"); Section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. § 2285); and the Note Purchase Commitment and Servicing Agreement, as amended and as it may be amended, supplemented, or restated from time to time, dated as of January 1, 1992, between FFB and RUS (all such amounts hereinafter collectively called the "Principal Amount.")
2. **Interest Rate.** Interest on the Principal Amount from the respective date on such payment by RUS to FFB, at the Late Charge Rate, as that term is defined in the FFB Note.
3. **Security.** This Note is secured by a security interest in collateral described in the Restated Mortgage, Security Agreement, and Financing Statement, dated the same date as this Note, made by and between the Borrower and the Government, as it may have heretofore been, or as it may hereafter be, amended, supplemented, and restated, or consolidated from time to time in accordance with its terms (hereinafter the "Mortgage") and/or in the Loan Agreement. Rights and obligations with respect to the collateral are stated therein.
4. **Noteholder.** This Note evidences indebtedness created by a loan or loan guarantee made under the Act. The Government shall be and shall have all rights as holder of this Note.
5. **Default.** In an event of default, as provided in the Loan Agreement and/or Mortgage, all principal advanced pursuant to the Loan Agreement and remaining unpaid on this Note,

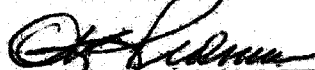
and all interest thereon may be declared or may become due and payable in the manner and with the effect provided in the Loan Agreement and/or Mortgage.

6. Costs. The Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable regulations, and any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Loan Agreement and/or Mortgage.
7. Waivers. The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonor, protest, and notice of non-payment of this Note.
8. Obligations. The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment, or counterclaim it might otherwise have against the Government.
9. Subrogation. So long as FFB has received all amounts then due to it under the RUS Guarantee, the Borrower agrees to pay all amounts due on this Note directly to RUS. Nothing herein shall limit the Government's rights of subrogation which may arise as a result of payments made by RUS pursuant to the RUS Guarantee.
10. FFB Note. Neither the execution and delivery of this Note by the Borrower to the Government nor the failure of the Government to exercise any of its rights, powers, privileges or remedies under the Mortgage with respect to this Note, shall be deemed to be a waiver of any right, power, privilege or remedy of the Government, as a holder of the FFB Note, under the Mortgage.

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

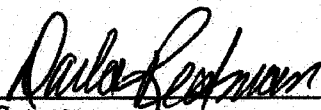
BORROWER:

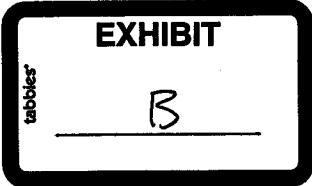
ALBION TELEPHONE COMPANY

by   
Name: OWEN REDMAN  
Title: PRESIDENT

(SEAL)

Attested to by:

  
Secretary



(10-01)

RUS

**FOR FFB USE ONLY:**

Note Identifier: \_\_\_\_\_

Purchase Date: \_\_\_\_\_

**FOR RUS USE ONLY:**

RUS Note Number: \_\_\_\_\_

Last Day for an Advance (¶3) 10/26/2016

Maximum Principal Amount (¶4) \$17,075,000.00

Final Maturity Date (¶5) December 31, 2030

First Principal Payment Date (¶8) 10/31/2013

Security Instrument (¶24) Mortgage, Security Agreement and Financing Statement dated October 26, 2011, made by and between Albion Telephone Company and the United States of America. (Idaho 504-L9 Albion)

Note Date 10/26/2011

Place of Issue Albion, Idaho

**FUTURE ADVANCE PROMISSORY NOTE**

**1. Promise to Pay.**

**FOR VALUE RECEIVED,**

**ALBION TELEPHONE COMPANY**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

**4. Principal Amount of Advances; Maximum Principal Amount.**

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

**5. Maturity Dates for Advances.**

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

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

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

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

**6. Computation of Interest on Advances.**

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

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

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

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

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

**7. Payment of Interest; Payment Dates.**

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

**8. Repayment of Principal; Principal Repayment Options.**

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

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

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

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

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

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

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

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

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

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

**9. Fee.**

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

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

#### 10. Business Days.

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

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

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

#### 11. Late Payments.

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

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

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

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

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

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

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

**12. Final Due Date.**

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

**13. Manner of Making Payments.**

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

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

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

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

#### 14. Application of Payments.

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

#### 15. Maturity Extensions.

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**16. Prepayment/Refinancing Privileges.**

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

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

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

(2) the sum of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(bb) the earlier to occur of either:

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

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

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

(ii) the denominator of which is 40,

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

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

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

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



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

(bb) the earlier to occur of either:

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

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

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

(ii) the denominator of which is 20,

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

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

**17. Prepayments.**

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

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

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

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

(A) must be a Business Day; and

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

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

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

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

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

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

(A) must be a Business Day; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 18. Refinancings.

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

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

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

(A) must be a Payment Date; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

(2) the RUS account number for such Advance.

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

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

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

**20. Amendments to Note.**

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

**21. Certain Waivers.**

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

**22. Note Effective Until Paid.**

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

**23. RUS Guarantee of Note.**

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

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

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

**25. Guarantee Payments; Reimbursement.**

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

**26. Default and Enforcement.**

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

**27. Acceleration.**

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

(10-01)

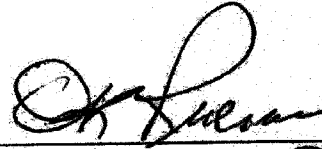
RUS

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

Albion Telephone Company  
(name of Borrower)

BY:

Signature:



Print Name:

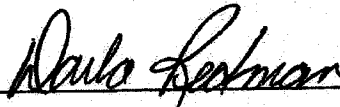
ODEEN K REDMAN

Title:

President

ATTEST:

Signature:



Print Name:

Darla Redman

Title:

Secretary

(SEAL)

**RUS GUARANTEE**

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

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

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

UNITED STATES OF AMERICA

By: \_\_\_\_\_

Name: \_\_\_\_\_

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

Date: \_\_\_\_\_

RUS

ANNEX A  
TO  
NEW LOAN NOTE  
  
FORM  
OF  
ADVANCE REQUEST  
(RUS APPROVAL REQUIRED)

**ADVANCE REQUEST  
(RUS APPROVAL REQUIRED)**

\*\*\*\*\*

*REFER TO RURAL UTILITIES SERVICE (RUS) REGULATIONS AND INSTRUCTIONS FOR A DESCRIPTION OF (1) THE OTHER FORMS AND MATERIALS THAT ARE REQUIRED IN CONNECTION WITH EACH REQUEST FOR AN ADVANCE, AND (2) THE TIME LIMITS FOR SUBMITTING THOSE FORMS AND MATERIALS AND THIS ADVANCE REQUEST TO RUS.*

*DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:*

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

*WHEN COMPLETED, DELIVER THIS ORIGINAL FORM (TOGETHER WITH ALL OTHER FORMS AND MATERIAL REQUIRED BY RUS) TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:*

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.,  
Washington, D.C. 20250

\*\*\*\*\*



ADVANCE REQUEST

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

The undersigned, as an authorized officer of the Borrower, hereby requests FFB to make an advance of funds ("this Advance") under, pursuant to, and in accordance with the applicable terms of the Note.

The undersigned further requests that this Advance be made as follows:

1. Requested Advance Amount: \$ \_\_\_\_\_ 3

2. Requested Advance Date: \_\_\_\_\_ 4

(10-01)

RUS

3. Wire Instructions:

A. CORRESPONDENT BANK (if any) FOR PAYEE'S BANK:

Name of financial institution \_\_\_\_\_

Address of financial institution \_\_\_\_\_

ABA number of financial institution \_\_\_\_\_

B. PAYEE'S BANK AND ACCOUNT:

Name of financial institution \_\_\_\_\_

Address of financial institution \_\_\_\_\_

ABA number of financial institution \_\_\_\_\_

Account name \_\_\_\_\_

Account number \_\_\_\_\_

Taxpayer ID number \_\_\_\_\_

4. Maturity Date: \_\_\_\_\_ 5

5. Principal Repayment Method:

**[SELECT 1 OF THE FOLLOWING 3 METHODS FOR THE REPAYMENT OF PRINCIPAL ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE.]**

"P" for the "equal principal installments" method

"G" for "graduated principal installments" method

"L" for the "level debt service" method



6. Prepayment/Refinancing Privilege:

**[SELECT 1 OF THE FOLLOWING 2 PAYMENT/REFINANCING PRIVILEGES ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE FIFTH ANNIVERSARY OF THE REQUESTED ADVANCE DATE.]**

"M" for the "market value premium (or discount)" privilege  <sup>7</sup>

"F" for the "fixed premium" privilege

o No-Call Period Option Election:

**[SELECT 1 OF THE FOLLOWING 2 NO-CALL PERIOD OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]**

"Y" for "yes," if the privilege is to include a 5-year no-call period  <sup>3</sup>

"N" for "no," if the privilege is not to include a 5-year no-call period

o Premium Option Selection:

**[SELECT 1 OF THE FOLLOWING 3 PREMIUM OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]**

"X" for 10% premium declining over 10 years  <sup>3</sup>

"V" for 5% premium declining over 5 years

"P" for par (no premium)

(10-01)

RUS

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Advance Request on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTICE OF RUS APPROVAL OF  
ADVANCE REQUEST**

Notice is hereby given to FFB that the preceding Advance Request made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

|  |
|--|
| <p><b>FOR ACCOUNTING<br/>USE ONLY:</b></p> <p>RUS Budget<br/>Account<br/>Number</p> <p>_____</p> |
|--|

ADMINISTRATOR of the  
RURAL UTILITIES SERVICE,  
acting through his or her  
duly authorized designee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## INSTRUCTIONS

<sup>1</sup>Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly \_\_\_\_\_)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

<sup>2</sup>Insert the "Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

<sup>3</sup>Insert the particular amount of funds that the Borrower requests to be advanced.

<sup>4</sup>Insert the particular calendar date that the Borrower requests to be date on which this Advance is to be made.

<sup>5</sup>Insert the particular calendar date that the Borrower selects to be the date on which this Advance is to mature. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the Requested Advance Date.

<sup>6</sup>Insert in the box "P" if the Borrower selects the "equal principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "G" if the Borrower selects the "graduated principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "L" if the Borrower selects the "level debt service" method as the method for the repayment of principal that is to apply to this Advance.

<sup>7</sup>Insert in the box "M" if the Borrower elects to have the "market value premium (or discount)" prepayment privilege apply to this Advance. Insert in the box "F" if the Borrower elects to have a "fixed premium" prepayment/refinancing privilege apply to this Advance.

<sup>8</sup>Insert in the box "Y" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance include a 5-year no-call period during which this Advance will not be eligible for prepayment or refinancing. Insert in the box "N" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance not include any 5-year no-call period.

<sup>9</sup>Insert in the box "X" if the Borrower selects a 10% premium declining over 10 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "V" if the Borrower selects a 5% premium declining over 5 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "P" if the Borrower selects par (no premium) as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance.

RUS

ANNEX B-1

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

### MATURITY EXTENSION ELECTION NOTICE

\*\*\*\*\*

PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:

Manager  
Federal Financing Bank  
Room SC 1, Main Treasury Building  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

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(10-01)

RUS

MATURITY EXTENSION ELECTION NOTICE

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_

FFB Note Identifier:

\_\_\_\_\_

RUS Note Number:

\_\_\_\_\_

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on \_\_\_\_\_ (the "Maturity Date").

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|--|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |



(10-01)

RUS

Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>1</sup></u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE<sup>2</sup></u> | <u>OPTIONAL<br/>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT<sup>3</sup></u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID<sup>4</sup></u> |
|---|--|--|---|
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>5</sup></u> | <u>AMOUNT OF<br/>PRINCIPAL<br/>TO BE<br/>EXTENDED<sup>6</sup></u> | <u>NEW<br/>MATURITY<br/>DATE<sup>7</sup></u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD<sup>8</sup></u> | <u>TYPE OF<br/>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE<sup>9</sup></u> | <u>5-YEAR<br/>NO-CALL<br/>PERIOD<sup>10</sup></u> | <u>PREMIUM<br/>OPTION<sup>11</sup></u> |
|---|---|--|---|--|---|--|
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**INSTRUCTIONS**

**THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.**

**IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.**

<sup>1</sup>Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar

quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

<sup>2</sup>For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

<sup>3</sup>The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

<sup>4</sup>For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

<sup>5</sup>Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

<sup>6</sup>For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

<sup>7</sup>For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

<sup>8</sup>Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

<sup>9</sup>Select 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

<sup>10</sup>Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or

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refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

<sup>11</sup>Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

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RUS

APPENDIX 1  
TO  
MATURITY EXTENSION ELECTION NOTICE  
(for identifying additional Advances with respect  
to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|--|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |

Part 2:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> | <u>OPTIONAL<br/>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT</u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID</u> |
|---------------------------------------|--|--|---|
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |

Part 3:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>TO BE<br/>EXTENDED</u> | <u>AMOUNT OF<br/>NEW<br/>MATURITY<br/>DATE</u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD</u> | <u>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE</u> | <u>TYPE OF<br/>5-YEAR<br/>NO-CALL<br/>PERIOD</u> | <u>PREMIUM<br/>OPTION</u> |
|---------------------------------------|---|--|---|--|--|---------------------------|
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |

RUS

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

**MATURITY EXTENSION ELECTION NOTICE  
(RUS APPROVAL REQUIRED)**

\*\*\*\*\*

*PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.*

*DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:*

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

*WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:*

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

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RUS

MATURITY EXTENSION ELECTION NOTICE

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_

FFB Note Identifier:

\_\_\_\_\_

RUS Note Number:

\_\_\_\_\_

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on \_\_\_\_\_ (the "Maturity Date").

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|--|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |



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Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>1</sup></u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE<sup>2</sup></u> | <u>OPTIONAL<br/>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT<sup>3</sup></u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID<sup>4</sup></u> |
|---|--|--|---|
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |
| _____   | \$ _____   | \$ _____   | \$ _____  |

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>5</sup></u> | <u>AMOUNT OF<br/>PRINCIPAL<br/>TO BE<br/>EXTENDED<sup>6</sup></u> | <u>NEW<br/>MATURITY<br/>DATE<sup>7</sup></u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD<sup>8</sup></u> | <u>TYPE OF<br/>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE<sup>9</sup></u> | <u>5-YEAR<br/>NO-CALL<br/>PERIOD<sup>10</sup></u> | <u>PREMIUM<br/>OPTION<sup>11</sup></u> |
|---|---|--|---|--|---|--|
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____   | \$ _____  | _____  | <input type="checkbox"/>                              | <input type="checkbox"/>   | <input type="checkbox"/>                          | <input type="checkbox"/>               |

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RUS

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTICE OF RUS APPROVAL OF  
MATURITY EXTENSION ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Maturity Extension Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the  
RURAL UTILITIES SERVICE,  
acting through his or her  
duly authorized designee.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## INSTRUCTIONS

**THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.**

**IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.**

<sup>1</sup>Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

<sup>2</sup>For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

<sup>3</sup>The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

<sup>4</sup>For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

<sup>5</sup>Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any

Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

<sup>6</sup>For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

<sup>7</sup>For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

<sup>8</sup>Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

<sup>9</sup>Select 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

<sup>10</sup>Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

<sup>11</sup>Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

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RUS

APPENDIX 1  
TO  
MATURITY EXTENSION ELECTION NOTICE  
(for identifying additional Advances with respect  
to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|--|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    | \$ _____                                 |

Part 2:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> | <u>OPTIONAL<br/>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT</u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID</u> |
|---------------------------------------|--|--|---|
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |
| _____                                 | \$ _____                                 | \$ _____   | \$ _____  |

Part 3:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>TO BE<br/>EXTENDED</u> | <u>AMOUNT OF<br/>NEW<br/>MATURITY<br/>DATE</u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD</u> | <u>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE</u> | <u>TYPE OF<br/>5-YEAR<br/>NO-CALL<br/>PERIOD</u> | <u>PREMIUM<br/>OPTION</u> |
|---------------------------------------|---|--|---|--|--|---------------------------|
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |
| _____                                 | \$ _____                                | _____  | <input type="checkbox"/>                  | <input type="checkbox"/>                     | <input type="checkbox"/>                         | <input type="checkbox"/>  |

RUS

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE  
SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE  
SPECIFIED PRINCIPAL AMOUNT(S)  
(RUS APPROVAL REQUIRED)**

\*\*\*\*\*

*DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:*

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

*WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:*

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

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RUS

PREPAYMENT ELECTION NOTICE  
SPECIFIED PRINCIPAL AMOUNT(S)

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>3</sup></u> | <u>RUS<br/>ACCOUNT<br/>NUMBER<sup>4</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE<sup>5</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT<sup>6</sup></u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT<sup>7</sup></u> |
|---|---|--|--|---|
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |



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RUS

Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

\_\_\_\_\_

Part 3:

For each of the Advances identified in Part 1, the respective amount of principal that the Borrower intends to prepay on the Intended Prepayment Date is as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> <sup>9</sup> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE (if any)</u> <sup>10</sup> | <u>AMOUNT OF<br/>PRINCIPAL TO<br/>BE PREPAID</u> <sup>11</sup> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID</u> <sup>12</sup> |
|--|---|--|---|
| _____  | \$ _____  | \$ _____   | \$ _____  |
| _____  | \$ _____  | \$ _____   | \$ _____  |
| _____  | \$ _____  | \$ _____   | \$ _____  |

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

NOTICE OF RUS APPROVAL OF  
PREPAYMENT ELECTION NOTICE

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the  
RURAL UTILITIES SERVICE,  
acting through his or her  
duly authorized designee.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

INSTRUCTIONS

<sup>1</sup>Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly \_\_\_\_\_)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

<sup>2</sup>Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

<sup>3</sup>Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>4</sup>For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>5</sup>For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

<sup>6</sup>For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

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RUS

<sup>7</sup>Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

<sup>8</sup>Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

<sup>9</sup>Complete 1 line in Part 3 for each Advance identified in Part 1.

<sup>10</sup>If the Intended Prepayment Date is the last day of a calendar quarter and an installment of principal of any Advance is due on such date, insert the respective "Principal Installment Due" for such Advance on the Intended Prepayment Date as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>11</sup>For each Advance, insert the amount of principal that will be prepaid on the Intended Prepayment Date.

<sup>12</sup>For each Advance, insert the total amount of principal that will be paid on the Intended Prepayment Date. That amount must be equal to the sum of any amount inserted by the Borrower in Part 3 as the "Principal Installment Due (if any)" for the respective Advance and the amount inserted by the Borrower in Part 3 as the "Amount of Principal to Be Prepaid" for such Advance.

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RUS

APPENDIX 1  
 TO  
 PREPAYMENT ELECTION NOTICE  
 SPECIFIED PRINCIPAL AMOUNT(S)  
 (for identifying additional Advances that  
 the Borrower elects to prepay in whole or in part)

Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |

Part 3:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE (if any)</u> | <u>AMOUNT OF<br/>PRINCIPAL TO<br/>BE PREPAID</u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID</u> |
|---------------------------------------|---|--|---|
| _____                                 | \$ _____  | \$ _____   | \$ _____  |
| _____                                 | \$ _____  | \$ _____   | \$ _____  |
| _____                                 | \$ _____  | \$ _____   | \$ _____  |
| _____                                 | \$ _____  | \$ _____   | \$ _____  |
| _____                                 | \$ _____  | \$ _____   | \$ _____  |
| _____                                 | \$ _____  | \$ _____   | \$ _____  |

RUS

ANNEX C-2

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

FIXED SUM TO BE APPLIED

(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE  
FIXED SUM TO BE APPLIED  
(RUS APPROVAL REQUIRED)**

\*\*\*\*\*

*DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:*

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

*WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:*

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

\*\*\*\*\*

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RUS

PREPAYMENT ELECTION NOTICE  
FIXED SUM TO BE APPLIED

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>3</sup></u> | <u>RUS<br/>ACCOUNT<br/>NUMBER<sup>4</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE<sup>5</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT<sup>6</sup></u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT<sup>7</sup></u> |
|---|---|--|--|---|
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |

Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

\_\_\_\_\_ 8

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RUS

Part 3:

The Borrower elects to have the following amount of funds applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1:

\_\_\_\_\_ ,

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



NOTICE OF RUS APPROVAL OF  
PREPAYMENT ELECTION NOTICE

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the  
RURAL UTILITIES SERVICE,  
acting through his or her  
duly authorized designee.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

INSTRUCTIONS

<sup>1</sup>Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly \_\_\_\_\_)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

<sup>2</sup>Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

<sup>3</sup>Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>4</sup>For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>5</sup>For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

<sup>6</sup>For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

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<sup>7</sup>Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

<sup>8</sup>Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

<sup>9</sup>Insert the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1.

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RUS

APPENDIX 1  
TO  
PREPAYMENT ELECTION NOTICE  
FIXED SUM TO BE APPLIED  
(for identifying additional Advances that  
the Borrower elects to prepay in whole or in part)

Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |

RUS

ANNEX D-1

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

### REFINANCING ELECTION NOTICE

\*\*\*\*\*

**DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:**

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

**WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:**

Manager  
Federal Financing Bank  
Room SC 1, Main Treasury Building  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

**DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:**

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

\*\*\*\*\*

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RUS

REFINANCING ELECTION NOTICE

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>1</sup></u> | <u>RUS<br/>ACCOUNT<br/>NUMBER<sup>4</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE<sup>5</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT<sup>6</sup></u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT<sup>7</sup></u> |
|---|---|--|--|---|
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

\_\_\_\_\_ 8

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RUS

For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

| <u>FFB ADVANCE IDENTIFIER</u> <sup>9</sup> | <u>PRINCIPAL INSTALLMENT DUE</u> <sup>10</sup> | <u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u> <sup>11</sup> | <u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> <sup>12</sup> |
|--|--|--|---|
| _____                                      | \$ _____                                       | \$ _____   | \$ _____  |
| _____                                      | \$ _____                                       | \$ _____   | \$ _____  |
| _____                                      | \$ _____                                       | \$ _____   | \$ _____  |

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

| <u>FFB ADVANCE IDENTIFIER</u> <sup>13</sup> | <u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u> <sup>14</sup> | <u>NEW MATURITY DATE</u> <sup>15</sup> | <u>PRINCIPAL REPAYMENT METHOD</u> <sup>16</sup> | <u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u> <sup>17</sup> | <u>5-YEAR NO-CALL PERIOD</u> <sup>18</sup> | <u>PREMIUM OPTION</u> <sup>19</sup> |
|---|---|--|---|--|--|-------------------------------------|
| _____                                       | \$ _____  | _____                                  | <input type="checkbox"/>                        | <input type="checkbox"/>                                   | <input type="checkbox"/>                   | <input type="checkbox"/>            |
| _____                                       | \$ _____  | _____                                  | <input type="checkbox"/>                        | <input type="checkbox"/>                                   | <input type="checkbox"/>                   | <input type="checkbox"/>            |
| _____                                       | \$ _____  | _____                                  | <input type="checkbox"/>                        | <input type="checkbox"/>                                   | <input type="checkbox"/>                   | <input type="checkbox"/>            |

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RUS

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### INSTRUCTIONS

<sup>1</sup>Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly \_\_\_\_\_)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

<sup>2</sup>Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

<sup>3</sup>Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>4</sup>For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>5</sup>For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

<sup>6</sup>For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

<sup>7</sup>For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.

<sup>8</sup>Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/ refinancing privilege that includes a 5-year period during which such Advance



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shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

<sup>9</sup>Complete 1 line in Part 2 for each Advance identified in Part 1.

<sup>10</sup>For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.

<sup>11</sup>The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.

<sup>12</sup>For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."

<sup>13</sup>Complete 1 line in Part 3 for each Advance.

<sup>14</sup>For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

<sup>15</sup>For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

<sup>16</sup>Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

<sup>17</sup>Select 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

<sup>18</sup>Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

<sup>19</sup>Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"),

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RJS

a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

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RUS

APPENDIX 1  
TO  
REFINANCING ELECTION NOTICE  
(for identifying additional Advances  
that the Borrower elects to refinance)

Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |

Part 2:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> | <u>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT</u> | <u>PRINCIPAL<br/>AMOUNT TO<br/>BE PAID</u> |
|---------------------------------------|--|---|--|
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |

Part 3:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>AMOUNT OF<br/>PRINCIPAL<br/>TO BE<br/>REFINANCED</u> | <u>NEW<br/>MATURITY<br/>DATE</u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD</u> | <u>TYPE OF<br/>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE</u> | <u>5-YEAR<br/>NO-CALL<br/>PERIOD</u> | <u>PREMIUM<br/>OPTION</u> |
|---------------------------------------|---|----------------------------------|---|--|--------------------------------------|---------------------------|
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |

RUS

ANNEX D-2  
TO  
NEW LOAN NOTE

FORM  
OF  
REFINANCING ELECTION NOTICE  
(RUS APPROVAL REQUIRED)

### REFINANCING ELECTION NOTICE (RUS APPROVAL REQUIRED)

\*\*\*\*\*

**DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:**

*For Electric Borrowers:* Power Supply Division, RUS -- telephone no.: (202) 720-6436  
Northern Regional Division, RUS -- telephone no.: (202) 720-1420  
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

*For Telephone Borrowers:* Northeast Area, RUS -- telephone no.: (202) 690-4673  
Southeast Area, RUS -- telephone no.: (202) 720-0715  
Northwest Area, RUS -- telephone no.: (202) 720-1025  
Southwest Area, RUS -- telephone no.: (202) 720-0800

**WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:**

USDA - Rural Utilities Service

*For Electric Borrowers:* Stop 1568, Power Supply Division  
Stop 1566, Northern Regional Division  
Stop 1567, Southern Regional Division

*For Telephone Borrowers:* Stop 1599, Northeast Area  
Stop 1596, Southeast Area  
Stop 1595, Northwest Area  
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.  
Washington, D.C. 20250

\*\*\*\*\*

(10-01)

RUS

REFINANCING ELECTION NOTICE

Manager  
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>3</sup></u> | <u>RUS<br/>ACCOUNT<br/>NUMBER<sup>4</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE<sup>5</sup></u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT<sup>6</sup></u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT<sup>7</sup></u> |
|---|---|--|--|---|
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |
| _____   | _____   | _____  | \$ _____   | \$ _____  |

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

\_\_\_\_\_ 8

(10-01)

RUS

For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>9</sup></u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE<sup>10</sup></u> | <u>OPTIONAL<br/>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT<sup>11</sup></u> | <u>TOTAL<br/>AMOUNT OF<br/>PRINCIPAL<br/>TO BE PAID<sup>12</sup></u> |
|---|---|---|--|
| _____   | \$ _____  | \$ _____  | \$ _____   |
| _____   | \$ _____  | \$ _____  | \$ _____   |
| _____   | \$ _____  | \$ _____  | \$ _____   |

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER<sup>13</sup></u> | <u>AMOUNT OF<br/>PRINCIPAL<br/>TO BE<br/>REFINANCED<sup>14</sup></u> | <u>NEW<br/>MATURITY<br/>DATE<sup>15</sup></u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD<sup>16</sup></u> | <u>TYPE OF<br/>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE<sup>17</sup></u> | <u>5-YEAR<br/>NO-CALL<br/>PERIOD<sup>18</sup></u> | <u>PREMIUM<br/>OPTION<sup>19</sup></u> |
|--|--|---|--|---|---|--|
| _____  | \$ _____   | _____   | <input type="checkbox"/>                               | <input type="checkbox"/>  | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____  | \$ _____   | _____   | <input type="checkbox"/>                               | <input type="checkbox"/>  | <input type="checkbox"/>                          | <input type="checkbox"/>               |
| _____  | \$ _____   | _____   | <input type="checkbox"/>                               | <input type="checkbox"/>  | <input type="checkbox"/>                          | <input type="checkbox"/>               |

(10-01)

RUS

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**NOTICE OF RUS APPROVAL OF  
REFINANCING ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Refinancing Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the  
RURAL UTILITIES SERVICE,  
acting through his or her  
duly authorized designee.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## INSTRUCTIONS

- <sup>1</sup>Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly \_\_\_\_\_)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.
- <sup>2</sup>Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- <sup>3</sup>Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- <sup>4</sup>For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- <sup>5</sup>For each Advance, insert the date on which FFB made the respective Advance to the Borrower.
- <sup>6</sup>For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).
- <sup>7</sup>For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.
- <sup>8</sup>Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/ refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.
- <sup>9</sup>Complete 1 line in Part 2 for each Advance identified in Part 1.
- <sup>10</sup>For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.
- <sup>11</sup>The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.
- <sup>12</sup>For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."
- <sup>13</sup>Complete 1 line in Part 3 for each Advance.
- <sup>14</sup>For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

<sup>15</sup>For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

<sup>16</sup>Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

<sup>17</sup>Elect 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

<sup>18</sup>Elect 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

<sup>19</sup>Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

(10-01)

RJS

APPENDIX 1  
TO  
REFINANCING ELECTION NOTICE  
(for identifying additional Advances  
that the Borrower elects to refinance)

Part 1:

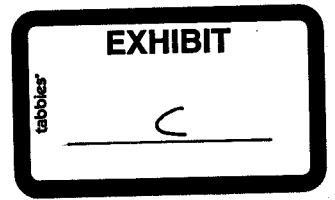
| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>RUS<br/>ACCOUNT<br/>NUMBER</u> | <u>ORIGINAL<br/>ADVANCE<br/>DATE</u> | <u>ORIGINAL<br/>ADVANCE<br/>AMOUNT</u> | <u>OUTSTANDING<br/>PRINCIPAL<br/>AMOUNT</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |
| _____                                 | _____                             | _____                                | \$ _____                               | \$ _____                                    |

Part 2:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>PRINCIPAL<br/>INSTALLMENT<br/>DUE</u> | <u>ADDITIONAL<br/>PRINCIPAL<br/>PAYMENT</u> | <u>PRINCIPAL<br/>AMOUNT TO<br/>BE PAID</u> |
|---------------------------------------|--|---|--|
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |
| _____                                 | \$ _____                                 | \$ _____                                    | \$ _____                                   |

Part 3:

| <u>FFB<br/>ADVANCE<br/>IDENTIFIER</u> | <u>AMOUNT OF<br/>PRINCIPAL<br/>TO BE<br/>REFINANCED</u> | <u>NEW<br/>MATURITY<br/>DATE</u> | <u>PRINCIPAL<br/>REPAYMENT<br/>METHOD</u> | <u>TYPE OF<br/>PREPAY'T/<br/>REFINAN'G<br/>PRIVILEGE</u> | <u>5-YEAR<br/>NO-CALL<br/>PERIOD</u> | <u>PREMIUM<br/>OPTION</u> |
|---------------------------------------|---|----------------------------------|---|--|--------------------------------------|---------------------------|
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |
| _____                                 | \$ _____  | _____                            | <input type="checkbox"/>                  | <input type="checkbox"/>                                 | <input type="checkbox"/>             | <input type="checkbox"/>  |



**RUS Project Designation:**

**Idaho 504 - L9**

**LOAN AGREEMENT**

**dated as of October 26, 2011**

**between**

**ALBION TELEPHONE COMPANY**

**and**

**THE UNITED STATES OF AMERICA**

**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE**

## LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement,") dated as of October 26, 2011 is between **ALBION TELEPHONE COMPANY** (hereinafter the "Borrower,") a corporation organized and existing under the laws of Idaho, and the **UNITED STATES OF AMERICA**, (hereinafter the "Government") acting through the Administrator of the Rural Utilities Service ("RUS.")

The Borrower has applied to RUS, requesting financial assistance (hereinafter the "Application") to provide telecommunications and/or broadband services in rural areas.

RUS is willing to extend financial assistance, in the form of loans or loan guarantees to the Borrower, pursuant to the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*)(the "Act,") and all applicable federal regulations, on the terms and conditions stated herein.

THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties agree and bind themselves as follows:

### ARTICLE I – DEFINITIONS

The terms defined herein include both the plural and the singular. Unless otherwise specifically provided, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made in accordance with Accounting Requirements.

"Accounting Requirements" shall mean the system of accounting prescribed by RUS in RUS Regulations.

"Advance" or "Advances" shall mean an advance or advances made or approved by RUS under its respective Note(s).

"Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity. For the purpose of this definition, "control" of any specified person or entity means the power to direct the management and policies of such specified person or entity, directly or indirectly, whether through the ownership of stock, by contract, or otherwise.

"Application" shall have the meaning as defined above in the second paragraph hereof.

"Broadband Loan" shall mean the broadband loan described in Section 3.1.

"Broadband Loan Expiration Date" shall have the meaning as defined in Paragraph (a)(ii) of Section 3.1.

"Business Day" shall mean any day that RUS and the Department of Treasury are both open for business.

"Construction Fund Account" shall have the meaning as defined in Paragraph (d) of Section 5.4.

"Distributions" shall have the meaning as defined in Section 6.9.

"Event of Default" shall have the meaning as defined in Article VIII.

"Interest Expense" shall have the meaning as defined in Attachment 3.

"Laws" shall have the meaning as defined in paragraph (e) of Article II.

"Loan(s)" shall mean, collectively, the loans described in Section 3.1.

"Loan Documents" shall mean, collectively, this Agreement, Security Documents, and the Note(s).

"Material Adverse Effect" shall mean a material adverse effect on, or change in, the condition, financial or otherwise, operations, properties, business or prospects of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents as determined by RUS.

"Net Income" or "Net Margins" shall have the meaning as defined in Attachment 3.

"Net Worth" shall have the meaning as defined in Attachment 3.

"Note(s)" shall have the meaning as defined in Paragraph (a) of Section 3.2.

"Permitted Encumbrances" shall have the meaning as defined in the Security Documents.

"Pledged Deposit Account" shall have the meaning as defined in Section 5.4.

"Prior Telephone Loan Contracts" shall mean all telephone loan agreements previously entered into by RUS and the Borrower.

"Project" shall have the meaning as defined in Paragraph (a) of Section 3.4.

"RUS Regulations" shall mean the rules, regulations and bulletins of general applicability published by RUS from time to time, as such rules, regulations and bulletins exist at the date of applicability thereof, and shall also include any rule and regulations of other Federal entities which RUS is required by law to implement. Any reference to specific RUS Regulations shall mean the version of and cite to such regulation effective at the date of applicability thereof.

"Security Documents" shall mean, collectively, any mortgage, security agreement, financing statement, deposit account control agreement or other document providing collateral for the Loan(s).

"Subsidiaries" shall mean the subsidiaries listed in Schedule 1.

"Telecommunications Loan" shall mean the telecommunications loan described in Section 3.1.

"Telecommunications Loan Expiration Date" shall have the meaning as defined in Paragraph (b)(ii) of Section 3.1.

"Telecommunications Loan Guarantee" shall mean the telecommunications loan guarantee described in Section 3.1.

"TIER" shall mean the Borrower's total Net Income or Net Margins plus Interest Expense payable for such year divided by Interest Expense payable for such year, as determined in Schedule 1 hereto.

"TIER Commencement Date" shall have the meaning as defined in Section 5.12.

"Total Assets" shall have the meaning as defined in Attachment 3.

## ARTICLE II - REPRESENTATIONS AND WARRANTIES

Recognizing that RUS is relying hereon, the Borrower represents and warrants, as of the date of this Agreement, the following:

- (a) *Organization; Power, Etc* The Borrower: (i) is the type of organization specified in the first paragraph hereof, duly organized, validly existing, and in good standing under the laws of the State identified in the first paragraph hereof; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business make such qualification necessary; (iii) has legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan Documents; (iv) has duly and lawfully obtained and maintained all material licenses, certificates, permits, authorizations, and approvals necessary to conduct its business or required by applicable Laws; and (v) is eligible to obtain the financial assistance from RUS contemplated by this Agreement.
- (b) *Authority.* The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents and the performance of the transactions contemplated hereby and thereby have been duly authorized by all necessary actions and do not violate any provision of law or any charter, articles of incorporation, organization documents or bylaws of the Borrower or result in a breach of, or constitute a default under, any agreement, security agreement, note or other instrument to which the Borrower is a party or by which it may be bound. The Borrower has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.
- (c) *Consents.* No consent, approval, authorization, order, filing, qualification, license, or permit of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents, except such as have been obtained and are in full force and effect.
- (d) *Binding Agreement.* Each of the Loan Documents is, or when executed and delivered will be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.
- (e) *Compliance with Laws.* The Borrower is in compliance in all material respects with all federal, state and local laws, rules, regulations, ordinances, codes and orders (collectively, "Laws.")
- (f) *Litigation.* There are no pending or threatened legal, arbitration or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a Material Adverse Effect.
- (g) *Information Submitted with Application.* All information, reports, and other documents and data submitted to RUS in connection with the Application were, at the time the same were furnished, complete, and correct in all material respects. Any financial statements or data submitted to RUS in connection with the Application present fairly, in all material respects, the financial position of the Borrower and the results of its operations in conformity with Accounting Requirements. Since the date thereof, there has been no material adverse change in the financial condition or operations of the Borrower.

- (h) *Location of Properties.* All real property and interests therein of the Borrower are located in the states, counties, or parishes identified in the Security Documents.
- (i) *Principal Place of Business.* The principal place of business and chief executive office of the Borrower is at the address of the Borrower specified in Schedule 1 hereto.
- (j) *Organization Number.* The Borrower's organization number is correctly identified in Schedule 1 hereto.
- (k) *Subsidiaries and Parent.* Any subsidiaries or parent of the Borrower are disclosed on the attached Schedule 1.
- (l) *Defaults Under Other Agreements.* No default by the Borrower has occurred under any agreement or instrument to which the Borrower is a party, or to which any of its property is subject, that could have a Material Adverse Effect.
- (m) *Title to Property.* Except as disclosed in writing in the opinion of counsel, the Borrower holds good and marketable title to all of the collateral securing the Loan(s), free and clear of any liens, security interests, or other encumbrances except for Permitted Encumbrances.

### ARTICLE III – THE LOANS

#### Section 3.1 Loans

- (a) *Broadband Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Broadband Loan, in the amount specified in Schedule 1 hereto.
  - (i) *Interest Rate.* The portion of the Broadband Loan specified in Schedule 1 hereto will bear interest at the comparable Treasury rate for comparable maturities, as determined by RUS, and the portion of the Loan specified in Schedule 1 hereto will bear interest at the rate of four percent (4%) per annum.
  - (ii) *Broadband Loan Expiration Date.* The obligation of RUS to advance the Broadband Loan or any portion thereof shall expire on a date ("Broadband Loan Expiration Date") five years from the date of the Note(s). No portion of the Broadband Loan will be advanced by RUS to the Borrower after the Broadband Loan Expiration Date.
- (b) *Telecommunications Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Telecommunications Loan, in the amount specified in Schedule 1 hereto.
  - (i) *Interest Rate.* The portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the Cost-of-Money Interest Rate determined by the Government pursuant to 7 U.S.C. 935(d)(2)(A) of the Act and its implementing regulations, as amended from time to time (7 C.F.R. 1735.31(c)) and the portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the rate of five percent (5%) per annum.



- (ii) *Telecommunications Loan Expiration Date.* The obligation of RUS to advance the Telecommunications Loan or any portion thereof shall expire on a date ("Telecommunications Loan Expiration Date") five (5) years from the date of the Note(s). No portion of the Telecommunications Loan will be advanced by RUS to the Borrower after the Telecommunications Loan Expiration Date.
- (c) *Telecommunications Loan Guarantee.* RUS agrees to guarantee the loan identified in Schedule 1 hereto and the Borrower agrees to accept such guarantee, on the terms and conditions stated in this Agreement.
  - (i) *Interest Rate.* Each Advance of funds subject to the Telecommunications Loan Guarantee shall bear interest at the rate established by FFB at the time such Advance is made on the basis of the determination made by the Secretary of the Treasury pursuant to 12 U.S.C. 2285(b) of the Federal Financing Bank Act of 1973, as amended.
  - (ii) *Telecommunications Loan Guarantee Expiration Date.* The obligation of RUS to approve requests for Advances made under the Telecommunications Loan Guarantee or any portion thereof shall expire on the Last Advance Date as specified in the applicable guaranteed Note.

**Section 3.2 Loan Documents**

- (a) The debt created by the Loan(s) will be evidenced by a note(s) ("Note(s)") executed by the Borrower and payable, as applicable, to the United States of America or, in the case of a loan guarantee, to the guaranteed lender. The Borrower shall repay the Loan(s) in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.
- (b) The Borrower shall execute the Security Documents covering all of the Borrower's property, in form and substance satisfactory to RUS and such other security instruments as required by RUS.

**Section 3.3 Payment**

Except as otherwise prescribed by RUS, if any, the Borrower shall make all payments on the Note(s) utilizing electronic funds transfer procedures as specified by RUS.

**Section 3.4 Project**

- (a) *Loan Purpose.* The Loan has been made solely to finance the project specifically described in the Application to furnish or improve telecommunications and/or broadband services in rural areas (the "Project.")
- (b) *Changes to Project.* The Borrower shall obtain the prior written approval of RUS regarding any material change to the scope, loan design, construction, delivery of services, or objectives of the Project.

**ARTICLE IV – CONDITIONS OF LENDING**

**Section 4.1 General Conditions**

In connection with the execution and delivery of this Agreement, each of the following conditions shall be satisfied (all documents, certificates, and other evidence of such conditions are to be satisfactory to RUS in its discretion):

- (a) *Legal Matters.* All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS;
- (b) *Loan Documents.* RUS shall receive duly executed originals of the Loan Documents;
- (c) *Filed and Recorded Security Documents.* RUS shall have received the following documents securing the Loan(s): (i) executed, filed, and indexed financing statements covering all of the personal property and fixtures of the Borrower and (ii) executed, filed, and recorded counterparts of a mortgage covering all of the Borrower's real property;
- (d) *Articles of Incorporation, Charter, Bylaws, and Organizational Documents.* With respect to corporate and cooperative Borrowers, RUS shall have received copies of the Borrower's articles of incorporation, charter, and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received copies of the Borrower's organizational documents containing provisions reflecting the obligations of the Borrower in paragraphs (c) and (d) of Section 6.3.
- (e) *Authorizations.* RUS shall have received satisfactory evidence that all Loan Documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery, and performance of the Loan Documents have been obtained and are in full force and effect;
- (f) *Approvals.* RUS shall have received satisfactory evidence that the Borrower has duly registered as required by law with all state, federal, and other public authorities and regulatory bodies and has obtained all authorizations, certificates, permits, licenses, franchises and approvals necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents and for the construction and operation of the Project;
- (g) *Title Evidence.* RUS shall have received satisfactory evidence that the Borrower has good and marketable title to its property, including the Project, 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 its existing facilities and the Project;
- (h) *Tariff Evidence.* RUS shall receive evidence from each Borrower with rates imposed by tariff, that it has duly adopted a tariff, which (1) will provide for such grades of telephone service as RUS may approve, (2) does not include mileage or zone charges on any telephone service provided by the Project, and (3) is designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto;
- (i) *Broadband Rate Evidence.* For Broadband loans, RUS shall receive evidence that the Borrower has duly adopted rates which are designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto.

- (j) *Opinion of Counsel.* RUS shall receive an opinion of counsel for the Borrower (who shall be acceptable to RUS) in form and content acceptable to RUS;

#### **Section 4.2 Conditions to Advances**

The obligations of RUS to make any Advances under its Loan(s) or approve any requests for Advances under its Loan Guarantee(s) are subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance (all documents, certificates and other evidence of such conditions precedent are to be satisfactory to RUS in its discretion):

- (a) *Continuing Representations and Warranties.* That the representations and warranties of the Borrower contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date;
- (b) *Material Adverse Effect.* That no event has occurred which has had or could have a Material Adverse Effect;
- (c) *Event of Default.* That no Event of Default and no event which with the passage of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, or shall have occurred after giving effect to such Advance on the books of the Borrower;
- (d) *Requisitions and Supporting Documentation*
  - (1) *Broadband Loans.* That RUS shall have received a requisition for Broadband loan funds, not more frequently than once a month, and supporting documentation from the Borrower in accordance with Rural Utilities Service RUS Bulletin 1738-2, *Rural Broadband Access Loan and Loan Guarantee Advance and Construction Procedures Guide*, as amended and supplemented from time to time (hereinafter "RUS Bulletin 1738-2,") attached hereto as Attachment 1 or available at <http://www.usda.gov/rus/telecom/broadband/rus-bulletin-1738-web2-6-03.doc>;
  - (2) *Telecommunications Loan and Loan Guarantee.* That RUS shall have received a requisition for Telecommunications Loan funds and Loan Guarantee funds not more frequently than once a month, and supporting documentation from the Borrower in accordance with RUS Regulations;
- (e) *Flood Insurance.* That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Borrower and located in such a flood hazard area, the Borrower shall have submitted evidence, in form and substance satisfactory to RUS or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood Insurance Act and any related regulations, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any related regulations;
- (f) *Current Financial Information and Certification of Authority.* That RUS has received from the Borrower (i) its current, updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Form 675, "Certification of Authority," designating an officer, employee, or agent of

the Borrower as the person or persons authorized to execute and submit, on behalf of the Borrower, REA Form 481, "Financial Requirement Statement;"

- (g) *Fidelity Bond or Theft Insurance Coverage.* That RUS has received from the Borrower, except Borrowers which are units of government, evidence, that the Borrower has obtained fidelity bond or theft insurance coverage in accordance with RUS Regulations;
- (h) *Pledged Deposit Account.* That, in connection with Broadband Loans (or with respect to Telecommunications Loans and Loan Guarantees when required on Schedule 1, or otherwise directed in writing by RUS), the Borrower has opened a Pledged Deposit Account under terms satisfactory to RUS;
- (i) *Compliance with Deposit Requirements for Broadband Loans.* That, in connection with Broadband Loans, RUS has received from the Borrower, evidence that the Borrower has maintained on deposit in account, funds in the amount specified in Schedule 1 to cover operating expenses, in accordance with 7 C.F.R. Section 1738.20(b), and has provided RUS with an advance schedule for such funds;
- (j) *Compliance with Loan Documents.* That the Borrower is in material compliance with the Loan Documents;
- (k) *RUS Loan Guarantee Requirements.* In connection with the Telecommunications Loan Guarantee:
  - (1) That RUS and the FFB have entered into a contract and that the FFB has agreed to make the loan to the Borrower, which will be guaranteed by RUS;
  - (2) That RUS has received evidence that any conditions in the contract referred to above in subparagraph (1) have been satisfied; and
  - (3) That RUS has received a promissory note payable to FFB in the amount to be guaranteed by RUS and a reimbursement note payable to the order of the Government, both duly authorized, executed and delivered by the Borrower, within the time period prescribed by RUS;
- (l) *Additional Documents.* The Borrower agrees to provide RUS with such additional documents as RUS may request; and
- (m) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

**Section 4.3 First Advance to Pay Off Interim Construction Financing; Restrictions on Subsequent Advances**

Loan funds to pay off RUS approved interim construction financing, if any, will be included in the first loan advance. Thereafter no further advances will be made unless and until the Borrower has furnished evidence, in form and content satisfactory to RUS, that such interim construction financing has been paid in full and any associated liens have been duly discharged from record.

**ARTICLE V – AFFIRMATIVE COVENANTS**

**Section 5.1 Generally**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the affirmative covenants contained in this Article V.

**Section 5.2 Use of Advances**

The Borrower shall apply the proceeds of Advances in accordance with its Application with such modifications as may be mutually agreed to in writing by RUS and the Borrower.

**Section 5.3 Unused and Disallowed Advances**

- (a) The Borrower shall return forthwith to RUS any and all advanced portions of the Loan(s) or Loan Guarantee(s) not disbursed by the Borrower for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account or other account approved by RUS.
- (b) The Borrower shall reimburse RUS for any advanced funds whose original expenditure has been disallowed by a RUS loan audit. Disallowances shall be satisfied, as directed by RUS, by either administrative offset against requests for Advances or repaying the disallowed amount directly to the United States Treasury. Such disallowed amounts shall accrue interest payable to RUS from the date RUS delivers to the Borrower a written demand for payment. Interest shall accrue at the lesser of the following: the interest rate of the disallowed Advance or the then current United States Treasury rate as prescribed by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletin. Closeout of the Loan will not affect such right to disallow expenditures and recover, in full, any amount on the basis of a subsequent audit, or other review or the Borrower's obligation to return any disallowed expenditures.

**Section 5.4 Deposit of Advances into Pledged Deposit Account and Construction Fund Account**

- (a) *Broadband Loans.* The Borrower of Broadband Loans shall open and maintain a deposit account pledged to RUS ("Pledged Deposit Account,") in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the RUS name of the Borrower followed by the words "Pledged Deposit Account." The Borrower shall promptly deposit proceeds from all Advances of the Broadband Loan, including previously advanced funds whose original expenditure has been disallowed by a RUS loan audit, and other funds described on Schedule 1 hereto (hereinafter "Additional Funds") into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes for which the Advance was made, for the purposes as set forth in Schedule 1 hereto (hereinafter "Additional Purposes,") or for such other purposes as may be approved by RUS. Deposits and disbursements from the Pledged Deposit Account shall be made and recorded in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (b) *Telecommunications Loans and Loan Guarantees and Bank Loans.* The Borrower of Telecommunications Loans and/or Loan Guarantees, when required on Schedule 1 or otherwise directed in writing by RUS, shall open and maintain a deposit account pledged to RUS for Telecommunications Loans and Loan Guarantees. Such account shall be in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS, and shall be designated by the corporate name of the Borrower followed by the words "Pledged Deposit Account." The Borrower shall promptly deposit proceeds from Loan Advances, including previously advanced funds whose original expenditure has been disallowed by a RUS loan fund audit, and any Additional Funds into the Pledged

Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes approved by RUS or other Additional Purposes and shall be withdrawn from time to time only as permitted by RUS.

- (c) *First Lien on Pledged Deposit Account.* The Borrower shall establish and maintain the Pledged Deposit Account as a deposit account and perfect a first and prior lien in such account for RUS, (pursuant to a deposit account agreement or similar agreement or mechanism for perfecting as provided by applicable law) in form acceptable to RUS.
- (d) *Construction Fund Account.* The Borrower shall promptly deposit Loan Advances not required to be deposited in a Pledged Deposit Account, including previously advanced Loan funds whose original expenditure has been disallowed by a RUS loan fund audit, in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS. Such account (hereinafter called the Construction Fund Account) shall be designated by the corporate name of the Borrower followed by the words "Construction Fund Account." Moneys in the Construction Fund Account shall be used solely for the purposes approved by RUS and shall be withdrawn from time to time only as permitted by RUS.

#### **Section 5.5 Use of Operating Funds Required in Connection with Broadband Loans**

The Borrower shall expend the operating funds required by 7 C.F.R. Section 1738.20(b), as approved by RUS.

#### **Section 5.6 Financial Books**

The Borrower shall maintain, at its premises, such books, documents, papers, or other records and supporting documents, including, but not limited to, invoices, receipts, and bills of sale, adequate to identify the purposes for which and the manner in which Loan and other funds were expended on the Project. The Borrower shall at all times keep and safely preserve proper books, records, and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Borrower and its Subsidiaries (as listed in Schedule 1 hereto,) in accordance with any applicable Accounting Requirements. The Borrower shall maintain copies of all documents submitted to RUS in connection with the Loan until the Loan has been paid in full and all audits have been completed.

#### **Section 5.7 Rights of Inspection**

The Borrower shall afford RUS, the Office of Inspector General of USDA and the General Accounting Office, through their representatives, reasonable opportunity, at all times during business hours and upon prior notice, to access and inspect the Project, any other property encumbered by the Security Documents, and any and all books, records, accounts, including electronic books, records, accounts, and electronic mail messages, regardless of the physical form or characteristics, invoices, contracts, leases, payrolls, canceled checks, statements, other documents, and papers of every kind belonging to or in any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

#### **Section 5.8 Annual and Special Financial Reports**

- (a) One hundred twenty (120) days from the end of the Borrower's fiscal year in which the first Advance is made and, thereafter, one hundred twenty (120) days from the close of each fiscal year of the Borrower, the Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, and as provided in 7 C.F.R. 1773, which is audited and certified by an independent certified public

accountant satisfactory to RUS, and accompanied by a report of such audit in form and substance satisfactory to RUS.

- (b) The Borrower shall also furnish to RUS fifteen (15) Business Days after March 31<sup>st</sup> of each year, and on such additional date(s) as specified in Schedule 1 (hereinafter "Additional Reporting Dates,") or as otherwise requested in writing by RUS, balance sheets, income statements, statements of cash flow, or such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may request or RUS Regulations require.

#### **Section 5.9 Annual Compliance Certificate**

Commencing forty-five (45) days from the date hereof, and thereafter within forty-five (45) days after the close of each calendar year, or sooner if required in writing by RUS, the Borrower shall deliver to RUS, a written statement signed by its general manager, managing member, or equivalent corporate official satisfactory to RUS, stating that, during such year the Borrower has fulfilled its obligations under the Loan Documents in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to such official and the nature and status thereof.

#### **Section 5.10 Miscellaneous Reports and Notices**

The Borrower shall furnish to RUS:

- (a) *Notice of Default.* Promptly after becoming aware thereof, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder or under the other Loan Documents.
- (b) *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower or any Affiliate which, if adversely determined, could have a Material Adverse Effect on the Borrower.
- (c) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect on the Borrower.
- (d) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect on the Borrower.
- (e) *Corporate Document Changes.* Thirty (30) days prior to their effectiveness, any amendments, supplements or modifications to the Borrower's Articles of Incorporation, Charter, Bylaws, Operating Agreement, Members Agreements or other Organizational Documents.
- (f) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

#### **Section 5.11 Tariff and Rate Design**

- (a) Tariff Requirements for Telecommunications Loan and Telecommunications Loan Guarantee Borrowers are as follows:
- (1) *Regulatory Approval Necessary.* If regulatory approval is required to effectuate its telephone service tariff, the Borrower shall 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 for telephone service which (A) provides for such grades of service as RUS shall approve, (B) does not include mileage or zone charges for any telephone service provided by the Project, and (C) is designed with a view to (1) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (2) making all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (3) providing and maintaining reasonable working capital for the Borrower, and (4) producing and maintaining the TIER specified on Schedule 1 hereto. The Borrower shall place such tariff into effect as soon as permitted by applicable laws and regulations and 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.
  - (2) *Regulatory Approval Not Required.* If regulatory approval is not required to effectuate its telephone service tariff, the Borrower shall design, charge and maintain in effect a tariff for telephone service which (A) provides for such grades of service as RUS shall approve, (B) does not include mileage or zone charges for any telephone service provided by the Project, and (1) pays and discharges all taxes, maintenance expenses, and operating expenses of the Borrower's system, (2) makes all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (3) provides and maintains reasonable working capital for the Borrower, and (4) produces and maintains the TIER specified on Schedule 1 hereto.
- (b) *Rate Requirement for Broadband Service.* The Borrower shall design, charge, and maintain in effect rates for Broadband service which (i) pay and discharge all taxes, maintenance expenses and operating expenses of its system, (ii) make all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (iii) provide and maintain reasonable working capital for the Borrower, and (iv) produce and maintain the TIER specified on Schedule 1 hereto.

#### **Section 5.12 TIER Requirement**

From the date of this Agreement until the date specified in Schedule 1, the Borrower will endeavor, but not be required, to maintain a TIER of at least 1.0. Thereafter, starting on the date specified in Schedule 1 (hereinafter called the "TIER Commencement Date") the Borrower shall maintain the TIER level(s) as specified in Schedule 1.

#### **Section 5.13 Corrective Action**

Within thirty (30) days of (i) sending the financial reports required by Section 5.8 hereof that shows the TIER specified by Section 5.12 was not achieved for the reported fiscal year or (ii) being notified by RUS that the TIER specified in Section 5.12 was not achieved for the reported fiscal year, whichever is earlier, the Borrower, in consultation with RUS, shall provide a written plan satisfactory to RUS setting



forth the actions that shall be taken to achieve the specified TIER on a timely basis and shall promptly implement said plan.

**Section 5.14 Obligations with Respect to the Construction, Operation and Maintenance of the Project Funded by the Broadband Loan**

- (a) *Project Management and Operation.* The Borrower shall be responsible for managing the day to day operations of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.
- (b) *Design Standards, Construction Standards, and Lists of Materials.* The Borrower shall use design standards, construction standards, and lists of acceptable materials in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (c) *Plans and Specifications.* The Borrower shall submit plans and specifications for construction to RUS for review and approval in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (d) *Standard Forms of Purchase Contracts, Installation Contracts, Construction Contracts, and Engineering and Architectural Service Contracts.* The Borrower shall use the standard forms of contracts promulgated by RUS for construction, procurement, engineering services, and architectural services in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time, and shall submit to RUS such contracts for review and approval in accordance with such Attachment 1.
- (e) *Contract Bidding Requirements.* The Borrower shall follow RUS bidding procedures when contracting for construction or procurement in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (f) *Construction in Accordance with Loan Design.* The Borrower shall cause the Project to be constructed and completed in accordance with the loan design submitted with the Application.
- (g) *General Insurance Requirements.* The Borrower shall take out and maintain insurance on the Project and any other property acquired with the Loan in accordance with 7 CFR Section 1788 as well as maintaining the fidelity bond or theft insurance coverage required in Section 4.2 paragraph (g) hereof.

**Section 5.15 Obligations with Respect to the Construction, Operation and Maintenance of the Project Funded by the Telecommunications Loan and Telecommunications Loan Guarantee**

- (a) *Project Management and Operation.* The Borrower shall be responsible for managing the day to day operations of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.
- (b) *Design Standards, Construction Standards and List of Material.* The Borrower shall use design standards, construction standards, and lists of acceptable materials in accordance with RUS Regulations.
- (c) *Plans and Specifications.* The Borrower shall submit plans and specifications for construction to RUS for review and approval in accordance with RUS Regulations.

- (d) *Standard Forms of Purchase Contracts, Installation Contracts, Construction Contracts, and Engineering and Architectural Service Contracts.* The Borrower shall use the standard forms of contracts promulgated by RUS for construction, procurement, engineering services, and architectural services in accordance with RUS Regulations and shall submit to RUS such contracts for review and approval in accordance with RUS Regulations.
- (e) *Contracts for Toll Traffic, Operator Assistance Services, and Extended Area Service.* The Borrower shall submit contracts for toll traffic, operator assistance services and contracts for extended area service to RUS for review and approval in accordance with RUS Regulations.
- (f) *Contract Bidding Requirements.* The Borrower shall follow RUS bidding procedures when contracting for construction or procurement in accordance with RUS Regulations.
- (g) *Construction in Accordance with Loan Design.* The Borrower shall cause the Project to be constructed and completed in accordance with the loan design submitted with the Application.
- (h) *General Insurance Requirements.* The Borrower shall take out and maintain insurance on the Project and any other property acquired with the Loan as well as maintaining fidelity bond or theft insurance coverage in accordance with RUS Regulations.

**Section 5.16 Obligations Applicable to Telecommunications Loan and Telecommunications Loan Guarantee Borrowers with Respect to Area Coverage of Telephone Service**

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 Telecommunications Loan or Telecommunications Loan Guarantee and which map, as revised by agreement between the Borrower and RUS, is incorporated herein by reference thereto. In the performance of this obligation, the Borrower shall:

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

### **Section 5.17 Preservation of Existence and Rights**

The Borrower shall, until the Loan is repaid in full, take or cause to be taken all such actions as from time to time may be necessary to preserve its existence and to preserve and renew all franchises, contracts, rights of way, easements, permits, and licenses now or hereafter to be granted or conferred upon it, with respect to the Project, the loss of which would have a Material Adverse Effect on the Borrower.

### **Section 5.18 Compliance with Laws**

The Borrower shall operate and maintain the Project and its properties in compliance in all material respects with all applicable Laws.

### **Section 5.19 Nondiscrimination**

- (a) *Equal Opportunity Provisions in Construction Contracts.* The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS, or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Attachment 2 hereto, entitled Equal Opportunity Contract Provisions.
- (b) *Equal Opportunity Contract Provisions Also Bind the Borrower.* The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.
- (c) *Sanctions and Penalties.* The Borrower agrees that it shall cooperate actively with RUS 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 shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS' primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this Agreement, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

### **Section 5.20 Buy American**

The Borrower shall use or cause to be used in connection with the expenditures of funds if such funds were obtained in whole or in part by a loan being made or guaranteed by RUS only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, material, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, material, and

supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS 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 has 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.

**Section 5.21 Additional Affirmative Covenants**

The Borrower shall comply with the additional affirmative covenants set forth in Schedule 1 hereto.

**ARTICLE VI – NEGATIVE COVENANTS**

**Section 6.1 General**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the negative covenants set forth in this Article VI.

**Section 6.2 Merger, Consolidation and Transfer of Property**

The Borrower shall not, without the prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with, or merge into any other corporation, or to sell, lease or transfer (or make any agreement therefor) all or any part of its property, including, without limitation, the Project.

**Section 6.3 Covenants for Limited Liability Companies and Similar Borrowers**

Borrowers which are limited liability companies or similar organizations agree that:

- (a) The death, retirement, resignation, expulsion, termination, bankruptcy, or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Borrower to be dissolved or its affairs to be wound up;
- (b) Prior to the date on which any and all obligations owed to RUS or the guaranteed lender with respect to Telecommunications Loan Guarantees, including the note evidencing the Loan, are discharged in full, the Borrower shall not be dissolved or terminated;
- (c) The organizational documents of the Borrower shall contain provisions reflecting the obligations of the Borrower in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of RUS; and
- (d) No direct or indirect addition, issuance, or transfer of any membership units (or any other ownership interest) in the Borrower may be made by the Borrower or its members without the prior written consent of RUS.

**Section 6.4 Additional Indebtedness**

The Borrower shall not, without the prior written consent of RUS, incur additional indebtedness in the event:

- (a) The Borrower is not maintaining a TIER of 1.0 or if the additional indebtedness will cause the Borrower's TIER to fall below 1.0; or

- (b) An Event of Default as defined in Section 8.1(b) hereof has occurred and is continuing.

#### **Section 6.5 Negative Pledge**

The Borrower shall not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in its property, other than Permitted Encumbrances.

#### **Section 6.6 Contracts**

The Borrower shall not, without the prior written consent of RUS, enter into any contract or contracts for the operation or maintenance of all or any part of its property, including, without limitation, the Project, and shall not enter into any contract for the use by others of all or any part of its property, including, without limitation, the Project.

#### **Section 6.7 Salaries**

Salaries, wages and other compensation paid by the Borrower for services, and directors', members', managers' or trustees' fees, shall be reasonable and in conformity with the usual practice of entities of the size and nature of the Borrower.

#### **Section 6.8 Extension of Credit**

Except as specifically authorized in writing in advance by RUS, the Borrower will make no advance payments or loans, or in any manner otherwise extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members, managers, Affiliates or Affiliated Companies; provided, however, the Borrower 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 that is used by such Affiliate 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 and (2) the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets.

#### **Section 6.9 Distributions or Withdrawals**

- (a) *Corporations and Cooperatives.* Corporate or cooperative Borrowers shall not, without the prior written approval of RUS, make any dividend, stock, capital, or other distribution in the nature of an investment, guarantee, extension of credit, advance, or loan, nor make a capital credit distribution (all such distributions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:
- (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's net worth is at least one percent (1%) of its Total Assets;
  - (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
  - (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such

aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or

- (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's Net Worth is at least forty percent (40%) of its Total Assets.

(b) *Limited Liability Companies.* Borrowers which are limited liability companies shall not, without the prior written approval of RUS, make any membership withdrawals, unit redemptions, or other type of profit allocation to its members and shall not, without the prior written approval of RUS, make capital distributions in the nature of an investment, guarantee, extension of credit, advance, or loan (all such actions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:

- (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least one percent (1%) of its Total Assets;
- (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
- (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or
- (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's net worth is at least forty percent forty percent (40%) of its Total Assets.

(c) In addition to the Distributions authorized under the immediately, preceding subsections, the Borrower may make any Distribution or investment as provided in 7 CFR 1744 Subpart E.

**Section 6.10 Changing Principal Place of Business, Place of Conducting Business, or Type of Organization**

The Borrower shall not change its principal place of business, place of conducting business, or type of organization without the prior consent of RUS.

**Section 6.11 Changing Name or Place of Incorporation or Organization**

The Borrower shall not change its legal name or place of incorporation or organization without giving RUS sixty (60) days prior written notice.

**Section 6.12 Changing Rates or Tariffs**

The Borrower shall not file for or change its rates or tariffs without prior written approval by RUS.

**Section 6.13 Historic Preservation**

The Borrower shall not, without the prior written consent of RUS, use any Advance(s) to construct any facility which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

**Section 6.14 Limitations on Using non-FDIC Insured Depositories.**

Without the prior written approval of RUS, the Borrower shall not place the proceeds of the Loans or any loan which has been made or guaranteed by RUS, in the custody of any bank or other depository that is not insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS.

**Section 6.15 Affiliated Transactions**

The Borrower shall not enter into any transaction, contract, or dealing with an Affiliate of the Borrower or with the Borrower's or Affiliate's directors, trustees, officers, managers, members (if the Borrower is a limited liability company), or other corporate officials, without the prior written consent of RUS.

**Section 6.16 Obligations with Respect to Nonduplication of Facilities for Telecommunications Loan and Telecommunications Loan Guarantee Loan Borrowers**

If the Borrower has outstanding Telecommunications Loan(s) or Telecommunications Loan Guarantee(s) and 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 such Loan(s) 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 RUS, on the basis of evidence submitted to it 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.

**Section 6.17 Additional Negative Covenants**

The Borrower shall comply with the additional negative covenants set forth in Schedule 1 hereto.

**ARTICLE VII - LENDER'S RIGHTS**

**Section 7.1 Termination of Loan Offer**

RUS, in its sole discretion, may terminate the offer to make the Loan(s) if Loan Documents, duly executed on behalf of the Borrower, are not received and all other conditions in Section 4.1 hereof are not satisfied within one hundred twenty (120) days from the date hereof.

**Section 7.2 Audits and Compliance Reviews**

After giving prior notification to the Borrower, RUS has the right to conduct compliance reviews and audits of the Borrower to assure compliance with the Loan Documents and RUS Regulations.

**Section 7.3 Disallowed Expenditures**

Upon a determination by RUS that the Borrower did not utilize the Loan in the manner and exclusively for the Project as approved by RUS, RUS may, in its sole discretion:

- (a) Disallow all or a part of the expenditures and disbursements of the Loan and require the Borrower to deposit such funds in the Construction Fund Account or in the Pledged Deposit Account, to be applied toward other approved Project purposes or to reimburse the Government, as provided in Section 5.3 hereof;
- (b) Suspend making Advances; and/or
- (c) Take any other action RUS determines to be necessary including, without limitation, exercising any right or remedy available under the Loan Documents or at law.

#### **Section 7.4 Suspension of Advances**

RUS may, in its absolute discretion, suspend making or approving Advances hereunder, if RUS determines that an event has occurred that is likely to have a Material Adverse Effect on the Borrower.

#### **Section 7.5 Payment Extensions**

RUS may, at any time or times in succession without notice to, or the consent of, the Borrower and upon such terms as RUS may prescribe, grant to any person, firm or entity 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, RUS or who may be affected by the lien created by the Loan Documents, an extension of the time for the payment of such principal or interest. After any such extension the Borrower 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.

### **ARTICLE VIII - EVENTS OF DEFAULT**

#### **Section 8.1. Events of Default**

The following shall be Events of Default under this Agreement:

- (a) Representations and Warranties. Any representation or warranty made by the Borrower in the Loan Documents or in the Application, any certificate furnished to RUS thereunder, shall prove to have been incorrect in any material respect at the time made;
- (b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is herein defined;
- (c) Corrective Actions. Default by the Borrower in the observance or performance of Section 5.13;
- (d) Limited Liability Companies. Default by the Borrower or its members in the observance or performance of Section 6.3;
- (e) Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days, after written notice thereof had been given to the Borrower by RUS;



- (f) Adverse Effects. The Borrower shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Borrower files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;
- (g) Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (h) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Borrower in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;
- (i) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Borrower, or the filing of such by the Borrower;
- (j) Impaired Business. The failure by the Borrower to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; or
- (k) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) or more shall be entered against the Borrower and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days.

## ARTICLE IX - REMEDIES

### Section 9.1 Generally

Upon the occurrence of an Event of Default, RUS may pursue all rights and remedies that are contemplated by the Loan Documents in the manner, upon the conditions, and with the effect provided in the Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief, or damages. Nothing herein shall limit the rights of RUS to pursue, jointly or severally, all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article VIII hereof. Each right, power, and remedy of RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

### Section 9.2 Remedies

In addition to the remedies referred to in Section 9.1 hereof, upon the occurrence of an Event of Default RUS may:

- (a) Refuse to make any Advance or further Advance on account of the Loan(s), but any Advance thereafter made by RUS shall not constitute a waiver of such default; or

- (b) Declare all unpaid principal of and all interest accrued on the Note(s) to be immediately due and payable and upon such declaration all such principal and interest shall become immediately due and payable.

## ARTICLE X - MISCELLANEOUS

### Section 10.1 Notices

All notices, requests, and other communications provided for herein including, without limitation, any modifications, waivers, requests, or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notices of the respective parties are as follows:

RUS  
Rural Utilities Service  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C.20250-1500  
Attention: Administrator  
Fax: (202) 720-1725

Borrower  
See Schedule 1

With a copy to:  
See Schedule 1

With a copy to:  
See Schedule 1

### Section 10.2 Expenses

To the extent allowed by law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such enforcement may be necessary.

### Section 10.3 Late Payments

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC or such other location as RUS may designate to the Borrower within five (5) Business Days after the due date thereof, or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period,") the Borrower shall pay to RUS in addition to all other amounts due under the terms of the Notes, the Security Documents and this Agreement, any late payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

### Section 10.4 Filing Fees

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation, transfer taxes, and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary

stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

**Section 10.5 No Waiver**

No failure on the part of RUS to exercise, nor any delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

**Section 10.6 Governing Law**

This Agreement shall be governed by and construed in accordance with applicable federal law and, in the absence of controlling federal law, by the laws of the State identified in the first paragraph herein, except those that would render such choice of law ineffective.

**Section 10.7 Holiday Payments**

If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 10.8 Rescission**

The Borrower may elect not to borrow the Loan, in which event RUS shall release the Borrower from its obligations hereunder, provided the Borrower complies with such terms and conditions as RUS may impose for such release.

**Section 10.9 Successors and Assigns**

- (a) This Agreement shall be binding upon and inure to the benefit of the Borrower and RUS, and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.
- (b) Pursuant to federal claims collection laws, RUS' claims hereunder may be transferred to other agencies of the United States of America; in the event of such a transfer, all rights and remedies hereby granted or conferred on RUS shall pass to and inure to the benefit of any such successor agency.

**Section 10.10 Complete Agreement; Waivers and Amendments**

Subject to RUS Regulations, this Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserve the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**Section 10.11 Prior Telephone Loan Contracts**

With respect to all Prior Telephone Loan Contracts, the Borrower shall, commencing on the delivery date hereof, prospectively meet the affirmative and negative covenants as set forth in this Agreement rather than those set forth in the Prior Telephone Loan Contracts. In addition, any remaining obligation of RUS to make or approve additional advances on promissory notes of the Borrower that have

been previously delivered to RUS under Prior Telephone Loan Contracts shall, after the date hereof, be subject to the conditions set forth in this Agreement. In the event of any conflict between any provision set forth in a Prior Telephone Loan Contract and any provision in this Agreement, the requirements as set forth in this Agreement shall apply. Nothing in this section shall, however, eliminate or modify (i) any special condition, special affirmative covenant or special negative covenant, if any, set forth in any Prior Telephone Loan Contract or (ii) alter the repayment terms of any promissory notes which the Borrower has delivered under any Prior Telephone Loan Contract, except, in either case, as RUS may have specifically agreed to in writing.

#### **Section 10.12 Headings**

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

#### **Section 10.13 Severability**

If any term, provision, condition, or any part thereof, of this Agreement, Note(s) or the Security Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision, or condition nor any other term, provision, or condition, and this Agreement, the Note(s), and the Security Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

#### **Section 10.14 Right of Setoff**

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS, owed to the Borrower, or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder or under the Note(s). RUS agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Borrower waives all rights of setoff, deduction, recoupment, or counterclaim.

#### **Section 10.15 Schedules and Attachments**

Each Schedule and Attachment attached hereto and referred to herein is each an integral part of this Agreement.

#### **Section 10.16 Authority of Representatives of RUS**

In the case of any consent, approval, or waiver from RUS that is required under this Agreement or any other Loan Document, such consent, approval, or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS or any person to whom the Administrator has officially delegated specific or general authority to take the action in question.

#### **Section 10.17 Amendment of Laws and RUS Regulations**

Nothing contained herein shall restrict in any way RUS' right to amend, rescind, or supplement any of the RUS Regulations or to seek such changes to existing Laws.

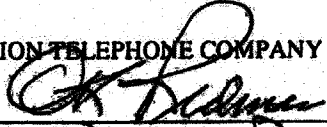
#### **Section 10.18 Term**

This Agreement shall remain in effect until one of the following two events has occurred:

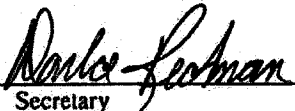
- (a) The Borrower and RUS replace this Agreement with another written agreement; or
- (b) All of the Borrower's obligations under this Agreement have been discharged and paid.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

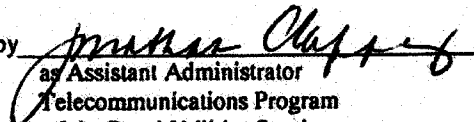
ALBION TELEPHONE COMPANY

by   
Name: EDWIN K. REDMAN  
Title: PRESIDENT

(Seal)

Attested to by:   
Secretary

THE UNITED STATES OF AMERICA

by   
as Assistant Administrator  
Telecommunications Program  
of the Rural Utilities Service

## SCHEDULE 1

### Article II Representations and Warranties

1. Paragraph (i) Borrower's address:

**Albion Telephone Company  
225 West North Street  
Albion, Idaho 83311**

2. Paragraph (j) Borrower's Organization Number: **C26771**
3. Paragraph (k) Borrower's Subsidiaries: **Red-Ban Communications, Inc.**
4. Paragraph (k) Borrower's Parent: **N/A**

### Article III The Loans

1. Broadband Loan  
Section 3.1(a) Broadband Loan amount: **\$0**  
Section 3.1(a)(i) Broadband Loan portion at the cost-of-money interest rate: **\$0**  
Section 3.1(a)(i) Broadband Loan portion at the four percent (4%) rate of interest: **\$0**
2. Telecommunications Loan  
Section 3.1(b) Telecommunications Loan amount: **\$0**  
Section 3.1(b)(i) Telecommunications Loan amount at the cost-of-money interest rate: **\$0**  
Section 3.1(b)(i) Telecommunications Loan amount five percent (5%) rate of interest: **\$0**
3. Telecommunications Loan Guarantee  
Section 3.1(c) Telecommunications Loan Guarantee amount: **\$17,075,000**

### Article IV Conditions of Lending

1. Section 4.2(i) funds required on deposit by Broadband borrower in accordance with 7 C.F.R. 1738.20(b):  
**None**
2. The additional conditions to advance referred to in Section 4.2(m) are as follows:
  1. **That the Borrower has provided evidence, satisfactory to RUS, that D.L. Evans Bank has released Albion Telephone Company from its guarantee related to the Syringa Wireless, LLC loan.**
  2. **That the Borrower has submitted to RUS site specific environmental reports prior to construction in accordance with regulation 7 CFR 1794.**

### Article V Affirmative Covenants

1. Section 5.4(a) Additional Funds: **None**
2. Section 5.4(a) Additional Purposes: **None**
3. Section 5.4(b) Pledged Deposit Account **IS NOT** required.

4. Section 5.8(b) Additional Reporting Date(s): **None**
5. Section 5.12 TIER: **1.50**
6. Section 5.12 TIER Commencement Date: **December 31, 2015**
7. The additional affirmative covenants referred to in Section 5.21 are as follows: **None**

**Article VI Negative Covenants**

1. The additional negative covenants referred to in Section 6.17 are as follows: **None**
- Article X Miscellaneous**

1. Section 10.1 Borrower's address for purposes of notification:

**Albion Telephone Company  
225 West North Street  
Albion, Idaho 83311  
Fax: 208-673-6200**

2. Section 10.1 Address for Borrower's notification copy:

**Givens Pursley LLP  
601 West Bannock Street  
Boise, Idaho 83701  
Fax: 208-388-1300**

3. Section 10.1 Address for RUS' notification copy:

**Mr. Peter Aimable, Director  
Northern Division, Telecommunications  
USDA, Rural Utilities Service  
STOP 1595, Room 2839  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250-1595  
Fax Number: (202) 690-4654**

**Attachment 1**  
**Not applicable**



## ATTACHMENT 2

### Equal Opportunity Contract Provisions

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

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall 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 non-discrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (c) The contractor shall 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 worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.
- (d) The contractor shall 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.
- (e) The contractor shall 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 shall 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, regulation, and orders.
- (f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (g) 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, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall 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 non-compliance; 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 agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

**ATTACHMENT 3**

**UNIFORM SYSTEM OF ACCOUNTS**

All references regarding account numbers are to 47 C.F.R. Part 32

|                      |                        |                |  |
|----------------------|------------------------|----------------|--|
| <b>ACCOUNT NAMES</b> | <b>ACCOUNT NUMBERS</b> |                |  |
|                      | <b>CLASS A</b>         | <b>CLASS B</b> |  |

**NET INCOME OR NET MARGINS:** the sum of the balances of the following accounts of the Borrower/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  |
| Non-operating Income and Expense                             |   | 7300* |      | 7300  |
| Income Effect of Jurisdictional Rate-making Difference – Net |   | 7910  |      | 7910  |
| Non-regulated Net Income                                     |   | 7990  |      | 7990  |
| Other Non-regulated Revenues                                 |   | 7991  |      | 7991  |
| LESS: balances of the following accounts:                    |   |       |      |       |
| Plant Specific Operations Expense                            | ) |       |      |       |
| Plant Non-specific Operations Expense                        | ) | 6100s | thru | 6700s |
| Customer Operations  | ) |       |      |       |
| Corporate Operations   | ) |       |      |       |
| Operating Taxes  |   | 7200* |      | 7200  |
| Non-operating 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 Borrower/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 |

**TOTAL TELECOMMUNICATIONS PLANT:** the sum of the balances of the following accounts of the Borrower/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 |
| Non-Operating Plant                                      | 2006 | 2006 |
| Goodwill   | 2007 | 2007 |

\*Summary Accounts

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

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

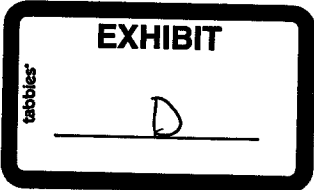
NOTE: For Non-Profit Organizations – Owner’s equity shall be shown in sub-accounts of 4540 and 4550.

**TOTAL ASSETS:** the sum of the balances of the following accounts of the Borrower/Mortgagor

|                                |       |      |       |
|--------------------------------|-------|------|-------|
| Current Assets                 | 1100s | thru | 1300s |
| Non-Current 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 Borrower/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  |



RUS DESIGNATION:

Idaho 504-L9

RESTATED MORTGAGE,  
SECURITY AGREEMENT  
AND  
FINANCING STATEMENT

made by and among

ALBION TELEPHONE COMPANY,  
225 West North Street  
Albion, Idaho 83311

as Mortgagor and Debtor,

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

as Mortgagee and secured party,

and

COBANK, ACB  
5500 South Quebec Street  
Greenwood Village, Colorado 80111

as Mortgagee and secured party.

**THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.  
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.  
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY,  
AFTER-ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.  
THIS INSTRUMENT WAS DRAFTED BY THE RURAL UTILITIES DIVISION, OFFICE OF  
THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-  
1400.  
ORGANIZATION NUMBER: C26771**

No. \_\_\_\_\_

THIS RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (hereinafter this "Restated Mortgage,") dated as of October 26, 2011 made by and between ALBION TELEPHONE COMPANY (hereinafter the "Mortgagor,") a corporation existing under the laws of the State of Idaho, as Mortgagor and Debtor and THE UNITED STATES OF AMERICA (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS") as Mortgagee and secured party and CoBank, ACB, successor to the National Bank for Cooperatives (hereinafter called "Co-Lender,") a federally chartered instrumentality of the United States, (the Government and Co-Lender being hereinafter sometimes collectively called the "Mortgagees.")

#### RECITALS

WHEREAS, the Mortgagor, the Government and the Co-Lender are parties to that certain mortgage (the "Prior Mortgage") identified in Schedule A hereof;

WHEREAS, the Mortgagor deems it necessary to borrow funds to provide broadband and/or telecommunication services and to issue its promissory notes and other debt obligations from time to time in one or more series, and to mortgage and pledge its property herein described or mentioned to secure payment of the same;

WHEREAS, the Mortgagor desires to enter into this Restated Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Restated Mortgage restates and consolidates the Prior Mortgage while preserving the priority of the Lien under the Prior Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Prior Mortgage, which indebtedness is described more particularly by listing the same under "Outstanding RUS Notes" and "Outstanding Co-Lender Notes" in Schedule A hereof;

WHEREAS, the Mortgagor has determined at this time to borrow additional funds or obtain loan guarantees from RUS and/or the Co-Lender which indebtedness is described more particularly by listing the same under "Current RUS Notes" in Schedule A hereof and/or "Current Co-Lender Notes" in Schedule A hereof;

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

WHEREAS, all acts necessary to make this Restated Mortgage a valid and binding legal instrument for the security of such notes and obligations, subject to the terms of this Restated Mortgage, have been in all respects duly authorized

NOW, THEREFORE, this Restated Mortgage

WITNESSETH: That each of the instruments constituting the Prior Mortgages are hereby amended, supplemented, restated, and consolidated to read in their entirety from and after the date of execution of this Restated Mortgage, as follows:

#### GRANTING CLAUSE

NOW, THEREFORE, THIS RESTATED MORTGAGE WITNESSETH: That to secure the payment of the principal, interest, and premium, if any, on the Outstanding Notes, Current Notes and all Notes secured hereunder according to their tenor and effect, and to secure the performance of all provisions therein, in the Loan Agreements and herein contained and in consideration of the covenants herein contained, the purchase or guarantee of Notes by the guarantors or holders thereof and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant

unto the Mortgagees, for the purposes herein expressed, a continuing security interest and lien in all property, assets, rights, privileges, licenses and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein, or any other kind or nature now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including without limitation all or in part the following (hereinafter the "Mortgaged Property:")

## I

All right, title, and interest of the Mortgagor in and to the Existing Facilities, buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties, whether real, personal, or mixed, tangible or intangible, of every kind or description, now or hereafter owned, leased, constructed, or acquired by the Mortgagor, wherever located, and in and to all extensions, improvements, and additions thereto, including but not limited to all buildings, plants, works, structures, towers, antennas, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, wires, cables, whether underground, overhead, or otherwise, exchanges, switches, including, without limitation, host 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, 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 following property:

- (a) The Existing Facilities located in the Counties listed in Schedule B in the States identified in Schedule B.
- (b) The real estate described on Schedule B, 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 Schedule B 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 Schedule B as though fully set forth at length therein.
- (d) The real estate described in Schedule B shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures, towers, antennas, and improvements now or hereafter located on such real estate, and all tenements, hereditaments, and appurtenances now or hereafter belonging, or in any way appertaining, thereunto.

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

## III

All right, title, and interest of the Mortgagor in, to, and under any and all licenses and permits (including without limitation those granted by the FCC), franchises, ordinances, and privileges, whether heretofore or hereafter granted, issued, or executed, to it or to its assignors by the Government, or by any state, 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 the Mortgagor's 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 (such as inventory, equipment and any accessions thereto), instruments (such as promissory notes or chattel paper, electronic or otherwise), documents, accounts (such as deposit accounts or trust accounts pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (such as certificated and uncertificated securities or security entitlements and accounts), software, general intangibles (such as payment intangibles), supporting obligations, contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently and hereafter defined in the UCC; provided, however, that the term "instrument" shall be such term as defined in Article 9 of the UCC 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, corporation, or other corporate entity 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, computer and automatic machinery, software, programs, databases, disc or tape files, print-outs, batches, runs, and other electronically-prepared information indicating, summarizing, evidencing, or otherwise necessary or helpful in the collection or realization on the Mortgaged Property;

#### VII

Also, all right, title, and interest of the Mortgagor in, to, and under all other property, real or personal, tangible or intangible, of every kind, nature, and description, and wherever situated, now or hereafter owned or leased by the Mortgagor, it being the intention hereof that all such property now owned or leased but not specifically described herein, or acquired or held by the Mortgagor after the date hereof, shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

Together with all rents, income, revenues, proceeds, products, profits and benefits at any time derived, received, or had from any and all of the above-described property of the Mortgagor;

Provided, however, that except as provided in section 2.13 of Article II herein, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

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

## ARTICLE I

### SECTION 1.1 Definitions

In addition to the terms defined elsewhere in this Restated Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. 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 Co-Lender Notes" shall mean any notes, including renewal and substitute notes, issued by the Mortgagor to the Co-Lender pursuant to Article II, Section 2.1 of this Mortgage.

"Additional Notes" shall mean the Additional Co-Lender Notes and the Additional RUS Notes.

"Additional RUS Notes" shall mean any notes, including renewal and substitute notes, issued by the Mortgagor to RUS or FFB and guaranteed by RUS, pursuant to Article II, Section 2.1 of this Mortgage.

"Business Day" shall mean any day that RUS, the Department of Treasury and the Co-Lender are all open for business.

"Current Co-Lender Notes" shall mean the notes more particularly described in Schedule A hereto, heretofore or about to be executed and delivered by the Mortgagor to the Co-Lender.

"Current Notes" shall mean the Current Co-Lender Notes and the Current RUS Notes.

"Current RUS Notes" shall mean the notes more particularly described in Schedule A hereto, heretofore or about to be executed and delivered by the Mortgagor to RUS to evidence obligations to RUS on account of loans made or guaranteed by RUS.

"Co-Lender Loan Agreement" shall mean the Co-Lender Loan Agreement more particularly described in Schedule A hereto.

"Co-Lender Notes" shall mean the Outstanding Co-Lender Notes, Current Co-Lender Notes and Additional Co-Lender Notes.

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

"Interest Expense" shall have the meaning as defined in Attachment 1.

"Loan Agreements" shall mean the Co-Lender Loan Agreement and the RUS Loan Agreement.

"Majority Noteholders" shall have the meaning as defined in Section 3.3.

"Mortgage Debt Limit" shall mean the maximum outstanding principal debt owing on Notes secured under this Mortgage, as set forth in Schedule A hereto.

"Net Income" or "Net Margins" shall have the meaning as defined in Attachment 1.

"Notes" shall mean collectively the Co-Lender Notes and the RUS Notes.

"Outstanding Co-Lender Notes" shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Co-Lender, described under the heading "Outstanding Co-Lender Notes" in Schedule A hereto.



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“Outstanding Notes” shall mean the Outstanding Co-Lender Notes and Outstanding RUS Notes.

“Outstanding RUS Notes” shall mean the notes evidencing outstanding indebtedness of the Mortgagor to the Government, described under the heading “Outstanding RUS Notes” in Schedule A hereto.

“Permitted Encumbrances” shall have the meaning as defined in Section 2.2(a).

“Prior Mortgages” shall mean the instruments identified as such in Schedule A hereto.

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

“RUS Loan Agreement” shall mean the RUS Loan Agreement more particularly described in Schedule A hereto.

“RUS Notes” shall mean the Outstanding RUS Notes, the Current RUS Notes, and the Additional RUS Notes.

#### SECTION 1.2 Additional Notes

(a) *Additional RUS Notes.*

(i) Without the prior consent of the Co-Lender, the Mortgagor may issue Additional RUS Notes to the Government to evidence loans made or guaranteed pursuant to the Act when written acknowledgment is obtained from RUS and the Co-Lender indicating that RUS' and the Co-Lender'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 TIER of not less than 1.5; a debt service coverage (as such term is defined in 7 C.F.R. 1744.21, hereinafter “DSC”) of not less than 1.25; and an Equity to Assets ratio equal to or greater than 40%, taking into account the interest to be charged on the Additional RUS Notes proposed to be executed and delivered to evidence such loan.

(ii) No Additional RUS Notes shall be secured by this Restated Mortgage without the prior written consent of the Co-Lender, except as provided in the paragraph immediately above; provided, however, no such prior written approval is required for Additional RUS Notes which refinance, renew or substitute for any outstanding RUS Note.

(b) *Additional Co-Lender Notes.* No Additional Co-Lender Notes shall be secured by this Restated Mortgage without the prior written consent of RUS; provided, however, no such prior approval is required for Additional Co-Lender Notes which refinance, renew or substitute for any outstanding Co-Lender Note.

(c) *All Additional Notes.* Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors, members, or other relevant **governing body of the Mortgagor authorizing the execution and delivery thereof**, shall prescribe; provided, however, that the outstanding principal balances owing on the Notes shall not at any one time exceed the limit set forth in Schedule A (hereinafter the “Mortgage Debt Limit,”) and no Note shall mature more than fifty (50) years after the date hereof. Additional Notes, when and as executed and delivered, shall be secured by this Restated Mortgage, equally and ratably with all other Outstanding Notes, without preference, priority, or distinction of any Note over any other Note by reason of the priority of the time of the execution, delivery, maturity, assignment, or negotiation thereof. As used in this Restated Mortgage, the term “directors” includes trustees.

### **SECTION 1.3 Supplemental Mortgage**

The Mortgagor, when authorized by resolution(s) of its board of directors, members, or other relevant governing body, may from time to time execute, acknowledge, deliver, record, and file mortgages supplemental to this Restated Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this Restated Mortgage as security for the Notes.

## **ARTICLE II - PARTICULAR COVENANTS OF THE MORTGAGOR**

The Mortgagor covenants with the Mortgagees and the holders of Notes secured hereby (hereinafter collectively the "Noteholders") as follows:

### **SECTION 2.1 Authority to Execute and Deliver Notes, the Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations**

The Mortgagor has all requisite corporate and legal power to enter into and perform its obligations under the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage and to execute and deliver Additional Notes; and all official action on its part for the execution and delivery of the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current Notes, the Loan Agreements, and this Restated Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

### **SECTION 2.2 Warranty of Title**

- (a) At the time of execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the Mortgaged Property, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except for the following Permitted Encumbrances:
- (i) as to the Mortgaged Property that is real property, restrictions, exceptions, reservations, conditions, limitations, interests, and other matters which are set forth or referred to in deeds or other conveyance documents, and each of which fits one or more of the clauses of this definition; provided however, that such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
  - (ii) liens for taxes, assessments, and other governmental charges which are not delinquent;
  - (iii) liens for taxes, assessments, and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
  - (iv) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
  - (v) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;

- (vi) easements and similar rights granted by the Mortgagor over, or in respect of, any Mortgaged Property, provided that in the opinion of the Mortgagor's board, members, other relevant governing body, or official acceptable to RUS, such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (vii) easements, leases, reservations, or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record of title; provided, that the above do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;
- (viii) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (vii) of this definition, securing indebtedness neither created, assumed, nor guaranteed by the Mortgagor, nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (ix) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing, and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (x) terminable or short term leases or permits for occupancy which expressly grant to the Mortgagor the right to terminate at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (xi) any lien or privilege vested in any lessor, licensor, or permittor for rent or other obligations or acts to be performed, the payment or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (xii) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (xiii) the burdens of any law, governmental regulation, or permit requiring the Mortgagor to maintain certain facilities or to perform certain acts as a condition of the Mortgagor's occupancy of certain real estate, or prohibiting the interference with any public lands or any river or stream or navigable waters;
- (xiv) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes; provided, that in the opinion of counsel for the Mortgagor; (1) the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way, a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation, or maintenance of the lines,

appurtenances, or improvements for which the same are used or to be used; or (2) the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

- (xv) rights reserved to, or vested in, any municipal, governmental, or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes it is held by the Mortgagor;
- (xvi) any obligations or duties affecting the property of the Mortgagor, to any municipal, governmental, or other public authority with respect to any franchise, grant, license or permit;
- (xvii) any right which any municipal, governmental, or other public authority may have by virtue of any franchise, license, contract or statute (1) to purchase, (2) to designate a purchaser of, or (3) to order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor; or to terminate any franchise, license or other rights; or to regulate the property and business of the Mortgagor; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
- (xviii) any lien required by law or government regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions, or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
- (xix) liens arising out of any defeased mortgage or indenture of the Mortgagor;
- (xx) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor, as well as the rights of such owners to such property pursuant to the ownership contracts; and/or
- (xxi) this Restated Mortgage and any Prior Mortgages.

- (b) The Mortgagor warrants that it has good right and lawful authority to mortgage the Mortgaged Property for the purposes herein expressed.
- (c) At the time of execution and delivery of this Restated Mortgage, the Mortgagor lawfully owns and is possessed of the personal property described in the Granting Clauses herein, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except Permitted Encumbrances.

**SECTION 2.3 Maintain Superior Lien of Mortgage, After-Acquired Property, Further Assurances, and Recording**

- (a) The Mortgagor will, so long as any of the Notes shall be outstanding, maintain and preserve the lien of this Restated Mortgage superior to all other liens affecting the Mortgaged Property, and will execute, file and/or record such financing statements, continuation statements, mortgages or other security instruments as necessary to maintain such superior lien and will forever warrant and defend the title to said property against any and all claims and demands whatsoever.

- (b) All property of every kind acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance, or assignment, become subject to the lien of this Restated Mortgage. Nevertheless, the Mortgagor will do, execute, acknowledge, and deliver any and all such further acts, conveyances, mortgages, security agreements, financing statements, and assurances as either Mortgagee shall require for accomplishing the purposes of this Restated Mortgage.
- (c) The Mortgagor will cause this Restated Mortgage and all supplemental mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and place as may be required by law, or requested by either Mortgagee, fully to preserve and protect the rights of the Mortgagees and Noteholders hereunder to the Mortgaged Property.

#### **SECTION 2.4 Negative Pledge**

The Borrower shall not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in, the Mortgaged Property, other than the Permitted Encumbrances.

#### **SECTION 2.5 Payment of Taxes**

The Mortgagor will promptly pay or discharge any and all obligations for which, or on account of which, any lien, claim, or charge against the Mortgagor's property might exist or could be created, and for any and all lawful taxes, rates, levies, or assessments imposed upon, or accruing upon, any of the Mortgagor's property (whether taxed to the Mortgagor or to any Noteholder), franchises, earnings, or businesses, as and when the same shall become due and payable; and whenever called upon to do so, the Mortgagor will furnish to the Mortgagees or to any Noteholder adequate proof of such payment or discharge.

#### **SECTION 2.6 Payment of Notes and Secured Obligations**

The Mortgagor will duly and punctually pay the principal and interest on the Notes, at the time, place, and manner provided therein, according to the true intent and meaning thereof, as well as all other sums becoming due hereunder.

#### **SECTION 2.7 Prepayment of Co-Lender Notes and RUS Notes**

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 applicable Loan Agreement; provided that any such prepayment shall be applied pro rata to the RUS Notes and the Co-Lender Notes, according to the proportions that the aggregate unpaid principal amount of the RUS Notes and the aggregate unpaid principal amount of the Co-Lender Notes, respectively, bear to the aggregate unpaid principal amount of the RUS Notes and the Co-Lender 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, 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 refinancing note shall not be considered a prepayment provided that the refinancing note will result in (1) an economic benefit defined as a present value savings when comparing the cash flows of the refinancing note with the cash flows of the note being refinanced; (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 refinanced with the projected interest expense of the refinancing 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 refinancing note, to be less than 1.25. Additionally, the Majority RUS Noteholders and the Majority Co-Lender Noteholders may agree that such noteholder shall not be paid the pro rata prepayment to which such noteholder may be entitled hereunder.

## **SECTION 2.8 Restrictions on Transfers of Property**

Except as provided in Section 2.9 below, the Mortgagor shall not sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor) without the prior written consent of the Mortgagees.

## **SECTION 2.9 Disposal of Obsolete or Damaged Mortgaged Property**

So long as the Mortgagor is not in default hereunder, the Mortgagor may, without obtaining the consent of the Mortgagees or Noteholders, 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, damaged, or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the prepayment of the outstanding indebtedness on the RUS Notes and Co-Lender notes in the proportions which the aggregate principal balances then owing on the RUS Notes and the aggregate principal balances then owing on the Co-Lender Notes, respectively, bear to the aggregate principal balances then owing on the RUS Notes and the Co-Lender 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; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes in proportion and manner as provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into such bank accounts as the Mortgagees shall specify, and shall use the same only for such additions to, or improvements in, the Mortgaged Property, on such terms and conditions as the Mortgagees shall specify.

## **SECTION 2.10 Maintenance, Preservation and Operation of Mortgaged Property**

- (a) At all times the Mortgagor will maintain and preserve the Mortgaged Property in good repair, working order, and condition, and will, subject to contingencies beyond its reasonable control, keep its plant and properties in continuous operation, and from time to time make all needed and proper repairs, renewals, replacements, useful and proper alterations, additions, betterments and improvements, and use all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telecommunications and broadband telephone service.
- (b) If in the sole judgment of either Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this Section, either Mortgagee may send the Mortgagor a written report of needed improvements, upon receipt of which the Mortgagor will promptly undertake to accomplish such improvements.

## **SECTION 2.11 Mortgaged Property to be Purchased Free of Encumbrances**

Except as specifically authorized in writing in advance by the Mortgagees, 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 2.12 Insurance Requirements; Application of Insurance Proceeds**

- (a) The Mortgagor shall take out and maintain insurance on the property acquired with the Loan in accordance with 7 C.F.R. Part 1788.
- (b) Sums recovered under any policy or fidelity bond by the Mortgagor or any Noteholder for a loss of funds advanced under the Notes or for any loss under such policy or bond shall, unless applied

as provided in 7 C.F.R. Part 1788, be used to finance construction of utility plant secured or to be secured by this Restated Mortgage, or, unless otherwise directed by the Mortgagees, be applied to the prepayment of the Outstanding Notes, and shall be applied to such Notes and installments thereof as may be designated by the respective Noteholders at the time of receipt. At the request of either Mortgagee, the Mortgagor shall exercise such rights and remedies under such policy or fidelity bond as 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 each Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee(s) in connection with such exercise.

**SECTION 2.13 When Mortgage Lien Attaches to Vehicles, Ships, Etc.**

In the event the Mortgagor has or suffers a deficit in Net Income or Net Margins, during any fiscal year while any of the Notes are outstanding, the Mortgagor will at any time, upon written demand of either Mortgagee, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged, and delivered all such further and supplemental indentures of mortgages, security agreements, financing statements, instruments, and conveyances, and take or cause to be taken all such further action, as may be requested by the Mortgagee, in order to attach to this Restated Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Restated Mortgage, all right, title, and interest of the Mortgagor in and to, all or in part, the automobiles, trucks, tractors, trailers, aircraft, ships, boats and other vehicles then or thereafter owned or acquired by the Mortgagor. From the moments of such written demand by the Mortgagee, such vehicles shall be deemed part of the Mortgaged Property for all purposes hereof.

**SECTION 2.14 Application of Proceeds from Eminent Domain**

In the event 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, shall forthwith be applied by the Mortgagor: First, to the ratable payment of any indebtedness by this Restated Mortgage secured other than principal 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 if any, the balance shall be paid to whosoever shall be entitled thereto.

**SECTION 2.15 Compliance with Loan Agreements**

The Mortgagor will well and truly observe and perform all applicable covenants, agreements, terms, and conditions contained in the Loan Agreements.

**SECTION 2.16 Covenants for Limited Liability Companies and Similar Mortgagors**

Mortgagors which are limited liability companies or similar organizations agree that:

- (a) The death, retirement, resignation, expulsion, termination, bankruptcy, or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Mortgagor to be dissolved or its affairs to be wound up;
- (b) Prior to the date on which any and all Notes are discharged in full, the Mortgagor shall not be dissolved or terminated;
- (c) The organizational documents of the Mortgagor shall contain provisions reflecting the obligations of the Mortgagor in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of the Mortgagees.

### **SECTION 2.17 Government to be Noteholder**

At all times when any Note is held by the Government, or in the event the Government shall assign an Additional Note without having insured the payment of such Note, this Restated 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 Additional 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 and shall have the rights of the Noteholder for purposes of this Restated Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured Notes. As to any Note which evidences a loan made by a third party lender to the Mortgagor and guaranteed by the Government, acting through the Administrator, pursuant to the Act, the Government and not such third party lender shall be considered to be and shall have the rights of the Noteholder for purposes of this Restated Mortgage.

### **SECTION 2.18 Mortgagees Right to Expend Money to Protect Mortgaged Property**

If in any respect the Mortgagor fails to comply with the covenants and conditions herein contained regarding 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 Restated Mortgage or the Loan Agreement, the Mortgagees shall have the right, without prejudice to any other remedies arising by reason of such default: (1) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges; (2) to save the Mortgaged Property from sale or forfeiture for any unpaid tax, assessment, or otherwise; (3) to redeem the same from any tax or other sale; (4) to purchase any tax title thereon; (5) to remove or purchase any mechanics' liens or other encumbrance thereon; (6) to make repairs thereon; (7) to comply with any other covenant herein contained; (8) to prosecute and defend any suit in relation to the Mortgaged Property; or (9) in any manner, to protect the Mortgaged Property and the title thereto. All sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate, but not in excess of twelve percent (12%) per annum, shall be deemed a charge upon the Mortgaged Property in the same manner as the Notes at the time outstanding are secured and shall be forthwith paid to the Mortgagees upon demand. It shall not be obligatory for the Mortgagees in making any such advances or expenditures to inquire into the validity of any such title, tax, assessment, sale, mechanics' lien, or other encumbrance thereof.

## **ARTICLE III - REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS**

### **SECTION 3.1 Events of Default:**

Each of the following shall be an "Event of Default" under this Restated Mortgage:

- (a) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) consecutive Business Days;
- (b) Representations and Warranties. Any representation or warranty made by the Mortgagor herein or in the Loan Agreements or any certificate furnished to RUS or the Co-Lender hereunder or under the Loan Agreements shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;
- (c) Limited Liability Company. Default by the Mortgagor or its members in the observance or performance of Section 2.16 hereof;
- (d) Other Covenants. Default by the Mortgagor in the observance or performance of any other covenant or agreement contained herein or in the Loan Agreements, which shall remain



unremedied for thirty (30) calendar days, after written notice thereof had been given to the Mortgagor by RUS or the Co-Lender;

- (e) Adverse Effects. The Mortgagor shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Mortgagor files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;
- (f) Other Obligations. Default by the Mortgagor in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (g) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Mortgagor in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Mortgagor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;
- (h) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Mortgagor, or the filing of such by the Mortgagor;
- (i) Impaired Business. The failure by the Mortgagor to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; and
- (j) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) 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.

**SECTION 3.2 Acceleration of Maturity; Annulment of Acceleration**

- (a) If any Event of Default has occurred and is continuing, the Mortgagees and/or any other Noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other Noteholders, if any, declare all unpaid principal and accrued interest on any or all of their respective Notes to be due and payable immediately; and upon any such declaration, all such unpaid principal and accrued interest shall immediately become due and payable, notwithstanding anything contained herein or in any Note to the contrary.
- (b) If after the unpaid principal 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 have become due and payable by the terms of such Note(s) 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, the Noteholder(s) which have declared the principal and interest on Notes held by such Noteholder(s) 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(s) and consequences thereof, with such waiver not extending to or affecting any subsequent default or impairing any right consequent thereon.

### **SECTION 3.3 Remedies of Majority Noteholders**

If any Events of Default has occurred and is continuing, 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 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) (i) take immediate possession of the Mortgaged Property, (ii) collect and receive all credits, outstanding accounts, bills, receivables, rents, income, revenues, and profits of the Mortgagor, pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and (iii) manage, control, and/or 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) Majority Noteholders, or any employee or agent of it, is hereby constituted and appointed as true and lawful attorney-in-fact of the Mortgagor with full power to (i) notify or require the Mortgagor to notify any and all customers that the Mortgaged Property has been assigned to Mortgagees and/or that Mortgagees have a security interest in the Mortgaged Property; (ii) sign and endorse the name of the Mortgagor upon any notes, checks, acceptances, drafts, money orders, or other instruments of payment (including payments made under any policy of insurance) that may come into possession of Majority Noteholders or Mortgagees, or upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, assignment, verification, or notice in connection with receivables, all in full or part payment of any amount owing to any Noteholder; (iii) send requests for verifications of Mortgaged Property to customers or account debtors; (iv) sell, assign, sue for, collect, or compromise payment of all or any part of the Mortgaged Property in the name of the Mortgagor or in its own name, or make any other disposition of Mortgaged Property, or any part thereof, for cash, credit, or any combination thereof; granting to the Majority Noteholders, as the attorney-in-fact of the Mortgagor, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Mortgagor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The Majority Noteholders, Mortgagees, their employees, or agents shall not be liable for any act, omission, error of judgment, or mistake of fact or law in its capacity as attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Restated Mortgage so long as any Notes shall remain outstanding;
- (c) proceed to protect and enforce the rights of the Mortgagees and the rights of the Noteholder(s) under this Restated Mortgage by suits or actions in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein, for aid of execution of any power herein granted, for foreclosure hereunder, for sale of the Mortgaged Property, or any part thereof, for collection of debts hereby secured, or for enforcement of other 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 any such action or suit is instituted, the Majority Noteholders 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, derived, received, or had therefrom, from the commencement of such suit or action. 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;
- (d) sell or cause to be sold the Mortgaged Property, all or in part, and all right, title, interest, claim, and demand of the Mortgagor therein or thereto, at public auction in any county in which the property to be sold is located, at such time, place, and manner as may be specified in the notice of

sale, containing a brief general description of the property to be sold, giving a copy thereof to the Mortgagor by mail at least fifteen (15) days prior to the date fixed for such sale, and 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 made under this subparagraph may be adjourned from time to time by announcement, at the time and place appointed for such sale or adjourned sale(s); 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. The expenses incurred by the Mortgagee(s), including but not limited to receiver's fees, attorneys' fees, cost of advertisement, and agents' compensation, in the exercise of any of the remedies provided in this Restated Mortgage shall be secured by this Restated Mortgage; and

- (e) enter and/or remain upon the premises of the Mortgagor without any obligation to pay rent to the Mortgagor or others, or any other place(s) where any of the Mortgaged Property is located and kept, and: (i) remove the Mortgaged Property therefrom in order to maintain, collect, sell, and/or liquidate the Mortgaged Property or, (ii) use such premises, together with materials, supplies, books, and records of the Mortgagor, to maintain possession and/or the condition of the Mortgaged Property, and to prepare the Mortgaged Property for sale, liquidation, or collection. Mortgagees may require the Mortgagor to assemble the Mortgaged Property and make it available to Mortgagees at a place to be designated by Mortgagees.

#### **SECTION 3.4 Rights and Remedies of Noteholders**

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 Noteholders, including the Majority Noteholders, and/or any Mortgagee 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 3.5 Right to Purchase Mortgaged Property**

At any sale hereunder any Noteholder or Mortgagee 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 Mortgagee may in lieu of actual payment of the purchase price, set off against the purchase price the amount owing to said Noteholder or Mortgagee secured hereunder and such set off amount shall be credited as a payment on account of principal and interest on the Note(s) held by such Noteholder.

#### **SECTION 3.6 Right of Set-Off and Recoupment**

Any Noteholder or Mortgagee shall have the right, without prior notice to the Mortgagor, to exercise rights of setoff, recoupment, or any counterclaim and apply any and all amounts held or hereafter held by such Noteholder or Mortgagee, owed to the Mortgagor, or for the credit of the Mortgagor, against any and all of the Notes. Noteholders and Mortgagees agree to notify the Mortgagor promptly after any such setoff or recoupment and the application thereof; provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Mortgagor waives all rights of setoff, deduction, recoupment, or counterclaim.

### **SECTION 3.7 Application of Proceeds from Remedial Actions**

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 or interest on the Notes; Second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; Third, to the ratable payment of, or on account of, the unpaid principal of the Notes, and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

### **SECTION 3.6 Notice of Default**

The Mortgagor covenants that it will give immediate written notice to the Mortgagees and to all Noteholders of the occurrence of an Event of Default, or in the event that any right or remedy described in Sections 3.2, 3.3, 3.4, 3.5 or 3.6 of this Article III is exercised or enforced, or of any action taken to exercise or enforce any such right or remedy.

### **SECTION 3.7 Remedies Cumulative, No Election**

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

### **SECTION 3.8 Waiver of Appraisal Rights, Marshaling of Assets Not Required**

The Mortgagor, for itself and for all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatsoever, claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, or redemption laws, now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Restated 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(s) thereat, and the Mortgagor, for itself and for all who may claim through or under it, hereby waives the benefit of all such laws, unless such waiver shall be forbidden by law. Under no circumstance shall there be any marshaling of assets upon any foreclosure or other enforcement of this Restated Mortgage.

### **SECTION 3.9 Rights as Secured Party**

Mortgagees shall have, in addition to any other rights and remedies contained in this Restated Mortgage, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time hereafter executed by the Mortgagor and delivered to Mortgagee(s), all of the rights and remedies of a secured party under the UCC in force in the state of the Mortgagor's organization and all jurisdictions where the Mortgaged property is located, all of which rights and remedies shall be cumulative, and nonexclusive.

### **Section 3.10 Federal Communications Commission Matters.**

Notwithstanding any other provision of this Restated Mortgage, the following provisions shall be applicable in the event that the Mortgaged Property includes (to the extent such property can be included under the applicable law) licenses, permits, or similar rights granted by the Federal Communications Commission (hereinafter referred to as the "FCC") to the Mortgagor (such licenses, permits or similar rights hereinafter referred to as "FCC Licenses:")

- (a) Any loss, revocation, foreclosure on, sale, transfer, or other disposition of FCC Licenses by the Mortgagee(s) shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, and applicable rules and regulations thereunder, and, if and to the extent required thereby, subject to the prior approval or notice to and non-opposition of the FCC.

- (b) If an Event of Default shall have occurred and be continuing, the Mortgagor shall take any action which the Mortgagees may request in order to transfer and assign to the Mortgagees, or to such one or more third parties as the Mortgagees may designate, or to a combination of the foregoing, each FCC License held by the Mortgagor. The Mortgagees are empowered, to the extent permitted by applicable law, to request the appointment of a receiver from any court of competent jurisdiction. Such receiver may be instructed by the Mortgagees to seek from the FCC an involuntary transfer of control of each such FCC License for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. The Mortgagor hereby agrees to authorize such an involuntary transfer of control upon the request of the receiver so appointed and, if the Mortgagor shall refuse to authorize the transfer, its approval may be required by the court. Upon the occurrence and during the continuance of an Event of Default, the Mortgagor shall further use its best efforts to assist in obtaining approval of the FCC and any state regulatory bodies, if required, for any action contemplated by this Restated Mortgage, including, without limitation, the preparation, execution and filing with the FCC and any state regulatory bodies of the assignor's or transferor's portion of any application or applications for consent to the assignment of any FCC license or transfer of control necessary or appropriate under the rules and regulations of the FCC or any state regulatory body for approval or non-opposition of the transfer or assignment of any portion of the Mortgaged Property, including, without limitation any FCC License.
- (c) The Mortgagor acknowledges that the assignment, transfer, loss, or revocation of any FCC License is integral to the Mortgagees' realization of the value of the Mortgaged Property, that there is no adequate remedy at law for failure by the Mortgagor to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees, without limiting the rights of the Mortgagees to seek and obtain specific performance of other obligations of the Mortgagor contained in this Restated Mortgage, that the agreements contained in this Section may be specifically enforced.
- (d) In accordance with the requirements of 47 C.F.R. Section 22.937, or any successor provision thereto, the Mortgagees shall notify the Mortgagor and the FCC in writing at least ten (10) days prior to the date on which the Mortgagees intend to exercise their rights under this Restated Mortgage or any other document or instrument relating to the Notes, by foreclosing on, or otherwise disposing of any Mortgaged Property in connection with which such notice is required pursuant to 47 C.F.R. Section 22.937 or any successor provision thereto.

#### **ARTICLE IV - POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE**

##### **SECTION 4.1 Possession until Default**

Until one or more of the Events of Default has happened, the Mortgagor shall be 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 Restated Mortgage.

##### **SECTION 4.2 Defeasance**

If the Mortgagor shall pay or cause to be paid the whole amount of the principal and interest on the Notes at the time and 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 Restated Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights, and interests hereby conveyed, 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 Restated Mortgage upon the record. In any event, each Noteholder, upon payment in full to him by the Mortgagor of all principal and interest on any Note held by him, and the payment and discharge by the Mortgagor of all charges due 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 5.1 Mortgage to Bind and Benefit Successors and Assigns

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

### SECTION 5.2 Headings

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

### SECTION 5.3 Notices

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified in Schedule A; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notice of the respective parties are set forth in Schedule "A."

### SECTION 5.4 Mortgage Deemed Security Agreement

To the extent that any of the property described or referred to in this Restated Mortgage is governed by the provisions of the UCC, this Restated Mortgage is hereby deemed a "security agreement" under the UCC. The mailing addresses of the Mortgagor, as debtor, and of the Mortgagees as secured parties, are as set forth in Schedule "A."

### SECTION 5.5 Mortgagees Right to File Financing Statements

Mortgagees shall have the right to file such financing statements and continuation statements on behalf of itself, as secured party, and Mortgagor, as Debtor, as Mortgagees deem necessary to perfect a first lien on the Mortgaged Property and to maintain and preserve such perfected first lien as long as any Note remains outstanding. Mortgagor shall reimburse the Mortgagees for any expenses incurred in the exercise of this right.

### SECTION 5.6 Severability Cause

If any provision of this Restated Mortgage shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity, legality, and enforceability of the remainder of such provision, nor any other provision thereof and this Restated Mortgage shall survive and be construed as if such invalid or unenforceable provision had not been contained therein. Any invalidity or unenforceability as to any Mortgagee hereunder shall not affect or impair the rights hereunder of any other Mortgagee.

**SECTION 5.7 Indemnification by Mortgagor of Mortgagees**

The Mortgagor agrees to indemnify the Mortgagees against any liability or damages which it may incur or sustain in the exercise and performance of its rightful powers and duties hereunder. For such reimbursement and indemnity, the Mortgagees shall be secured under this Restated Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagees incurring or suffering the same with interest at the rate specified in Section 2.18 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Restated Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

**SECTION 5.8 Counterparts**

This Restated Mortgage may be simultaneously executed and delivered in two or more counterparts, each of which so executed and delivered shall be deemed an original, and shall constitute but one and the same instrument.

IN WITNESS WHEREOF, ALBION TELEPHONE COMPANY, as Mortgagor, has caused this Restated Mortgage to be signed in its name and its seal, if any, to be hereunto affixed and attested by its duly authorized officer, the UNITED STATES OF AMERICA, as Mortgagee and secured party, has caused this Restated Mortgage to be duly executed on its behalf, and Co-Lender, as Mortgagee and secured party, has caused this Restated Mortgage to be duly executed on its behalf all as of the day and year first above written.

ALBION TELEPHONE COMPANY

by

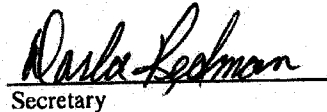


Name: OWEN K. REDMAN


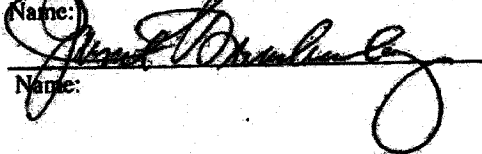
Title: PRESIDENT

(Seal)

Attested to by:

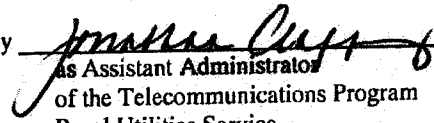
  
Secretary

Executed by the Mortgagor  
in the presence of:

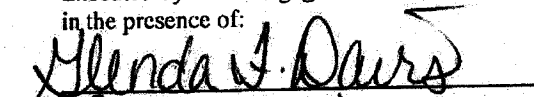
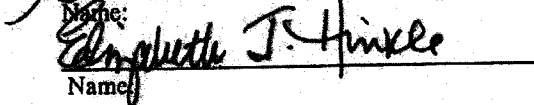
  
Name: Julie Kaye  
  
Name: James P. [unclear]

UNITED STATES OF AMERICA

by

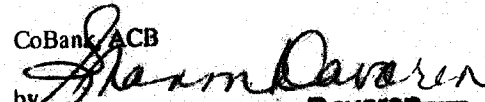
  
as Assistant Administrator  
of the Telecommunications Program  
Rural Utilities Service

Executed by the Mortgagee  
in the presence of:

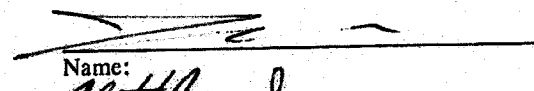
  
Name: Glenda J. Davis  
  
Name: Elizabeth J. Hinkle

CoBank ACB

by

  
Name: Shannon Davoren  
Title: [unclear]

Executed by the Mortgagee  
in the presence of:

  
Name: Kathleen [unclear]  
Name: [unclear]

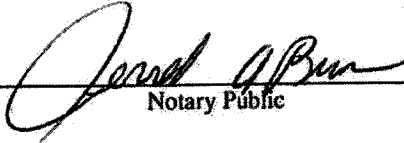


DISTRICT OF COLUMBIA

)

SS

This instrument was acknowledged before me on November 4, 2011, by  
Jonathan Claffey for \_\_\_\_\_, Assistant Administrator of the Rural Utilities Service of  
the United States of America.

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

(Notarial Seal)

My commission expires: \_\_\_\_\_  
**Jared A. Brown**  
**Notary Public District of Columbia**  
**My Commission Expires 05/31/2015**



STATE OF IDAHO

)  
)  
)

SS

COUNTY OF

I certify that on this \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, the foregoing instrument was acknowledged before me, \_\_\_\_\_, a Notary Public in and for the above-named County and State, and that \_\_\_\_\_, to me personally known and the person whose name is signed to the foregoing instrument, did personally appear before me, who being duly sworn and deposed according to law, did make proof to my satisfaction and say that he/she was, at the time of execution thereof, the \_\_\_\_\_ [Position] of \_\_\_\_\_, a \_\_\_\_\_ Idaho corporation,, that he/she knows the corporate seal of said entity, if one exists, and that the foregoing instrument, whose contents are known to him/her, was signed, sealed, and delivered on behalf of said entity by authority and/or Resolution of its board of directors, and furthermore acknowledged the instrument to be his/her free and voluntary act and deed, as well as that of the entity, for the purposes and uses therein set forth.

IN WITNESS WHEREOF, sworn and subscribed before me, I have hereunto set my hand and official seal.

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

(Notarial Seal)

My Commission expires:

**SCHEDULE A**

1. A. The Outstanding RUS Notes referred to in the Recitals are:

| <u>Note Designation</u> | <u>Note Date</u> | <u>Stated Principal Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> |
|-------------------------|------------------|--------------------------------|----------------------|----------------------|
| E8                      | 07-25-1979       | \$1,058,000                    | 08-26-2020           | 2%                   |
| F8                      | 02-22-1985       | \$675,000                      | 02-22-2020           | 2%                   |
| G8                      | 06-10-1988       | \$389,000                      | 06-10-2013           | 5%                   |
| H12                     | 11-03-2003       | \$4,046,000                    | 11-03-2021           | Variable             |
| K11                     | 11-03-2003       | \$7,500,000                    | 11-03-2021           | 5%                   |

- B. The Outstanding Co-Lender Notes referred to in the Recitals are:

| <u>Note Designation</u> | <u>Note Date</u> | <u>Stated Principal Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> |
|-------------------------|------------------|--------------------------------|----------------------|----------------------|
| No. T0809 1             | 09-01-2000       | \$8,630,240                    | 12-20-2011           | Variable             |
| No. T0810 2             | 09-01-2000       | \$1,750,000                    | 12-20-2011           | Variable             |

2. The Prior Mortgages referred to in the Recitals are: **Restated Mortgage, Security Agreement and Financing Statement, dated September 1, 2000, made by and among the Mortgagor and Mortgagees.**

3. A. The Co-Lender Loan Agreement referred to in Section 1.1 is: **Consolidating Term Loan Agreement No. T0809 entered into as of September 1, 2000 between Albion Telephone Company and CoBank, ACB, as amended by Amendment to the Consolidating Term Loan Agreement No. T0809A dated May 7, 2009.**

**Consolidating Term Loan Agreement No. T0810 entered into as of September 1, 2000 between Albion Telephone Company and CoBank, ACB.**

- B. The RUS Loan Agreement referred to in Section 1.1 is the Loan Agreement, dated the same day as this Restated Mortgage between the Mortgagor and the Mortgagees.

4. A. The Current RUS Note, made by the Mortgagor to the Government, dated the same day as this Restated Mortgage and referred to in the Recitals are:

RUS Designation: **Idaho 504-L9\***  
 Stated Principal Amount: **\$17,075,000**  
 Interest Rate: **Variable**  
 Maturity Date: **December 31, 2030**

**\* Note: This note evidences a loan from the Federal Financing Bank, which has been guaranteed by RUS, giving RUS all the rights as Noteholder for the purposes of this Mortgage.**

- B. The Current Co-Lender Note(s), made by the Mortgagor to Co-Lender, dated the same day as this Restated Mortgage and referred to in the Recitals are:

Colender Designation: **N/A**  
 Stated Principal Amount: **N/A**  
 Interest Rate: **N/A**  
 Maturity Date: **N/A**

5. The "Mortgage Debt Limit" referred to in Section 1.2(c) is: **Unlimited**
6. The following addresses are for purposes of providing notice pursuant to Section 5.4:

**Mortgagees: Rural Utilities Service  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C.20250-1500  
Attention: Administrator  
Fax: (202) 720-1725**

**With a copy to: Mr. Peter Aimable, Director  
Northern Division, Telecommunications  
USDA, Rural Utilities Service  
STOP 1595, Room 2839  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250-1595  
Fax Number: (202) 690-4654**

**Mortgagee: CoBank, ACB  
5500 South Quebec Street  
Greenwood Village, Colorado 80111  
Fax: (303) 740-4002**

**Mortgagor: Albion Telephone Company  
225 West North Street  
Albion, Idaho 83311  
Fax: (208) 673-6200**

**With a copy to: Givens Pursley LLP  
601 West Bannock Street  
Boise, Idaho 83701  
Fax: (208) 388-1300**

## SCHEDULE B

1. The "Existing Facilities" referred to in Granting Clause I are located in the counties of Butte, Cassia, Custer and Oneida counties in the State of Idaho.
2. The real estate mortgaged and pledged hereunder includes the following:

### 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 2 feet;  
Thence East 16 rods;  
Thence North 50 rods 8 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 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 Heglär 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 Heglär Canyon Road right of way for 100 feet to a point where Heglär 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 2 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 2 feet to the Place of Beginning.

PARCEL NO. 11:

Leasehold estate as set forth in that certain Lease Agreement dated May 4, 2009, between Bill Wickel, as Lessor, and Albion Telephone Company, doing business as ATC Communications, as amended by that certain First Amendment to Lease dated August 2, 2010, as Lessee, described as follows:

Part of the SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 23 of Township 13 South, Range 25 East of the Boise Meridian, Cassia County, State of Idaho.

Beginning at the NW corner of the SW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 23 of T.13 S., R.25 E., B.M. said corner marked by a US BLM aluminum pipe with cap; Thence South 00 degrees 06 minutes 41 seconds West along the west line of the SW $\frac{1}{4}$ NE $\frac{1}{4}$  for a distance of 48.96 feet;

Thence North 88 degrees 37 minutes 31 seconds East for a distance of 9.64 feet to a ½" rebar which shall be the Point of Beginning;

THENCE North 88 degrees 37 minutes 31 seconds East for a distance of 20.00 feet to a ½" rebar on the west right of way of State Highway 77;

THENCE South 01 degrees 22 minutes 29 seconds East along said right of way for a distance of 20.00 feet to a ½" rebar;

THENCE South 88 degrees 37 minutes 31 seconds West for a distance of 20.00 feet to a ½" rebar;

THENCE North 01 degrees 22 minutes 29 seconds West for a distance of 20.00 feet to the Point of Beginning.

PARCEL NO. 12:

Leasehold estate as set forth in that certain Lease Agreement dated March 1, 2009 between Rich Redman and Connie Redman, as Lessor, and Albion Telephone Company, as Lessee, as amended by that certain First Amendment to Lease made effective August 1, 2010, described as follows:

Part of the E $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 8 of Township 12 South, Range 25 East of the Boise Meridian, Cassia County, State of Idaho.

Beginning at the Northwest section corner of Section 8 of T.12 S., R.25 E., B.M., said corner marked by a ¾" rebar with a 3" aluminum cap on top; Thence South 89 degrees 45 minutes 43 seconds East (N 8957'20"E rec.) along the north section line for a distance of 1327.80 feet to the Northwest corner of the E $\frac{1}{2}$ NW $\frac{1}{4}$ ; Thence South 00 degrees 39 minutes 20 seconds West (S 0022'25"W rec.) along the West line of the E $\frac{1}{2}$ NW $\frac{1}{4}$  for a distance of 796.78 feet to a ½" rebar which shall be the Point of Beginning;

THENCE North 89 degrees 40 minutes 19 seconds East for a distance of 300.00 feet to a ½" rebar; THENCE South 00 degrees 39 minutes 20 seconds West for a distance of 727.43 feet to a ½" rebar on the northerly right of way of State Highway 77;

THENCE North 45 degrees 32 minutes 21 seconds West (N 45 49'02"W rec.) along said right of way for a distance of 415.63 feet to a ½" rebar on the west line of the E $\frac{1}{2}$ NW $\frac{1}{4}$ ;

THENCE North 00 degrees 39 minutes 20 seconds East (N 00 22'25"E rec.) along said line for a distance of 434.58 feet to the Point of Beginning.

Said property is subject to a 50 foot Access & Utility Easement along the west side more particularly described as follows: Beginning at the Northwest section corner of Section 8 of T.12 S., R.25 E., B.M., said corner marked by a ¾" rebar with a 3" aluminum cap on top; Thence South 89 degrees 45 minutes 43 seconds East (N 8957'20"E rec.) along the north section line for a distance of 1327.80 feet to the Northwest corner of the E $\frac{1}{2}$ NW $\frac{1}{4}$ ; Thence South 00 degrees 39 minutes 20 seconds West (S 0022'25"W rec.) along the West line of the E $\frac{1}{2}$ NW $\frac{1}{4}$  for a distance of 796.78 feet to a ½" rebar which shall be the Point of Beginning;



THENCE North 89 degrees 40 minutes 19 seconds East for a distance of 50.00 feet;  
THENCE South 00 degrees 39 minutes 20 seconds West for a distance of 483.38 feet to the northerly right  
of way of State Highway 77;  
THENCE North 45 degrees 32 minutes 21 seconds West (N 45 49'02"W rec.) along said right of way for a  
distance of 69.27 feet to a ½" rebar on the west line of the E½NW¼;  
THENCE North 00 degrees 39 minutes 20 seconds East (N 00 22'25"E rec.) along said line for a distance  
of 434.58 feet to the Point of Beginning.

PARCEL NO. 13:

Parcel A:

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 Cassia County, Idaho.

Parcel B:

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)

PARCEL NO. 14:

Parcel A:

Lots 5, 6 and 7, in Block 3, of the Bascom and Robison's Addition to the City 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 B:

Township 12 South, Range 25 East of the Boise Meridian, Cassia County, Idaho

Section 6: Part of the SE 1/4 NW 1/4, more particularly described as follows:  
Beginning at the Southeast corner of Lot 3;  
Thence running West 22 feet;  
Thence South 60 feet, more or less;  
Thence East 22 feet, more or less;  
Thence North 60 feet, more or less, to the Place of Beginning.

PARCEL NO. 15:

Leasehold estate as set forth in that certain Lease Agreement dated June 1, 2008, between Curtis Durfee, as  
Lessor, and Albion Telephone Company, doing business as ATC Communications, as Lessee, described as  
follows:

Part of the SE¼SE¼ in Section 27 of Township 15 South, Range 24 East of Boise Meridian, Cassia  
County, State of Idaho.

Beginning at the Southeast Corner of Section 27 of T.15 S., R.24 E., B.M., said corner marked by a ¾"  
rebar with 3" aluminum cap on top; Thence North 89 degrees 53 minutes 12 seconds West along the south

line of Section 27 for a distance of 1122.18 feet; Thence North 00 degrees 06 minutes 48 seconds for a distance of 89.22 feet to a ½" rebar on the north line of the county road right of way which shall be the Point of Beginning;

THENCE North 51 degrees 30 minutes 53 seconds West along the north line of the county road right of way for a distance of 30.59 feet to a ½" rebar;

THENCE North 38 degrees 35 minutes 34 seconds East for a distance of 30.89 feet to a ½" rebar;

THENCE South 55 degrees 34 minutes 56 seconds East for a distance of 30.43 feet to a ½" rebar;

THENCE South 38 degrees 10 minutes 18 seconds West for a distance of 33.05 feet to the Point of Beginning.

#### BUTTE COUNTY, IDAHO

##### PARCEL NO. 16:

Beginning at the NW 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. 17:

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. 18:

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. 19:

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. 20:

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.

PARCEL NO. 21:

Leasehold estate as set forth in that certain Lease Agreement dated May 1, 2009, between Larry Quist, as Lessor, and Albion Telephone Company, doing business as ATC Communications, as Lessee, as amended by that certain First Amendment to Lease dated August 2, 2010, described as follows:

Part of the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 17 of Township 3 North, Range 27 East of the Boise Meridian, Butte County, State of Idaho.

Beginning at the West  $\frac{1}{4}$  corner of Section 17 of T.3 N., R.27 E., B.M. said corner marked by a  $\frac{3}{4}$ " rebar; Thence North 56 degrees 06 minutes 09 seconds East for a distance of 30.04 feet to a  $\frac{1}{2}$ " rebar on the east right of way of a county road which shall be the Point of Beginning;

THENCE North 00 degrees 14 minutes 47 seconds West along said right of way for a distance of 16.48 feet to a  $\frac{1}{2}$ " rebar;

THENCE South 89 degrees 33 minutes 54 seconds East for a distance of 19.22 feet to a  $\frac{1}{2}$ " rebar;

THENCE South 02 degrees 31 minutes 40 seconds West for a distance of 16.30 feet to a  $\frac{1}{2}$ " rebar;

THENCE South 89 degrees 51 minutes 03 seconds West for a distance of 18.43 feet to the Point of Beginning.

CUSTER COUNTY, IDAHO

PARCEL NO. 22:

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. 23:

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. 24:

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.

PARCEL NO. 25:

Commence at the northeast corner of Block 2 of the Townsite of Malad City, as the same appears on the plat thereof on file in the office of the County Recorder of Oneida County, and run North 89° 00' West 141 West for a point of beginning;

Thence running South 1°00" West 89 feet to the Oneida Amusement Co. property line;

Thence North 89° 00' East 38 feet;

Thence North 1° 00" East 87.5 feet to street line;

Thence North 89° 00' West 38 feet to the point of beginning.

SUBJECT TO an alleyway 12 feet wide across the west end of said tract.

A 16 foot strip of land abutting the east side of the above described tract is hereby set aside and dedicated to the foregoing described tract and the land owned by the Grantors on the east thereof, for use by the owners of said tracts only, for light, air, drainage, foot passage, drive-way and other like purposes and on which no buildings or other structures are ever to be erected. Said property is situated in the southwest quarter of the southwest quarter of Section 22, Township 14 south, Range 36 East of the Boise Meridian, Oneida County, Idaho.

**PARCEL NO. 26:**

Leasehold estate as set forth in that certain Lease Agreement dated July 1, 2010, between Bills Family Trust, Jay and Sharley S. Bills, Trustees, as Lessor, and Albion Telephone Company, doing business as ATC Communications, as Lessee, described as follows:

Part of Block "G" in the Malad Townsite located in Section 27 of Township 14 South, Range 36 East of the Boise Meridian, Oneida County, State of Idaho.

Beginning at the NW corner of Section 27 of T.14 S., R.36 E., B.M. said corner marked by a Brass Cap; Thence South 89 degrees 27 minutes 39 seconds East along the north line of Section 27 for a distance of 2563.78 feet; Thence South 00 degrees 32 minutes 21 seconds West for a distance of 367.58 feet to a ½" rebar on the north line of Block "G" which shall be the Point of Beginning;

THENCE South 89 degrees 48 minutes 58 seconds East along the north line of Block "G" for a distance of 42.53 feet to a ½" rebar;

THENCE South 01 degrees 56 minutes 02 seconds East for a distance of 51.00 feet to a ½" rebar;

THENCE South 89 degrees 50 minutes 56 seconds West for a distance of 45.48 feet to a ½" rebar;

THENCE North 01 degrees 22 minutes 24 seconds East for a distance of 51.25 feet to the Point of Beginning.

**ATTACHMENT 1**

**UNIFORM SYSTEM OF ACCOUNTS**

All references regarding account numbers are to 47 C.F.R. Part 32

|                      |                        |                |
|----------------------|------------------------|----------------|
| <b>ACCOUNT NAMES</b> | <b>ACCOUNT NUMBERS</b> |                |
|                      | <b>CLASS A</b>         | <b>CLASS B</b> |

**NET INCOME OR NET MARGINS:** the sum of the balances of the following accounts of the Borrower/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       |
| Non-operating Income and Expense                             |   | 7300* | 7300       |
| Income Effect of Jurisdictional Rate-making Difference – Net |   | 7910  | 7910       |
| Non-regulated Net Income                                     |   | 7990  | 7990       |
| Other Non-regulated Revenues                                 |   | 7991  | 7991       |
| LESS: balances of the following accounts:                    |   |       |            |
| Plant Specific Operations Expense                            | ) |       |            |
| Plant Non-specific Operations Expense                        | ) | 6100s | thru 6700s |
| Customer Operations  | ) |       |            |
| Corporate Operations   | ) |       |            |
| Operating Taxes  |   | 7200* | 7200       |
| Non-operating 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 Borrower/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 |

**TOTAL TELECOMMUNICATIONS PLANT:** the sum of the balances of the following accounts of the Borrower/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 |
| Non-Operating Plant                                      | 2006 | 2006 |
| Goodwill   | 2007 | 2007 |

\*Summary Accounts

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

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

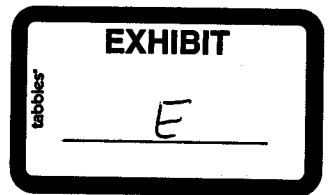
NOTE: For Non-Profit Organizations – Owner's equity shall be shown in sub-accounts of 4540 and 4550.

**TOTAL ASSETS:** the sum of the balances of the following accounts of the Borrower/Mortgagor

|                                |       |      |       |
|--------------------------------|-------|------|-------|
| Current Assets                 | 1100s | thru | 1300s |
| Non-Current 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 Borrower/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  |



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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF ALBION TELEPHONE COMPANY FOR  
AUTHORITY TO BORROW FROM THE  
FEDERAL FINANCE BANK IN THE  
AMOUNT OF NOT MORE THAN  
\$17,075,000.00

Case No. ALB-T-12-01

**ORDER NO.** \_\_\_\_\_

On January 11, 2012, Albion Telephone Company (hereinafter “Applicant” or “Albion”) filed an Application for Loan Approval with this Commission requesting authorization to execute and deliver a Future Advance Promissory Note (“Note”) in the amount of Seventeen Million Seventy-Five Thousand Dollars (\$17,075,000.00) in favor of the Federal Finance Bank (hereinafter called “FFB”) to be guaranteed by the United States of America, acting through the Rural Utilities Service (“RUS”) and secured by a Restated Mortgage, Security Agreement and Financing Statement (“Mortgage”).

The Applicant has applied for and received approval of a telecommunications loan in the amount of \$17,075,000.00 from the FFB, which will be evidenced by the Note, guaranteed by RUS and secured by the Mortgage. The Mortgage as restated secures the Loan together with the

Outstanding RUS Notes and Outstanding Co-Lender Notes given in connection with loans to Albion by RUS and CoBank previously approved by the Commission. The Applicant also will deliver a Reimbursement Note to RUS evidencing Albion's obligation to reimburse RUS for all payments and costs incurred by RUS, if any, under its guarantee to FFB.

A condition to the advance of the funds under the Loan is that Albion provide evidence satisfactory to RUS that Albion has been released by D.L. Evans Bank from Albion's guarantee of a loan previously made by D.L. Evans to Syringa Wireless, LLC. Albion is no longer a member of Syringa Wireless, LLC, and has arranged for alternate, non-Company sourced security to be provided to D.L. Evans Bank to satisfy this condition.

In support of its Application, Albion alleges that the proposed RUS loan proceeds will be used to build fiber to premises ("FTTP") facilities capable of providing telephony, high-speed data, and broadband services to all the subscribers in the Albion and Arco exchanges and to the majority of subscribers in the Malad exchange. The fiber architecture is similar to a traditional twisted pair network in that each served customer will have a dedicated fiber back to the central office or remote electronic sites. Installation of optical fiber and FTTP technology will enable the Company to offer carrier-class telephony in addition to interactive two-way broadband series, digital multimedia, Smart Grid applications, TeleMedicine, TeleEducation/Distance Learning, TeleCommuting, public safety services and entertainment services. The Applicant further alleges that proposed RUS loan is consistent with the public interest inasmuch as construction and upgrading of high speed infrastructure will improve service for Albion's customers, will further the goals of universal service and provide economic stimulus to rural communities in southern Idaho.

After examining the Application and supporting documents and being fully advised in the premises, the Commission hereby finds that a hearing in this matter is not required, and that the



proposed transaction is consistent with the public interest and the Applicant's proper performance of its duties as a public utility.

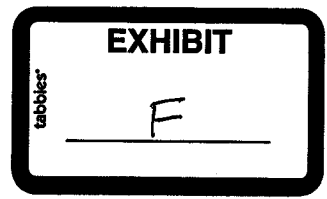
IT IS THEREFORE ORDERED that the Application of Albion Telephone Company for authority to execute and deliver to the Rural Utilities Service a Future Advance Promissory Note in an amount not to exceed \$17,075,000.00, the Loan Agreement, the Mortgage and related documents in connection with the Loan is hereby GRANTED.

DONE by Order of the Idaho Public Utilities Commission this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Paul Kjellander, President

\_\_\_\_\_  
Mack Redford, Commissioner

\_\_\_\_\_  
Marsha Smith, Commissioner



**LEGAL NOTICE OF ALBION TELEPHONE COMPANY  
APPLICATION FOR AUTHORITY TO BORROW FUNDS**

NOTICE IS HEREBY GIVEN that on January 11, 2011, Albion Telephone Company filed with the Idaho Public Utilities Commission an Application for authority to borrow up to \$17,075,000.00 from the United States of America, acting through the Federal Finance Bank, to be used for building fiber to premises facilities capable of providing telephony, high-speed data, and broadband services to all the subscribers in the Albion and Arco exchanges and to the majority of subscribers in the Malad exchange. The loan will be evidenced by Notes given to the Federal Finance Bank and the Rural Utilities Service and secured by a Restated Mortgage, Security Agreement and Financing Statement.

The Application is on file and is available for public inspection at the Idaho Public Utilities Commission. Any person desiring to comment on said Application must file petitions or protests with the Idaho Public Utilities Commission within fourteen (14) days of the filing date. If no protests are received within this time limit, the Commission may consider the Application and enter its Order without setting the matter for hearing. If written protests are filed with the Commission within the time limit set, the Commission will consider the same, and in its discretion, may set a hearing. Petitions or protests must be filed with: Jean Jewell, Secretary, Idaho Public Utilities Commission, Statehouse, Boise, Idaho 83720.

Jean Jewell, Secretary  
Idaho Public Utilities Commission