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③ Measured RTB
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Doc No. 414

SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT, dated as of June 27, 1974, made by and among BLUE MOUNTAIN TELEPHONE, INC.

----- (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Oregon -----, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called "REA"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government (the Government and Bank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, the Mortgagor has heretofore borrowed funds from the Government pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq., hereinafter called the "Act"), and pursuant to a loan contract or amending loan contract identified in the tenth recital hereof (hereinafter called the "Instruments Recital") by and between the Mortgagor and the Government (said loan contract, as it may have been amended prior to the date of the Telephone Loan Contract Amendment referred to below, being hereinafter called the "Prior REA Loan Agreement") and has duly authorized and executed, and delivered to the Government, certain mortgage notes all payable to the order of the Government, in installments, of which the mortgage notes (hereinafter collectively called the "Outstanding REA Notes") identified in the Instruments Recital are now outstanding and held by the Government; and

WHEREAS, the Outstanding REA Notes are secured by the security instruments (hereinafter collectively called the "REA Mortgage") made by the Mortgagor to the Government identified in the Instruments Recital; and

WHEREAS, the Mortgagor, the Government and the Bank desire to add the Bank as a secured party under the REA Mortgage and further desire to amend, supplement and consolidate the REA Mortgage; and

WHEREAS, under the provisions of the Act and other applicable law, the Administrator of REA is authorized to amend, supplement and consolidate the REA Mortgage as herein provided; and

WHEREAS, the changes in the REA Mortgage which the parties thereto and hereto desire now to effect make advisable the consolidating and restating of each of the instruments constituting the REA Mortgage in its entirety;

NOW, THEREFORE, this Supplemental Mortgage and Security Agreement

WITNESSETH:

That each of the instruments constituting the REA Mortgage is hereby amended, supplemented and consolidated to read in its entirety from and after the date of execution of this Supplemental Mortgage and Security Agreement (the REA Mortgage, as amended, supplemented and consolidated hereby, being herein called "this Mortgage") as follows:

Form - Orig. Common REA - Tel. Bank Mtg. 7-6846

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Project Designation: Oregon 520-D5 Blue Mountain

No. 1

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

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

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

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

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

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

"Prior REA Loan Agreement" (exclusive of amendments) dated as of June 18, 1956

"Telephone Loan Contract Amendment", dated as of March 29, 1973

"Outstanding REA Notes":

seven ----- (7 ----) certain notes, in the aggregate principal amount of \$ 778,000 -----, all of which will mature on or before November 13, 2006.

<u>"REA Mortgage":</u>	<u>Instrument</u>	<u>Date</u>	<u>Trustee, if any</u>
1. Mortgage		November 13, 1956	
2. Supplemental Mortgage		November 13, 1956	
3. Supplemental Mortgage		December 26, 1959	

"Bank Note"

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>
of even date herewith	\$278,250	8%	35 years after datethereof

"Concurrent REA Note:

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

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

3. The following subdivision(s) of Article II hereof is(are) hereby made applicable:
Section 4(b)

4. The percentage referred to in Section 15(a)(1) and Section 15(b) of Article II hereof is hereby established as ten ----- percentum (10 ----%). The date referred to in Section 15(a)(3) of Article II hereof is hereby established as December 31, 1972 .

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

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

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

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

I

All right, title and interest of the Mortgagor in and to the Existing Facilities and buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties real, personal and mixed, tangible or intangible, of every kind or description, now owned by the Mortgagor or which may hereafter be owned, constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all buildings, plants, works, structures, improvements, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, subscriber station equipment, including house wiring and protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the property described in the following property schedule:

PROPERTY SCHEDULE

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

Crook, Grant and Wheeler, in the State of Oregon

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

1. Land in the town of Monument, Grant County,

Oregon: Atract of land in Lot 6 described as follows:
Beginning at a point which is 149.6 feet South
and 660.0 feet West of the center of Sec. 1,
Twp. 9 S., R. 27 E., W.M.; thence North 30.0
feet; thence West 30.0 feet; thence South 30.0
feet; thence East 30.0 feet to the Place of
Beginning.

2. Land in the town of Paulina, Crook County,

Oregon: The North 30 feet of Lot Four (4) in Block One (1)
of Paulina, Oregon, according to the official plat
thereof on file and of record in the office of
the County Clerk for Crook County, Oregon.

3. Land in Long Creek, Grant County, Oregon:

A parcel of land thirty feet square described as
follows: Beginning at the NE corner of Block
Three (3) of Allen Addition to Long Creek, Oregon,
according to the Plat thereof on file, and of
record in Book L, page 39 of the Deed Records of
Grant County, Oregon; thence Southerly along the
East line of said Block 3 a distance of thirty
(30) feet; thence West a distance of thirty (30)
feet; thence North a distance of thirty (30)
feet; thence East along the North line of said
Block three (3) a distance of thirty (30) feet to
the point of beginning, Being situated in the
town of Long Creek, County of Grant, State of Oregon.
EXCEPT any and all Rights of way and Easements
thereon.

4. Land in Spray, Wheeler County, Oregon:

Beginning at a point 1486.1 feet South and 1163
feet West of the Northeast corner of Section 36
in Township 8 South Range 24 E.W.M.; thence North
87 degrees 28 minutes West to the Center of the
John Day River; thence up the center of the John
Day River to a point which is West of a point
273.1 feet South of the point of beginning; thence
East to a point 273.1 feet South of point of be-
ginning; thence North 273.1 feet to the point of
beginning.

5. Land in Mitchell, Wheeler County, Oregon:

A parcel of land 16 feet by 18 feet described as
follows: Commencing at the NW corner of Lot 6 in

Block A of Sargent's Pat of Mitchell as the same is recorded in the office of the County Clerk for Wheeler County, Oregon; running thence southerly along the West line of Lot 6 for a distance of 123 feet to the point of beginning; thence southerly for a distance of 16 feet; thence 90° lt. for a distance of 18 feet; thence 90° lt. for a distance of 16 feet; thence 90° lt. for a distance of 18 feet to the point of beginning.

II

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

III

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

IV

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

V

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

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

Provided, however, that except as hereinafter provided in section 12(b) of article II hereof, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

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

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ARTICLE I

ADDITIONAL NOTES

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

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

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

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

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

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

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

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

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

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

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

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

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

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

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

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 per cent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation insurance covering all employees of the Mortgagor, in such amounts as may be required by law, or if the Mortgagor or any of its employees are not subject to the workmen's compensation laws of the State or States in which the

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Mortgagor conducts its operations, then its workmen's compensation policy shall provide voluntary compensation coverage to the same extent as though the Mortgagor and such employees were subject to such laws; and including occupational disease liability coverage, and "additional medical" coverage of not less than \$10,000 in States where full medical coverage is not required by law; (3) public liability and property damage liability insurance, covering ownership liability, and all operations of the Mortgagor, with limits for bodily injury or death of not less than \$100,000 for one person and \$300,000 for each accident, and with limits for property damage of not less than \$50,000 for each accident and \$100,000 aggregate for the policy period; (4) liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the Mortgagor's business, whether owned, non-owned or hired by the Mortgagor, with bodily injury limits of not less than \$100,000 for one person and \$300,000 for each accident, and with property damage limits of \$25,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$100,000 per person and \$300,000 for each accident; (5) comprehensive, or separate fire, theft and windstorm insurance covering loss of or damage to all owned motor vehicles, trailers, and aircraft of the Mortgagor, having a unit value in excess of \$1,000, in an amount not less than the actual cash value of the property insured; and (6) fire and extended coverage insurance, designating the Government and the Bank as mortgagees in the policy, on each building, each building and its contents, and materials, supplies, poles and crossarms, owned by the Mortgagor, having a value at any one location in excess of \$5,000, or in excess of one percent of the total plant value, whichever is larger, and in an amount not less than 80 percent of the current cost to replace the property new, less actual depreciation.

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

(b) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which shall be covered by insurance, unless the majority REA noteholders and the majority Bank noteholders shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that the Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose. The Mortgagor shall replace the loss or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith so that such replacement or restoration shall be so completed that the portion of the Mortgaged Property so replaced or restored shall be free and clear of all mechanics' liens and other claims.

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

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

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

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

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

(b) Salaries, wages and other compensation paid by the Mortgagor for services, and directors' or trustees' fees, shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor. Except as specifically authorized in writing in advance by the majority REA noteholders and the majority Bank noteholders, the Mortgagor will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members or affiliated companies. As used in this section, the term "affiliated companies" shall have the meaning prescribed for this term by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies.

SECTION 11. The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings business and affairs of the Mortgagor, in accordance with methods of accounting prescribed by the state regulatory body having jurisdiction over the Mortgagor, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission. The Mortgagor will prepare and furnish each noteholder not later than the thirtieth