

41728

Form - Restated REA/RTB Mortgage (Restating
REA/RTB Common Mtg.) - Telephone
Subsequent REA Loan (RES-REA) - 9/91

7-135

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RESTATED MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT, dated as of February 13,
1992, made by and among TELEPHONE UTILITIES OF EASTERN
OREGON, INC. -----

(hereinafter called the "Mortgagor"), a corporation existing
under the laws of the State of Oregon -----,
as mortgagor and debtor, 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 United States of America, as
mortgagees and secured parties, (the Government and the
Bank being hereinafter sometimes collectively called the
"Mortgagees").

WHEREAS, the Mortgagor has heretofore borrowed funds from the
Government and the Bank 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 seventh recital hereof
(hereinafter called the "Instruments Recital"), by and among the Mortgagor, the
Government and the Bank (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 Loan Agreement"); and

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

REA Project Designation: Oregon 520-H8 Blue Mountain

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.

RETURN TO:
Pacific Telecom, Inc.
Attn: Lynn Greene-VH 1070
PO BOX 9901
Vancouver, WA 98668-8901

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260.00

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

WHEREAS, the Outstanding Notes are secured by the security instruments (hereinafter collectively called the "Underlying Mortgage") made by the Mortgagor to the Government or by the Mortgagor to the Government and the Bank, as the case may be, identified in the Instruments Recital; and

WHEREAS, the Mortgagor has determined to borrow additional funds from the Government pursuant to the Act and to the Prior Loan Agreement, as it may have heretofore been amended and as amended by the Telephone Loan Contract Amendment, identified in the Instruments Recital (the Prior Loan Agreement, as so amended, and as it may from time to time be further amended, supplemented, consolidated or restated,* being hereinafter called the "Consolidated Loan Agreement") and has accordingly duly authorized, executed and delivered to the Government its mortgage note(s) (identified in the Instruments Recital and hereinafter called the "Current REA Note") to be secured by the Underlying Mortgage, as amended, supplemented, consolidated and restated hereby; 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 and Article II, Section 21(a) hereof, are as follows:

INSTRUMENTS RECITAL

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

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

"Telephone Loan Contract Amendment", dated as of September 17, 1991.

"Outstanding REA Notes":

sixteen --(16) certain mortgage notes in an aggregate principal amount of \$ 37,662,000 -----, all of which will finally mature on or before August 21, 2024.

* and together with that certain Amended and Restated Loan Commitment Agreement, dated as of January 28, 1983, as amended, among the Mortgagor, the Government, acting through the Administrator of REA, and the Federal Financing Bank.

"Outstanding Bank Notes":

one ----- (1) certain mortgage note in the principal amount of
\$278,250, which will finally mature on June 27, 2009.

"Underlying Mortgage":

<u>Instrument</u>	<u>Date</u>
1. Supplemental Mortgage and Security Agreement	June 27, 1974
2. Supplement to Supplemental Mortgage and Security Agreement	October 13, 1978
3. Supplement to Supplemental Mortgage and Security Agreement	June 4, 1980
4. Supplement to Supplemental Mortgage and Security Agreement	May 31, 1983

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

<u>Principal Amount</u>	<u>Interest Rate</u> <u>(per annum)</u>	<u>Final Payment Date</u>
\$1,489,000	five percentum (5%)	Fifteen -- (15) years from the date thereof ;

2. "Maximum Debt Limit" for purposes of Article I, Section 1 hereof, shall be
one hundred million dollars (\$100,000,000 -----).
3. The following subdivisions of Article II hereof are hereby made applicable:
Section 4(b)
4. The date referred to in Section 15(a)(3) of Article II hereof is hereby
established as December 31, 1978
5. The Forecast Period referred to in Article II, Section 21(a) of this Mortgage
shall be the period commencing with the date hereof and ending December 31,
1994 ----- . Also in Article II, Section 21(a), the TIER the
Mortgagor is required to maintain after the end of the Forecast Period shall
be 1.5 .

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

WHEREAS, it is further intended by the Mortgagor, at the request and with the consent of the Mortgagees, as owners and holders of the Outstanding Notes, to amend and supplement the Underlying Mortgage in the respects hereinafter set forth; and

WHEREAS, the changes in the Underlying Mortgage which the Mortgagor and the Mortgagees, as holders of the Outstanding Notes, desire now to effect make advisable the consolidating and restating of each of the instruments, constituting the Underlying Mortgage in its entirety; and

WHEREAS, all acts, things, and conditions prescribed by law and by the articles of incorporation and bylaws of the Mortgagor have been duly performed and complied with to authorize the execution and delivery hereof and to make this Restated Mortgage, Security Agreement and Financing Statement (hereinafter called "this Restated Mortgage") a valid and binding mortgage, and to make this Restated Mortgage an amendment and supplement to, and a consolidation and restatement of, the Underlying Mortgage; and

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

WHEREAS, it is contemplated that the Outstanding REA Notes and the Current REA Note shall be secured hereby, as well as additional notes and refunding, renewal and substitute notes (hereinafter collectively called the "Additional REA 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 Current REA Note and any Additional REA Notes being hereinafter collectively called the "REA Notes"); and

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

Bank as hereinafter provided (the Outstanding Bank Notes and any Additional Bank Notes being hereinafter collectively called the "Bank Notes", and the REA Notes and the Bank Notes, collectively, being hereinafter called the "notes"); and

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, to the extent that any of the property described or referred to herein and in the Underlying 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 the Underlying Mortgage and this Restated Mortgage, collectively, be regarded as a "security agreement" under the Uniform Commercial Code and that this Restated Mortgage be regarded as a "financing statement" under the Uniform Commercial Code for said security agreement.

NOW, THEREFORE, this Restated Mortgage, Security Agreement and Financing Statement

WITNESSETH

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

GRANTING CLAUSE

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 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 or leased by the

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Mortgagor or which may hereafter be owned or leased, constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all buildings, plants, works, structures, improvements, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, whether underground or overhead or otherwise, wires, cables, exchanges, switches including, without limitation, host switches and remote switches, desks, testboards, frames, racks, motors, generators, batteries and other items of central office equipment, paystations, protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the property described in the following property schedule:

PROPERTY SCHEDULE

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

Crook, Deschutes, Gilliam, Grant, Klamath, Lake, Morrow,
Umatilla, Union, Wasco, 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:

PROPERTY SCHEDULE
TELEPHONE UTILITIES OF EASTERN OREGON

BOARDMAN CENTRAL OFFICE (BDMN-3102)

A certain tract of land described in a certain deed, dated July 6, 1965 by City of Boardman Urban Renewal Agency, a municipal corporation of the State of Oregon, as Grantors to the Mortgagor, as Grantee, and recorded on July 28, 1965 in the office of the Clerk of Morrow County, in the State of Oregon, in deed book 72, on page 264-266;

Lot 6 in Block 1, South Boardman (according to the duly recorded plat thereof) Section 9, Township 4 North, Range 25 East of the Willamette Meridian.

CHEMULT CENTRAL OFFICE (CHML-2507)

A certain tract of land described in a certain deed, dated August 21, 1970 by Richard B. Jessup and Virginia C. Jessup, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on October 8, 1970 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book M70, on page 9025;

Lot 12 in Block 1 of Chemult, Klamath County, Oregon.

CHEMULT CENTRAL OFFICE (CHML-2507)

A certain tract of land described in a certain deed, dated March 22, 1957 by Hugh Porter and Earl Porter, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on March 26, 1957 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book 290, on page 447;

Block 1 Lot 11, City of Chemult, County of Klamath, State of Oregon.

CHILOQUIN OLD CENTRAL OFFICE (CHLO-2505)

A certain tract of land described in a certain deed, dated June 17, 1959 by George L. Reed and Lovina Reed, husband and wife, and Hazel I. Niehaus, a widow, as Grantors to the Mortgagor, as Grantee, and recorded on July 20, 1959 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book 314, on page 299;

Lot 5 Block 2, of Chiloquin, Oregon.

NEW CHILOQUIN CENTRAL OFFICE (CHLQ-2505)

A certain tract of land described in a certain deed, dated December 13, 1972 by James L. Chipman, as Grantor to the Mortgagor, as Grantee, and recorded on December 14, 1972 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book M72, on page 14340;

Lots 1, 2, and 3, Block 9, First Addition to Chiloquin, Klamath County, Oregon, according to plat thereof recorded in Volume 6 of Plats, page 111, records of said county.

CHILOQUIN MICROWAVE (CHLQ-2505)

A certain tract of land described in a certain deed, dated March 8, 1971 by Winema Peninsula, Inc. an Oregon corporation as grantor to the Mortgagor, as Grantee, and recorded on March 10, 1971 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book M71, on page 2040;

Lot 5 in Block 9, tract No. 1019 known as Winema Peninsula Unit No. 2 per plat recorded in records of Klamath County, Oregon.

CHRISTMAS VALLEY (CHVY-2528)

A certain tract of land described in a certain deed, dated May 30, 1985 by J. Woodrow Duff, as Grantor to the Mortgagor, as Grantee, and recorded on June 3, 1985, in the office of the Clerk of Lake County, in the State of Oregon, in deed book 201, on page 146 Records of DEEDS of Lake County;

Lot 3 in Duffs Subdivision, being a Re-Plat of all of Blocks A and B in Thompsons Re-Plat of Lots 1, 2 and 3, Block 17 of Christmas Valley Townsite, Unit No. 9, a subdivision of a portion of Section 10, Township 27 South, Range 17 East of the Willamette Meridian, Lake County, Oregon.

FORT KLAMATH CENTRAL OFFICE (FTKL-2506)

A certain tract of land described in a certain deed, dated September 30, 1952 by Harold L. Wimer and Myrtle Wimer, husband and wife, as Grantors to the Mortgagor as Grantee, and recorded on October 2, 1952 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book 257, on page 111;

Lot 7 in Block 2 of Fort Klamath, Klamath County, Oregon, according to the duly recorded plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

FOSSIL COMMERCIAL OFFICE (FOSL-3001)

A certain tract of land described in a certain deed, dated December 28, 1956 by Clarence Asher and Delpha Asher, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on February 18, 1957 in the office of the Clerk of Wheeler County, in the State of Oregon, in reference no. 39234;

Lot 9 in Block 1 of Sanderson's Addition to the Town of Fossil, according to the duly recorded plat thereof in the County of Wheeler, State of Oregon.

FOSSIL CENTRAL OFFICE (FOSL-3001)

A certain tract of land described in a certain deed, dated July 31, 1975 by Clarence Asher and Delpha Asher, as Grantors to the Mortgagor, as Grantee and recorded on escrow instructions in the office of the First National Bank of Oregon, Fossil Branch, in the State of Oregon;

Parcel #1 Lot #2, Block 1, of Sanderson's Addition to the Town of Fossil in Wheeler County, Oregon.

FOSSIL WAREHOUSE (FOSL-3001)

A certain tract of land described in a certain deed, dated July 31, 1975 by Clarence Asher and Delpha Asher, as Grantors to the Mortgagor, as Grantee and recorded on escrow instructions in the office of the First National Bank of Oregon, Fossil Branch, in the State of Oregon;

Parcel #2 Part of Lot #4, Block 1, of Kelsay's First Addition to the Town of Fossil, Wheeler County, Oregon.

FOSSIL MICROWAVE SITE (FOSL-3001)

A certain tract of land described in a certain deed, dated September 9, 1977 by Floyd S. Johnson and Lenore-Jeanne Johnson, as Grantors to the Mortgagor, as Grantee, and recorded on September 9, 1977 in the office of the Clerk of Wheeler County, in the State of Oregon, in microfilm records M34-983;

The North $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 15, Township 7 South, Range 21 East, W.M. A previous deed recorded 9-9-77 as M34-983, Wheeler County Deed records, between the parties, erroneously omitted the Section and described the parcel as located in range 22 East, not range 21 East.

FOSSIL MICROWAVE (FOSL-3001)

A certain tract of land described in a certain deed, dated September 6, 1978 by Floyd Johnson as Grantor to the Mortgagor, as Grantee, and recorded on October 19, 1978 in the office of the Clerk of Wheeler County, in the State of Oregon, in microfilm records M-35-343;

Commencing at the East $\frac{1}{4}$ corner of Section 31, Township 6 South, Range 21 East, and running thence South 37.18'19" West. A distance of 4612.60' to the true point of beginning for this description; thence South 100.00'; thence West 100.00'; thence North 100.00'; thence East 100.00' to the point of beginning; all being in Section 6, Township 7 South, Range 21 East of the Willamette Meridian County of Wheeler.

FOSSIL-KINZUA MICROWAVE HUT (FOSL-3001)

A certain tract of land described in a certain deed, dated September 12, 1978 by Kinzua Corporation, a Washington corporation, as Grantors to the Mortgagor, as Grantee, recorded on October 19, 1978 in the office of the Clerk of Wheeler County, in the State of Oregon, in microfilm records M-35-344;

A parcel of land in the NE $\frac{1}{4}$ of Section 15, Township 7 South, Range 23 East, W.M., described as follows:

Commencing at United States Forrest Service Triangulation station Oxhead and running thence South 37 degrees 14' 30" East 19,735.49 feet to the TRUE POINT OF BEGINNING; Thence South 100 feet; Thence West 100 feet; Thence North 100 feet; Thence East 100 feet to the true point of beginning.

TOGETHER WITH a Permanent Non-Exclusive Easement, 10 feet in width, being five feet in width on either side of the following described center line: Commencing at the above described point of beginning and running thence South 100 feet; Thence West 50 feet to the TRUE POINT OF BEGINNING of this center line description; Thence South 44 degrees 35' 36" East 379.06 feet; Thence South 28 degrees 15' 05" East 270.05 feet; Thence South 56 degrees 17' 16" East 343.30 feet; Thence South 64 degrees 11' 30" East 236.88 feet; Thence South 80 degrees 07' 51" East 269.60 feet to a point in the right-of-way of the Condon Radar Site Access Road.

LAKEVIEW POLE YARD (LKVW-2501)

A certain tract of land described in a certain deed, dated November 23, 1971 by Pacific Power & Light Company, a main corporation as Grantor to the Mortgagor, as Grantee, and recorded on December 16, 1971 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 159, on page 680;

Beginning at a point on the South line of 3rd Street South in the Town of Lakeview, Lake County, Oregon, which point is South 89.38' West a distance of 60' from the Northwest corner of Mountain View Addition to the Town of Lakeview, Lake County, Oregon, running thence South 0.23'10" East, 244.69'; thence South 89.38' West, 100' to a point; thence northerly to a point on the South margin of Third Street, South, which point is South 89.38' West 100' from the point of beginning, thence North 89. East 100' from the point of beginning.

LAKEVIEW CENTRAL OFFICE (LKVW-2501)

A certain tract of land described in a certain deed, dated April 24, 1963 by Janice L. Alger, a single woman, hereinafter called as Grantor to the Mortgagor, as Grantee, and recorded on April 29, 1963 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 137, on page 558;

Commencing at the Southeast corner of Lot 8 in Block 3 of the Town of Lakeview, Lake County, Oregon; thence North 90' to the Northeast corner of Lot 7 in said block; thence Westerly 50'; thence Southerly 90'; thence Easterly to the place of beginning.

LAKEVIEW WAREHOUSE (LKVW-2501)

A certain tract of land described in a certain deed, dated March 8, 1960 by the Town of Lakeview, a municipal corporation as Grantors to the Mortgagor, as Grantee, and recorded on March 21, 1960 in the office of the Clerk of Lake County in the State of Oregon, in deed book 128, on page 173;

Beginning at a point 38' West of the Northeast corner of Lot 5 in Block 3 of the Original Town of Lakeview, Oregon, as the same appears on the official plat thereof on file and of record in the office of the County Clerk of Lake County, Oregon; running thence West 2'; thence South 80'; thence East 2'; thence North 80' to the point of beginning.

LAKEVIEW WAREHOUSE ADDITION (LKVV-2501)

A certain tract of land described in a certain deed, dated May 11, 1970 by the Town of Lakeview, Oregon, a municipal corporation, as Grantor to the Mortgagor, as Grantee, and recorded on May 11, 1970 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 155, on page 274;

A parcel of land in the original Town of Lakeview in Lakeview County, Oregon as the same is platted and subdivided being more particularly described as follows: Beginning at a point on the North line of Lot 5 in Block 3 of the aforementioned subdivision, said point being 62 feet East of the Northwest corner of said Lot 5; thence South a distance of 80'; thence East a distance of 33'; thence North a distance of 40' to a point which is the point of tangency of a 45' radius circular curve to the left; thence Northwesterly along said curve and 5' distant from the outside of a concrete curb, as the same now exists to the point of intersection of said curve with the North line of said Lot 5; thence West along said North line a distance of 6' more or less to the point of beginning.

LAKEVIEW - VACANT LOT (LKVV-2501)

A certain tract of land described in a certain deed, dated July 16, 1955 by Ida Umbach, a single woman, widow of Charles L. Umbach, as Grantor to the Mortgagor, as Grantee, and recorded on April 4, 1957 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 120, on page 559;

The West 50' of Lots 7 and 8 and the West 60' of Lot 5, in Block 3, of the Original Town of Lakeview, Lake County, Oregon; also beginning at the Southeast corner of Lot 6, Block 3, of the Original Town of Lakeview, Lake County, Oregon, running thence West 100'; thence North 45'; thence East 60'; thence South 35'; thence East 40'; thence South 10' to the point of beginning.

LONG CREEK CENTRAL OFFICE (LGCK-2902)

A certain tract of land described in a certain deed, dated July 31, 1957 by J.L. Carter and Rose A. Carter, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on August 28, 1957 in the office of the Clerk of Grant County, in the State of Oregon, in deed book 77, on page 412;

A parcel of land 30' square, described as follows: Beginning at the Northeast corner of Block 3 of Keeney Townsite, Long Creek, Oregon, according to the plat thereof on file and of record in the office of the County Clerk of Grant County, Oregon; thence Southerly along the East line of said Block 3, a distance of 30'; thence West a distance of 30'; thence North a distance of 30'; thence East along the North line of said Block 3 a distance of 30' to the point of beginning.

LONG CREEK CENTRAL OFFICE (ADDITION) (LGCK-2902)

A certain tract of land described in a certain deed, dated May, 1980 by James P. Blanchet, Jr., and Sharon Livingston, as Grantor to the Mortgagor, as Grantee, and recorded on June 30, 1980 in the office of the Clerk of Grant County, in the State of Oregon, in deed book 123, on page 252.

A parcel of land described as follows: Beginning at a point 30 feet South of the Northeast corner of said Block 3; thence Southerly along the East line of said Block 3, a distance of 70 feet; thence West, a distance of 50 feet; thence North, a distance of 100 feet to the North line of said Block 3; thence East, along the North line of said Block 3 to a point 30 feet West of the Northeast corner of said Block 3; thence South, a distance of 30 feet; thence East, a distance of 30 feet to the East line of said Block 3 and the point of beginning.

MAUPIN CENTRAL OFFICE (MAUP-1201)

A certain tract of land described in a certain deed, dated October 15, 1965 by Deschutes Telephone Company, a partnership, Marvin P. Melum, partner, LuElla V. Melum, partner, as Grantors to the Mortgagor, as Grantee, and recorded on November 5, 1965 in the office of the Clerk of Wasco County, in the State of Oregon, in deed book ~~DEEDS~~ on micro film 652319;

Parcel 1 - Lot 18 Block 24, in the Town of Maupin.

MITCHELL-Vacant Lot (MITCH-2903)

A certain tract of land described in a certain deed, dated January 21, 1957 by Joe Norton and Vera Norton, husband and wife and James L. Huddleston and Lois Huddleston, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on January 22, 1957 in the office of the Clerk of Wheeler County in the State of Oregon, in deed book reference no. 39193.

Commencing at the Northwest Corner of Lot 6 in Block A of Sargent's Plat 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 120 feet to the point of beginning; thence Southerly for a distance of 30 feet; thence 90 degrees left for a distance of 30 feet; thence 90 degrees left for a distance of 30 feet; thence 90 degrees left for a distance of 30 feet to the point of beginning.

MITCHELL MICROWAVE SITE (MITCH-2903)

A certain tract of land described in a certain deed dated February 8, 1982 by Diamond International Corporation, a New York Corporation, as Grantors to the Mortgagors, as Grantee, and recorded on February 16, 1982 in the office of the Clerk of Wheeler County, in the State of Oregon and assigned No. M-36-285 in the microfilm Records of said county.

A tract of land located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 24, Township 11 South. Range 22 East of the Willamette Meridian: Commencing at a concrete monument located at the Northeast corner of that tract of land conveyed to Pacific Northwest Bell Telephone Company, thence South 3 degrees 7'30" West along the East line of said tract a distance of 213.36 feet to a 5/8 inch iron rod; thence North 88 degrees 4'7" East a distance of 102.74 feet to a 5/8 inch iron rod and the true point of beginning of this description; thence North 8 degrees 46'33" East a distance of 40.00 feet to a 5/8 inch iron rod; thence South 81 degrees 13'27" East a distance of 40.00 feet to a 5/8 inch iron rod; thence South 8 degrees 46'33" West a distance of 40.00 feet to a 5/8 inch iron rod; thence North 81 degrees 13'27" West a distance of 40.00 feet to the true point of beginning.

MITCHELL MICROWAVE SITE ADDITION (MITCH-2903)

A certain tract of land described in a certain quit claim Deed dated September 21, 1984 by Diamond Group Inc., a New York Corporation, as Grantors to the Mortgagor, as Grantee, and recorded on May 28, 1985 in the office of the Clerk of Wheeler County, in the State of Oregon and assigned No. M-37-326 in the microfilm Records of said county.

A tract of land located in the Northeast Quarter of the Southeast Quarter of Section 24, Township 11 South, Range 22 East, Willamette Meridian, Wheeler County, in the State of Oregon, more particularly described as follows: True Point of Beginning being the Southwest corner of that tract of land conveyed to Telephone Utilities of Eastern Oregon, Inc. by Diamond International Corporation in the Warranty Deed recorded February 16, 1982 as Microfilm No. M-36-285, Deed Records of Wheeler County, Oregon; thence North 08-46'33" East along the Westerly boundary of said Telephone Utilities of Eastern Oregon, Inc. tract a distance of 40.00 feet to the Northwest corner of said tract; thence South 81-13'27" East along the Northerly boundary of said Telephone Utilities of Eastern Oregon, Inc. tract a distance of 40.00 feet to the Northeast corner of said tract; thence North 08-46'33" East a distance of 40.00 feet; thence North 81-13'27" West a distance of 80.00 feet; thence South 08-46'33" West a distance of 80.00 feet; thence South 81-13'27" East a distance of 40.00 feet to the True Point of Beginning and the termination of this description.

MITCHELL CENTRAL OFFICE (MITCH 2903)

A certain tract of land described in a certain Warranty Deed dated September 9, 1981 by George M. & Ruth M. Schnee as Grantors to the Mortgagors, as Grantee and recorded on October 23, 1981 in the office of the Clerk of Wheeler County, in the State of Oregon and assigned No. M-36-164 in the microfilm Records of said county.

A parcel of land in Township 11 South, Range 21 E.W.W., described as follows, to-wit:

Section 36: Commencing at the Northeast corner of Lot 7, of Block "A" of I.N. Sargent's plat of the Town of Mitchell; thence Southerly along the West line of Nelson Street 153.0 feet to the place of beginning; more fully describer as running Westerly at right angles to Nelson Street 75.0 feet to a point; thence Southerly and parallel to said Nelson Street 40.0 feet to a point; thence Easterly at right angles to the course last described above 75.0 feet, to a point on the West line of Nelson Street; thence Northerly along said West line of Nelson Street 40.0 feet to the place of beginning.

All in Township 11 South, Range 21 E.W.M.

MONUMENT CENTRAL OFFICE (MMMT-2904)

A certain tract of land described in a certain deed, dated October 30, 1957 by Charles J. Homes and Lillian F. Homes, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on October 31, 1957 in the office of the Clerk of Grant County, in the State of Oregon, in deed book 77, on page 594;

Lot 6 in Block 1 in the Town of Monument, Grant County, Oregon. A tract 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.

PAISLEY CENTRAL OFFICE (PSLY-2502)

A certain tract of land described in a certain deed, dated June 25, 1962 by George Currier, as Grantor to the Mortgagor, as Grantee, and recorded on June 25, 1962 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 135, on page 712;

Lot 12 in Block "C" of the Original Town of Paisley, in Lake County, Oregon.

PAISLEY RADIO SITE (PSLY-2502)

A certain tract of land described in a certain deed, dated April 30, 1975 by Marilyn L. Rickert, as the Grantor to the Mortgagor, as Grantee, and recorded on May 6, 1975 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 168, on page 167;

A parcel of land situated in the Northeast $\frac{1}{4}$ Section 25, T33S, R18 E.W.M. Lake County, Oregon being more particularly described as follows: Commencing at a scribed stone marking the Northeast corner of said Section 25; thence S00. 17'00" West along the easterly line of said Section 25, 136.73' to a $\frac{1}{2}$ " iron pin marking the point of beginning for this description; thence continuing S00.17'00" West along said section line, 100.00' to a $\frac{1}{2}$ " iron pin; thence leaving said section line N89.43'00" West, 99.41' to a $\frac{1}{2}$ " iron pin on the edge of a dirt road; thence N26.07'49" West along the edge of said dirt road, 111.66' to a $\frac{1}{2}$ " iron pin; thence leaving said dirt road S89.43'00" East, 149.08' to the point of beginning containing 0.29 acres more or less.

PAULINA CENTRAL OFFICE (PALN-2905)

A certain tract of land described in a certain deed, dated November 16, 1960 by Elvin Johnson and Elsie Johnson, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on January 16, 1961 in the office of the Clerk of Crook County, in the State of Oregon, in deed book 84, on page 460;

The North 30' of Lot 4 in Block 1 of the Town of Paulina, Crook County, Oregon, according to the plat thereof on file and on record in the office of the County Clerk of Crook County, Oregon.

PAULINA CENTRAL OFFICE SITE ADDITION (PALN-2905)

A certain tract of land described in a certain deed, dated August 26, 1981 by Elvin E. Johnson and Elsie E. Johnson, husband and wife, and Robert E. Brittner and Ingeleorg Brittner, husband and wife, as Grantor to the Mortgagor, as Grantee, and recorded on August 28, 1981 in the office of the Clerk of Crook County, in the State of Oregon, recorded as MF #61483 in the microfilm records of said county.

The West 18 feet of the North 30 feet of Lot 3 in Block 1 of the Town of Paulina, Crook County, Oregon.

PAULINA MICROWAVE SITE (PALN-2905)

A certain tract of land described in a certain deed, dated January 19, 1981 by Lowell H. Congleton, Ross L. Congleton, Ida Rae Congleton Jucola, and Fayne F. Ritch and Jessie M. Ritch, husband and wife, as Grantors to the Mortgagors, as Grantee, and recorded on January 20, 1982 in the office of the Clerk of Crook County, in the State of Oregon in Deeds MF #63469 of said county.

A tract of land located in the Northwest quarter of Section 33, Township 16 South, Range 23 East of the Willamette Meridian, Crook County, Oregon: Commencing at the Southwest corner of said Section 33, thence North 22.13'49" East a distance of 3096.01 feet to the True point of Beginning of this description: thence North 34.08'19" East a distance of 30.00 feet; thence South 55.51'41" East a distance of 30.00 feet; thence South 34.08'19" West a distance of 30.00 feet; thence North 55.51'41" West a distance of 30.00 feet to the true point of beginning.

PAULINA MICROWAVE SITE ADDITION (PALN-2905)

A certain tract of land described in a certain deed, dated February 29, 1984 by Fayne F. Ritch and Jessie M. Ritch, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on March 7, 1984 in the office of the Clerk of Crook County, Oregon on Deeds microfilm MF #71724 of said county.

The true point of beginning being the most Westerly corner of that tract of land conveyed to Telephone Utilities of Eastern Oregon, Inc., by Fayne F. Ritch and Jessie M. Ritch, et al by deed recorded January 20, 1982 in Deeds No. 63469, Records of Crook County, Oregon; thence South 55° 51' 41" East along the Southwesterly boundary of said Telephone Utilities of Eastern Oregon, Inc. tract a distance of 30.00 feet to the most Southerly corner of said tract; thence North 34° 08' 19" East along the Southeasterly boundary of said Telephone Utilities of Eastern Oregon, Inc. tract a distance of 30.00 feet to the most Easterly corner of said tract; thence South 55° 51' 41" East a distance of 10.00 feet; thence South 34° 08' 19" West a distance of 40.00 feet; thence North 55° 51' 41" West a distance of 40.00 feet; thence North 34° 08' 19" East a distance of 10.00 feet to the true point of beginning.

PILOT ROCK CENTRAL OFFICE (PLRK-3101)

A certain tract of land described in a certain deed, dated May 17, 1963 by Donald Kay Asher and Nola Rae Asher, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on May 28, 1963 in the office of the Clerk of Umatilla County, in the State of Oregon, in deed book 272, on page 88;

PARCEL I: Lot 8, in Block 3, in the Original Town of Pilot Rock. EXCEPT: The Easterly 31 feet of Lot 8, Block 3, in the Original Town of Pilot Rock. All being East of the Willamette Meridian in the County of Umatilla, State of Oregon.

PARCEL II: The Easterly 31 feet of Lot 8, in Block 3, in the Original Town of Pilot Rock. All being East of the Willamette Meridian in the County of Umatilla, State of Oregon.

PILOT ROCK BUILDING (PLRK-3101)

A certain tract of land described in a certain deed, dated September 24, 1979, by Pacific Northwest Bell Telephone Company, a Washington Corporation, as Grantor to the Mortgagor, as Grantee, and recorded on September 28, 1979, in the office of the Clerk of Umatilla County, in the State of Oregon, in deed book R-56, page 283.

Beginning at a $\frac{1}{4}$ " round iron pipe which appears North 89°15' East, 2153.31' from the Northwest corner, Section 28, township 3 South, Range 31, said point being on the North line of said Section 28; running thence North 89°15' East, 502.49' along said line to the Northeast corner of the Northwest Quarter of said Section 28, which is a 6" round Lodgepole Pine blazed on four sides and marked $\frac{1}{4}$ Cor./28; thence South 1,330.7' to a $\frac{1}{4}$ " round iron pipe to the Southeast corner of the Northeast Quarter of the Northwest Quarter of said Section 28, which lies between two marked pine witness trees; thence South 89°15' West, 502.46' to a $\frac{1}{4}$ " round iron pipe, thence North 1,330.7' to the point of beginning all being East of the Willamette Meridian, in the County of Umatilla and State of Oregon.

PINE GROVE CENTRAL OFFICE (PNGV-1204)

A certain tract of land described in a certain deed, dated November 18, 1966 by Pine Grove Community Church, Inc., Helen A. Walters, President, Lucille Detwiler, Secretary, as Grantors to the Mortgagor, as Grantee, and recorded on November 21, 1966 in the office of the Clerk of Wasco County, in the State of Oregon, in deed book DEEDS, on micro film 662059;

Beginning at the intersection of the Davis Lane Road with the Wapinitia Clear Lake County Road on the quarter section line of Section 25, Township 5 South, Range 11 East of the Willamette Meridian; thence running South 200'; running North 200', more or less to the southerly right of way of the Wapinitia Clear Lake County Road; thence running East 200'; more or less, along said southerly right of way line to the place of beginning.

ROCKY POINT CENTRAL OFFICE (RCPN-2508)

A certain tract of land described in a certain deed, dated July 23, 1959 by Richard K. Andrews and Pauline Andrews, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on July 27, 1959 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book 314, on page 375;

The East 75 feet of the North 50 feet of Lot 1, Pelican Acres.

SILVER LAKE

(SLLK-2526)

A certain tract of land described in a certain deed, dated December 14, 1984 by Pacific Northwest Bell Telephone Company, a Washington Corporation, as Grantor to the Mortgagor, as Grantee, and recorded on December 20, 1984 in the office of the Clerk of Lake County, in the State of Oregon, in deed book 199, on page 628;

Lot 8 in Block 1 of the Original Town of Silver Lake, according to the plat thereof on file in the official records of Lake County, Oregon.

SPRAGUE RIVER CENTRAL OFFICE (SPRV-2509)

A certain tract of land described in a certain deed, dated July 13, 1964 by Robert C. Utley & Edwin L. Graffenreid, as Grantors to the Mortgagor, as Grantee, and recorded on July 20, 1964 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book 354, on page 535;

Lots 14 and 15 in Block 17 of First Addition to Sprague River according to the duly recorded plat thereof on file in Klamath County, Oregon.

SPRAGUE RIVER CENTRAL OFFICE (SPRV-2509)

A certain tract of land described in a certain deed, dated May 12, 1976 by R.C. Passolt, as Grantor to the Mortgagor, as Grantee, and recorded on June, 1976 in the office of the Clerk of Klamath County, in the State of Oregon, in deed book M76, on page 8405, reel number 14680;

Lot 13 in Block 17 of First Addition to the town of Sprague River, Oregon as officially platted and recorded.

SPRAY CENTRAL OFFICE (SPRY-2901)

A certain tract of land described in a certain deed, dated December 2, 1974 by Robert Ashmead and R. Margaret Ashmead, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on December 3, 1974 in the office of the Clerk of Wheeler County, in the State of Oregon, in microfilm records M-34-293; and

Beginning at a point of 1486.1' South and 1163' West of the Northeast corner of Section 36, Township 8 South, Range 24 East of the Willamette Meridian, thence North 87. 28' West a distance of 106' to a point; thence South at right angles at a distance of 85' to a point; thence East at right angles a distance of 106' to a point; thence North at right angles a distance of 85' to the point of beginning.

TYGH VALLEY CENTRAL OFFICE (TYVV-1203)

A certain tract of land described in a certain deed, dated May 11, 1956 by Fred L. Ashley and Maxine A. Ashley, husband and wife, as Grantors to the Mortgagor, as Grantee, and recorded on May 15, 1956 in the office of the Clerk of Wasco County, in the State of Oregon, in deed book 133, on page 153;

Lot 8 in Block 7 in the Town of Tygh, commonly called Tygh Valley, Wasco County, Oregon.

UKIAH CENTRAL OFFICE (UKIA-3103)

A certain tract of land described in a certain deed, dated June 15, 1956 by Independent Telephone Company of Pilot Rock, an Oregon corporation, as Grantors to the Mortgagor, as Grantee, and recorded on June 15, 1956 in the office of the Clerk of Umatilla County, in the State of Oregon, in deed book 235, on page 131;

Lots 1 and 2 in Block "F" in the Original Town of Ukiah; excepting there from 20' off the South end of each lot.

WAMIC CENTRAL OFFICE (WAMC-1202)

A certain tract of land described in a certain deed, dated March 31, 1951 by Wamic Telephone Company, Guy Harvey, President, Ethel R. Harvey, Secretary, as Grantors to the Mortgagor, as Grantee, and recorded on April 9, 1951 in the office of the Clerk of Wasco County, in the State of Oregon, in deed book 120, on page 640;

Beginning at a point 1106' East and 571.5' South of the Northwest corner of Section 14, Township 4 South of range 12 East of the Willamette Meridian, said county and state and running thence West 60'; thence North 145.7'; thence East 60'; thence South 145.7' to point of beginning.

LEASED PROPERTIES

ADEL - PCM HUT

A certain tract of land described in a Lease Agreement dated May 15, 1981 between John H. & Lois M. Griener, lessor, and Telephone Utilities of Eastern Oregon, lessee, effective May 15, 1981 for a period through May 15, 1996, with the right and option to extend this lease for a further term of 15 years from May 15, 1996.

Beginning at a point 660 feet East and 312 feet South of the Northwest corner of the SE 1/4 NW 1/4 of Section 21, Twp. 39 South, Range 24 East of the Willamette Meridian, running thence East a distance of 50 feet along the South boundary line of a tract of land conveyed by James G. Dyke, et ux, to John Nolan Griener, et ux, by deed recorded in Book 184 at page 222 of the Record of Deeds; thence North 50 feet; thence West 50 feet; thence South 50 feet to the point of beginning; EXCEPTING THEREFROM, any portion of said property lying within the right of way of the Adel-Fort Bidwell County Road.

CHERMULT - PCM HUT

(CHML-2507)

A certain tract of land described in a Lease Agreement effective November 1, 1983, between Crown Zellerbach Corporation, lessor, and Telephone Utilities of Eastern Oregon, lessee, from November 1, 1983 to and including October 31, 1988; provided however, that lessee may extend said term for (6) additional periods of five years each. Recorded November 25, 1983 in the office of the Klamath County Clerk in deed book M83, page 20298.

A tract of land located in the NE 1/4 NW 1/4 of Section 12, Township 31 S Range 7 #. Beginning at a point on the North line of Public road, said point bearing N 87° 35' 04" W of distance of 152.56 feet from the Southwest corner of Lot 17, Block 18, Tract No. 1027, Mt. Scott Meadow, said Public road being the Westerly extension of Lenze St. in said subdivision; thence N 02° 24' 56" E, parallel with the Easterly right-of-way line of Highway #97, a distance of 20.0 feet; thence N 87° 35' 04" W a distance of 51.62 feet to a point of curvature on the Northerly line of parcel conveyed to Klamath County, Oregon by deed recorded in Vol. M-73, page 8803, microfilm records of Klamath County, Oregon; thence along a curve to the left, having an angle of 64° 37' 20" and a radius of 35.0 feet a distance of 39.47 feet to a point; thence S 87° 35' 04" E along the Northerly line of said Public road, a distance of 20.0 feet to the point of beginning.

GERHARDT WELL TOLL HUT - (NOT A REAL PROPERTY INTEREST) (-2527)

A prefabricated 9' 8" X 9' 8" metal building, procured by a Bill of Sale, dated December 14, 1984, with Pacific Northwest Bell Telephone Company, a Washington Corporation, on a concrete base situated on a tract of land in the Southeast Quarter of the Southwest Quarter of Section 19, Township 25 South, Range 13 East of the Willamette Meridian, Lake County, Oregon, more particularly described as follows:

Beginning at a point which in North 19.-59'-04" West 871.68 feet from the Southeast corner of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of said Section 19; thence North 41.-08'-34" West 50.00 feet; thence North 48.-51'-26" East 50.00 feet; thence South 41.-08'-34" East 50.00 feet; thence South 48.-51'-26" West 50.00 feet to the true point of beginning of this description.

UKIAH- AVANTER TOWER (UKIA-3103)

A certain tract of land described in a Lease Agreement effective January 1, 1980, between U.S. Bar Ranch, lessor, and Telephone Utilities of Eastern Oregon, lessee, for a 10 year term Commencing January 1, 1980 and ending December 31, 1990, inclusive. Lessee shall have option to extend Lease for a further term of 10 years, Recorded April 24, 1980 in the office of the Umatilla County Clerk in the State of Oregon in deed book R-64, page 1647:

A 50 foot by 50 foot parcel of land located approximately 750 feet NE of Pearson Guard Station County Road in the SE 1/4 of SW 1/4 of Section 22, Township 5 S, Range 31 E, Lot 118-57-11, longitude 55°.

TOGETHER WITH all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on any of the properties described above, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining.

II

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

III

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

IV

All right, title and interest of the Mortgagor in, to and under 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), and all stock, bonds, notes, debentures, commercial paper, subordinated capital certificates, securities, obligations of or beneficial interests or investments in any corporation, association, partnership, joint venture, trust, Government or any agency or department thereof, or any other entity of any kind, 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 leased or hereafter acquired by the Mortgagor, it being the intention hereof that all such property now owned or leased but not specifically described herein or acquired or held by the Mortgagor after the date hereof shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

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

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

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

ARTICLE I

ADDITIONAL NOTES

SECTION 1. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional REA Notes to evidence loans made by the Government to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made by the Government to such third party or parties pursuant to the Act, and (2) execute and deliver to the Bank one or more Additional Bank Notes to evidence loans made by the Bank to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Bank created by a loan or loans theretofore made by the Bank to such third party or parties pursuant to the Act. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any note or notes at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding note or notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the outstanding principal balances owing on the notes shall not at any one time exceed the amount identified in the

Instruments Recital as the Maximum Debt Limit, and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority 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 Outstanding REA Notes, the Outstanding Bank Notes, the Current REA Note and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Outstanding REA Notes, the Outstanding Bank Notes, the Current REA Note and this Mortgage has been duly and effectively taken; and the Outstanding REA Notes, the Outstanding Bank Notes, the Current REA Note and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

SECTION 2. The Mortgagor warrants that it has good right and lawful authority to mortgage the property described in the granting 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 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	\$ 50,000
	\$ 200,001 to	400,000	100,000
	400,001 to	600,000	250,000
	600,001 to	800,000	300,000
	800,001 to	1,000,000	400,000
	over	1,000,000	500,000

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 percent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation and employer's liability insurance covering all employees of the Mortgagor, in such amounts as may be required by law, or if the Mortgagor or any of its employees are not subject to the workmen's compensation laws of the State or States in which the Mortgagor conducts its operations, then its workmen's compensation policy shall provide voluntary compensation coverage to the same extent as though the Mortgagor and such employees were subject to such laws; and including occupational disease liability coverage, employer's liability insurance and "additional medical" coverage of not less than \$10,000 in States where full medical coverage is not required by law; (3) public liability and property damage insurance, covering ownership liability, and all operations of the Mortgagor, with limits for bodily injury or death of not less than \$1,000,000 for one person and \$1,000,000 for each accident and with limits for property damages of not less than \$1,000,000 for each accident and \$1,000,000 aggregate for the policy period; (4) liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the Mortgagor's business, whether owned, non-owned or hired by the Mortgagor, with bodily injury limits of not less than \$1,000,000 for one person and \$1,000,000 for each accident, and with property damage limits of \$1,000,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$1,000,000 per person and \$1,000,000 for each accident; (5) comprehensive, or separate fire, theft and windstorm insurance covering loss of or damage to all owned motor vehicles, trailers, and aircraft of the Mortgagor, having a unit value in excess of \$1,000, in an amount not less than the actual cash value of the property insured; and (6) fire and extended coverage insurance, designating the Government and the Bank as mortgagees in the policy, on each building, each building and its contents, and materials, supplies, poles and crossarms, owned by the Mortgagor, having a value at any one location in excess of \$5,000, or in excess of one percent of the total plant value, whichever is larger, and in an amount not less than 80 percent of the current cost to replace the property new, less actual depreciation.

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

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

(c) Sums recovered under any fidelity bond by the Mortgagor for a loss of funds advanced under the notes or recovered by the Mortgagees 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 such prepayments) or to construct or acquire facilities approved by the Mortgagee, which will become part of the Mortgaged Property.

(d) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities, including standard REA endorsements and riders used by the insurance industry to provide coverage for REA borrowers. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right or cancellation reserved to such insurer, such policy or contract shall continue in force for at least ten (10) days after written notice to the Mortgagees of cancellation.

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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, institution or other depository which is not insured by the Federal Government.

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, provided, however, the Mortgagor may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to, an affiliated company of the Mortgagor that is used by such company for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the net worth (defined in Exhibit One) of the Mortgagor and (2) the Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One). As used in this section, the term "affiliated companies" shall have the meaning prescribed for this term by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies.

SECTION 11. The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings business and affairs of the Mortgagor, in accordance with the methods and principles of accounting then prescribed by the state regulatory body having jurisdiction over the Mortgagor, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission in its uniform system of accounts for telecommunications companies, as those methods and principles of accounting may be supplemented, from time to time, by the REA. The Mortgagor will prepare and furnish each noteholder not later than the thirtieth day of January in each year, or at such more or less frequent intervals when specified by the majority REA noteholders and the majority Bank noteholders, financial and statistical reports on its condition and operations. Such reports shall be in such form and include such information as may be specified by the majority REA noteholders and the majority Bank noteholders, including without limitation an analysis of the Mortgagor's revenues, expenses, and subscriber accounts. The Mortgagor will cause to be prepared and furnished to each noteholder at least once during each twelve (12)-month period during the term hereof, full and complete reports of its financial condition and cash flow as of a date (hereinafter called the "Fiscal Date"), and a full and complete report of its operations of the twelve (12)-month period ended on the Fiscal Date, all in form and substance satisfactory to the majority REA noteholders and the majority Bank noteholders, and will cause such reports to be furnished to each noteholder within 120 days of the Fiscal Date. Such reports having been audited and certified by independent certified public accountants satisfactory to said noteholders and accompanied by such reports of such audit in form and substance satisfactory to said noteholders. The majority REA noteholders and the majority Bank noteholders, through its or their representatives, shall at all times during reasonable business hours have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in possession of the Mortgagor and in anywise pertaining to its property or business. The Mortgagor shall enter into an audit agreement with an independent certified

public accountant in form and substance satisfactory to the majority REA noteholders and the majority Bank noteholders.

SECTION 12. (a) The Mortgagor will from time to time upon written demand of the majority REA noteholders or the majority Bank noteholders make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the majority REA noteholders or the majority Bank noteholders and take or cause to be taken all such further action as may reasonably be requested by the majority REA noteholders or the majority Bank noteholders to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest on the notes according to the terms thereof and for the purpose of fully conveying, transferring and confirming unto the Mortgagees the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it and to reflect the assignment of the rights or interests of either of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by the majority REA noteholders or the majority Bank noteholders in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

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

majority REA noteholders or majority Bank noteholders, such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

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

SECTION 14. The Mortgagor, subject to applicable laws and rules, and regulations and orders of regulatory bodies, will charge for telephone service furnished by its rates which shall yield revenues at least sufficient to enable the Mortgagor to pay and discharge all taxes and expenses when due, and also to make any payment in respect of principal of and interest on the notes when and as the same shall become due. The Mortgagor will, not less than ninety (90) days prior to the effective date of any proposed change in its rate, give to the holder or holders of the notes at the time outstanding written notice of such proposed change and a copy of a schedule showing the then existing rates and the proposed changes therein.

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

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

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

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

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

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

(d) If the Mortgagor's net worth (defined in Exhibit One hereto) is equal to at least 20 percent of its total assets (defined in Exhibit One), then the term "investment in affiliated companies" used in subsection (a) of this section 15 shall not include investments by the Mortgagor for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to an affiliated company of the Mortgagor that is used by such company for such purpose) to the extent that, immediately after such investment, the aggregate of such investments does not exceed one-third of the net worth of the borrower.

SECTION 16. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that all noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes and to such installments thereof as may be designated by the respective noteholders at the time of any such payment, and fourth, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 17. The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the Consolidated Loan Agreement, on its part to be observed or performed.

SECTION 18. If this section is made applicable by the Instruments Recital, then: (a) The Mortgagor will not at any time employ, or enter into any contract for the employment of, any manager of its telephone properties, unless such employment or such contract shall first have been approved by the majority REA noteholders and the majority Bank noteholders. (b) If, during such periods as the Mortgagor shall be in default in the making of a payment or payments of principal of or interest on one or more of the notes, the majority REA noteholders or the majority Bank noteholders shall give notice to the Mortgagor that in their opinion its telephone properties are not being efficiently operated, and shall request the termination of the employment of any such manager, or shall request the termination of any operating contract in respect of any such telephone properties, the Mortgagor will terminate such employment or operating contract within thirty (30) days after the date of such notice. (c) All contracts in respect of the employment of any such manager or for the operation of such telephone properties shall contain provisions to permit compliance with the foregoing covenants.

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SECTION 19. If all the REA Notes have been paid and discharged while any of the Bank Notes are still outstanding, all rights and powers of the Government and the holders of the REA Notes under this Mortgage shall immediately vest in the Bank and the holders of the Bank Notes, respectively, and, correspondingly, if all the Bank Notes have been paid and discharged while any of the REA Notes are still outstanding, all rights and powers of the Bank and the holders of the Bank Notes under this Mortgage shall immediately vest in the Government and the holders of the REA Notes, respectively. The Bank, the Government, the Mortgagor and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

SECTION 20. At all times when any note is held by the Government, or in the event the Government shall assign a note without having insured the payment of such note, this Mortgage shall secure payment of such note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any note may be sold to an insured purchaser, it shall continue to be considered a "note" as defined herein, but as to any such insured note the Government, and not such insured purchaser, shall be considered to be, and shall have the rights of, the noteholder for purposes of this Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured notes. *

SECTION 21. (a) The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall design its rates for telephone service and other services furnished by it with a view to paying and discharging all taxes, maintenance expenses and operating expenses of its telephone system, and also to making all payments in respect of principal of and interest on the notes when and as the same shall become due, to providing and maintaining reasonable working capital for the Mortgagor and to maintaining an Average TIER on all of its outstanding indebtedness to the Government, the Bank, and all other lenders of not less than 1.00 during the Forecast Period described in the Instruments Recital hereof and the TIER specified in the Instruments Recital hereof after the Forecast Period.

(b) For purposes of this section 21, Average TIER shall be determined as of January 1 of each year during which any obligation secured by this Mortgage remains unsatisfied and shall mean the average of the two highest TIER ratios achieved by the Mortgagor during each of the three calendar years last preceding the various dates of its determination.

(c) As used in this section 21, TIER means the Mortgagor's net income or net margins (determined in accordance with Exhibit One hereto) plus interest expense (determined in accordance with Exhibit One hereto), divided by interest expense.

* As to any note which evidences a loan or loans guaranteed by the Government pursuant to the Act, the Government and not the party or parties which made the loan or loans, shall be considered to be, and shall have the rights of the noteholder for purposes of this Mortgage.

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

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

SECTION 23. Exhibit One is attached hereto and by reference is made a part of this Mortgage.

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ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

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

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made and such default shall continue for thirty (30) days;

(b) default shall be made in the due observance or performance of any other of the representations, warranties, covenants, conditions or agreements on the part of the Mortgagor in any of the notes or in this Mortgage or in the Consolidated Loan Agreement contained; and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any noteholder;

(c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within thirty (30) days after the institution thereof;

(d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within thirty (30) days after the entry thereof;

(e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits or licenses required to carry on any material portion of its business;

(f) a final judgment shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days;

then in each and every such case any noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other noteholders, declare all unpaid principal of and accrued interest on any or all notes held by such noteholder to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable, immediately, anything contained herein or in any note or notes to be the contrary notwithstanding; provided, however, that if at any

time after the unpaid principal of and accrued interest on any of the notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such note or notes shall be paid to the respective noteholders, and all other defaults hereunder and under the notes shall have been made good or secured to the satisfaction of all of the noteholders, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority in principal amount of the notes at the time outstanding (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) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues and profits pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

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

court to which such application shall be made may make said appointment;
and

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

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

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

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of principal of and interest on the note or notes held by such noteholder or noteholders.

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes, and the balance, if any, shall be paid to whosoever shall be entitled thereto.

SECTION 6. The Mortgagor covenants that it will give immediate written notice to both of the Mortgagees and to all of the noteholders of the occurrence of an event of default or in the event that any right or remedy described in clauses (a) through (f) of section 1 of this article III is exercised or enforced, or any action is taken to exercise or enforce any such right or remedy.

SECTION 7. Every right or remedy herein conferred upon or reserved to the Mortgagees or to the noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

SECTION 8. The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

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

products and profits thereof or therefrom, subject to the provisions of this Mortgage.

SECTION 2. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and interest on the notes at the time and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

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

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

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and

inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided.

SECTION 4. The descriptive headings of the various articles of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 5. All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if mailed by registered mail addressed to the proper party or parties at the following addresses:

As to the Mortgagor: as stated in the testimonium clause hereof

As to the Mortgagees: The Bank:
Rural Telephone Bank
c/o Rural Electrification Administration
Washington, D. C. 20250-1500

The Government:
Rural Electrification Administration
Washington, D. C. 20250-1500

and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being the holder of any note or otherwise, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the Mortgagees. The Mortgagor or the Mortgagees may from time to time designate to one another a new address to which demands, notices, reports, approvals, designations or directions may be addressed and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address hereinabove given. The Mortgagor will promptly notify the Mortgagees in writing of any change in location of its chief place of business or the office where its records concerning accounts and contract rights are kept.

SECTION 6. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions shall not affect the remaining portions of this Mortgage, nor shall any such invalidity as to one Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder of notes.

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

Form - Restated REA/RTB Mortgage (Restating
 REA/RTB Common Mtg.) - Telephone
 Subsequent REA Loan (RES-REA) - 9/91

IN WITNESS WHEREOF, Telephone Utilities of Eastern Oregon, Inc.,
 P.O. Box 9901, Vancouver, Washington 98668-9901, _____ as
 Mortgagor, has caused this Mortgage to be signed in its name and its corporate
 seal to be hereunto affixed and attested by its officers thereunto duly authorized,
 RURAL TELEPHONE BANK, as Mortgagee, has caused this Mortgage to be signed in
 its name and its corporate seal to be hereunto affixed and attested by its officers
 thereunto duly authorized, and UNITED STATES OF AMERICA, as Mortgagee, has
 caused this Mortgage to be duly executed in its behalf, all as of the day and year
 first above written.

TELEPHONE UTILITIES OF EASTERN OREGON, INC.

by

Theodore Olsen

President

(Seal)

Attest:

Secretary

Executed by the Mortgagor
 in the presence of:

Lynnda R. Sweeney
Joseph M. Robertson
 Witnesses



(Seal)

Attest:

[Signature]

Assistant Secretary
of
Rural Telephone Bank

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by *[Signature]*

as

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

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

Laura M. Hensley
Stephen A. Moulton

Witnesses

STATE OF WASHINGTON
COUNTY OF CLERK

} SS

This instrument was acknowledged before me on February 13,
1992, by Mrs. R. R. Bern
as president of TELEPHONE UTILITIES OF EASTERN OREGON, INC.

ROBERTA J. ALLEN
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
SEPTEMBER 1, 1993

Roberta J. Allen
Notary Public

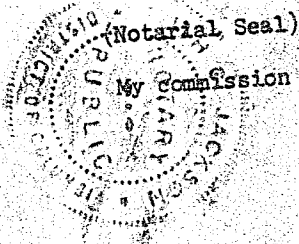
(Notarial Seal)

My commission expires: September 1, 1993

DISTRICT OF COLUMBIA) SS

This instrument was acknowledged before me on Nov 26, 1991,
by Ken B. Chandler, as Director, Western Regional Division
of the Rural Electrification Administration, and for the Rural Telephone
Bank.

Ruth Q. Jackson
Notary Public



(Notarial Seal)

My commission expires: 8/31/92

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

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

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B
ADJUSTED ASSETS - Article II, Sec. 15(a): the sum of the balances of the following accounts of the Mortgagor:		
Current Assets	1100s thru	1300s
Noncurrent Assets	1400s thru	1500s
Total Telecommunications Plant (Defined Below)		
LESS: Accumulated Depreciation	3100 thru	3300s
LESS: Accumulated Amortization	3400 thru	3600s
Funded Debt (Still to be advanced under Loan Contract)	(4210.20	4210.20
	(4210.21	4210.21
	(4210.22	4210.22
	(4210.24	4210.24
LESS: Adjustments (Defined Below)	(4210.23	4210.23

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

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

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

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

ADJUSTED NET WORTH - Article II, Sec. 15(a): the sum of the balances of the following accounts of the Mortgagor:

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

NOTE: FOR NONPROFIT ORGANIZATIONS (OWNERS' EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550)

LESS: Adjustments (Defined above)

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

Current Assets

1100s thru 1300s

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

Current Liabilities

4010 thru 4100s

EX-ONE.A - 9/91

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INTEREST EXPENSE - Article II, Sec 21 or any other section of the Mortgage setting forth a TIER requirement for the Mortgagor: the sum of the balances of the following accounts of the Mortgagor:

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

NET INCOME OR NET MARGINS - Article II Sec 21 or any other section of the Mortgage setting forth a TIER requirement for the Mortgagor: the sum of the balances of the following accounts of the Mortgagor:

Local Network Services Revenues	)	5000 thru	5300s
Network Access Services Revenues)		
Long Distance Network Services Revenues)		
Miscellaneous Revenues)		
LESS: Uncollectible Revenues)		
Other Operating Income and Expense	)	7100**	7100
Nonoperating Income and Expense	)	7300**	7300
Income Effect of Jurisdictional Rate-making Difference - Net)		
Nonregulated Net Income	)	7910	7910
Other Nonregulated Revenues	)	7990	7990
balances of the following accounts:	)	7991	7991
Plant Specific Operations Expense)		
Plant Nonspecific Operations Expense	)	6100s thru	6700s
Customer Operations)		
Corporate Operations)		
Operating Taxes	)	7200**	7200
Nonoperating Taxes	)	7400**	7400
Interest and Related Items	)	7500**	7500
Extraordinary Items	)	7600**	7600

NET WORTH - Article II, Sec. 10(b) and Sec. 15(d): the sum of the balances of the following accounts of the Mortgagor:

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

NOTE: FOR NONPROFIT ORGANIZATIONS (OWNERS' EQUITY SHALL BE SHOWN IN SUBACCOUNTS OF 4540 AND 4550)

** Summary Accounts

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

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

TOTAL ASSETS - Article II, Sec. 10(b) and 15(d): the sum of the balances of the following accounts of the Mortgagor:

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

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of PTI the 3rd day
of March A.D. 19 92 at 2:13 o'clock P.M., and duly recorded in Vol. M92,
of Mortgages on Page 4374.

FEE \$260.00

Evelyn Biehn - County Clerk

By Pauline Nickelblare