



WeavTel
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12/30/13

Washington Utilities and Transportation Commission
Executive Director and Secretary
Steven King
1300 South Evergreen Park Drive SW
Olympia, Wa. 98504-7250

RE: Docket UT-060762

Dear Mr. King:

Westgate Communications LLC d/b/a WeavTel requests the following filing be filed and processed as Confidential Information under title WAC 480-07-160. This filing contains valuable commercial information, cost, financial information, customer-specific usage, network configuration and design information, as provided in RCW [80.04.095](#)

Please find the attached filing request for a Permanent Revenue Objective with supporting documentation.

Westgate Communications LLC d/b/a WeavTel has been operating with a quasi-permanent Revenue Objective since the commission approved a settlement back in 2010. This letter with the accompanying documents is to formally file for a Permanent Revenue Objective of \$226,000.

WeavTel is one of the last “new” telecoms that was licensed to develop a previously unserved local exchange area prior to the recent FCC regulatory reforms. In consequence of these developments and accompanying unforeseen changes in funding, WeavTel’s growth and infrastructure development has been slower than originally planned. Significantly, despite funding restrictions line counts have grown steadily to achieve 45 at the end of this year, representing the majority of the initially forecasted line counts for the Stehekin exchange.

Prior to WeavTel serving this area, there was no 911 service and only substandard, limited voice service over satellite internet services such as HughesNet. HughesNet is extremely cost prohibitive if true broadband is needed. WeavTel has brought toll grade voice services to the valley and has built a network with design capacity specific to broadband speeds. Subsequent steps in WeavTel’s growth plan include upgrading our

back haul internet service capability in order to provide expanded and cost preferable options to consumers.

Beyond a doubt, it is in the public's best interest for E911 and basic telephone service to continue in the upper Lake Chelan region. Without WeavTel's services, the region would back slide into a largely inaccessible wilderness region with no 911 service, substandard satellite voice service and cost prohibitive slow, unreliable broadband internet service. In respect of this, WeavTel has carefully and painstakingly compiled and reviewed its financials and supporting documentation for this filing. We therefore respectfully request this Permanent Revenue be accepted as it is needed for the continuation of service to the residents of upper Lake Chelan.

Sincerely,

Richard J. Weaver
General Manager

A handwritten signature in blue ink that reads "Richard J. Weaver". The signature is written in a cursive, flowing style.

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Pages 1-17 were provided to WUTC staff by WeavTel as a preliminary filing.

Pages 18-131 were provided to WUTC staff by WeavTel to answer follow-up questions

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Page 18-39	WeavTel compiled financials for 2011
Page 40-129	WeavTel Rural Utilities Service Loan documents
Page 130-131	WeavTel Payments to RUS for 2012-2013
Attached Excel document	WeavTel detailed Plant added in 2012 & Accounts Payable as of 12/31/2012

WeavTel
Balance Sheet
As of December 31, 2012

Dec 31, 12

ASSETS

Current Assets

Checking/Savings

1120.12 · Cash -Const. Fund Trustee 5301
1120.16 · Cash - Banner 6622
1120.20 · JP Morgan Chase

Total Checking/Savings

Accounts Receivable

1170.00 · Telecom - A/R
1180.00 · Due from Intercompany - WeavNet
1190.00 · A/R IXC's

Total Accounts Receivable

Other Current Assets

1410.10 · Other Asset - RUS Loan Fee
1410.15 · Accum Amort - RUS Loan Fee
1499 · Undeposited Funds

Total Other Current Assets

Total Current Assets

Fixed Assets

2003.00 · Construction in Progress
2003321 · WorkOrder 2013.21

Total 2003.00 · Construction in Progress

2110.00 · Other Fixed Assets

2110.10 · Land
2110.30 · Office Equipment
2110.40 · Motor Vehicles
2110.41 · SUV
2110.43 · 1998 Durango

Total 2110.40 · Motor Vehicles

2110.60 · Computer Equipment
2210.00 · Central Office - Switching

Total 2110.00 · Other Fixed Assets

2110.20 · Buildings
2114.00 · Tools and Other Equipment
2230.10 · COE Transmission - Trunk Carri
2230.20 · COE Transmission - Subscriber C
2410.40 · Outside Plant

Total Fixed Assets

Other Assets

3110.00 · Accumulated Depreciated

Total Other Assets

TOTAL ASSETS

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable
4000.00 · Accounts Payable

Total Accounts Payable

Credit Cards

4140.00 · Wells Fargo CC 0854

Total Credit Cards

11:45 AM
12/11/13
Accrual Basis

WeavTel
Balance Sheet
As of December 31, 2012

	Dec 31, 12
Other Current Liabilities	
1200.00 · Member Advance - Dennisov	
2200 · Sales Tax Payable	
4080.00 · Property Tax Liabltiy	
4080.10 · CLEC-Tax & Surcharge Liability	
4080.20 · Taxes & Surcharge Liability	
4120.00 · Accrued Interest	
4131.00 · Payroll TX Liabilities	
4250.00 · Current Portion	
4255.00 · Current Portion - Contra	
Total Other Current Liabilities	
Total Current Liabilities	
Long Term Liabilities	
4200.00 · LTD - Loans	
4200.10 · LTD - RUS Loan	
4200.25 · LTD - Great Plains Capital Corp	
4200.30 · LTD - Richard Weaver	
4200.60 · Wells Fargo Line of credit	
Total 4200.00 · LTD - Loans	
Total Long Term Liabilities	
Total Liabilities	
Equity	
1110 · Retained Earnings	
4510.00 · Member's Equity	
4510.10 · Member's Equity - RJW	
4510.40 · Member's Equity - Dennisov	
4510.50 · Member's Equity - Jim Wilifers	
Total 4510.00 · Member's Equity	
Net Income	
Total Equity	
TOTAL LIABILITIES & EQUITY	

11:43 AM
12/11/13
Accrual Basis

WeavTel
Profit & Loss
January through December 2012

Jan - Dec 12

Ordinary Income/Expense
Income

5 · Operating Revenue	
5000.00 · Local Service Revenue	
5000.10 · Monthly Service - Regulated	
5000.11 · Residential Line	
5000.12 · Business Line	
Total 5000.10 · Monthly Service - Regulated	
5000.30 · Vertical Feat	
5000.32 · Call Forwarding	
5000.36 · Long Distance	
Total 5000.30 · Vertical Feat	
Total 5000.00 · Local Service Revenue	
5080.00 · Network Access Services Revenue	
5081.00 · End User revenue	
5082.00 · Switched access revenue	
5082.10 · Switched Access - HCL	
5082.20 · Switched Access - ICLS	
5082.90 · WECA support	
5082.91 · NECA Support	
Total 5082.00 · Switched access revenue	
5083.00 · E 911 reimbursement	
Total 5080.00 · Network Access Services Revenue	
5200.70 · Miscellaneous Revenue	
5200.71 · Installations	
5200.72 · Service Call	
5200.73 · Internet services	
5200.80 · Monthly Maint & rental	
5200.85 · Equipment Sales	
5200.70 · Miscellaneous Revenue - Other	
Total 5200.70 · Miscellaneous Revenue	
5280.50 · CLEC-Access Revenue	
Total 5 · Operating Revenue	
5100.00 · Billing Credits	
5200.75 · Late Payment fees	
5280.00 · CLEC Revenues	
5280.10 · CLEC -Resale Revenues	
5280.12 · CLEC POTS Business	
5280.14 · CLEC Features	
Total 5280.10 · CLEC -Resale Revenues	
Total 5280.00 · CLEC Revenues	
5300 · Uncollectible	
Total Income	
Gross Profit	

WeavTel
Profit & Loss
 January through December 2012

Jan - Dec 12

Expense

6 · Operating Expenses

61 · Plant specific

- 6112.00 · Motor Vehicle Expense
- 6120.30 · General Support - Other
- 6121.00 · Land & Building Expense
- 6124.00 · General Purpose Computers Expen
- 6210.00 · COE Switching Expense
- 6212.00 · CUsomer Installations
- 6230.00 · Central Office transmission
- 6236.00 · TRS Fund Contributions
- 6237.00 · Access Expenses/payments
- 61 · Plant specific - Other

Total 61 · Plant specific

64 · Outside Plant

- 6410.40 · OSP Expense

Total 64 · Outside Plant

65 · Plant nonspecific

- 6530.00 · Plant Administration Expense
- 6530.25 · Network Operations - Other
- 6530.30 · Network Operations - Toll
- 6530.34 · Network Admin Expense
- 6530.35 · Network Operations - LD

Total 65 · Plant nonspecific

Total 6 · Operating Expenses

656 · Depreciation and Amortization

- 6560.00 · Depreciation Expense

Total 656 · Depreciation and Amortization

66 · Customer

- 6620.00 · Customer Service
- 6625.00 · CABS Billing

Total 66 · Customer

67 · Corporate

- 6710.00 · Executive Labor
- 6720.00 · Office Supplies & Maintenance
- 6720.05 · Admistrative Expense
- 6720.10 · Accounting Services
- 6720.20 · Legal Expense
- 6720.25 · Consulting Services
- 6720.30 · Postage & Delivery
- 6720.35 · Bank Service Charges
- 6720.40 · General Labor Expense
- 6720.42 · Interstate Labor
- 6720.43 · Intra-State Expense
- 6720.45 · Benefits Expense
- 6720.50 · Meals and Entertainment
- 6720.80 · Advertising Expense
- 6720.99 · Miscellaneous Expense

Total 67 · Corporate

- 6720.70 · Interest Expense
- 6720.90 · Equipment for resale
- 7200.15 · Penalties
- 7200.20 · Operating Regulatory Fees and T
- 7200.25 · Wa State Excise Tax
- 7200.60 · Proprty Tax Expense

6112.00	6120.30	6121.00	6124.00	6210.00	6212.00	6230.00	6236.00	6237.00	61	Total 61	64	6410.40	Total 64	65	6530.00	6530.25	6530.30	6530.34	6530.35	Total 65	Total 6	656	6560.00	Total 656	66	6620.00	6625.00	Total 66	67	6710.00	6720.00	6720.05	6720.10	6720.20	6720.25	6720.30	6720.35	6720.40	6720.42	6720.43	6720.45	6720.50	6720.80	6720.99	Total 67	6720.70	6720.90	7200.15	7200.20	7200.25	7200.60
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11:43 AM
12/11/13
Accrual Basis

WeavTel
Profit & Loss
January through December 2012

Jan - Dec 12

7230.00 · Payroll Taxes Expense	
7230.10 · WA State L& I Tax - Op	
7230.20 · WA State SUTA Tax -Op	
7230.30 · WA State Admin Fund	
7240.00 · Federal Payroll Tax - Op	
7230.00 · Payroll Taxes Expense - Other	
Total 7230.00 · Payroll Taxes Expense	
7500.10 · Interest	
7500.11 · Interest other	
7500.20 · Amortization	
7500.30 · RUS Loan Interest	
7599.00 · Unclassified	
7990.00 · Non-Regulated Expenses	
Total Expense	
Net Ordinary Income	
Other Income/Expense	
Other Income	
7300.10 · Nonoperating Income	
Total Other Income	
Net Other Income	
Net Income	

11:49 AM
 12/20/13
 Accrual Basis

WeavTel Balance Sheet As of October 31, 2013

Oct 31, 13

ASSETS

Current Assets

Checking/Savings

1120.16 · Cash - Banner 6622
 1120.20 · JP Morgan Chase
 1120.99 · Clearing Account for Prepayment

Total Checking/Savings

Accounts Receivable

1160.00 · Installs and Repairs
 1170.00 · Telecom - A/R
 1180.00 · Due from Intercompany - WeavNet
 1190.00 · A/R IXC's

Total Accounts Receivable

Other Current Assets

1406.00 · Pay Phone
 1410.10 · Other Asset - RUS Loan Fee
 1410.15 · Accum Amort - RUS Loan Fee
 1499 · Undeposited Funds

Total Other Current Assets

Total Current Assets

Fixed Assets

2003.00 · Construction in Progress
 2003.20 · CIP - Stehekin Exchange
 2003.25 · Stehekin W/O 605.2
 2003.31 · Stehekin - W/O Buried Cable

Total 2003.20 · CIP - Stehekin Exchange

2003319 · WorkOrder 2013.19
 2003320 · WorkOrder 2013.20
 2003321 · WorkOrder 2013.21
 2003322 · Workorder 20033202 PayPhone

Total 2003.00 · Construction in Progress

2003324 · WO NPS Right of Way Permit

2110.00 · Other Fixed Assets

2110.10 · Land
 2110.30 · Office Equipment
 2110.40 · Motor Vehicles
 2110.41 · SUV
 2110.43 · 1998 Durango

Total 2110.40 · Motor Vehicles

2110.60 · Computer Equipment
 2210.00 · Central Office - Switching

Total 2110.00 · Other Fixed Assets

2110.20 · Buildings
 2114.00 · Tools and Other Equipment
 2230.10 · COE Transmission - Trunk Carrie
 2230.20 · COE Transmission - Subscriber C
 2410.40 · Outside Plant

Total Fixed Assets

Other Assets

3110.00 · Accumulated Depreciated

Total Other Assets

TOTAL ASSETS

	1,120.16
	1,120.20
	1,120.99
	3,361.35
	4,480.00
	4,480.00
	1406.00
	1410.10
	1410.15
	1,499.00
	5,325.25
	5,325.25
	2,003.00
	2,003.20
	2,003.25
	2,003.31
	8,012.76
	8,012.76
	2,003.319
	2,003.320
	2,003.321
	2,003.322
	8,012.76
	8,012.76
	2,003.324
	2,110.00
	2,110.10
	2,110.30
	2,110.40
	2,110.41
	2,110.43
	8,012.76
	8,012.76
	2,110.60
	2,210.00
	8,012.76
	8,012.76
	2,110.20
	2,114.00
	2,230.10
	2,230.20
	2,410.40
	8,012.76
	8,012.76
	3,110.00
	8,012.76
	8,012.76
	8,012.76
	8,012.76

WeavTel
Profit & Loss
January through October 2013

Jan - Oct 13 Classification Annualized

Ordinary Income/Expense

Income

5 - Operating Revenue

5000.00 - Local Service Revenue
5000.10 - Monthly Service - Regulated
5000.11 - Residential Line
5000.12 - Business Line
Total 5000.10 - Monthly Service - Regulated

5000.30 - Vertical Feat
5000.36 - Long Distance
5000.37 - Automatic Call Return
Total 5000.30 - Vertical Feat

Total 5000.00 - Local Service Revenue

5080.00 - Network Access Services Revenue
5081.00 - End User revenue
5082.00 - Switched access revenue
5082.10 - Switched Access - HCL
5082.20 - Switched Access - ICLS
5082.90 - WECA support
5082.91 - NECA Support
Total 5082.00 - Switched access revenue

5083.00 - E 911 reimbursement
Total 5080.00 - Network Access Services Revenue

5200.70 - Miscellaneous Revenue
5200.71 - Installations
5200.72 - Service Call
5200.73 - Internet services
5200.80 - Monthly Maint & rental
5200.70 - Miscellaneous Revenue - Other
Total 5200.70 - Miscellaneous Revenue

Total 5 - Operating Revenue

5082.35 - Switched Access USAC-CAF ICC
5082.40 - Inter-state Revenues
5082.85 - Intra-state revenues
5100.00 - Billing Credits
5200.75 - Late Payment fees
5280.00 - CLEC Revenues
5280.10 - CLEC -Resale Revenues
5280.12 - CLEC POTS Business
5280.14 - CLEC Features
Total 5280.10 - CLEC -Resale Revenues

Total 5280.00 - CLEC Revenues

5300 - Uncollectible

Total income

Gross Profit

Expense

6 - Operating Expenses

81 - Plant specific

6112.00 - Motor Vehicle Expense
6120.30 - General Support - Other
6121.00 - Land & Building Expense
6124.00 - General Purpose Computers Expen
6210.00 - COE Switching Expense
6230.00 - Central Office transmission
6235.00 - LNP/SOW Expense
6236.00 - TRS Fund Contributions
6237.00 - Access Expenses/payments
Total 61 - Plant specific

64 - Outside Plant

6410.40 - OSP Expense
Total 64 - Outside Plant

65 - Plant nonspecific

6530.00 - Plant Administration Expense
6530.25 - Network Operations - Other
6530.35 - Network Operations - LD
Total 65 - Plant nonspecific

6 - Operating Expenses - Other

Total 6 - Operating Expenses

WeavTel
Profit & Loss
January through October 2013

	Jan - Oct 13	Classification	Annualized
656 - Depreciation and Amortization			
6560.00 - Depreciation Expense			
Total 656 - Depreciation and Amortization			
66 - Customer			
6620.00 - Customer Service			
6625.00 - CABS Billing			
Total 66 - Customer			
67 - Corporate			
6710.00 - Executive Labor			
6720.00 - Office Supplies & Maintenance			
6720.05 - Administrative Expense			
6720.10 - Accounting Services			
6720.20 - Legal Expense			
6720.30 - Postage & Delivery			
6720.35 - Bank Service Charges			
6720.40 - General Labor Expense			
6720.42 - Interstate Labor			
6720.43 - Intra-State Expense			
6720.45 - Benefits Expense			
6720.50 - Meals and Entertainment			
6720.99 - Miscellaneous Expense			
Total 67 - Corporate			
6720.70 - Interest Expense			
69600 - Uncategorized Expenses			
7200.15 - Penalties			
7200.20 - Operating Regulatory Fees and T			
7200.60 - Property Tax Expense			
7230.00 - Payroll Taxes Expense			
7230.10 - WA State L & I Tax - Op			
7230.20 - WA State SUTA Tax - Op			
7230.30 - WA State Admin Fund			
7240.00 - Federal Payroll Tax - Op			
7230.00 - Payroll Taxes Expense - Other			
Total 7230.00 - Payroll Taxes Expense			
7500.10 - Interest			
7500.11 - Interest other			
7500.30 - RUS Loan Interest			
7599.00 - Unclassified			
7990.00 - Non-Regulated Expenses			
Total Expense			
Net Ordinary Income			
Other Income/Expense			
Other Income			
7300.60 - Written off debt			
Total Other Income			
Net Other Income			
Net Income			

REVENUE REQUIREMENT SUMMARY

LINE	DESCRIPTION	SOURCE	TOTAL COMPANY		INTERSTATE		INTRASTATE		LOCAL								
			(a)	(b)	Initial/ATA MSG (b)	PL (c)	Initial/ATA MSG (d)	PL (e)	Initial/ATA MSG (f)	PL (g)	Initial/ATA MSG (h)	PL (i)	EAS (j)	User Defined (k)	Other (l)		
1	Net Telecom Plant	S-2 Ln146															
2	Rate Base Adjustment #1	Records															
3	RATE BASE	Ln 1-2															
4	Rate of Return	Records															
5	RETURN ON RATE BASE	Ln 3-4															
6	Return Adjustment #1	Records															
7	NET RETURN	Ln 5-6															
8	Fixed Charges	S-10 Ln24															
9	Amortization of Excess Defr Taxes	S-10 Ln47															
10	Capitalized Payroll Taxes	S-10 Ln50															
11	Depreciation Adjustment	S-10 Ln53															
12	Schedule M Income Tax Adjustments	S-14 Ln22															
13	FIT Allowances/Disallowances	S-10 Ln59+60															
14	Inc Adj Alloc on 2001	S-10 Ln61+62															
15	Inc Adj Alloc on Big 3 Exp	S-10 Ln63															
16	Total Misc Inc Adjustment	Note 1															
17	AFTER TAX INCOME	Ln 53															
18	State Income Tax	S-10 Ln45															
19	State ITC Amortization	Ln 44															
20	Net Federal Income Tax	S-10 Ln44															
21	Federal ITC Amortization	S-3 Ln18															
22	Operating Expenses & Taxes	S-10 Ln17+18															
23	Nonoperating Expenses	S-10 Ln57															
24	Uncollectibles	Ln 7+18, 24															
25	NET REVENUE REQUIREMENT	Note 2															
26	Gross Receipts Tax	S-10 Ln15															
27	7340 Aw Fds Used Dur Constr	Ln 25+26-27															
28	REVENUE REQUIREMENT	Ln 28/28a															
29	Distribution of Line 28	Ln 28/28a															
INCOME TAXES																	
30	Net Return	Ln 7															
31	Fixed Charges	Ln 8															
32	Amortization of Excess Deferred Taxes	Ln 9															
33	Capitalized Payroll Taxes	Ln 10															
34	Depreciation Adjustment	Ln 11															
35	Schedule M Income Tax Adjustments	Ln 12															
36	FIT Allowances/Disallowances	Ln 13															
37	Inc Adj Alloc on 2001	Ln 14															
38	Inc Adj Alloc on Big 3 Exp	Ln 15															
39	Federal ITC Amortization	S-10 Ln44															
40	Total Income Adjustments	Ln 31+38, 39															
41	Federal Taxable Income	Ln30-40 Gross Up															
42	Federal Income Tax	12.8935%															
43	Federal Sur-Tax Allocation	Records															
44	Net Federal Income Tax	Ln 42-43															
45	Net Return	Ln30															
46	Fixed Charges	Ln 31															
47	Other SIT Adjustments	Ln 37+38															
48	State ITC Amortization	S-10 Ln45															
49	Federal Income Tax Net of ITC	Ln 20+21															
Gross Up Calculation																	
50	State Taxable Income	Records															
51	State Income Tax	Ln 51-52															
52	State Sur-Tax Allocation																
53	Net State Income Tax																

SEPARATED TELECOMMUNICATIONS PLANT SUMMARY

LINE	DESCRIPTION	SOURCE	INTERSTATE		INTRASTATE		LOCAL								
			TOTAL COMPANY (a)	InterLATA MSG (b)	PL (c)	InterLATA MSG (d)	PL (e)	InterLATA MSG (f)	PL (g)	InterLATA MSG (h)	PL (i)	EAS (j)	User Defined (k)	Other (l)	
1	2110 Land & Support Assets	S-4, Ln13													
2	2210 COE-Switching	S-5, Ln36													
3	2220 COE-Operator	S-5, Ln23													
4	2230 COE-Transmission	S-5, Ln77													
5	2310 Into Orig Term Equip	S-6, Ln11													
6	2410 C&MF	S-7, Ln43													
7	Total COE, IOT, C&MF	Ln2, 6													
8	Distribution of Line 7	Ln7/7a													
9	Equal Access - Investment	S-9, Ln22													
10	2680 Tangible Assets	S-8, Ln31													
11	TELECOM PLANT IN SVC-EXCL 2690	Ln1+7+9+10													
12	Distribution of Line 11	Ln17/17a													
13	2690 Intangible Assets	S-8, Ln35													
14	2001 TELECOM PLANT IN SVC	Ln11+13													
15	Distribution of Line 14	Ln14/14a													
16	2110 Land Assets	S-4, Ln12													
17	2001 TPIS XLand	Ln 14-16													
18	Distribution of Line 17	Ln17/17a													
19	2002 Prop Hld Fct Telecom Use	S-9, Ln6													
20	2003 Plant Under Construction	S-9, Ln10													
21	2005 Telecom Plant Adjustment	S-9, Ln14													
22	TOTAL TELECOM PLANT	Ln14+19,21													
23	1220 Materials and Supplies	S-9, Ln20													
24	1500 Other Juns Assets-Net	S-18, Ln14													
25	3100 Accumulated Depreciation	S-16, Ln22													
26	Equal Access - Accum Depreciation	S-9, Ln24													
27	3200 Acc Dep-Hld for Fct Use	S-15, Ln24													
28	3400 Accum Amort-Tangible	S-15, Ln25, 26													
29	3500 Accum Amort-Intangible	S-15, Ln27													
30	3600 Accum Amort-Other	S-15, Ln28													
31	4100 Net Cur Def Op Inc Taxes	S-15, Ln40													
32	4340 Noncur Def Oper Inc Tax	S-15, Ln60													
33	Equal Access - Deferred Oper Inc Taxes	S-9, Ln25													
34	4360 Other Deferred Credits-Net	S-15, Ln61													
35	4370 Other Jur Labr & Def Credits-Net	S-15, Ln63													
36	NET TELECOM PLANT	Ln22+23-24, 35													
37	Distribution of Line 36	Ln36/36a													
38	1402 Rural Tel Bank Stock	S-9, Ln16													
39	Cash Working Capital	S-9, Ln21													
40	Equal Access - Unamortized Expenses	S-9, Ln26													
41	Investment Allow/Disallow	S-9, Ln31													
42	Accum Dep/Amort Allow/Disallow	S-15, Ln66													
43	4040 Customer Deposits	S-15, Ln31													
44	4310 Other Long-Term Lab.	S-15, Ln31													
45	Other Telecom Pl Adjust	Records													
46	NET TELECOM PLANT & OTH RATE BASE ITEMS	A/B, F+I(G+H)													
47	Distribution of Line 46	Ln46/46a													

SEPARATED EXPENSE SUMMARY

LINE	DESCRIPTION	SOURCE	TOTAL COMPANY (a)	INTERSTATE		INTRASTATE		LOCAL						
				IntraLTA MSG (b)	PL (c)	IntraLTA MSG (d)	PL (e)	IntraLTA MSG (f)	PL (g)	EAS (h)	User Defined (i)	Other (j)		
1	Pl. Spec Exp Accts 6210,6220	S-11, Ln30	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2	6230,6310,6410	S-12, Ln19	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3	Pl Nonspec Account 6530	S-13, Ln57	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4	Cust Oper Accts 6610,6620	Ln2,7,4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5	TOTAL BIG THREE EXPENSES	Ln6,5a	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6	Distribution of Line 5		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
7	Plant Specific Expenses	S-11, Ln31	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
8	Plant Nonspecific Expenses	S-12, Ln38	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
9	Customer Operations Expenses	S-13, Ln57	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
10	Corporate Operations Expenses	S-14, Ln16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
11	7300 Contributions	S-10, Ln16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
12	TOTAL OPERATING EXPENSES	Ln7,11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
13	TOTAL CASH OPERATING EXPENSES	Ln12 less dep. exp.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
14	Operating Taxes	S-14, Ln26	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
15	Equal Access Expenses	S-14, Ln35	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
16	Expense Allowances/Disallowances	S-14, Ln40	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
17	5240 Rent Revenues	S-10, Ln43	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
18	TOTAL OPERATING EXP & TAXES	Ln12+14,16-17	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
19	Distribution of Line 18	Ln18/18a	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
20	Total Depr & Amort	S-12, Ln37	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
21	Fixed Charges	S-10, Ln24	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
22	Total Operating Revenue	S-14, Ln33	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
23	Total Operating Expense & Taxes	Ln18	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
24	Uncollectibles	S-10, Ln57	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
25	Fixed Charges	Ln21	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
26	Income Adjustments	S-10, Ln63	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
27	Net Income	Ln22,26	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
28	Distribution of Line 27	Ln27/27a	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
29	TOTAL CASH OPER EXPENSES	Ln18+17-20+21	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
30	Distribution of Line 29	Ln29/29a	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
INCOME TAX CALCULATION														
31	Other Operating Income	S-14, Ln32	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
32	AFUDC	S-10, Ln15	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
33	Operating Revenue	S-14, Ln33+Ln31	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
34	Uncollectible Revenue	S-10, Ln57	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
35	Income Effect Jurisdictional Difference	S-10, Ln60	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
36	IRS Income Adjustment	S-10, Ln62	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
37	TOTAL REVENUE & OTHER INCOME	Ln31,36	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
38	Contributions	S-10, Ln16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
39	Operating Expenses	Ln12,Ln11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
40	Operating Taxes	S-14, Ln26	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
41	Fixed Charges	S-10, Ln24	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
42	TOTAL OPERATING EXPENSES	Ln36,41	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
43	State Taxable Income	Ln37,Ln42	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
44	State Income Tax		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
45	Federal Taxable Income	Ln37,Ln42	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
46	State Income Tax	Ln44	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
47	Net Federal Taxable Income	Ln45,Ln46	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
48	Federal Income Tax	12.8935%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
49	Amortization of Investment Tax Credit	S-10, Ln44	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
50	Federal Income Tax	Ln46,Ln49	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



**Universal Service Fund
High Cost Loop Support**

Study Area: 520580 WESTGATE dba WEAVTEL

Expense Adjustment Projection for 2014 (Data as of December 31, 2012, as reflected in NECA's September 30, 2013 USF Submission)		USF Period: 2013-1
1.	USF Unseparated Revenue Requirement	[REDACTED]
2.	USF Loops	[REDACTED]
3.	Study Area Cost Per Loop *	[REDACTED]
4.	Estimated 2014 Annual Expense Adjustment *	[REDACTED]
5.	Estimated 2014 Annual Expense Adjustment with QRA Impacts ** (Unofficial - Based on NECA's estimates of QRA Model results)	[REDACTED]
6.	Estimated 2014 Monthly Expense Adjustment with QRA Impacts ** (Unofficial - Based on NECA's estimates of QRA Model results)	[REDACTED]
7.	Estimated 2014 Local Rate Floor Adjustment (Monthly January – June 2014) *	[REDACTED]
8.	Estimated 2014 \$250/Line/Month Cap Impact (Monthly January – June 2014) ** (High Cost Loop Support component only)	[REDACTED]
9.	Estimated 2014 Monthly Expense Adjustment reflecting QRA, Local Rate Floor, and \$250 Cap Impacts **	[REDACTED]

Notes:

* These amounts exclude any potential effects of Quantile Regression Analysis model limitations (QRA) and acquired exchanges.

** Line 5 may reflect a decreased Expense Adjustment for companies whose costs are limited by QRA, based on NACPL of \$596.17, or an increased Expense Adjustment via recycled support for companies whose costs are not limited by QRA, based on NACPL of \$586.65.

** For informational purposes only. Actual support may differ.

WeavTel
WUTC Filing
As of December 31, 2012 and 2013 Additions

Reported by WeavTel - Booked 12/31/12

	Total	Adjustments	Adjusted Total	Interstate	Intrastate	Total
Local Service						
Miscellaneous						
Switched Access HCL						
Switched Access ICLS						
Switched Access LSS						
Switched Access ARC Revenues						
Switched Access CAF ICC Support						
NECA Support						
WECA						
Resale Revenues-CLEC						
EMD 911						
Total						

Moss Adams Calculations - 2013/2014

	Annual Total	Adjustments	Adjusted Total	Interstate	Intrastate	Total
2014 Local Service (Monthly)						
15 Residence (monthly \$25)						
30 Business (monthly \$35)						
2013 Local Service (Other/Miscellaneous)						
2014 Switched Access-HCL						
2013 Switched Access-ICLS						
2013 Switched Access-LSS						
2014 Switched Access ARC Revenues						
2013 Switched Access CAF ICC Support						
2013 NECA Support						
2013 Billed Access Revenues						
2013 Resale Revenues - CLEC						
2014 WECA						
2013 EMD 911						
Total						
Revenue Requirement - Intrastate						
Total Company						
NECA Settlement						
Local Service Revenue						
Resale Revenues						
Billed Intrastate Access Revenue						
EMD 911						
Federal USF/HCL						
WeavTel's Potential Revenue Objective						

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

Compiled Financial Statements

December 31, 2011 and 2010

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

Compiled Financial Statements

December 31, 2011 and 2010

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT 1

FINANCIAL STATEMENTS

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JOHNSON
STONE &
PAGANO, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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Fircrest, WA 98466

(253)566-7070

fax (253)566-7100

Independent Accountant's Compilation Report

To the Members
Westgate Communications, LLC
d/b/a WeavTel
Chelan, Washington

We have compiled the accompanying balance sheets of Westgate Communications, LLC d/b/a WeavTel (a Limited Liability Company) ("Company") as of December 31, 2011 and 2010, and the related statements of operations, changes in members' deficit and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, certain conditions indicate that the Company may be unable to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.


JOHNSON, STONE & PAGANO, P.S.

April 26, 2012

COMPILED FINANCIAL STATEMENTS

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

BALANCE SHEETS

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ [REDACTED]	\$ [REDACTED]
Certificate of deposit	[REDACTED]	[REDACTED]
Telecommunications accounts receivable	[REDACTED]	[REDACTED]
Other receivables	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Current Assets	[REDACTED]	[REDACTED]
NONCURRENT ASSETS		
Due from related party	[REDACTED]	[REDACTED]
Unamortized debt issuance expense	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Noncurrent Assets	[REDACTED]	[REDACTED]
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant in service	[REDACTED]	[REDACTED]
Less allowances for depreciation	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Telecommunications Plant in Service	[REDACTED]	[REDACTED]
Telecommunications plant under construction	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total Property, Plant and Equipment	[REDACTED]	[REDACTED]
TOTAL ASSETS	\$ <u>[REDACTED]</u>	\$ <u>[REDACTED]</u>

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

BALANCE SHEETS (Continued)

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND MEMBERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable	\$ ██████████	\$ ██████████
Note payable line of credit	██████████	██████████
Taxes, other than income taxes	██████████	██████████
Accrued interest payable	██████████	██████████
Notes payable - related party	██████████	██████████
Installments on long-term debt due within one year	██████████	██████████
Total Current Liabilities	██████████	██████████
LONG-TERM DEBT , less portion classified as a current liability	██████████	██████████
Total Liabilities	██████████	██████████
MEMBERS' DEFICIT	██████████	██████████
TOTAL LIABILITIES AND MEMBERS' DEFICIT	\$ ██████████	\$ ██████████

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

STATEMENTS OF OPERATIONS

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Local network service revenues	\$ [REDACTED]	\$ [REDACTED]
Network access service revenues	[REDACTED]	[REDACTED]
Miscellaneous revenues	[REDACTED]	[REDACTED]
Uncollectible revenues	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total Operating Revenues	[REDACTED]	[REDACTED]
OPERATING EXPENSES		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Taxes, other than income taxes	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total Operating Expenses	[REDACTED]	[REDACTED]
Net Operating Loss	[REDACTED]	[REDACTED]
FIXED CHARGES	[REDACTED]	[REDACTED]
OTHER INCOME (EXPENSE)		
Interest income	[REDACTED]	[REDACTED]
Nonregulated income (expense)	[REDACTED]	[REDACTED]
Miscellaneous expenses	[REDACTED]	[REDACTED]
Debt forgiveness and vendor adjustments	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total Other Income (Expense)	[REDACTED]	[REDACTED]
NET LOSS	<u>[REDACTED]</u>	<u>[REDACTED]</u>

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

STATEMENTS OF CHANGES IN MEMBERS' DEFICIT

Years Ended December 31, 2011 and 2010

BALANCE AT DECEMBER 31, 2009	\$ [REDACTED]
Net loss	[REDACTED]
BALANCE AT DECEMBER 31, 2010	[REDACTED]
Net loss	[REDACTED]
BALANCE AT DECEMBER 31, 2011	\$ [REDACTED]

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation of telecommunications plant	[REDACTED]	[REDACTED]
Amortization of other assets	[REDACTED]	[REDACTED]
Noncash forgiveness of debt and vendor adjustments	[REDACTED]	[REDACTED]
Net change in operating assets and liabilities:		
Decrease in telecommunications accounts receivable	[REDACTED]	[REDACTED]
Increase in other receivables	[REDACTED]	[REDACTED]
Decrease in prepaid expenses	[REDACTED]	[REDACTED]
Decrease in accounts payable	[REDACTED]	[REDACTED]
Increase in taxes, other than income taxes	[REDACTED]	[REDACTED]
Increase in accrued interest payable	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net Cash Provided by Operating Activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to telecommunications plant	[REDACTED]	[REDACTED]
Salvage on retired telecommunications plant	[REDACTED]	[REDACTED]
Increase in certificate of deposit	[REDACTED]	[REDACTED]
Due from related party	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net Cash Used by Investing Activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	[REDACTED]	[REDACTED]
Payments on notes payable - related party	[REDACTED]	[REDACTED]
Member distributions paid	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net Cash Used by Financing Activities	[REDACTED]	[REDACTED]
NET INCREASE (DECREASE) IN CASH	[REDACTED]	[REDACTED]
Cash at Beginning of Year	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
CASH AT END OF YEAR	\$ [REDACTED]	\$ [REDACTED]

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ <u>██████████</u>	\$ <u>██████████</u>
Noncash investing and financing activities:		
Telecommunications plant additions in accounts payable	\$ <u>██████████</u>	\$ <u>██████████</u>
Debt forgiveness and vendor adjustments in accounts payable		\$ <u>██████████</u>

See independent accountants' compilation report and accompanying notes to financial statements.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Telephone Industry

Westgate Communications, LLC, d/b/a WeavTel ("The Company") is a local exchange telecommunications company providing local exchange and other telecommunications services to customers in Stehekin, Washington and the surrounding vicinity in north central Washington State. The upper portion of the telecommunications exchange area is in the Chelan National Recreation Area which is regulated by the National Park Service.

The Company is a small rate-of-return carrier. The recent Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking, ("FCC 11-161") will reform and modernize the universal service and intercarrier compensation systems to ensure affordable voice and broadband services. These reforms will modify the manner in which the Company recovers its telecommunications revenue requirements.

Organization

Westgate Communications, LLC operates as a Washington Limited Liability Company ("LLC") and is comprised of 3 members at December 31, 2011 and 2010. As an LLC, the members of the Company have limited personal liability for certain obligations or debts of the Company; certain obligations do have personal member guarantees.

Regulation

The Company is subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and the FCC and, adheres to the FCC Uniform System of Accounts for a Class B telephone company as prescribed by the FCC under Part 32.

Cash

For purposes of the statement of cash flows, the Company considers cash to be cash in checking and savings accounts.

Unamortized Debt Issuance Expense

Costs incurred to obtain financing for telecommunications plant additions are capitalized and amortized over the respective loan period.

Telecommunications Plant

Telecommunications plant is stated at cost and is depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Telecommunications Plant Retirements

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Accounting for the Impairment or Disposal of Long-Lived Assets

Authoritative guidance provides that long-lived assets including property, plant and equipment, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases. At December 31, 2011 and 2010, management has represented that there were no material impairment charges to be recorded as of those dates, subject to the Company's ability to complete suspended construction projects and to continue as a going concern.

As discussed in Note 2, certain conditions indicate that the Company may be unable to continue as a going concern. In the event that the Company is forced to cease operations and liquidate its assets, material impairment charges may result on the disposal of property, plant and equipment.

Revenue Recognition, Major Customers and Services

Services provided by the Company include local network, network access services, digital subscriber lines, broadband and internet access services. In the normal course of the Company's business, certain network access service revenues are subject to out-of-period adjustments. Such adjustments are normal occurrences and are recorded by the Company during the year in which they become determinable.

Network access service revenues, which represent a major portion of the Company's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

Revenues for interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association (“NECA”) with the FCC on behalf of the NECA member companies. These access charges are currently billed by the Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues currently received by the Company are based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by the Company during the year in which they occur.

The Company currently receives federal universal service fund high cost loop support (“USF HCL”) revenue to support its high cost of operations. Such support payments are currently based upon each participating rural local exchange carrier’s average cost per loop as compared to the national average cost per loop. These support payments fluctuate based upon the Company’s historical costs as compared to the national average cost per loop. Each year, the average cost per loop has increased, putting pressure on the USF HCL funds received by the Company to the extent that the Company’s costs do not increase at the same rate.

The recently issued FCC 11-161 modifies and replaces what the FCC views as an outdated system with universal service reform and intercarrier compensation reform. A Connect America Fund will be established to replace all existing high-cost support mechanisms and will set broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses will be implemented as early as July 1, 2012 and phase outs of certain support payments will occur. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with the Company. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are to be brought to parity in two steps as outlined in FCC 11-161. The state’s public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers’ total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

**WASHINGTON 547 WESTGATE
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NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

The Company is reviewing the reforms and modifications to the support that the Company receives, and understands that those reforms and modifications will have an adverse effect on the Company's revenues and cash flow. Revenue impacts might be subject to change based on the outcome of numerous petitions and legal challenges, further clarification from the FCC, as well as future data submissions.

Revenues for intrastate access service are received through tariffed access charges filed by the Company and the Washington Exchange Carrier Association ("WECA") and approved by Washington Utilities and Transportation Commission. The access charges are billed by the Company to intrastate interexchange carriers. The carrier common line and state universal service fund revenues are pooled with all WECA member companies. The traffic sensitive revenues are considered bill and keep based on tariffed rates.

In October 2009, the Company filed a new intrastate revenue objective for 2010 with the WUTC, using a new cost separation study and network traffic factors. As of the date of this financial statement, the new intrastate revenue objective has not been approved or agreed to by the WUTC.

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

Federal Income Taxes

The Company has elected to be taxed as a partnership under the LLC provisions of the Internal Revenue Code. Therefore, taxable earnings and losses of the Company are flowed through to the Company's member tax returns and taxed at the applicable tax rate of the members and no provision for federal income taxes is recorded in the financial statements.

Authoritative guidance provides for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. Management is of the opinion that the income tax positions taken by the Company meet the more-likely-than-not threshold that the tax returns filed by the Company have greater than a 50 percent chance of being sustained under examination by the Internal Revenue Service. The Company's federal income tax returns for the tax years ended December 31, 2010, 2009 and 2008 remain subject to potential examination.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying financial statements. Significant accounting estimates include the recoverability of long-term assets, estimate of useful lives of property, plant and equipment, future maturities of long-term debt and the recognition of certain network access service revenues.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through April 26, 2012, the date of completion of the accountants' compilation procedures. All such material transactions or disclosures identified have been included in these financial statements.

NOTE 2 - GOING CONCERN

At December 31, 2011, the Company was not in compliance with its financial obligations to the Rural Development Utilities Programs ("RDUP"), which has suspended the Company's ability to draw additional funds. The Company had a [REDACTED] and [REDACTED] for the years ended December 31, 2011 and 2010, respectively, and has a working capital [REDACTED] and members' [REDACTED] at December 31, 2011.

Management continues to work towards restoring its ability to draw additional RDUP loan funds. The Company has sent a proposal for reinstatement to RDUP and RDUP is awaiting the WUTC decision on the 2010 intrastate revenue objective filed. The ability of the Company to continue as a going concern is dependent on many factors, one of which is restoring the availability of the RDUP loan funds that will allow the Company to complete suspended construction projects necessary to meet the original revenue requirement projections and make payments on the Great Plains Capital Corporation outstanding loan and outstanding vendor accounts payable. Another factor is the 2010 intrastate revenue objective filed with the WUTC which is important for the Company to also meet certain RDUP loan covenants.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at two financial institutions in northeastern Washington State, insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company's noninterest bearing accounts are insured without limitation until December 31, 2012. At December 31, 2011 and 2010, the Company's cash balances did not exceed the insured amount.

The Company's telecommunications accounts receivable are subject to potential credit risk as they are concentrated in and around Stehekin, Washington, and are unsecured.

NOTE 4 - TELECOMMUNICATIONS ACCOUNTS RECEIVABLE

The telecommunications accounts receivable balance consists of:

	<u>2011</u>	<u>2010</u>
Due from customers and agents	\$ ██████████	\$ ██████████
Due from exchange carriers and exchange carrier associations	██████████	██████████
	\$ ██████████	\$ ██████████

The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivables are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Telecommunications accounts receivable are written off when they are determined to be uncollectible. There are no allowances for doubtful accounts established because management believes all accounts receivable are collectible. As of December 31, 2011 and 2010, there were no significant outstanding accounts receivable over ninety days or more after the date of the invoice on which they were first billed.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 5 - TELECOMMUNICATIONS PLANT IN SERVICE AND DEPRECIATION

Telecommunications plant in service is stated at cost. Listed below are the major classes of the telecommunications plant as of December 31:

	<u>2011</u>	<u>2010</u>
General support facilities	\$ [REDACTED]	\$ [REDACTED]
Central office equipment	[REDACTED]	[REDACTED]
Cable and wire facilities	[REDACTED]	[REDACTED]
	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Provision has been made for depreciation of the major classes of the telecommunications plant at straight-line rates as follows:

General support facilities	
Buildings	4.00%
Furniture and office equipment	15.00% - 25.00%
Vehicles and other work equipment	16.00%
Central office equipment	9.00% - 11.19%
Cable and wire facilities	4.55% - 20.40%

NOTE 6 - NOTE PAYABLE LINE OF CREDIT

The Company has a line of credit with Wells Fargo Bank in the amount of [REDACTED] with an annual interest rate of 15%. As of December 31, 2011 and 2010, the Company owed [REDACTED] and was over the allowed line of credit limit by [REDACTED]. As of the date of this report, Wells Fargo Bank has not requested repayment in full on the line of credit. The line of credit is secured by a guarantee by a member of the Company.

The Company has a Cash Secured Letter of Credit in the amount of [REDACTED] which is secured by the certificate of deposit for the benefit of vendor SES Americom, Inc. that was established on June 15, 2005. Interest income of [REDACTED] and [REDACTED] was earned on the account for the year ended December 31, 2011 and 2010, respectively. SES Americom, Inc. has not pursued collection of these funds as of the date of this report. Amounts owed to SES Americom, Inc. as of December 31, 2011 and 2010 are included in accounts payable in the amount of [REDACTED] and [REDACTED], respectively.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

	Principal Amount	
	<u>2011</u>	<u>2010</u>
Rural Development Utilities Programs (RDUP) first mortgage notes		
5.0% - due November 2020	\$ [REDACTED]	\$ [REDACTED]
5.0% - due November 2020	[REDACTED]	[REDACTED]
5.0% - due November 2020	[REDACTED]	[REDACTED]
5.0% - due November 2020	[REDACTED]	[REDACTED]
Great Plains Capital Corporation with no interest and monthly payments of [REDACTED] beginning February 2010, collateralized by all loan proceeds made to the Company by RDUP	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Less principal installments of long-term debt due within one year	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

The Company is not in compliance with its financial obligation to RDUP. RDUP has suspended the Company's ability to draw additional funds until the Company becomes current with its payments to RDUP and reimburses the construction fund cash account [REDACTED]. The Company is also not in compliance with various Sections of its Loan Agreement with RDUP including but not limited to the Company's maintaining a times interest earned ratio (TIER) of at least 1.0, becoming current with its obligations to RDUP, unallowed distributions of member's deficit, providing timely audited financial statements and related management letters as required by the RDUP, and reimbursing the construction fund cash account for the disallowed cash disbursement of [REDACTED]. Due to the loan violations, the entire RDUP debt is classified as current for purposes of the financial statement presentation.

The Company disagrees with RDUP in relation to a disallowed cash disbursement of [REDACTED] and continues to review the applicable loan and contract documents in its discussions with RDUP.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 7 - LONG-TERM DEBT (Continued)

Originally, the RDUP suspended the Company's ability to draw additional loan funds when the WUTC denied the Company's intrastate revenue requirement filing which was later amended and approved in early 2007. Currently, the Company and the RDUP are awaiting the WUTC's approval of its 2010 intrastate revenue objective to determine whether the additional loan funds will be made available to the Company, as well as negotiating the compliance issues noted above. The Company's inability to draw the additional loan funds slowed and/or stopped construction projects that were needed to complete the budgeted construction projects and meet the original revenue requirement projections.

RDUP could call the loan due to the compliance issues noted above. But in the event that RDUP does not call the loan, at December 31, 2011, maturities on long-term debt in the next five years and thereafter are as follows:

2012	\$ [REDACTED]
2013	[REDACTED]
2014	[REDACTED]
2015	[REDACTED]
2016	[REDACTED]
Thereafter	[REDACTED]
	\$ [REDACTED]

Substantially all of the Company's telecommunications plant now owned and hereafter acquired is subject to a first mortgage executed to the RDUP. The terms of the mortgage agreement restrict distributions to members, redemptions of member's equity, and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements.

In February 2006, the Company defaulted on a loan with Bank of America. The loan was transferred to Great Plains Capital Corporation as of April 2007 with a principal balance of [REDACTED]. The Company negotiated an interest rate of 5% and received a waiver of the unpaid interest and agreed to \$5,500 monthly payments starting in June 2007.

The loan to Great Plains Capital Corporation became in default in September 2007. On April 5, 2010, the Company negotiated with Great Plains Capital Corporation a new promissory note through a modification agreement ("Agreement"). The Agreement requires monthly payments of [REDACTED] per month beginning February 2010, with no interest being paid on the unpaid principal balance. Bank of America also continues to be noted as a secured party to the debt obligation. The principal balance owing as of December 31, 2011 and 2010 is [REDACTED] and [REDACTED], respectively.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAATEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 8 - LEASE AND SERVICE AGREEMENTS

The Company leases office space in Chelan, Washington. The annual lease expired in March 2012 and was renewed for one year to March 2013. The current monthly payment is [REDACTED] per month, with the potential of estimated costs allocable to the premises as noted in the lease.

The Company has a single channel per carrier service agreement with SES Americom, Inc. with a projected termination date of March 2011 as amended. The service agreement has certain bandwidth allocations, service level and power level requirements as defined in the agreement. The agreement requires monthly payments of [REDACTED] and an irrevocable line of credit of [REDACTED] secured by the certificate of deposit (see Note 6).

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company is affiliated with WeavNet, through common ownership. The Company has paid for equipment and internet services on behalf of WeavNet in the amount of [REDACTED] as of December 31, 2011 and \$29,704 as of December 31, 2010.

Notes payable to a related party are subordinated to the notes payable to Great Plains Capital Corporation and the RDUP notes payable and bear interest at the applicable federal rate as determined by the Internal Revenue Service. The Company owes the related party [REDACTED] and [REDACTED] as of December 31, 2011 and 2010, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Chelan County Claim

The Chelan County Commissioners scheduled a zone change hearing for the Stehekin wire center in May 2006. Chelan County denied the Company's request to amend the floodplain map for placement of the Company's telecommunication structures in Stehekin. In June 2006, the Company filed an appeal to the denial in Chelan County Superior Court. In September 2006, Chelan County Superior Court ordered Chelan County to grant the Petitioner's Application. The Company's second administrative use permit application was approved by the Board of County Commissioners on September 25, 2006.

**WASHINGTON 547 WESTGATE
WESTGATE COMMUNICATIONS, LLC
d/b/a WEAVTEL**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

The Company filed a complaint in late 2007 in United States District Court Eastern District of Washington against Chelan County for compensatory damages of \$ [REDACTED] for the mishandling and timeliness of the processing the routine administrative use permit application. A bench trial was held in February of 2012, with the Court returning a verdict in favor of Chelan County. Other than nominal statutory fees and costs awarded to Chelan County, there was no monetary award to either party. The Company has filed a Motion to Alter or Amend the verdict but there has been no decision on the Motion as of the date of this report. The Company intends to appeal the Court's decision in the event it's Motion to Alter or Amend the verdict is denied. Chelan County was seeking recovery of its attorney fees in this matter. No adjustments have been made to the Company's financial statements as the ultimate outcome is still not known.

RUS Project Designation:
WASHINGTON 547-A11 WESTGATE

LOAN AGREEMENT
dated as of March 1, 2004

between
WESTGATE COMMUNICATIONS, LLC
and
THE UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

COPY

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement,") dated as of March 1, 2004 is between WESTGATE COMMUNICATIONS, LLC (hereinafter the "Borrower,") a limited liability company organized and existing under the laws of Washington, and the UNITED STATES OF AMERICA, (hereinafter the "Government") acting through the Administrator of the Rural Utilities Service ("RUS.")

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

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

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

ARTICLE I – DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II - REPRESENTATIONS AND WARRANTIES

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

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

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

ARTICLE III – THE LOANS

Section 3.1 Loans

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

specified in Schedule 1 hereto will bear interest at the rate of five percent (5%) per annum.

- (ii) *Telecommunications Loan Expiration Date.* The obligation of RUS to advance the Telecommunications Loan or any portion thereof shall expire on a date ("Telecommunications Loan Expiration Date") five (5) years from the date of the Note(s). No portion of the Telecommunications Loan will be advanced by RUS to the Borrower after the Telecommunications Loan Expiration Date. RUS, in its sole discretion, may approve an extension of the Telecommunications Loan Expiration Date, provided that the Borrower notifies RUS, in writing at least ten (10) days prior to the Telecommunications Loan Expiration Date, of the reasons and need for an extension, together with a suggested revised Telecommunications Loan Expiration Date.
- (c) *Telecommunications Loan Guarantee.* RUS agrees to guarantee the loan identified in Schedule 1 hereto and the Borrower agrees to accept such guarantee, on the terms and conditions stated in this Agreement.
 - (i) *Telecommunications Loan Guarantee Expiration Date.* The obligation of RUS to approve requests for Advances made under the Telecommunications Loan Guarantee or any portion thereof shall expire on the Last Advance Date as specified in the applicable guaranteed Note.
 - (ii) *Interest Rate.* Each Advance of funds subject to the Telecommunications Loan Guarantee shall bear interest at the rate established by FFB at the time such Advance is made on the basis of the determination made by the Secretary of the Treasury pursuant to 12 U.S.C. 2285(b) of the Federal Financing Bank Act of 1973, as amended.

Section 3.2 Loan Documents

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

Section 3.3 Payment

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

Section 3.4 Project

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

ARTICLE IV – CONDITIONS OF LENDING

Section 4.1 General Conditions

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

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

producing and maintaining the TIER, as hereinafter defined, specified in Schedule 1 hereto; and

- (j) *Broadband Rate Evidence.* For Broadband loans, RUS shall receive evidence that the Borrower has duly adopted rates which are designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto.

Section 4.2 Conditions to Advances

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

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

the Flood Insurance Act and any related regulations, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any related regulations;

- (f) *Current Financial Information and Certification of Authority.* That RUS has received from the Borrower (i) its current, updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Form 675, "Certification of Authority," designating an officer, employee, or agent of the Borrower as the person or persons authorized to execute and submit, on behalf of the Borrower, REA Form 481, "Financial Requirement Statement;"
- (g) *Fidelity Bond or Theft Insurance Coverage.* That RUS has received from the Borrower, except Borrowers which are units of government, evidence, that the Borrower has obtained fidelity bond or theft insurance coverage in accordance with RUS Regulations;
- (h) *Pledged Deposit Account.* That, in connection with Broadband Loans (or with respect to Telecommunications Loans and Loan Guarantees when required on Schedule 1, or otherwise directed in writing by RUS), the Borrower has opened a Pledged Deposit Account under terms satisfactory to RUS;
- (i) *Compliance with Deposit Requirements for Broadband Loans.* That, in connection with Broadband Loans, RUS has received from the Borrower, evidence that the Borrower has maintained on deposit in account, funds in the amount specified in Schedule 1 to cover operating expenses, in accordance with 7 C.F.R. Section 1738.20(b), and has provided RUS with an advance schedule for such funds;
- (j) *Compliance with Loan Documents.* That the Borrower is in material compliance with the Loan Documents;
- (k) *RUS Loan Guarantee Requirements.* In connection with the Telecommunications Loan Guarantee:
 - (1) That RUS and the FFB have entered into a contract and that the FFB has agreed to make the loan to the Borrower, which will be guaranteed by RUS;
 - (2) That RUS has received evidence that any conditions in the contract referred to above in subparagraph (1) have been satisfied; and
 - (3) That RUS has received a promissory note payable to FFB in the amount to be guaranteed by RUS and a reimbursement note payable to the order of the Government, both duly authorized, executed and delivered by the Borrower, within the time period prescribed by RUS;
- (l) *Additional Documents.* The Borrower agrees to provide RUS with such additional documents as RUS may request; and
- (m) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

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

Loan funds to pay off RUS approved interim construction financing, if any, will be included in the first loan advance. Thereafter no further advances will be made unless and until the Borrower has

furnished evidence, in form and content satisfactory to RUS, that such interim construction financing has been paid in full and any associated liens have been duly discharged from record.

ARTICLE V – AFFIRMATIVE COVENANTS

Section 5.1 Generally

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

Section 5.2 Use of Advances

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

Section 5.3 Unused and Disallowed Advances

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

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

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

Deposit Insurance Corporation or other federal agency acceptable to RUS, and shall be designated by the corporate name of the Borrower followed by the words "Pledged Deposit Account." The Borrower shall promptly deposit proceeds from Loan Advances, including previously advanced funds whose original expenditure has been disallowed by a RUS loan fund audit, into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes approved by RUS and shall be withdrawn from time to time only as permitted by RUS.

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

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

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

Section 5.6 Financial Books

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

Section 5.7 Rights of Inspection

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

Section 5.8 Annual and Special Financial Reports

- (a) One hundred twenty (120) days from the end of the Borrower's fiscal year in which the first Advance is made and, thereafter, one hundred twenty (120) days from the close of each fiscal year of the Borrower, the Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, audited and certified by an independent certified public accountant satisfactory to RUS, and accompanied by a report of such audit in form and substance satisfactory to RUS.
- (b) The Borrower shall also furnish to RUS on February 28th of each year, and on such additional date(s) as specified in Schedule 1 (hereinafter "Additional Reporting Dates,") or as otherwise requested in writing by RUS, balance sheets, income statements, statements of cash flow, or such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may request or RUS Regulations require.

Section 5.9 Annual Compliance Certificate

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

Section 5.10 Miscellaneous Reports and Notices

The Borrower shall furnish to RUS:

- (a) *Notice of Default.* Promptly after becoming aware thereof, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder or under the other Loan Documents.
- (b) *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower which, if adversely determined, could have a Material Adverse Effect on the Borrower.
- (c) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect on the Borrower.
- (d) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect on the Borrower.
- (e) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

Section 5.11 Tariff and Rate Design

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

Section 5.12 TIER Requirement

From the date of this Agreement until the date specified in Schedule 1, the Borrower will maintain a TIER of at least 1.0. Thereafter, starting on the date specified in Schedule 1 (hereinafter called the "TIER Commencement Date") the Borrower shall maintain the TIER level(s) as specified in Schedule 1.

Section 5.13 Corrective Action

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

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

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

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

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

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

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

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

The Borrower shall furnish adequate telephone service to the widest practicable number of rural users in the Borrower's telephone service area, as such area is shown on the map which is a part of the Borrower's application for the Telecommunications Loan or Telecommunications Loan Guarantee and which map, as revised by agreement between the Borrower and RUS, is incorporated herein by reference thereto. In the performance of this obligation, the Borrower shall:

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

Section 5.17 Preservation of Existence and Rights

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

Section 5.18 Compliance with Laws

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

Section 5.19 Nondiscrimination

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

Section 5.20 Buy American

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

supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that has with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that Country, as determined by the United States Trade Representative.

Section 5.21 Additional Affirmative Covenants

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

ARTICLE VI – NEGATIVE COVENANTS

Section 6.1 General

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

Section 6.2 Merger, Consolidation and Transfer of Property

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

Section 6.3 Covenants for Limited Liability Companies and Similar Borrowers

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

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

Section 6.4 Additional Indebtedness

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

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

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

Section 6.5 Negative Pledge

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

Section 6.6 Contracts

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

Section 6.7 Salaries

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

Section 6.8 Extension of Credit

Except as specifically authorized in writing in advance by RUS, the Borrower will make no advance payments or loans, or in any manner otherwise extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members, managers, Affiliates or Affiliated Companies; provided, however, the Borrower may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to an Affiliated Company that is used by such Affiliate for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the Net Worth and (2) the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets.

Section 6.9 Distributions or Withdrawals

- (a) *Corporations and Cooperatives.* Corporate or cooperative Borrowers shall not, without the prior written approval of RUS, make any dividend, stock, capital, or other distribution in the nature of an investment, guarantee, extension of credit, advance, or loan, nor make a capital credit distribution (all such distributions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:
- (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's net worth is at least one percent (1%) of its Total Assets;
 - (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
 - (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or

- (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's Net Worth is at least forty percent (40%) of its Total Assets.
- (b) *Limited Liability Companies.* Borrowers which are limited liability companies shall not, without the prior written approval of RUS, make any membership withdrawals, unit redemptions, or other type of profit allocation to its members and shall not, without the prior written approval of RUS, make capital distributions in the nature of an investment, guarantee, extension of credit, advance, or loan (all such actions being hereinafter collectively called "Distributions;") *provided, however,* Distributions may be made in each calendar year as follows:
- (1) Aggregate, annual Distributions not to exceed twenty-five percent (25%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least one percent (1%) of its Total Assets;
 - (2) Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;
 - (3) Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or
 - (4) There is no limit on aggregate, annual Distributions if, after making such aggregate, annual Distributions, the Borrower's net worth is at least forty percent forty percent (40%) of its Total Assets.
- (c) In addition to the Distributions authorized under the immediately, preceding subsections, the Borrower may make any Distribution or investment as provided in 7 CFR 1744 Subpart D.

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

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

Section 6.11 Changing Name or Place of Incorporation or Organization

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

Section 6.12 Changing Rates or Tariffs

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

Section 6.13 Historic Preservation

The Borrower shall not, without the prior written consent of RUS, use any Advance(s) to construct any facility which shall involve any district, site, building, structure or object which is included

in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

Section 6.14 Limitations on Using non-FDIC Insured Depositories.

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

Section 6.15 Affiliated Transactions

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

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

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

Section 6.17 Additional Negative Covenants

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

ARTICLE VII - LENDER'S RIGHTS

Section 7.1 Termination of Loan Offer

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

Section 7.2 Audits and Compliance Reviews

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

Section 7.3 Disallowed Expenditures

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

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

Section 7.4 Suspension of Advances

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

Section 7.5 Payment Extensions

RUS may, at any time or times in succession without notice to, or the consent of, the Borrower and upon such terms as RUS may prescribe, grant to any person, firm or entity who shall have become obligated to pay all or any part of the principal of or interest on any Note held by, or indebtedness owed to, RUS or who may be affected by the lien created by the Loan Documents, an extension of the time for the payment of such principal or interest. After any such extension the Borrower will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

ARTICLE VIII - EVENTS OF DEFAULT

Section 8.1. Events of Default

The following shall be Events of Default under this Agreement:

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

to carry on any material portion of its business, or the Borrower files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;

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

ARTICLE IX - REMEDIES

Section 9.1 Generally

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

Section 9.2 Remedies

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

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

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

ARTICLE X - MISCELLANEOUS

Section 10.1 Notices

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

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

Borrower
See Schedule 1

With a copy to:

See Schedule 1

With a copy to:

See Schedule 1

Section 10.2 Expenses

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

Section 10.3 Late Payments

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

Section 10.4 Filing Fees

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation, transfer taxes, and other costs and taxes incident to

recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

Section 10.5 No Waiver

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

Section 10.6 Governing Law

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

Section 10.7 Holiday Payments

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

Section 10.8 Rescission

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

Section 10.9 Successors and Assigns

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

Section 10.10 Complete Agreement; Waivers and Amendments

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

Section 10.11 Prior Telephone Loan Contracts

With respect to all Prior Telephone Loan Contracts, the Borrower shall, commencing on the delivery date hereof, prospectively meet the affirmative and negative covenants as set forth in this

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

Section 10.12 Headings

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

Section 10.13 Severability

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

Section 10.14 Right of Setoff

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

Section 10.15 Schedules and Attachments

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

Section 10.16 Authority of Representatives of RUS

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

Section 10.17 Amendment of Laws and RUS Regulations

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

Section 10.18 Term

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

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

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

WESTGATE COMMUNICATIONS, LLC

by LaVerna Grace Marrison
LaVerna Grace Marrison, Member

by Richard L. Weaver
Richard L. Weaver, Member

by James Wilfers
James Wilfers, Member

by Richard J. Weaver
Richard J. Weaver, Member

by Sergey S. Denisov
Sergey S. Denisov, Member

Richard J. Weaver

(Seal)

Attested to by: Richard J. Weaver
Secretary

THE UNITED STATES OF AMERICA

by Joseph Brent
Director, Northwest Area, Telecommunications
Program of the Rural Utilities Service

SCHEDULE 1

Article II Representations and Warranties

1. Paragraph (i) Borrower's address:
**Westgate Communications, LLC
48 Golf Course Drive
Pateros, Washington 98842**
2. Paragraph (j) Borrower's Organization Number: **601 747 374**
3. Paragraph (k) Borrower's Subsidiaries: **None**
4. Paragraph (k) Borrower's Parent: **None**

Article III The Loans

1. Broadband Loan
Section 3.1, Paragraph (a) Broadband Loan amount: **\$0**
Section 3.1, Subparagraph (a)(i) Broadband Loan portion at the cost of money interest rate: **\$0**
Section 3.1, Subparagraph (a)(ii) Broadband Loan portion at the four percent (4%) rate of interest: **\$0**
2. Telecommunications Loan
Section 3.1, Paragraph (b) Telecommunications Loan amount: **\$2,094,000**
Section 3.1, Subparagraph (b)(i) Telecommunications Loan amount at the cost of money interest rate: **\$0**
Section 3.1, Subparagraph (b)(i) Telecommunications Loan amount five percent (5%) rate of interest: **\$2,094,000**
3. Telecommunications Loan Guarantee
Section 3.1, Paragraph (c) Telecommunications Loan Guarantee amount: **\$0**

Article IV Conditions of Lending

1. Section 4.2, Paragraph (i) level of funds required to be deposited into the Pledged Deposit Account by Broadband borrower: **N/A**
2. The additional conditions to advance referred in to Section 4.2(m) are as follow:
 - a. **Evidence that the Borrower has entered into a lease agreement with the Cheland Public Utilities Division for lease of fiber facilities and with GS IV or some other provider for satellite transponder space.**
 - b. **Evidence that the Borrower has obtained The National Park Service Conditional Use Permit for the satellite earth station in Stehekin, Washington.**
 - c. **Evidence that the Borrower has obtained FCC licensing for wireless transmission to the subscriber sites.**
 - d. **Evidence that the Borrower has received necessary FCC and NECA approvals to receive toll settlements, including universal service funding.**
 - e. **No funds for construction in any area requiring project specific Environmental Reviews will be advanced until said Reviews are submitted and approved by RUS as detailed in RUS' letter to the Borrower dated July 15, 2002.**

Article V Affirmative Covenants

1. Section 5.4, Paragraph (b): Pledged Deposit Account is required.
2. Section 5.8, Paragraph (b) Additional Reporting Date(s): **None**
3. Section 5.12, TIER: **1.42**
4. Section 5.12, TIER Commencement Date: **December 31, 2007**
5. The additional affirmative covenants referred to in Section 5.21 are as follows: **None**

Article VI Negative Covenants

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

Article X Miscellaneous

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

**Westgate Communications, LLC
48 Golf Course Drive
Pateros, Washington 98842**

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

**Michael Arch, Esq.
Forman & Arch
124 N. Wenatchee Ave., Suite A
Wenatchee, WA 98801
Fax: (509) 662-9606**

3. Section 10.1, Address for RUS' notification copy:

**Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Stop 1595, Room No. 2835
Washington, D.C. 20250-1595
Attention: Jerry Brent
Fax: (202) 690-4654**

ATTACHMENT 1 – RUS BULLETIN 1738-2

Please refer to the following webpage for this bulletin:

<http://www.usda.gov/rus/telecom/broadband/rus-bulletin-1738-web2-6-03.doc>

ATTACHMENT 2

Equal Opportunity Contract Provisions

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

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.
- (d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965 and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965 and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulation, and orders.
- (f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

ATTACHMENT 3

UNIFORM SYSTEM OF ACCOUNTS

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

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

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

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

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

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

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

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

*Summary Accounts

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

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

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

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

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

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

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

RUS DESIGNATION:
WASHINGTON 547-A11 WESTGATE

MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and between

WESTGATE COMMUNICATIONS, LLC,
48 Golf Course Drive
Pateros, Washington 98842

as Mortgagor and Debtor,

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

as Mortgagee and secured party.

**THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY,
AFTER-ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
THIS INSTRUMENT WAS DRAFTED BY THE RURAL UTILITIES DIVISION, OFFICE OF
THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-1400
MORTGAGOR'S ORGANIZATIONAL NUMBER IS 601 747 374.**

No. _____

MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (hereinafter this "Mortgage,") dated as of March 1, 2004, made by and between WESTGATE COMMUNICATIONS, LLC (hereinafter the "Mortgagor,") a limited liability company existing under the laws of the State of Washington, as Mortgagor and Debtor, and THE UNITED STATES OF AMERICA (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS") as Mortgagee and secured party.

WHEREAS, the Mortgagor has determined at this time to borrow funds, or to obtain a loan guarantee, from the Government pursuant to the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*) (hereinafter the "Act") and the Loan Agreement identified in Schedule A, and accordingly the Mortgagor has duly authorized, executed, and delivered to the Government, its mortgage note(s) identified in Schedule A (hereinafter the "Current RUS Note(s),") which are to be secured by this Mortgage of the property hereinafter described;

WHEREAS, it is contemplated that the Current RUS Note shall be secured by this Mortgage, as may be additional funding and notes, and/or renewal and substitute notes (hereinafter collectively the "Additional Notes,") which may from time to time be executed and delivered by the Mortgagor to the Government, or notes which otherwise obligate the Mortgagor to the Government, as hereinafter provided, (the Current RUS Note, and the Additional Notes are hereinafter collectively called the "Notes;")

WHEREAS, the Mortgagor now owns or leases the facilities (hereinafter the "Existing Facilities") identified in Schedule B;

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

WHEREAS, all acts necessary to make this Mortgage a valid and binding legal instrument for the security of the Notes and other obligations of the Mortgagor have been, in all respects, duly authorized.

NOW, THEREFORE, this Mortgage

WITNESSETH:

GRANTING CLAUSE

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: That to secure the payment of the principal, interest, and premium, if any, on the Current RUS Note, and all Notes issued hereunder according to their tenor and effect, and to secure the performance of all provisions therein, herein, in the Loan Agreement, and in consideration of the covenants herein contained and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant unto the Mortgagee, for the purposes herein expressed, a continuing security interest and lien in all property, assets, rights, privileges, licenses and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein, or any other kind or nature now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including without limitation all or in part the following (hereinafter the "Mortgaged Property"):

I

All right, title, and interest of the Mortgagor in and to the Existing Facilities, buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties, whether real, personal, or mixed, tangible or intangible, of every kind or description, now or hereafter owned, leased, constructed, or acquired by the Mortgagor, wherever located, and in and to all extensions, improvements, and additions thereto, including but not limited to all buildings, plants, works, structures, towers, antennas, fixtures, apparatus, materials, supplies, machinery, tools, implements, poles, posts, crossarms, conduits, ducts, lines, wires, cables, whether underground, overhead, or otherwise, exchanges, switches, including, without limitation, host and remote switches, desks, testboards, frames, racks, motors, generators, batteries, and other items of central office equipment, pay stations, protectors, instruments, connections and appliances, office furniture, equipment, and any and all other property of every kind, nature, and description, used, useful, or acquired for use by the Mortgagor in connection therewith, and including, without limitation, the following property:

- (a) The Existing Facilities located in the Counties listed in Schedule B in the States identified in Schedule B;
- (b) The real estate described on Schedule B, and by this reference made a part hereof, as if fully set forth at length at this point;
- (c) If the real estate described in Schedule B is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is, by reference, made a part of Schedule B as though fully set forth at length therein; and
- (d) The real estate described in Schedule B shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures, towers, antennas, and improvements now or hereafter located on such real estate, and all tenements, hereditaments, and appurtenances now or hereafter belonging, or in any way appertaining, thereunto.

II

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

III

All right, title, and interest of the Mortgagor in, to, and under any and all licenses and permits (including without limitation those granted by the FCC), franchises, ordinances, and privileges, whether heretofore or hereafter granted, issued, or executed, to it or to its assignors by the Government, or by any state, county, township, municipality, village, or other political subdivision thereof, or by any agency, board, commission, or department of any of the foregoing, authorizing the construction, acquisition, or operation of the Mortgagor's properties, facilities, systems, or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title, and interest of the Mortgagor in, to, and under all personal property and fixtures of every kind and nature, including without limitation all goods (such as inventory, equipment and any accessions

thereto), instruments (such as promissory notes or chattel paper, electronic or otherwise), documents, accounts (such as deposit accounts or trust accounts pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (such as certificated and uncertificated securities or security entitlements and accounts), software, general intangibles (such as payment intangibles), supporting obligations, contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently and hereafter defined in the UCC; provided, however, that the term "instrument" shall be such term as defined in Article 9 of the UCC rather than Article 3);

V

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

VI

All right, title, and interest of the Mortgagor in, to, and under any and all books, records and correspondence relating to the Mortgage Property, including, but not limited to, all records, ledgers, leases, computer and automatic machinery, software, programs, databases, disc or tape files, print-outs, batches, runs, and other electronically-prepared information indicating, summarizing, evidencing, or otherwise necessary or helpful in the collection or realization on the Mortgaged Property;

VII

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

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

Provided, however, that except as provided in section 2.12 of Article II herein, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

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

ARTICLE I

ADDITIONAL NOTES

SECTION 1.1 Additional Notes

- (a) The Mortgagor, when authorized by resolution(s) of its board of directors, members, or other relevant governing body, may from time to time execute and deliver to the Government one or more Additional Notes: (1) to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party, or parties to the Government, created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act; and/or (2) to refund any Note(s) at the time outstanding secured hereby, or in renewal of, or in substitution for, any such outstanding Note(s).
- (b) Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the Government and the board of directors, members, or other relevant governing body of the Mortgagor authorizing the execution and delivery thereof, shall prescribe; provided, however, that the outstanding principal balances owing on the Notes shall not at any one time exceed the Debt Limit set forth in Schedule A, and no Note shall mature more than fifty (50) years after the date hereof. Additional Notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other Notes at the time outstanding, without preference, priority, or distinction of any Note over any other Note by reason of the priority of the time of the execution, delivery, maturity, assignment, or negotiation thereof. As used in this Mortgage, the term "directors" includes trustees.

SECTION 1.2 Supplemental Mortgage

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

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

SECTION 2.1 Authority to Execute and Deliver Notes, Prior Telephone Loan Contracts, the Loan Agreement and Mortgage; All Action Taken; Enforceable Obligations

The Mortgagor has all requisite corporate and legal power to enter into and perform its obligations under the Current RUS Note, the Loan Agreement and this Mortgage and to execute and deliver Additional Notes; and all official action on its part for the execution and delivery of the Current RUS Note, the Loan Agreement and this Mortgage has been duly and effectively taken; and the Current RUS Note, the Loan Agreement 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 2.2 Warranty of Title

- (a) Except as disclosed in writing in the opinion of counsel, at the time of execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the Mortgaged Property, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except for the following Permitted Encumbrances:
- (i) as to the Mortgaged Property that is real property, restrictions, exceptions, reservations, conditions, limitations, interests, and other matters which are set forth or referred to in deeds or other conveyance documents, and each of which fits one or more of the clauses of this definition; provided however, that such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
 - (ii) liens for taxes, assessments, and other governmental charges which are not delinquent;
 - (iii) liens for taxes, assessments, and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
 - (iv) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
 - (v) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
 - (vi) easements and similar rights granted by the Mortgagor over, or in respect of, any Mortgaged Property, provided that in the opinion of the Mortgagor's board, members, other relevant governing body, or official acceptable to RUS, such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagee, and similar rights granted by any predecessor in title of the Mortgagor;
 - (vii) easements, leases, reservations, or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record of title; provided, that the

above do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

- (viii) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (vii) of this definition, securing indebtedness neither created, assumed, nor guaranteed by the Mortgagor, nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (ix) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagee in writing, and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (x) terminable or short term leases or permits for occupancy which expressly grant to the Mortgagor the right to terminate at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (xi) any lien or privilege vested in any lessor, licensor, or permittor for rent or other obligations or acts to be performed, the payment or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (xii) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (xiii) the burdens of any law, governmental regulation, or permit requiring the Mortgagor to maintain certain facilities or to perform certain acts as a condition of the Mortgagor's occupancy of certain real estate, or prohibiting the interference with any public lands or any river or stream or navigable waters;
- (xiv) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes; provided, that in the opinion of counsel for the Mortgagor; (1) the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way, a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation, or maintenance of the lines, appurtenances, or improvements for which the same are used or to be used; or (2) the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;
- (xv) rights reserved to, or vested in, any municipal, governmental, or other public authority to control or regulate any property of the Mortgagor, or

to use such property in any manner, which rights do not materially impair the use of such property, for the purposes it is held by the Mortgagor;

- (xvi) any obligations or duties affecting the property of the Mortgagor, to any municipal, governmental, or other public authority with respect to any franchise, grant, license or permit;
 - (xvii) any right which any municipal, governmental, or other public authority may have by virtue of any franchise, license, contract or statute (1) to purchase, (2) to designate a purchaser of, or (3) to order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor; or to terminate any franchise, license or other rights; or to regulate the property and business of the Mortgagor; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
 - (xviii) any lien required by law or government regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions, or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;
 - (xix) liens arising out of any defeased mortgage or indenture of the Mortgagor;
 - (xx) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor, as well as the rights of such owners to such property pursuant to the ownership contracts;
 - (xxi) this Mortgage.
- (b) The Mortgagor warrants that it has good right and lawful authority to mortgage the Mortgaged Property for the purposes herein expressed.
- (c) At the time of execution and delivery of this Mortgage, the Mortgagor lawfully owns and is possessed of the personal property described in the Granting Clauses herein, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except Permitted Encumbrances.

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

- (a) 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 execute, file and/or record such financing statements, continuation statements, mortgages or other security instruments as necessary to maintain such

superior lien and will forever warrant and defend the title to said property against any and all claims and demands whatsoever.

- (b) All property of every kind acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance, or assignment, become subject to the lien of this Mortgage. Nevertheless, the Mortgagor will do, execute, acknowledge, and deliver any and all such further acts, conveyances, mortgages, security agreements, financing statements, and assurances as the Mortgagee shall require for accomplishing the purposes of this Mortgage.
- (c) The Mortgagor will cause this Mortgage and all supplemental mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and place as may be required by law, or requested by the Mortgagee, fully to preserve and protect the rights of the Mortgagee and Noteholders hereunder to the Mortgaged Property.

SECTION 2.4 Negative Pledge

The Mortgagor shall not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in, the Mortgaged Property, other than the Permitted Encumbrances.

SECTION 2.5 Payment of Taxes

The Mortgagor will promptly pay or discharge any and all obligations for which, or on account of which, any lien, claim, or charge against the Mortgagor's property might exist or could be created, and for any and all lawful taxes, rates, levies, or assessments imposed upon, or accruing upon, any of the Mortgagor's property (whether taxed to the Mortgagor or to any Noteholder), franchises, earnings, or businesses, as and when the same shall become due and payable; and whenever called upon to do so, the Mortgagor will furnish to the Mortgagee or to any Noteholder adequate proof of such payment or discharge.

SECTION 2.6 Payment of Notes and Secured Obligations

The Mortgagor will duly and punctually pay the principal and interest on the Notes, at the time, place, and manner provided therein, according to the true intent and meaning thereof, as well as all other sums becoming due hereunder.

SECTION 2.7 Restrictions on Transfers of Property

Except as provided in Section 2.8 below, the Mortgagor shall not sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor) without the prior written consent of the Mortgagee.

SECTION 2.8 Disposal of Obsolete or Damaged Mortgaged Property

So long as the Mortgagor is not in default hereunder, the Mortgagor may, without obtaining the consent of the Mortgagee or Noteholders, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to, nor useful for, the operation of the Mortgagor's business, or which has become obsolete, worn out, damaged, or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the

prepayment of the indebtedness on the outstanding Notes, and shall be applied to such notes and installments thereof as may be designated by the respective Noteholders at the time of any such receipt; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into such bank accounts as the Mortgagee shall specify, and shall use the same only for such additions to, or improvements in, the Mortgaged Property, on such terms and conditions as the Mortgagee shall specify.

SECTION 2.9 Maintenance, Preservation and Operation of Mortgaged Property

- (a) At all times the Mortgagor will maintain and preserve the Mortgaged Property in good repair, working order, and condition, and will, subject to contingencies beyond its reasonable control, keep its plant and properties in continuous operation, and from time to time make all needed and proper repairs, renewals, replacements, useful and proper alterations, additions, betterments and improvements, and use all reasonable diligence to furnish the subscribers served by it through the Mortgaged Property with adequate telecommunications and broadband telephone service.
- (b) If in the sole judgment of the Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, the Mortgagee may send the Mortgagor a written report of needed improvements, upon receipt of which the Mortgagor will promptly undertake to accomplish such improvements.

SECTION 2.10 Mortgaged Property to be Purchased Free of Encumbrances

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

SECTION 2.11 Insurance Requirements: Application of Insurance Proceeds

- (a) The Mortgagor shall take out and maintain insurance on the property acquired with the Loan in accordance with 7 C.F.R. Part 1788.
- (b) Sums recovered under any policy or fidelity bond by the Mortgagor or any Noteholder for a loss of funds advanced under the Notes or for any loss under such policy or bond shall, unless applied as provided in 7 C.F.R. Part 1788, be used to finance construction of utility plant secured or to be secured by this Mortgage, or, unless otherwise directed by the Mortgagees, be applied to the prepayment of the outstanding Notes, and shall be applied to such Notes and installments thereof as may be designated by the respective Noteholders at the time of receipt. At the request of the Mortgagee, the Mortgagor shall exercise such rights and remedies under such policy or fidelity bond as designated by the Mortgagee, and the Mortgagor hereby irrevocably appoints the Mortgagee as its agent to exercise such rights and remedies under such policy or bond as the Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

SECTION 2.12. When Mortgage Lien Attaches to Vehicles, Ships, Etc.

In the event the Mortgagor has or suffers a deficit in Net Income or Net Margins, as such terms are defined in the Loan Agreement, during any fiscal year while any of the Notes are outstanding, the Mortgagor will at any time, upon written demand of the Mortgagee, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged, and delivered all such further and supplemental indentures of mortgages, security

agreements, financing statements, instruments, and conveyances, and take or cause to be taken all such further action, as may be requested by the Mortgagee, in order to attach to this 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 or in part, the automobiles, trucks, tractors, trailers, railcars, aircraft, ships, boats and other vehicles then or thereafter owned or acquired by the Mortgagor. Upon the making of such written demand by the Mortgagee, such vehicles shall be deemed part of the Mortgaged Property for all purposes hereof.

SECTION 2.13 Application of Proceeds from Eminent Domain

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

SECTION 2.14 Compliance with Loan Agreement and Prior Telephone Loan Contracts

The Mortgagor will well and truly observe and perform all applicable covenants, agreements, terms, and conditions contained in the Loan Agreement.

SECTION 2.15 Government to be Noteholder

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

SECTION 2.16 Mortgagee Right to Expend Money to Protect Mortgaged Property

If in any respect the Mortgagor fails to comply with the covenants and conditions herein contained regarding the procuring of insurance, the payment of taxes, assessments, and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims, or to comply with any other covenant contained in this Mortgage or the Loan Agreement, the Mortgagee shall have the right, without prejudice to any other remedies arising by reason of such default: (1) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges; (2) to save the Mortgaged Property from sale or forfeiture for any unpaid tax, assessment, or otherwise; (3) to redeem the same from any tax or other sale; (4) to purchase any tax title thereon; (5) to remove or purchase any mechanics' liens or other encumbrance thereon; (6) to make repairs thereon; (7) to comply with any other covenant herein contained; (8) to prosecute and defend any suit in relation to the Mortgaged Property; or (9) in any manner, to protect the Mortgaged Property and the title thereto. All sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate, but not in excess of twelve percent (12%) per annum, shall be deemed a charge upon the Mortgaged Property in the same manner as the Notes are secured and shall be forthwith paid to the Mortgagee upon demand. It shall not be obligatory for the Mortgagee in making any such advances or expenditures to inquire into the validity of any such title, tax, assessment, sale, mechanics' lien, or other encumbrance thereof.

ARTICLE III

REMEDIES OF THE MORTGAGEE AND NOTEHOLDERS

SECTION 3.1. Events of Default:

Each of the following shall be an "Event of Default" under this Mortgage:

- (a) Representations and Warranties. Any representation or warranty made by the Mortgagor in the Loan Documents, as such term is defined in the Loan Agreement, or any certificate furnished to RUS thereunder or in the Application, as such term is defined in the Loan Agreement, shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;
- (b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days;
- (c) Corrective Actions. Default by the Mortgagor in the observance or performance of Section 5.13 of the Loan Agreement;
- (d) Limited Liability Companies. Default by the Mortgagor or its members in the observance or performance of Section 6.3 of the Loan Agreement;
- (e) Other Covenants. Default by the Mortgagor in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days, after written notice thereof had been given to the Mortgagor by RUS;
- (f) Adverse Effects. The Mortgagor shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Mortgagor files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;
- (g) Other Obligations. Default by the Mortgagor in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (h) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Mortgagor in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Mortgagor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;

- (i) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Mortgagor, or the filing of such by the Mortgagor;
- (j) Impaired Business. The failure by the Mortgagor to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; and
- (k) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) or more shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days.

SECTION 3.2 Acceleration of Maturity; Annulment of Acceleration

- (a) If any Event of Default has occurred and is continuing, the Mortgagee, and/or the Noteholders, may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other Noteholders, if any, declare all unpaid principal and accrued interest on any or all of their respective Notes to be due and payable immediately; and upon any such declaration, all such unpaid principal and accrued interest shall immediately become due and payable, notwithstanding anything contained herein or in any Note to the contrary.
- (b) If after the unpaid principal and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which have become due and payable by the terms of such Note(s) shall be paid to the respective Noteholders, and all other defaults hereunder and under the Notes shall have been made good or secured to the satisfaction of all of the Noteholders, the Noteholders which have declared the principal and interest on the Notes held by such 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(s) and consequences thereof, with such waiver not extending to or affecting any subsequent default or impairing any right consequent thereon.

SECTION 3.3 Remedies of Mortgagee

If any Event of Default shall occur and continues, the Mortgagee, for itself, and as the agent of the other Noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

- (a) (i) take immediate possession of the Mortgaged Property, (ii) collect and receive all credits, outstanding accounts, bills, receivables, rents, income, revenues, and profits of the Mortgagor, pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and (iii) manage, control, and/or operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable.
- (b) Mortgagee, or any employee or agent of it, is hereby constituted and appointed as true and lawful attorney-in-fact of the Mortgagor with full power to (i) notify or require the Mortgagor to notify any and all customers that the Mortgaged Property has been assigned to Mortgagee and/or that Mortgagee has a security interest in the Mortgaged Property; (ii) sign and endorse the name of the Mortgagor upon any notes, checks, acceptances, drafts, money orders, or other instruments of payment (including payments made under any policy of insurance) that may come into possession of Mortgagee, or upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, assignment, verification, or notice in connection with receivables, all in full or part payment of any

amount owing to any Noteholder; (iii) send requests for verifications of Mortgaged Property to customers or account debtors; (iv) sell, assign, sue for, collect, or compromise payment of all or any part of the Mortgaged Property in the name of the Mortgagor or in its own name, or make any other disposition of Mortgaged Property, or any part thereof, for cash, credit, or any combination thereof; and Mortgagee(s) may purchase all or any part of the Mortgaged Property at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price may set off the amount of such price against amounts owing to said Mortgagee; Mortgagee, is hereby granted, as the attorney-in-fact of the Mortgagor, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Mortgagor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The Mortgagee, its employees, or agents shall not be liable for any act, omission, error of judgment, or mistake of fact or law in its capacity as attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Mortgage so long as any Notes shall remain outstanding;

- (c) proceed to protect and enforce the rights of the Mortgagee and the rights of the Noteholder(s) under this Mortgage by suits or actions in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein, for aid of execution of any power herein granted, for foreclosure hereunder, for sale of the Mortgaged Property, or any part thereof, for collection of debts hereby secured, or for enforcement of other appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred; and in the event any such action or suit is instituted, the Mortgagee or Noteholder(s) 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, derived, received, or had therefrom, from the commencement of such suit or action. Such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to the fullest extent permitted by law; and if application shall be made for the appointment of a receiver, the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment;
- (d) sell or cause to be sold the Mortgaged Property, all or in part, and all right, title, interest, claim, and demand of the Mortgagor therein or thereto, at public auction in any county in which the property to be sold is located, at such time, place, and manner as may be specified in the notice of sale, containing a brief general description of the property to be sold, giving a copy thereof to the Mortgagor by mail at least fifteen (15) days prior to the date fixed for such sale, and publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county, or if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale made under this subparagraph may be adjourned from time to time by announcement, at the time and place appointed for such sale or adjourned sale(s); and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law, the notice of sale shall be given or the sale shall be conducted, as the case may be, in accordance with the applicable provisions of law. The expenses incurred by the Mortgagee, including but not limited to receiver's fees, attorneys' fees, cost of advertisement, and agents' compensation, in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage;

- (e) Mortgagee shall have the right to enter and/or remain upon the premises of the Mortgagor without any obligation to pay rent to the Mortgagor or others, or any other place(s) where any of the Mortgaged Property is located and kept, and: (i) remove the Mortgaged Property therefrom in order to maintain, collect, sell, and/or liquidate the Mortgaged Property or, (ii) use such premises, together with materials, supplies, books, and records of the Mortgagor, to maintain possession and/or the condition of the Mortgaged Property, and to prepare the Mortgaged Property for sale, liquidation, or collection. Mortgagee may require the Mortgagor to assemble the Mortgaged Property and make it available to Mortgagee at a place to be designated by Mortgagee;
- (f) Mortgagee shall have the right, without prior notice to the Mortgagor, to exercise rights of setoff, recoupment, or any counterclaim and apply any and all amounts held or hereafter held by Mortgagee, owed to the Mortgagor, or for the credit of the Mortgagor, against any and all of the Notes. Mortgagee agrees to notify the Mortgagor promptly after any such setoff or recoupment and the application thereof; provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Mortgagor waives all rights of setoff, deduction, recoupment, or counterclaim; and/or
- (g) Mortgagee shall have, in addition to any other rights and remedies contained in this Mortgage, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time hereafter executed by the Mortgagor and delivered to Mortgagee, all of the rights and remedies of a secured party under the UCC in force in the state identified in the first paragraph hereof as of the date hereof and any other jurisdiction where the Mortgaged Property is located, all of which rights and remedies shall be cumulative, and nonexclusive.

SECTION 3.4 Right to Purchase Mortgaged Property

At any sale hereunder any Noteholder(s) 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(s) may, in lieu of actual payment of the purchase price, set off against the purchase price the amount owing to said Noteholder secured hereunder and such set off amount shall be credited as a payment on account of principal and interest on the Note(s) held by such Noteholder(s).

SECTION 3.5 Application of Proceeds from Remedial Actions

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

SECTION 3.6 Notice of Default

The Mortgagor covenants that it will give immediate written notice to the Mortgagee and to all Noteholders of the occurrence of an Event of Default, or in the event that any right or remedy described in Sections 3.2, 3.3, 3.4, or 3.5 of this Article III is exercised or enforced, or of any action taken to exercise or enforce any such right or remedy.

SECTION 3.7 Remedies Cumulative. No Election

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

SECTION 3.8 Waiver of Appraisal Rights. Marshaling of Assets Not Required

The Mortgagor, for itself and for all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatsoever, claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, or redemption laws, now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser(s) thereat, and the Mortgagor, for itself and for all who may claim through or under it, hereby waives the benefit of all such laws, unless such waiver shall be forbidden by law. Under no circumstance shall there be any marshaling of assets upon any foreclosure or other enforcement of this Mortgage.

Section 3.9 Federal Communications Commission Matters

Notwithstanding any other provision of this Mortgage, the following provisions shall be applicable in the event that the Mortgaged Property includes (to the extent such property can be included under the applicable law) licenses, permits, or similar rights granted by the Federal Communications Commission (hereinafter referred to as the "FCC") to the Mortgagor (such licenses, permits or similar rights hereinafter referred to as "FCC Licenses"):

- (a) Any loss, revocation, foreclosure on, sale, transfer, or other disposition of FCC Licenses by the Mortgagee shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, and applicable rules and regulations thereunder, and, if and to the extent required thereby, subject to the prior approval or notice to and non-opposition of the FCC.
- (b) If an Event of Default shall have occurred and be continuing, the Mortgagor shall take any action which the Mortgagee may request in order to transfer and assign to the Mortgagee, or to such one or more third parties as the Mortgagee may designate, or to a combination of the foregoing, each FCC License held by the Mortgagor. The Mortgagee is empowered, to the extent permitted by applicable law, to request the appointment of a receiver from any court of competent jurisdiction. Such receiver may be instructed by the Mortgagee to seek from the FCC an involuntary transfer of control of each such FCC License for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. The Mortgagor hereby agrees to authorize such an involuntary transfer of control upon the request of the receiver so appointed and, if the Mortgagor shall refuse to authorize the transfer, its approval may be required by the court. Upon the occurrence and during the continuance of an Event of Default, the Mortgagor shall further use its best efforts to assist in obtaining approval of the FCC and any state regulatory bodies, if required, for any action contemplated by this Mortgage, including, without limitation, the preparation, execution and filing with the FCC and any state regulatory bodies of the assignor's or transferor's portion of any application or applications for consent to the assignment of any FCC license or transfer of control necessary or appropriate under the rules and regulations of the FCC or any state regulatory body for approval or non-opposition of the transfer or assignment of any portion of the Mortgaged Property, including, without limitation any FCC License.

- (c) The Mortgagor acknowledges that the assignment, transfer, loss, or revocation of any FCC License is integral to the Mortgagee's realization of the value of the Mortgaged Property, that there is no adequate remedy at law for failure by the Mortgagor to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees, without limiting the rights of the Mortgagee to seek and obtain specific performance of other obligations of the Mortgagor contained in this Mortgage, that the agreements contained in this Section may be specifically enforced.
- (d) In accordance with the requirements of 47 C.F.R. Section 22.937, or any successor provision thereto, the Mortgagee shall notify the Mortgagor and the FCC in writing at least ten (10) days prior to the date on which the Mortgagee intends to exercise its rights under this Mortgage or any other document or instrument relating to the Notes, by foreclosing on, or otherwise disposing of any Mortgaged Property in connection with which such notice is required pursuant to 47 C.F.R. Section 22.937 or any successor provision thereto.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 4.1 Possession until Default

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

SECTION 4.2 Defeasance

If the Mortgagor shall pay or cause to be paid the whole amount of the principal and interest on the Notes at the time and manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable hereunder by the Mortgagor and shall well and truly keep and perform according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights, and interests hereby conveyed, assigned, or pledged shall revert to the Mortgagor, and the estate, right, title and interest of the Mortgagee and the Noteholders shall thereupon cease, determine, and become void and the Mortgagee 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 and interest on any Note held by him, and the payment and discharge by the Mortgagor of all charges due such Noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge, or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

SECTION 5.1 Mortgage to Bind and Benefit Successors and Assigns

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

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

SECTION 5.2 Headings

The descriptive headings of the various articles of this 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 5.3 Notices

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified in Schedule A; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notice of the respective parties are set forth in Schedule "A."

SECTION 5.4 Mortgage Deemed Security Agreement

To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the UCC, this Mortgage is hereby deemed a "security agreement" under the UCC. The mailing address of the Mortgagor, as debtor, and of the Mortgagee as secured party, are as set forth in Schedule "A."

SECTION 5.5 Mortgagee Right to File Financing Statements

Mortgagee shall have the right to file such financing statements and continuation statements on behalf of itself, as secured party, and Mortgagor, as Debtor, as Mortgagee deems necessary to perfect a first lien on the Mortgaged Property and to maintain and preserve such perfected first lien as long as any Note remains outstanding. Mortgagor shall reimburse the Mortgagee for any expenses incurred in the exercise of this right.

SECTION 5.6 Severability Cause

If any provision of this Mortgage shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity, legality, and enforceability of the remainder of such provision nor any other provision thereof and this Mortgage shall survive and be construed as if such invalid or unenforceable provision had not been contained therein. Any invalidity or unenforceability as to any Mortgagee hereunder shall not affect or impair the rights hereunder of any other Mortgagee.

SECTION 5.7 Indemnification by Mortgagor of Mortgagee

The Mortgagor agrees to indemnify the Mortgagee against any liability or damages which it may incur or sustain in the exercise and performance of its rightful powers and duties hereunder. For such reimbursement and indemnity, the Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee with interest at the rate specified in Section 2.16 hereof. The Mortgagor's obligation to indemnify the Mortgagee under this section shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

IN WITNESS WHEREOF, WESTGATE COMMUNICATIONS, LLC, as Mortgagor, has caused this Mortgage to be signed in its name and its seal, if any, to be hereunto affixed and attested by its duly authorized officer and the UNITED STATES OF AMERICA, as Mortgagee and secured party, has caused this Mortgage to be duly executed on its behalf, all as of the day and year first above written.

WESTGATE COMMUNICATIONS, LLC

by LaVerna Grace Marmion
LaVerna Grace Marmion, Member

by Richard L. Weaver
Richard L. Weaver, Member

by James Wilfers
James Wilfers, Member

by Richard J. Weaver
Richard J. Weaver, Member

by Sergey S. Denisov
Sergey S. Denisov, Member

No Seal

(Seal)

Attested to by:

Richard J. Weaver
Secretary

Executed by the Mortgagor
in the presence of:

Dacey M. Allgood
Name:

W.D. Webb
Name:

UNITED STATES OF AMERICA

by Gregory Brent
Director, Northwest Area, Telecommunications
Program of the Rural Utilities Service

Executed by the Mortgagee
in the presence of:

Brenda Bell
Name:

Arnaia Henderson
Name:

DISTRICT OF COLUMBIA

)

SS

This instrument was acknowledged before me on 24 FEBRUARY,
2004, by JERRY H. BRENT, Director, Northwest Area,
Telecommunications Program of the Rural Utilities Service of the United States of America.

Elizabeth J. Hoerter

Notary Public

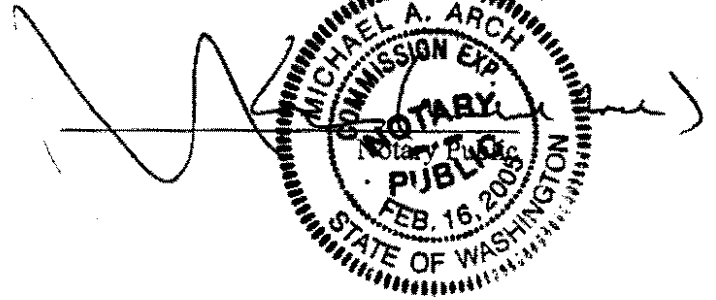
(Notary Seal)

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

STATE OF WASHINGTON)
)
COUNTY OF Chelan) SS

I certify that on this 29th day of March, 2004, the foregoing instrument was acknowledged before me, Michael Arch, a Notary Public in and for the above-named County and State, and that Richard L. Wimmer, Peter J. Wimmer, to me personally known and the person whose name is signed to the foregoing instrument, did personally appear before me, who being duly sworn and deposed according to law, did make proof to my satisfaction and say that he/she was, at the time of execution thereof, the Managing Director [Position] of WESTGATE COMMUNICATIONS, LLC, a Washington limited liability company, that he/she knows the corporate seal of said entity, if one exists, and that the foregoing instrument, whose contents are known to him/her, was signed, sealed, and delivered on behalf of said entity by authorization of its members, and furthermore acknowledged the instrument to be his/her free and voluntary act and deed, as well as that of the entity, for the purposes and uses therein set forth.

IN WITNESS WHEREOF, sworn and subscribed before me, I have hereunto set my hand and official seal.



(Notarial Seal)

My Commission expires: Feb. 16, 2005

SCHEDULE A

1. The Loan Agreement referred to in the Recitals is the Loan Agreement, dated the same date as this Restated Mortgage between the Mortgagor and the Mortgagees.
2. The Current RUS Note(s), made by the Mortgagor to the Government, dated the same date as this Restated Mortgage and referred to in the Recitals are:

RUS Designation: **WA 547-A11**
Stated Principal Amount: **\$2,094,000.00**
Interest Rate: **5%**
Maturity Date: **Nov. 3, 2020**

3. The "Debt Limit" referred to in section 1.1 is **\$25,000,000.00**
4. The following addresses are for purposes of providing notice pursuant to section 5.4:

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

With a copy to: **Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Stop 1595, Room No. 2835
Washington, D.C. 20250-1595
Attention: Jerry Brent
Fax: (202) 690-4654**

Mortgagor: **Westgate Communications, LLC
48 Golf Course Drive
Pateros, Washington 98842**

With a copy to: **Michael Arch, Esq.
Forman & Arch
124 N. Wenatchee Ave., Suite A
Wenatchee, WA 98801
Fax: (509) 662-9606**

SCHEDULE B

1. The "Existing Facilities" referred to in Granting Clause I are located in the county of **Chelan** in the State of **Washington**.
2. The real estate mortgaged and pledged hereunder includes the following: **None**

PROMISSORY NOTE

WA 547-A11 WESTGATE
Pateros, Washington
March 1, 2004

THIS PROMISSORY NOTE (hereinafter the "Note") is made by WESTGATE COMMUNICATIONS, LLC (hereinafter the "Borrower,") a limited liability company duly organized and existing under the laws of the State of Washington, to the UNITED STATES OF AMERICA, (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS.") For value received, the Borrower promises to pay to the order of the Government, at the United States Treasury, Washington, D.C., two million ninety-four thousand dollars (\$2,094,000), with interest payable, from the date of each advance, on the amount advanced by the Government (hereinafter the "Advance,") pursuant to a certain Loan Agreement, dated the same date as this Note (hereinafter the "Loan Agreement,") made by and between the Borrower and the Government, and remaining unpaid from time to time, in the time and manner herein provided:

1. Interest Rate. Interest on each Advance shall be at five (5) percent per annum.
2. Maturity Date. On a date seventeen (17) years after the date hereof, the principal hereof advanced pursuant to the Loan Agreement and remaining unpaid, if any, and interest thereon, shall be due and payable (hereinafter the "Maturity Date.")
3. Fund Advance Period. Funds will be advanced pursuant to the Loan Agreement. The fund advance period for this Note begins on the date hereof and terminates five (5) years from the date of this Note (hereinafter the "Termination Date.") All funds not advanced prior to the Termination Date shall automatically be rescinded, unless the Administrator extends the fund advance period in accordance with the Loan Agreement.
4. Payments on Advances.
 - (a) Made Within Two (2) Years. Interest on Advances made during the first two (2) years from the date hereof, and remaining unpaid, shall be payable on the last day of each month (hereinafter the "Monthly Payment Date,") beginning on the last day of the month following the month of each Advance for the period ending two (2) years from the date hereof. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each Advance which shall be: (i) substantially equal to all subsequent monthly payments and (ii) in an amount that will pay all principal and interest due on each Advance no later than the Maturity Date.
 - (b) Made After Two (2) Years. Interest and principal payments on Advances made more than two (2) years after the date hereof shall be repaid in installments

beginning with the Monthly Payment Date of the month following each Advance and ending on the Maturity Date. The first such payment on an Advance shall be increased by the amount of interest accruing between the date of the Advance and the first day of the next month. Thereafter, to and including the Maturity Date, the Borrower shall make a payment every Monthly Payment Date on each such Advance (i) substantially equal to every other monthly payment on such Advance, and (ii) in an amount that will pay all principal and interest of such Advance no later than the Maturity Date. This payment shall be in addition to the payment on the Advances made within two (2) years from the date hereof and remaining unpaid.

5. Application of Payments. Each payment made on this Note shall be applied as provided in the Mortgage, Security Agreement, and Financing Statement, dated the same date as this Note, made by and between the Borrower and the Government (hereinafter the "Mortgage") and/or in the Loan Agreement.
6. Prepayment. All, or a portion of the outstanding balance, of any Advance may be prepaid on any payment date, as herein provided. However, so long as any of the principal advanced pursuant to the Loan Agreement shall remain unpaid, the Borrower shall be obligated to make the monthly payment on account of principal and interest, in the amount provided herein, unless the Borrower and the Government shall otherwise agree, in writing.
7. Late Payments. A late charge shall be charged on any payment not made within five (5) days of the date the payment becomes due. The late charge rate shall be computed on the payment from the due date at a rate equal to the rate of the cost of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. In addition, the Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable Government regulations. Acceptance by the Government of a late payment shall not be deemed to be a waiver of any right or remedy of the Government.
8. Security. This Note is secured by a security interest in collateral described in the Mortgage. Rights and obligations with respect to the collateral are stated therein.
9. Noteholder. This Note evidences indebtedness created by a loan made under the Rural Electrification Act (7 U.S.C. 901 *et seq.*). The Government shall be and shall have all rights as holder of this Note. If the Government shall at any time assign this Note and insure the payment hereof, then the Borrower shall continue to make payments hereunder to the Government as collection agent for the insured holder, and for purposes of the Mortgage, the Government, and not such insured holder, shall be considered, and shall have the rights of, the Noteholder.
10. Default. In an event of default, as provided in the Loan Agreement and/or Mortgage, all principal advanced pursuant to the Loan Agreement and remaining unpaid on this Note,

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

11. Costs. The Borrower shall pay any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Loan Agreement and/or Mortgage.
12. Waivers. The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonor, protest, and notice of non-payment of this Note.
13. Obligations. The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment, or counterclaim it might otherwise have against the Government.

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

BORROWER:
WESTGATE COMMUNICATIONS, LLC

by LaVerna Grace Marmion
LaVerna Grace Marmion, Member

by Richard L. Weaver
Richard L. Weaver, Member

by James Wilfers
James Wilfers, Member

by Richard J. Weaver
Richard J. Weaver, Member

by Sergey S. Denisov
Sergey S. Denisov, Member

No Seal

(SEAL)

Attested to by: Richard J. Weaver
Secretary

LLC MEMBERS' AUTHORIZATION

We, Richard J. Weaver, Richard L. Weaver, Laverna G. Marmion, James Wilfers, and Sergey Denisov, as Members of Westgate Communications, LLC (hereinafter the "LLC") on JULY 1, 2004, do hereby authorize and certify the following: that the amended authorization below is in compliance with the operating agreement of the LLC; that the executed copies of the Loan Agreement, Notes, and security instrument were true and exact copies of the forms thereof authorized and approved by the Members; and that the following authorization has not been rescinded or modified:

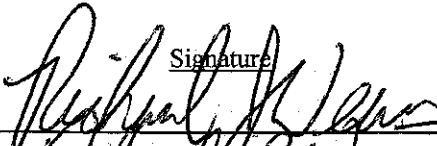
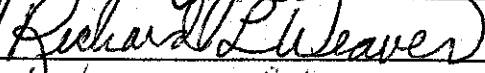
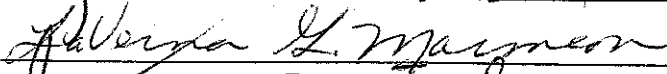


AUTHORIZATION

1. THAT the LLC borrow from the United States of America (the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS,") an amount not to exceed \$2,094,000 (the "Loan,") to be used for such purposes as approved by RUS, thereby correcting the minutes of the LLC dated December 10, 2001 authorizing only \$2,000,000.

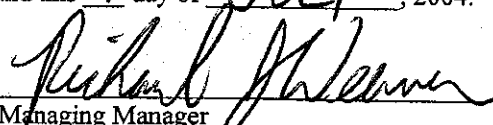
WE FURTHER CERTIFY THAT the date of actual execution of the loan documents was March 1, 2004.

WE HEREBY RATIFY the signatures of the Loan Agreement and Note, dated as of March 1, 2004, approving the loan with RUS for \$2,094,000.

WE FURTHER CERTIFY THAT the following are the names and signatures, respectively, of all Members of Westgate Communications, LLC existing on said date of actual execution of the documents.

<u>Member</u>	<u>Name</u>	<u>Signature</u>
Member	Richard J. Weaver	
Member	Richard L. Weaver	
Member	Laverna G. Marmion	
Member	James Wilfers	
Member	Sergey Denisov	

IN WITNESS WHEREOF I have hereunto set my hand this 1 day of JULY, 2004.


Managing Manager

N/A
Attested to by Secretary (if any)
_____, 2004

WeavTel
RUS Payments for 2012
January through December 2012

<u>Num</u>	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Jan - Dec 12			
	12/5/2012	1120.20 · JP Morga...	[REDACTED]
	11/5/2012	1120.20 · JP Morga...	[REDACTED]
	10/8/2012	1120.20 · JP Morga...	[REDACTED]
wire	9/14/2012	1120.20 · JP Morga...	[REDACTED]
wire	8/3/2012	1120.20 · JP Morga...	[REDACTED]
online	5/31/2012	1120.20 · JP Morga...	[REDACTED]
wire	5/4/2012	1120.20 · JP Morga...	[REDACTED]
wire	4/2/2012	1120.20 · JP Morga...	[REDACTED]
wire	3/5/2012	1120.20 · JP Morga...	[REDACTED]
wire	2/2/2012	1120.20 · JP Morga...	[REDACTED]
EFT	1/6/2012	1120.20 · JP Morga...	[REDACTED]
Jan - Dec 12			

WeavTel
RUS Payments for 2013
January through December 2013

<u>Num</u>	<u>Date</u>	<u>Account</u>	<u>Amount</u>
Jan - Dec 13			
	12/6/2013	1120.20 · JP Morga...	[REDACTED]
	11/5/2013	1120.20 · JP Morga...	[REDACTED]
	9/30/2013	1120.20 · JP Morga...	[REDACTED]
	9/3/2013	1120.20 · JP Morga...	[REDACTED]
wire	7/31/2013	1120.20 · JP Morga...	[REDACTED]
	7/8/2013	1120.20 · JP Morga...	[REDACTED]
	6/14/2013	1120.20 · JP Morga...	[REDACTED]
	5/2/2013	1120.20 · JP Morga...	[REDACTED]
	3/8/2013	1120.20 · JP Morga...	[REDACTED]
eft	2/6/2013	1120.20 · JP Morga...	[REDACTED]
	1/3/2013	1120.20 · JP Morga...	[REDACTED]
Jan - Dec 13			