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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Foresthill Telephone Co. (U 1009 C) For an Order Authorizing the Issuance of Notes In an Amount Not Exceeding $5,027,000 And Execution of A Related Agreement and Supplemental Security Agreements.	A.____________

APPLICATION OF

FORESTHILL TELEPHONE CO. (U 1009 C)

FOR AN ORDER AUTHORIZING THE ISSUANCE OF NOTES IN AN AMOUNT NOT EXCEEDING $5,027,000 AND EXECUTION OF A RELATED AGREEMENT AND SUPPLEMENTAL SECURITY AGREEMENTS

PUBLIC VERSION

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Attorneys for Foresthill Telephone Co.

July 15, 2026

I. INTRODUCTION.

Foresthill Telephone Co. (U 1009 C) ("Foresthill") hereby submits this Application to the California Public Utilities Commission ("Commission") for authority, under Sections 817, 818 and 851 of the Public Utilities Code and Rules 2.1, 2.2, 2.3, 2.4, and 3.5 of the Commission's Rules of Practice and Procedure ("Rules"), to enter into loan documents with the United States Department of Agriculture, Rural Utilities Service ("RUS") and to issue notes in an amount not exceeding $5,027,000 ("Loan"). Foresthill is an Incumbent Local Exchange Carrier ("ILEC") and a small independent telephone corporation serving rural areas of California in Placer County. RUS has approved Foresthill for a loan in that amount under its Rural Utilities Service Telecommunications Program, which will give it essential capital at a reasonable rate. Foresthill will use the funds as necessary to upgrade, extend, and modernize its infrastructure to enhance the capabilities of Foresthill's network for the benefit of ratepayers and the rural communities that Foresthill serves. In connection with this request, Foresthill seeks approval of the loan terms between Foresthill and RUS and authority to execute related security agreements necessary to obtain this low-cost debt financing.

RUS approved Foresthill's application and provided Foresthill with a formal offer to initiate the financing, dated June 2, 2026, a true and correct copy of which is attached hereto as **Exhibit 1**. The offer summarizes the anticipated terms by which Foresthill proposes to access this debt capital. In addition, Foresthill is supplying the formal Loan Agreement, in draft form, attached hereto as **Exhibit 2**, as well as the Mortgage and Security Agreement, attached hereto as **Exhibit 3.** Following approval of the indebtedness by the Commission, RUS is expected to circulate the final loan agreement, associated notes, and security agreements in substantially the same form as provided herewith.

This Application provides the necessary documents, explanations, and compliance items required for requests for approval of indebtedness and related encumbrances of utility property, according to the Commission's rules. Foresthill's requested relief is supported by data and information contained in this Application and its exhibits, in furtherance of the public's interest in access to widespread, modern telecommunications infrastructure. The Commission's prompt review and approval of the Application is warranted to help ensure the appropriate capitalization and long-term financial stability of Foresthill.

II. STATUTORY COMPLIANCE.

Foresthill is requesting relief under the standards in Public Utilities Code Sections 817, 818, and 851, which govern the issuance of debt and the execution of security agreements attendant to that debt. The statutory standards are amply met based on the information provided herewith. Pursuant to Public Utilities Code Section 817, public utilities are permitted to incur indebtedness for certain purposes, which include "construction, completion, extension, or improvement of its facilities" and "improvement or maintenance of its service."[1] Foresthill plans to use funds from RUS to expand, upgrade, and improve its network, consistent with these standards.

Commission approval is also required prior to issuances of indebtedness under Section 818, which Foresthill is seeking through this Application. In addition, this section requires findings that the issuance of debt is "reasonably required" for the "purposes to which the issue or the proceeds thereof are to be applied."[2] Foresthill has confirmed that low-cost debt financing, like instruments addressed through this Application, will be a cost-effective and expeditious method for making the necessary investments in the company's infrastructure to ensure long-term system reliability and facilities advancement. Likewise, the funds are not "reasonably chargeable to operating expenses or income."[3]

Further, this Application satisfies Section 851, which mandates prior Commission approval before a public utility "encumber[s]" regulated assets.[4] The encumbrances contemplated herein are in the public interest and reasonable for approval pursuant to Section 851 because the proposed security interests are required by the RUS and therefore necessary to facilitate access to the favorable financing.

III. FORMAL REQUIREMENTS.

In support of this Application, Foresthill submits the following information, as called for by the Rules:

A. Name and Address of Applicant (Rule 2.1(a)): Foresthill's full legal name is Foresthill Telephone Co. Foresthill is a corporation organized under the laws of the State of

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[1] Pub. Util. Code §§ 817(b), 817(c).
[2] Pub. Util. Code § 818.
[3] *Id.*
[4] Pub. Util. Code § 851(a).

California. Foresthill's principal place of business is Foresthill, California. The telephone number for contacting Foresthill is (530) 367-2222.

B. Correspondence and/or Communications (Rule 2.1(b)): Communications and correspondence regarding this Application should be addressed to Foresthill's attorneys:

Patrick M. Rosvall
Mark P. Schreiber
Grace A. Amato
BRB Law LLP
492 Ninth Street, Suite 220
Oakland, California 94607
Telephone: (510) 955-1081
Email: patrick@brblawgroup.com

with a copy to:

Jason Tikijian
Regulatory & Government Affairs Manager
Foresthill Telephone Co.
811 S. Madera Avenue
Foresthill, California 93630
Telephone: (800) 841-9311
Email: jtikijian@sebastiancorp.com

C. Articles of Incorporation (Rule 2.2): Foresthill's Articles of Incorporation as certified by the Secretary of State of the State of California were previously submitted with Application 15-09-005 (filed September 1, 2015). These documents remain in the Commission's files in connection with that proceeding. In accordance with Rule 2.2, specific reference is made to this prior filing in lieu of its submission with this Application.

D. Financial Information (Rule 2.3): Attached as **Exhibit 4** are Foresthill's most recent financial statements as of the "latest available date," reflecting financial results through the month of May 2026. These financials include a balance sheet and income statement, in compliance with Rule 2.3(h). In addition, Foresthill's most recent audited financial statement through December 31, 2025 is provided as **Exhibit 5**. The financial statements show the "amount and kinds of stock authorized by the articles of incorporation," as called for by Rule 2.3(a).

As called for by Rule 2.3(c), the agreements governing each "security agreement, mortgage, and deed of trust" upon Foresthill's property are provided herewith as **Exhibits 2 and 3**. Foresthill has no information responsive to Rule 2.3(d), because Foresthill has not issued any bonds. In compliance with Rule 2.3(e), **Exhibit 6** provides the required information pertaining to Foresthill's existing debt as of December 31, 2025. A schedule denoting dividends paid by Foresthill in each of the past five years is provided herewith as **Exhibit 7** in compliance with Rule 2.3(g).

E. General Description of Property and Service (Rule 3.5(a)): Foresthill operates a telephone system over which it provides local exchange telephone service in Placer County. The company's system consists mainly of cables and wires connecting customer locations and facilitating interconnection with the public switched telephone network. As part of this system, the infrastructure includes both underground and aerial cable lines, in addition to radio equipment, central office equipment, land, buildings, and other miscellaneous facilities.

F. Amount of Indebtedness (Rule 3.5(b)): Foresthill seeks Commission approval of the Loan, which would authorize Foresthill to incur up to $5,027,000 of indebtedness.

G. Purpose of Indebtedness (Rule 3.5(c)): Foresthill requires additional capital to fund projects in its territory to maintain reliable, high-quality voice service and continue to advance the deployment of broadband-capable facilities that can provide improved access to advanced services, consistent with Foresthill's duties as a Carrier of Last Resort ("COLR") and an Eligible Telecommunications Carrier ("ETC") in its rural service territory.

The projects supported through the RUS funds address the immediate need to counter obsolescence and attend to maintenance concerns, while also balancing long-term goals of upgrading service quality across Foresthill's service territory. Foresthill plans to use the loan to upgrade fiber facilities to improve the broadband capabilities of their network over the next several years. Such changes are part of Foresthill's ongoing commitment to service quality and efficiency for their customers. As Foresthill pursues fiber installation, they will also be using the RUS funds to install fixed wireline facilities that will provide increased bandwidth, redundancy, and efficiency. These improvements will provide high-quality service while Foresthill works on the technological changes and deployment necessary for fiber installation. This multi-faceted approach will allow Foresthill to ensure it provides consistent service quality throughout the modernization processes, by prioritizing the near-term refurbishment and maintenance needs of the wireline system while simultaneously making progress toward enduring quality improvements by installing fiber.

These investments are designed to ensure that Foresthill continues to meet the current needs and anticipates the future needs of its customers in an efficient manner. Foresthill does not believe that it would be prudent to fund all of its projects out of its own retained earnings or shareholder equity, particularly when loans can be obtained from the RUS on such favorable terms such as those presented here.

H. Description of Obligation (Rule 3.5(d)): Once approved, Foresthill will consummate the Loan with RUS and execute the note with RUS in the amount of $5,027,000. Foresthill has previously received similar long-term secured debt capital from the RUS.[5] The Loan will be secured by mortgages and supplemental mortgages of substantially all of Foresthill's property, as previously authorized by the Commission. The Loan will also be subject to the documentation which is attached as **Exhibit 2**. Foresthill proposes to issue a mortgage and a promissory note in accordance with the terms in **Exhibit 3** to provide for the long-term borrowing by Foresthill of a principal amount not exceeding $5,027,000 in the aggregate. As set forth in **Exhibits 2 and 3**, the loan funds are expected to be advanced to Foresthill from time to time after the execution of the Mortgage Note.

Advances under the Mortgage Note will bear interest at various rates using the "Cost-of Money" standard, which shall be determined with reference to the Rural Electrification Act of 1936 and implementing regulations.[6]. The applicable rate of interest for advances under RUS loans is determined on the date of each advance and is essentially equal to the U.S. government's cost of funds. The rates from these federal lending institutions are generally and consistently lower than rates available from private and commercial lenders. The Commission has long recognized this differential and its advantage to regulated telephone corporations.[7]

I. General Order 104-A Statement (Rule 3.5(e)): Foresthill is not aware of any matters to be reported pursuant to Section 2 of General Order 104-A. Foresthill files annual reports in accordance with General Order 104-A and follows Communications Division staff's directives appurtenant thereto.

J. Terms of the Proposed Security Interests (Rule 3.5(f)): The Loan Agreement and related documents reflecting the terms of the proposed transaction with the RUS are attached as **Exhibit 2.**

K. Environmental Impact (Rule 2.4): This Application seeks Commission approval to enter into a loan transaction with RUS pursuant to Sections 817, 818 and 851 of the California

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[5] D.13-02-030 at 15 (OP 1).
[6] Exhibit 1 at 1.
[7] *See, e.g.,* D.13-02-029 (Foresthill), at 13 (noting that RUS "provides low interest loans that help rural utilities update and institute new services").

Public Utilities Code. Foresthill is an ILEC with authority to provide facilities-based local exchange services in its service territory pursuant to a statutory franchise.[8] The facilities upgrades and deployment that Foresthill will pursue using the proposed RUS funding will all involve the installation of facilities in existing rights-of-way. These activities are consistent with and will not exceed the scope of Foresthill's existing ILEC authority.

None of the anticipated investments financed with the RUS loan will have a significant adverse effect on the environment. Nevertheless, Foresthill acknowledges and will comply with any and all applicable local, state, and federal environmental permitting requirements relative to the projects that it will undertake using the funds to be obtained through the transactions to be approved by this Application.

Based on these facts and verified representations, Foresthill requests that the Commission approve this Application without the need to prepare an Environmental Impact Report, Negative Declaration, or Mitigated Negative Declaration. This is consistent with the Commission's adjudication of previous small telephone company RUS loan applications.[9]. As noted in D.10-12-045, "the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment are not 'projects' subject to CEQA."[10] Since no "specific project" would be approved by this Application, this request is exempt from the requirement to prepare an environmental assessment as a precursor to approval.

L. Exemption from New Financing Rule.

The Commission adopted the so-called "New Financing Rule" in D.12-06-015 to update the competitive bidding rule that persisted for nearly 30 years. While the New Financing Rule would mandate competitive bidding in connection with proposed indebtedness, it also provides certain exemptions based on a compelling showing by the utility that it qualifies for such

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[8] *See, e.g.,* D.10-12-056 ("ILECs . . . have operating authority that predates the requirement for a CPCN . . . ." D.10-12-056; *see also* D.09-07-019 ("An ILEC is a local telephone corporation that was the exclusive certificated local telephone service provider in a franchise territory established before the Telecommunications Reform Act of 1996 . . . .).

[9] See D.10-12-045 (Calaveras); D.11-06-010 (Cal-Ore); D.13-02-030 (Foresthill); D.13-02-029 (Kerman).

[10] D.10-12-045 at 24 (citing 14 CCR § 15378(b)(4)); *see also* D.21-07-009 at 8 ("the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment is not a 'project' subject to CEQA").

exemptions.[11] Foresthill's financing is subject to multiple exemptions because "government debt" is exempt from the Financing Rule, as are debt issuance of $42 million or less.[12] Foresthill's exemption here is in step with the Commission's usual practice and prior decisions.

M. Categorization, Issues, and Schedule (Rule 2.1(c)): The proceeding initiated by this Application, is properly categorized as a ratesetting proceeding because the issues raised by the Application cannot reasonably be construed as either "adjudicatory" or "quasi- legislative," and "ratesetting" is the default category where a proceeding does not squarely fit within any of the other categories.[13] This result is consistent with Commission precedent, and similar designations have been applied in each of the RUS loan approval proceedings before the Commission in the past several years.[14]

The sole issue to be resolved here is whether the proposed indebtedness and the associated agreements should be approved pursuant to the standards in Public Utilities Code Sections 817, 818, and 851. Foresthill does not believe that hearings are required to resolve this Application and proposes a schedule that would result in the Application being granted at a Commission meeting on November 19, 2026, as follows:

Application Filing Date:	July 15, 2026
Application Appearance in Daily Calendar:	July 20, 2026
Protest Deadline:	August 19, 2026
Pre-Hearing Conference:	August 24, 2026
Scoping Memo:	September 4, 2026
Proposed Decision:	October 19, 2026,
Final Decision:	November 19, 2026

The Commission should proceed expeditiously with processing and approving this Application to ensure that this low-cost debt financing remains available to Foresthill to help fund the important projects that Foresthill will be undertaking in late 2026, 2027, and in the years thereafter.

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[11] *See* D.12-06-015, Attachment A at A-6 (schedule of exemptions).

[12] D.12-06-015, Attachment A at A-6; *see also* D.21-07-009 at 8 ("As the RUS is a federal government agency, and Sierra Tel's request for new debt is less than $42 million, we grant Sierra Tel an exemption from the New Financing Rule.")

[13] *See* Rule 7.1(e)(2) (providing that where a proceeding to does not "clearly fit into any of the categories" of proceedings under Rule 1.3, the classification should be "ratesetting").

[14] *See, e.g.,* D.24-07-014 at 3 (Ponderosa); D.21-07-009 at 2 (Sierra); *see also* D.13-02-030 at 9 (Foresthill)

N. Additional Disclosure Regarding Prior Penalties.

In connection with certain types of applications, the Commission requires affirmative disclosures of previous bankruptcies and criminal or civil sanctions on behalf of the applicant or its affiliates, officers, directors, partners, agents, and/or owners.[15] While Foresthill does not believe that this Application is subject to these disclosure requirements, it provides the disclosure and certification in accordance with D.13-05-035 in an abundance of caution and in the interests of full transparency. Based on Foresthill's reasonable good faith inquiry, and under the assumption that D.13-05-035 applies to this application, two items are hereby disclosed:

1. In 2007, the Commission issued a small penalty to Sebastian Enterprises, Inc., ("SEI"), Foresthill's parent company, in connection with certain corporate restructuring and financing activities following SEI's acquisition of Foresthill.[16] Following Commission approval of the Foresthill acquisition in D.05-05-045,[17] SEI merged Foresthill with another SEI subsidiary and executed a loan that encumbered the merged entity's assets. Shortly thereafter, Foresthill applied for a loan from RUS, which was approved in D.06-06-068, but the Commission found that the preexisting merger and encumbrance were improper because these actions were not pre-approved by the Commission. An order to show cause and investigated was initiated, SEI cooperated with the inquiry, and ultimately a settlement was reached by which SEI agreed to pay a $15,000 penalty to the state's general fund. In approving the settlement, the Commission found that neither SEI nor Foresthill intended to violate the Public Utilities Code and noted that SEI was operating under a mistaken but good faith interpretation of D.05-04-045 that it already had authority to take the disputed actions. SEI paid the penalty and the matter was resolved.

2. In a circuitous proceeding well known to the Commission relating to the dissolution of the Rural Telephone Bank ("RTB"), Foresthill's affiliate, Kerman Telephone Co., was penalized $198,600.00 in connection with an application that the Commission asserted was misleading and thus a violation of the Commission's Rule 1.1.[18] Kerman contested this penalty, and its position was vindicated in a published Opinion annulling the penalty and exonerating Kerman: *Kerman Telephone Co. et al v. Pub. Util. Comm'n*, 94 Cal. App. 5th 920 (2023).

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[15] *See* D.13-05-035 at 59 (O.P. 14) (adopting disclosure requirements for "[t]elephone corporations seeking or transferring a Certificate of Public Convenience and Necessity.").

[16] *See* D.07-05-054 at 7 (OP 4).

[17] D.05-05-045 at 7 (OP 1).

[18] *See* D.19-12-041 at 93 (confirming amount of penalty); D.22-01-018 (affirming D.19-12-041).

Because Kerman was absolved of any wrongdoing, Foresthill does not believe that this disclosure is required, but it nevertheless provides this information for completeness and transparency.

Aside from these limited items, Foresthill is not aware of any instance in which it, or its affiliates, officers, directors, partners, agents, or owners (directly or indirectly) of more than 10% of Foresthill, or anyone acting on behalf of Foresthill has (1) held one of these positions with a company that filed for bankruptcy; (2) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (3) been convicted of a felony; (4) been the subject of a criminal referral by a judge or public agency; (5) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (6) personally entered into a settlement, or held one of these positions with a company that has entered into settlement of criminal or civil claims involving violations of Sections 17000, *et seq*., 17200, *et seq*., or 17500, *et seq*. of the California Business and Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (7) been found to have violated any statute, law, or rule pertaining to public utilities or regulated industries; or (8) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general, except as described above. Similarly, to the best of Foresthill's knowledge, neither Foresthill, any affiliate, officer, director, partner, nor owner of more than 10% of Foresthill, or any person acting in such capacity whether or not formally appointed, is being or has been investigated by the Federal Communications Commission ("FCC") or any law enforcement or regulatory agency for failure to comply with any law, rule, or order.

O. Fees for Issuances of Debt (Public Utilities Code Section 1904(b)):

Following approval of this Application, Foresthill will provide an appropriate fee to comply with Public Utilities Code Section 1904(b). Consistent with Commission practice, this fee is due following the issuance of a final decision authorizing the issuance of debt.[19] Based on the calculation methodology in Public Utilities Code Section 1904(b), Foresthill expects the fee

[19] *See* D.10-12-045 at 26 (confirming that fees due under Section 1904(b) are handled as a compliance item following the approval of an issuance of debt).

to be $6,027.00. This figure includes $2.00 in fees for each $1,000 in debt up to $1,000,000 (an amount of $2,000), and then $1.00 in fees for each $1,000 in debt for the remainder of the $4,027,000 in debt that exceeds $1,000,000 (an amount of $4,027). Combining the $2,000 with the $4,027, the total expected fee is $6,027. A summary of the calculation is below:

$5,027,000 of total new debt	First $1,000,000	$2 per $1,000	$2,000.00
	Next $4,027,000 exceeding $1m	$1 per $1,000	$4,027.00
		Total	**$6,027.00**

III. CONCLUSION.

Based on the foregoing, the proposed debt financing is in the public interest, and Foresthill respectfully requests that the Commission issue a decision:

1. Approving Foresthill's proposed indebtedness to RUS and granting Foresthill authority to enter into the identified Loan and associated agreements with RUS.

2. Granting such other relief as may be reasonable, necessary, or proper to effectuate this relief.

Dated this 15th day of July, 2026, at San Francisco, California.

Patrick M. Rosvall
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492 Ninth Street, Suite 220
Oakland, California 94607
Telephone: (510) 955-1081
Email: patrick@brblawgroup.com

By: */s/ Patrick M. Rosvall*
Patrick M. Rosvall

Attorneys for Foresthill Telephone Co.

VERIFICATION

I, Anna R. Allen, declare:

I am the Director of Legal and Administrative Services of Foresthill Telephone Company and I am authorized to make this verification on the company's behalf. I have read the foregoing Application and know the contents thereof and the same is true of my own knowledge except as to matters therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed at Fresno, California, this 15th day of July, 2026.

Anna Allen

Anna R. Allen

Exhibit 1

United States Department of Agriculture

Rural Development

RUS Telecommunications Program

1400 Independence Ave, SW
Room 4121 - Stop 1590
Washington, DC 20250

Voice 202.720.0800

June 2, 2026

Mr. William S. Barcus
President
Foresthill Telephone Co.
811 South Madera Avenue
Kerman, CA 93630

Dear Mr. Barcus:

We are pleased to inform you that your application for a loan from the Rural Utilities Service Telecommunications Program has been approved. We are offering you a loan in the amount of $5,027,000 at the Cost-of-Money interest rate for a term of 19 years. The loan is subject to the terms of the enclosed Loan Agreement. The loan designation for your project is CA0546-C42. This designation should be referenced in all future correspondence concerning this loan.

In order to comply with USDA's appropriations law requirements, you will need to execute and submit the enclosed Form AD-3031, "Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants."

Please indicate your acceptance of this offer by having the president of Foresthill Telephone Co. or other authorized official sign the second copy of this letter and, within 20 days from the date hereof, returning it and the executed Form AD-3031 both by email to:

Mr. Shekinah Pepper, Deputy Assistant Administrator
Loan Origination and Approval Division
Room 4121, South Building
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1595
Email: shekinah.pepper@usda.gov

Upon receipt of the second copy of this letter and Form AD-3031, the loan documents will be prepared and forwarded in the near future for execution. This loan is approved with the understanding that the loan documents will be authorized and executed by your organization and returned to us within the time period which will be set forth in the letter of transmittal.

Sincerely,

SHEKINAH PEPPER
2026.06.02 12:55:48 -05'00'

SHEKINAH PEPPER
Deputy Assistant Administrator
Telecommunications Program
Loan Origination and Approval Division

ACCEPTANCE:

Foresthill Telephone Co.

By: ________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

Enclosures
- Draft Loan Contract
- AD-3031

cc: Robert Machado

Exhibit 2

RUS Project Designation

CA 546-C42

LOAN AGREEMENT

dated as of June 10, 2026

between

Foresthill Telephone Co.

and

THE UNITED STATES OF AMERICA

THE UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement,") dated as of June 10, 2026 is between **Foresthill Telephone Co.**, (hereinafter the "Borrower,") a corporation organized and existing under the laws of California, 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 5.13.

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

ARTICLE II - REPRESENTATIONS AND WARRANTIES

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

Agreement, the following:

a. *Organization: Power, Etc* The Borrower: (i) is the type of organization specified in the first paragraph hereof, duly organized, validly existing, and in good standing under the laws of the State identified in the first paragraph hereof; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business make such qualification necessary; (iii) has legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan Documents; (iv) has duly and lawfully obtained and maintained all material licenses, certificates, permits, authorizations, and approvals necessary to conduct its business or required by applicable Laws; and (v) is eligible to obtain the financial assistance from RUS contemplated by this Agreement.

b. *Authority.* The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents and the performance of the transactions contemplated hereby and thereby have been duly authorized by all necessary actions and do not violate any provision of law or any charter, articles of incorporation, organization documents or bylaws of the Borrower or result in a breach of, or constitute a default under, any agreement, security agreement, note or other instrument to which the Borrower is a party or by which it may be bound. The Borrower has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default

c. *Consents.* No consent, approval, authorization, order, filing, qualification, license, or permit of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents, except such as have been obtained and are in full force and effect.

d. *Binding Agreement.* Each of the Loan Documents is, or when executed and delivered will be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

e. *Compliance with Laws.* The Borrower is in compliance in all material respects with all federal, state and local laws, rules, regulations, ordinances, codes and orders (collectively, "Laws.")

f. *Litigation.* There are no pending or threatened legal, arbitration or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a Material Adverse Effect.

g. *Information Submitted with Application.* All information, reports, and other documents and data submitted to RUS in connection with the Application were, at the time the same were furnished, complete, and correct in all material respects. Any financial statements or data submitted to RUS in connection with the Application present fairly, in all material respects, the financial position of the Borrower and the results of its operations in conformity with Accounting Requirements. Since the date thereof, there has been no material adverse change in the financial condition or operations of the Borrower.

h. *Location of Properties.* All real property and interests therein of the Borrower are located in the states, counties, or parishes identified in the Security Documents.

i. *Principal Place of Business.* The principal place of business and chief executive office of the Borrower is at the address of the Borrower specified in Schedule 1 hereto.

j. *Organization Number.* The Borrower's organization number is correctly identified in Schedule 1 hereto.

k. *Subsidiaries and Parent.* Any subsidiaries or parent of the Borrower are disclosed on the attached Schedule 1.

l. *Defaults Under Other Agreements.* No default by the Borrower has occurred under any agreement or instrument to which the Borrower is a party, or to which any of its property is subject, that could have a Material Adverse Effect.

m. *Title to Property.* Except as disclosed in writing in the opinion of counsel, the Borrower holds good and marketable title to all of the collateral securing the Loan(s), free and clear of any liens, security interests, or other encumbrances except for Permitted Encumbrances.

ARTICLE III – THE LOANS

Section 3.1 Loans

a. *Broadband Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Broadband Loan, in the amount specified in Schedule 1 hereto.

    i. *Interest Rate.* The portion of the Broadband Loan specified in Schedule 1 hereto will bear interest at the comparable Treasury rate for comparable maturities, as determined by RUS, and the portion of the Loan specified in Schedule 1 hereto will bear interest at the rate of four percent (4%) per annum.

    ii. *Broadband Loan Expiration Date.* The obligation of RUS to advance the Broadband Loan or any portion thereof shall expire on a date ("Broadband Loan Expiration Date") five years from the date of the Note(s). No portion of the Broadband Loan will be advanced by RUS to the Borrower after the Broadband Loan Expiration Date.

b. *Telecommunications Loan.* RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a Telecommunications Loan, in the amount specified in Schedule 1 hereto.

    i. *Interest Rate.* The portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the Cost-of-Money Interest Rate determined by the Government pursuant to 7 U.S.C. 935(d)(2)(A) of the Act and its implementing regulations, as amended from time to time (7 C.F.R. 1735.31(c)) and the portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the rate of five percent (5%) per annum.

    ii. *Telecommunications Loan Expiration Date.* The obligation of RUS to advance the Telecommunications Loan or any portion thereof shall expire on a date ("Telecommunications Loan Expiration Date") five (5) years from the date of the Note(s). No portion of the Telecommunications Loan will be advanced by RUS to the Borrower after the Telecommunications Loan Expiration Date.

c. *Telecommunications Loan Guarantee.* RUS agrees to guarantee the loan identified in Schedule 1 hereto and the Borrower agrees to accept such guarantee, on the terms and conditions stated in this Agreement.

    i. *Interest Rate.* Each Advance of funds subject to the Telecommunications Loan Guarantee shall bear interest at the rate established by FFB at the time such Advance is made on the basis of the determination made by the Secretary of the Treasury pursuant to 12 U.S.C. 2285(b) of the Federal Financing Bank Act of 1973, as amended.

    ii. *Telecommunications Loan Guarantee Expiration Date.* The obligation of RUS to approve requests for Advances made under the Telecommunications Loan Guarantee or any portion thereof shall expire on the Last Advance Date as specified in the applicable guaranteed Note.

Section 3.2 Loan Documents

a. The debt created by the Loan(s) will be evidenced by a note(s) ("Note(s)") executed by the Borrower and payable, as applicable, to the United States of America or, in the case of a loan guarantee, to the guaranteed lender. The Borrower shall repay the Loan(s) in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.

b. The Borrower shall execute the Security Documents covering all of the Borrower's property, in form and substance satisfactory to RUS and such other security instruments as required by RUS.

Section 3.3 Payment

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

Section 3.4 Project

a. Loan Purpose. The Loan has been made solely to finance the project specifically described in the Application to furnish or improve telecommunications and/or broadband services in rural areas (the "Project.")

b. Changes to Project. The Borrower shall obtain the prior written approval of RUS regarding any material change to the scope, loan design, construction, delivery of services, or objectives of the Project.

ARTICLE IV – CONDITIONS OF LENDING

Section 4.1 General Conditions

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

a. Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS;

b. Loan Documents. RUS shall receive duly executed originals of the Loan Documents;

c. Filed and Recorded Security Documents. RUS shall have received the following documents securing the Loan(s): (i) executed, filed, and indexed financing statements covering all of the personal property and fixtures of the Borrower and (ii) executed, filed, and recorded counterparts of a mortgage covering all of the Borrower's real property;

d. Articles of Incorporation, Charter, Bylaws, and Organizational Documents. With respect to corporate and cooperative Borrowers, RUS shall have received copies of the Borrower's articles of incorporation, charter, and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received copies of the Borrower's organizational documents containing provisions reflecting the obligations of the Borrower in paragraphs (c) and (d) of Section 6.3.

e. Authorizations. RUS shall have received satisfactory evidence that all Loan Documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery, and performance of the Loan Documents have been obtained and are in full force and effect;

f. Approvals. RUS shall have received satisfactory evidence that the Borrower has duly registered as required by law with all state, federal, and other public authorities and regulatory bodies and has obtained all authorizations, certificates, permits, licenses, franchises and approvals necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents and for the construction and operation of the Project;

g. *Title Evidence.* RUS shall have received satisfactory evidence that the Borrower has good and marketable title to its property, including the Project, and holds such franchises, permits, leases, easements, rights, privileges, licenses, or right-of-way instruments, reasonably adequate in form and substance, as may be required by law for the continued maintenance and operation of its existing facilities and the Project;

h. *Tariff Evidence.* RUS shall receive evidence from each Borrower with rates imposed by tariff, that it has duly adopted a tariff, which (1) will provide for such grades of telephone service as RUS may approve, (2) does not include mileage or zone charges on any telephone service provided by the Project, and (3) is designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower's system, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER, specified in Schedule 1 hereto;

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

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

Section 4.2 <u>Conditions to Advances</u>

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. *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 <u>First Advance to Pay Off Interim Construction Financing; Restrictions on Subsequent Advances</u>

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

ARTICLE V – AFFIRMATIVE COVENANTS

Section 5.1 Generally

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

Section 5.2 Use of Advances

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

Section 5.3 Unused and Disallowed Advances

a. The Borrower shall return forthwith to RUS any and all advanced portions of the Loan(s) or Loan Guarantee(s) not disbursed by the Borrower for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account or other account approved by RUS.

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

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

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

b. Telecommunications Loans and Loan Guarantees and Bank Loans. The Borrower of Telecommunications Loans and/or Loan Guarantees, when required on Schedule 1 or otherwise directed in writing by RUS, shall open and maintain a deposit account pledged to RUS for Telecommunications Loans and Loan Guarantees. Such account shall be in a bank or depository whose deposits are insured by the Federal

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

c. First Lien on Pledged Deposit Account. The Borrower shall establish and maintain the Pledged Deposit Account as a deposit account and perfect a first and prior lien in such account for RUS, (pursuant to a deposit account agreement or similar agreement or mechanism for perfecting as provided by applicable law) in form acceptable to RUS.

d. Construction Fund Account. The Borrower shall promptly deposit Loan Advances not required to be deposited in a Pledged Deposit Account, including previously advanced Loan funds whose original expenditure has been disallowed by a RUS loan fund audit, in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS. Such account (hereinafter called the Construction Fund Account) shall be designated by the corporate name of the Borrower followed by the words "Construction Fund Account." Moneys in the Construction Fund Account shall be used solely for the purposes approved by RUS and shall be withdrawn from time to time only as permitted by RUS.

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

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

Section 5.6 Financial Books

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

Section 5.7 Rights of Inspection

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

Section 5.8 Annual Audit and Additional Financial Reporting

a. Non-Federal Entities, which include Borrowers that are States, local governments, Indian tribes, institutions of higher education, or nonprofit organizations, shall provide RUS with an audit pursuant to 2 C.F.R. part 200, Subpart F (Audit Requirements). The Borrower must follow subsection .502 in determining federal awards expended. All RUS loans impose an ongoing compliance requirement for the purpose of determining federal awards expended during a fiscal year. In addition, the Borrower must include the value of new federal loans made along with any grant expenditures from all federal sources during the Borrower's fiscal year. Therefore, the audit submission requirement for this program begins in the Borrower's fiscal year that the loan is made and thereafter, based on the balance of federal loan(s) at the beginning of the audit period. All required audits must be submitted within the earlier of: (i) 30 calendar days after receipt of the auditor's report; or (ii) nine months after the end of the Borrower's audit period.

b. For all other entities, Borrowers shall provide RUS with an audit within 120 days after the as of audit date in accordance with 7 C.F.R. part 1773, Policy on Audits of RUS Borrowers. Note that with respect to Advances that contain loan funds, the audit is required after an Advance has been made, and, thereafter, from the close of each subsequent fiscal year until the loan is repaid in full. With respect to Advances that only contain grant funds, the audit is required until all grants funds have been expended or rescinded. While an audit is required, Borrowers must also submit a report on compliance and internal controls over financial reporting, as well as a report on compliance with aspects of contractual agreements and regulatory requirements.

c. The Borrower shall also furnish to RUS by March 31st 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 <u>Additional Reporting Requirements</u>

a. Annual Performance Report. For three years starting the first January 31st after Project Completion, Borrower must submit the following information with respect to retail broadband expansion utilizing RUS funds on RUS' online reporting system:

   i. existing network service improvements and facility upgrades, as well as new equipment and capacity enhancements that support high-speed broadband access for educational institutions, health care providers, and public safety service providers;

   ii. the estimated number of end users who are currently using or forecasted to use the new or upgraded infrastructure;

Section 5.10 <u>Annual Compliance Certificate</u>

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 5.11 <u>Miscellaneous Reports and Notices</u>

The Borrower shall furnish to RUS:

a. *Notice of Default.* Promptly after becoming aware thereof, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder or under the other Loan Documents.

b. *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower or any Affiliate which, if adversely determined, could have a Material Adverse Effect on the Borrower.

c. *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect on the Borrower.

d. *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect on the Borrower.

e. *Corporate Document Changes.* Thirty (30) days prior to their effectiveness, any amendments, supplements or modifications to the Borrower's Articles of Incorporation, Charter, Bylaws, Operating Agreement, Members Agreements or other Organizational Documents.

f. *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

Section 5.12 <u>Tariff and Rate Design</u>

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 5.13 TIER Requirement

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

Section 5.14 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 5.13 was not achieved for the reported fiscal year or (ii) being notified by RUS that the TIER specified in Section 5.13 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 5.15 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 5.16 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 5.17 <u>Obligations Applicable to Telecommunications Loan and Telecommunications Loan Guarantee Borrowers with Respect to Area Coverage of Telephone Service</u>

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 5.18 <u>Preservation of Existence and Rights</u>

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 5.19 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 5.20 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 5.21 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 5.22 Additional Affirmative Covenants

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

ARTICLE VI – NEGATIVE COVENANTS

Section 6.1 General

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

Section 6.2 Merger, Consolidation and Transfer of Property

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

Section 6.3 Covenants for Limited Liability Companies and Similar Borrowers

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

a. The death, retirement, resignation, expulsion, termination, bankruptcy, or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Borrower to be dissolved or its affairs to be wound up;

b. Prior to the date on which any and all obligations owed to RUS or the guaranteed lender with respect to Telecommunications Loan Guarantees, including the note evidencing the Loan, are discharged in full, the Borrower shall not be dissolved or terminated;

c. The organizational documents of the Borrower shall contain provisions reflecting the obligations of the Borrower in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of RUS; and

d. No direct or indirect addition, issuance, or transfer of any membership units (or any other ownership interest) in the Borrower may be made by the Borrower or its members without the prior written consent of RUS.

Section 6.4 Additional Indebtedness

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

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

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

Section 6.5 Negative Pledge

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

Section 6.6 Contracts

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

Section 6.7 Salaries

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

Section 6.8 Extension of Credit

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

Section 6.9 Distributions or Withdrawals

a. *Corporations and Cooperatives.* Corporate or cooperative Borrowers shall not, without the prior written approval of RUS, make any dividend, stock, capital, or other distribution in the nature of an investment, guarantee, extension of credit, advance, or loan, nor make a capital credit distribution (all such distributions being hereinafter collectively called "Distributions;") provided, however, Distributions may be made in each calendar year as follows:

    1. Aggregate, annual Distributions not to exceed twenty-five percent (25%) of prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's net worth is at least one percent (1%) of its Total Assets;

    2. Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;

    3. Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or

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

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

1. Aggregate, annual Distributions not to exceed twenty-five percent (25%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least one percent (1%) of its Total Assets;

2. Aggregate annual Distributions not to exceed fifty percent (50%) of the prior calendar year's Net Income or margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least twenty percent (20%) of its Total Assets;

3. Aggregate annual Distributions not to exceed seventy-five percent (75%) of the prior calendar year's Net Income or Margins may be made if, after such aggregate annual Distributions, the Borrower's Net Worth is at least thirty percent (30%) of its Total Assets; or

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

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

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

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

Section 6.11 Changing Name or Place of Incorporation or Organization

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

Section 6.12 Changing Rates or Tariffs

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

Section 6.13 Historic Preservation

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

Section 6.14 Limitations on Using non-FDIC Insured Depositories.

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

Section 6.15 Affiliated Transactions

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

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

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

Section 6.17 Additional Negative Covenants

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

ARTICLE VII - LENDER'S RIGHTS

Section 7.1 Termination of Loan Offer

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

Section 7.2 Audits and Compliance Reviews

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

Section 7.3 Disallowed Expenditures

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

a. Disallow all or a part of the expenditures and disbursements of the Loan and require the Borrower to deposit such funds in the Construction Fund Account or in the Pledged Deposit Account, to be applied toward other approved Project purposes or to reimburse the Government, as provided in Section 5.3 hereof;

b. Suspend making Advances; and/or

c. Take any other action RUS determines to be necessary including, without limitation, exercising any right or remedy available under the Loan Documents or at law.

Section 7.4 Suspension of Advances

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

Section 7.5 Payment Extensions

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

ARTICLE VIII - EVENTS OF DEFAULT

Section 8.1. Events of Default

The following shall be Events of Default under this Agreement:

a. Representations and Warranties. Any representation or warranty made by the Borrower in the Loan Documents or in the Application, any certificate furnished to RUS thereunder, shall prove to have been incorrect in any material respect at the time made;

b. Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is herein defined;

c. Corrective Actions. Default by the Borrower in the observance or performance of Section 5.13;

d. Limited Liability Companies. Default by the Borrower or its members in the observance or performance of Section 6.3;

e. Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days, after written notice thereof had been given to the Borrower by RUS;

f. Adverse Effects. The Borrower shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents, or licenses required to carry on any material portion of its business, or the Borrower files for, or an event occurs, which can reasonably be expected to result in its dissolution or termination;

g. Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars ($10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;

h. Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Borrower in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;

i. Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Borrower, or the filing of such by the Borrower;

j. Impaired Business. The failure by the Borrower to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days; or

k. Payment of Final Judgment. A final judgment in an amount of ten thousand dollars ($10,000.00) or more shall be entered against the Borrower and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days.

ARTICLE IX - REMEDIES

Section 9.1 Generally

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

Section 9.2 Remedies

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

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

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

ARTICLE X - MISCELLANEOUS

Section 10.1 Notices

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

RUS
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C.20250-1510
Attention: Administrator

Borrower
See Schedule 1

With a copy to: With a copy to:

See Schedule 1 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.

Foresthill Telephone Co.

by _______________________________

Name:

Title:

(Seal)

Attested to by: __________________________
Secretary

UNITED STATES OF AMERICA

by

Laurel Leverrie
Assistant Administrator
of the Rural Utilities Services

SCHEDULE 1

Article II Representations and Warranties

1. Paragraph (i) Borrower's address:

   811 S Madera AVE
   Kerman, California 93630

2. Paragraph (j) Borrower's Organization Number: **0325558**

3. Paragraph (k) Borrower's Subsidiaries:

   N/A

4. Paragraph (k) Borrower's Parent:

   Sebastian Enterprises, Inc.

Article III The Loans

1. **Broadband Loan**

   Section 3.1(a) Broadband Loan amount: **$0.00**
   Section 3.1(a)(i) Broadband Loan portion at the cost-of-money interest rate: **$0.00**
   Section 3.1(a)(i) Broadband Loan portion at the four percent (4%) rate of interest: **$0.00**

2. **Telecommunications Loan**

   Section 3.1(b) Telecommunications Loan amount: **$0.00**
   Section 3.1(b)(i) Telecommunications Loan amount at the cost-of-money interest rate: **$5,027,000.00**
   Section 3.1(b)(i) Telecommunications Loan amount five percent (5%) rate of interest: **$0.00**

3. **Telecommunications Loan Guarantee**

   Section 3.1(c) Telecommunications Loan Guarantee amount: **$0.00**

Article IV Conditions of Lending

1. Section 4.2(i) funds required on deposit by Broadband borrower in accordance with 7 C.F.R. 1738.20(b):

   $0.00

2. The additional conditions to advance referred to in Section 4.2(m) are as follows:

   Approval for the project by the California Public Utilities Commission required prior to release of funds.

Article V Affirmative Covenants

1. Section 5.4(a) Additional Funds: **$0.00**

2. Section 5.4(a) Additional Purposes:

   N/A

3. Section 5.4(b) Pledged Deposit Account **IS NOT required**.

4. Section 5.8(c) Additional Reporting Date(s): **Thirty Days (30) after the end of March, June, September, & December a quarterly Financial Report should be submitted through RUS' Reporting and Compliance (R&C) system.**

5. Section 5.13 TIER: **1.00**

6. Section 5.13 TIER Commencement Date: **December 31, 2031**

7. The additional affirmative covenants referred to in Section 5.22 are as follows:

   N/A

Article VI <u>Negative Covenants</u>

1. The additional negative covenants referred to in Section 6.17 are as follows:

   N/A

Article X <u>Miscellaneous</u>

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

   Address

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

   Address

3. Section 10.1 Address for RUS' notification copy:

   Rural Utilities Service
   United States Department of Agriculture
   1400 Independence Avenue, S.W.
   Stop 1590, Room No. 4121
   Washington, D.C. 20250-1590
   Attention: Deputy Assistant Administrator
   Email: TelecomPMRA@usda.gov

This form is available electronically.

Form Approved – OMB No. 0505-0025
Expiration Date: 12/31/2029

AD-3031

U.S. Department of Agriculture

ASSURANCE REGARDING FELONY CONVICTION OR TAX DELINQUENT STATUS FOR CORPORATE APPLICANTS

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552(a)–as amended). The authority for requesting the following information for USDA agencies and offices is in sections 745 and 746 of the Consolidated Appropriations Act, 2016, Pub. L. 114-113, as amended and/or subsequently enacted. The information will be used to document compliance with appropriations restrictions.*

According to the Paperwork Reduction Act of 1995 an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number of this information collection is 0505-0025. The time required to complete this information collection is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The provisions of appropriate criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.

This award is subject to the provisions contained in the Consolidated Appropriations Act, 2016, Pub. L. 114-113, Division E, Title VII, sections 745 and 746, as amended and/or subsequently enacted for U.S. Department of Agriculture (USDA) agencies and offices regarding corporate felony convictions and corporate federal tax delinquencies.

Accordingly, by accepting this award the corporation recipient acknowledges: (1) that it does not have a Federal tax delinquency, meaning that it is not subject to any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, **and** (2) that it has not been convicted of a felony criminal violation under any Federal law within 24 months preceding the award, unless a suspending and debarring official of the USDA has considered suspension or debarment of the recipient corporation based on these convictions and/or tax delinquencies and determined that suspension or debarment is not necessary to protect the interests of the Government. If the recipient fails to comply with these provisions, the agency will annul this agreement and may recover any funds the recipient has expended in violation of the above cited statutory provisions.

____
APPLICANT'S SIGNATURE (BY)

____
TITLE/RELATIONSHIP OF THE INDIVIDUAL IF SIGNING IN A REPRESENTATIVE CAPACITY

____
BUSINESS NAME

____
DATE SIGNED (MM-DD-YYYY)

Rev: 02/16

Exhibit 3

RUS DESIGNATION:
California 546-C42

RESTATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT

made by and between

FORESTHILL TELEPHONE COMPANY
811 South Madera Avenue
Kerman, California 93630

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, FIXTURES, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
THIS INSTRUMENT WAS DRAFTED BY THE RURAL UTILITIES DIVISION, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-1400.
ORGANIZATION NUMBER: 941387983.

No. __________

THIS RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (hereinafter this "Restated Mortgage,") dated as of [date], made by and between **FORESTHILL TELEPHONE COMPANY** (hereinafter the "Mortgagor,") a cooperation existing under the laws of the State of California, 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 and Mortgagee are parties to certain prior telephone loan contracts (the "Prior Telephone Loan Contracts;")

WHEREAS, the Mortgagor, for value received, has duly authorized, executed, and delivered to the Government, or has assumed the payment of, certain mortgage notes, all payable to the order of, or obligating the Mortgagor otherwise to, the Government (hereinafter the "Outstanding RUS Notes") identified in Schedule A hereto, which are now outstanding and held by the Government;

WHEREAS, the Outstanding RUS Notes are secured by the security instruments identified in Schedule A hereto, (hereinafter the "Prior Mortgages") made by the Mortgagor to the Government;

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 Restated Mortgage of the property hereinafter described;

WHEREAS, it is contemplated that the Outstanding RUS Notes and the Current RUS Note shall be secured by this Restated 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 Outstanding RUS Notes, 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 Restated Mortgage is governed by the provisions of the Uniform Commercial Code of any State (hereinafter the "UCC,") the parties hereto desire that this Restated Mortgage be regarded as a "security agreement" under the UCC; and

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

NOW, THEREFORE, this Restated Mortgage

WITNESSETH:

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

GRANTING CLAUSE

NOW, THEREFORE, THIS RESTATED MORTGAGE WITNESSETH: That to secure the payment of the principal, interest, and premium, if any, on the Outstanding RUS Notes, 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 Prior Telephone Loan Contracts, and 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 Prior Telephone Contracts and 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 Note(s) then outstanding.

(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 Mortgage 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 then 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 Restated 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 Restated Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this Restated Mortgage as security for the Notes.

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

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

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

SECTION 2.2 <u>Warranty of Title</u>

(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 Restated Mortgage and any Underlying Mortgages identified therein.

(b) The Mortgagor warrants that it has good right and lawful authority to mortgage the Mortgaged Property for the purposes herein expressed.

(c) At the time of execution and delivery of this Restated Mortgage, the Mortgagor lawfully owns and is possessed of the personal property described in the Granting Clauses herein, free and clear of any deed of trust, mortgage, lien, charge, or encumbrance thereon or affecting the title thereto, except Permitted Encumbrances.

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

(a) The Mortgagor will, so long as any of the Notes shall be outstanding, maintain and preserve the lien of this Restated Mortgage superior to all other liens affecting the Mortgaged Property, and will execute, file and/or record such financing statements, continuation statements, mortgages or other security instruments as necessary to maintain such superior lien and will forever warrant and defend the title to said property against any and all claims and demands whatsoever.

(b) All property of every kind acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance, or assignment, become subject to the lien of this Restated Mortgage. Nevertheless, the Mortgagor will do, execute, acknowledge, and deliver any and all such further acts, conveyances, mortgages, security agreements, financing statements, and assurances as the Mortgagee shall require for accomplishing the purposes of this Restated Mortgage.

(c) The Mortgagor will cause this Restated Mortgage and all supplemental mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and place as may be required by law, or requested by 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 Restated Mortgage, or, unless otherwise directed by the Mortgagee, be applied to the prepayment of the Notes then outstanding, 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 Restated Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Restated Mortgage, all right, title, and interest of the Mortgagor in and to, all or in part, the automobiles, trucks, tractors, trailers, 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 Restated Mortgage secured other than principal or interest on the Notes; Second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; Third, to the ratable payment of, or on account of, the unpaid principal of the Notes and to such installments thereof as may be designated by the respective Noteholders at the time of any such payment; and if any, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 2.14 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 Prior Telephone Loan Contracts and 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 Restated Mortgage shall secure payment of such Note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any Additional Note may be sold to an insured purchaser, it shall continue to be considered a "Note" as defined herein, but as to any such insured Note, the Government, and not such insured purchaser, shall be considered and shall have the rights of the Noteholder for purposes of this Restated Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured Notes. As to any Note which evidences a loan made by a third party lender to the Mortgagor and guaranteed by the Government, acting through the Administrator, pursuant to the Act, the Government and not such third party lender shall be considered to be and shall have the rights of the Noteholder for purposes of this Restated Mortgage.

SECTION 2.16 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 Restated 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 Restated 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 in the Application, or any certificate furnished to RUS thereunder, as such term is defined in the Loan Agreement, shall prove to have been incorrect in any material respect at the time made;

(b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is defined in the Loan Agreement;

(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 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 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 Restated 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 Restated Mortgage by suits or actions in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein, for aid of execution of any power herein granted, for foreclosure hereunder, for sale of the Mortgaged Property, or any part thereof, for collection of debts hereby secured, or for enforcement of other appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred; and in the event any such action or suit is instituted, the 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 Restated Mortgage shall be secured by this Restated 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 Restated Mortgage, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time hereafter executed by the Mortgagor and delivered to Mortgagee, 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, 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 Appraisement Rights, Marshaling of Assets Not Required**

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

Section 3.9 **Federal Communications Commission Matters**

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

(a) Any loss, revocation, foreclosure on, sale, transfer, or other disposition of FCC Licenses by the Mortgagee 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 Restated Mortgage, including, without limitation, the preparation, execution and filing with the FCC and any state regulatory bodies of the assignor's or transferor's portion of any application or applications for consent to the assignment of any FCC license or transfer of control necessary or appropriate under the rules and regulations of the FCC or any state regulatory body for approval or non-opposition of the transfer or assignment of any portion of the Mortgaged Property, including, without limitation any FCC License.

(c) The Mortgagor acknowledges that the assignment, transfer, loss, or revocation of any FCC License is integral to the 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 Restated Mortgage, that the agreements contained in this Section may be specifically enforced.

(d) In accordance with the requirements of 47 C.F.R. Section 22.937, or any successor provision thereto, the 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 Restated Mortgage or any other document or instrument relating to the Notes, by foreclosing on, or otherwise disposing of any Mortgaged Property in connection with which such notice is required pursuant to 47 C.F.R. Section 22.937 or any successor provision thereto.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 4.1 **<u>Possession until Default</u>**

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

SECTION 4.2 Defeasance

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

ARTICLE V

MISCELLANEOUS

SECTION 5.1 Mortgage to Bind and Benefit Successors and Assigns

All of the covenants, stipulations, promises, undertakings, and agreements herein contained by, or on behalf of, the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights, and remedies hereby granted to, or conferred upon, the 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 Restated 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 given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified in Schedule "A;" or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notice of the respective parties are set forth in Schedule "A."

SECTION 5.4 Mortgage Deemed Security Agreement

To the extent that any of the property described or referred to in this Restated Mortgage is governed by the provisions of the UCC, this Restated Mortgage is hereby deemed a "security agreement" under the UCC. The mailing 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 Restated Mortgage shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity, legality, and enforceability of the remainder of such provision nor any other provision thereof and this Restated Mortgage shall survive and be construed as if such invalid or unenforceable provision had not been contained therein.

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 Restated 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 Restated Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

IN WITNESS WHEREOF, FORESTHILL TELEPHONE COMPANY, 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.

FORESTHILL TELEPHONE COMPANY

by ___________________________________
Name:

Title:

(Seal)

Attested to by: ___________________________
Secretary

Executed by the Mortgagor
in the presence of:

____
Name:

____
Name:

UNITED STATES OF AMERICA

by ___________________________________
Laurel Leverrier, as Assistant Administrator,
of the Rural Utilities Service

Executed by the Mortgagee
In the presence of:

____
Name:

____
Name:

DISTRICT OF COLUMBIA) SS

This instrument was acknowledged before me on ________________________________, 20____, by ____________________________________, Assistant Administrator, Telecommunications Program of the Rural Utilities Service of the United States of America.

____
Notary Public

(Notary Seal)

My commission expires: _________________________.

STATE OF CALIFORNIA)
) SS
COUNTY OF PLACER)

I certify that on this ____ day of _________________, 2____, the foregoing instrument was acknowledged before me, ___________________________, a Notary Public in and for the above-named County and State, and that _______________________________________ , to me personally known and the person whose name is signed to the foregoing instrument, did personally appear before me, who being duly sworn and deposed according to law, did make proof to my satisfaction and say that he/she was, at the time of execution thereof, the _______________ President of Foresthill Telephone Company, a California corporation, that he/she knows the corporate seal of said entity, if one exists, and that the foregoing instrument, whose contents are known to him/her, was signed, sealed, and delivered on behalf of said entity by authority and/or Resolution of its board of directors, manager, or 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.

____
Notary Public

(Notarial Seal)

My Commission expires:

SCHEDULE A

1. The Outstanding RUS Notes referred to in the Recitals are:

Note Designation	Note Date	Stated Principal Amount	Maturity Date	Interest Rate
CA0001	12/23/2013	$7,093,819	12/23/2036	Variable

2. The Prior Mortgages referred to in the Recitals are: **Mortgage, Security Agreement and Financing Statement, dated as of December 23, 2013, made by the Mortgagor and the Government.**

3. 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 Mortgagee.

4. 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: **CA 546-C42**
   Stated Principal Amount: **$5,027,000**
   Interest Rate: **Variable**
   Maturity Date: **07/9/2045**

5. The "Mortgage Debt Limit" referred to in section 1.1 is: **None**

6. 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

With a copy to: **Mrs. Aylene Mafnas, Deputy Assistant Administrator**
Portfolio Management & Risk Assessment Division
Telecommunications
USDA, Rural Utilities Service
Stop 1590, Room 4121, South Building
1400 Independence Avenue, SW
Washington, DC 20250-1590

Mortgagor: **Mr. William S. Barcus, President**
Foresthill Telephone Company
811 South Madera Avenue
Kerman, California 93630

With a copy to: **Mr. Patrick M. Rosvall, Partner**
BRB Law LLP
492 Ninth Street, #220
Oakland, CA 94607

SCHEDULE B

1. The "Existing Facilities" referred to in Granting Clause I are located in the County of Placer, in the State of California.

2. The real estate mortgaged and pledged hereunder includes the following:

Placer County, California

Parcel 1:

The surface only and to a depth of 100 feet of a portion of Lot 31 of Foresthill, California, as shown on the map thereof filed in the office of the County Recorder of Placer County, more particularly described as follows:

Beginning at an iron pin ½ inch in diameter set for the most Westerly comer of Lot 31 of Foresthill, being an intersection of the side lines of Gold and Harrison Streets, from which point the Quarter comer on the North line of Section 35, Township 14 North, Range 10 East, M.D.B.&M., bears North 54 degrees 59' 40" West 1157.84 feet; thence South 16 degrees 03' East along the Westerly line of Lot 31 for a distance of69.61 feet to an iron pin ½ inch in diameter; thence North 73 degrees 36' 40" East 101.14 feet to an iron pin; thence North 16 degrees 11' 30" West 67.56 feet to an iron pin½ inch in diameter set on the Northerly line of said Lot 31; thence South 7 4 degrees 46' 30" West along the North line of said Lot 31 for a distance ofl00.98 feet to the point of beginning.

Placer County Assessor's Parcel Number: 007-182-001

Parcel 2:

Lot number 30, situated in the Town of Foresthill, County of Placer, State of California, being what is known as the Rea Black Lot, and since then known as the Clifford Vincent Lot, Lot eighty feet wide running South in equal width more or less on High Street and One Hundred and Forty feet (140) in depth to an Alley, bounded on the North by High Street, on the South by an alley, on the East of William Rea and on the West by Remler's barn lot.

Excepting therefrom all metals, ores, gold or silver bearing quartz, rook, gravel, cement, sand or earth beneath said surface with the right to enter, work and extract the same without disturbing the surface, as reserved by F.D. Adams, Trustee, in Deed dated May 6, 1889, recorded in Volume 53 of Deeds, at Page 65, Placer County Records.

Placer County Assessor's Parcel Number: 007-182-004

Exhibit 4

Confidential; redacted entirely

Exhibit 5

Foresthill Telephone Co.

FINANCIAL STATEMENTS WITH RUS LETTER

Years Ended December 31, 2025 and 2024

Aldrich®

FORESTHILL TELEPHONE CO.

Financial Statements with RUS Letter

Years Ended December 31, 2025 and 2024

Table of Contents

Aldrich CPAs + Advisors LLP
5665 Meadows Road, #200
Lake Oswego, OR 97035

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foresthill Telephone Co.
Kerman, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Foresthill Telephone Co. (a California corporation), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foresthill Telephone Co. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foresthill Telephone Co. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foresthill Telephone Co.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements, continued
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foresthill Telephone Co.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foresthill Telephone Co.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2026, on our consideration of Foresthill Telephone Co.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foresthill Telephone Co.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foresthill Telephone Co.'s internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

Lake Oswego, Oregon
April 22, 2026

FORESTHILL TELEPHONE CO.

Balance Sheets

December 31, 2025 and 2024

ASSETS		2025		2024
Current Assets:				
Cash and cash equivalents	$	603,585	$	889,495
Temporary investments		675,319		675,864
Subscriber accounts receivable		82,825		78,111
Settlement and access accounts receivable		679,084		496,308
Other accounts receivable		28,222		224,620
Materials and supplies		182,870		185,689
Prepaid expenses		90,879		128,911
Prepaid income taxes, parent company		94,860		-
Total Current Assets		2,437,644		2,678,998
Other Assets		183,698		244,930
Property, Plant, and Equipment:				
Plant in service		45,324,457		43,316,545
Plant under construction		177,449		822,215
Nonoperating plant		35,000		35,000
		45,536,906		44,173,760
Less accumulated depreciation and amortization		28,343,029		27,544,460
Property, Plant, and Equipment, net		17,193,877		16,629,300
Total Assets	$	19,815,219	$	19,553,228

FORESTHILL TELEPHONE CO.
Balance Sheets, continued
December 31, 2025 and 2024

LIABILITIES AND STOCKHOLDER'S EQUITY	2025	2024
Current Liabilities:		
Accounts payable	$ 85,608	$ 71,000
Related-party accounts payable, net	645,183	900,358
Current portion of long-term debt	316,612	308,116
Advance billings and payments	24,915	28,861
Income taxes payable, parent company	-	233,470
Accrued compensated absences	5,952	8,225
Accrued pension	20,325	28,631
Total Current Liabilities	1,098,595	1,578,661
Noncurrent Liabilities:		
Long-term debt	3,577,166	3,893,508
Deferred tax liability	2,414,000	1,967,000
Total Noncurrent Liabilities	5,991,166	5,860,508
Stockholder's Equity:		
Common stock, no par value, 100,000 shares authorized, 10,000 shares issued and outstanding	4,000,000	4,000,000
Retained earnings	8,725,458	8,114,059
Total Stockholder's Equity	12,725,458	12,114,059
Total Liabilities and Stockholder's Equity	$ 19,815,219	$ 19,553,228

See accompanying notes to financial statements.

FORESTHILL TELEPHONE CO.

Statements of Income and Retained Earnings

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues:		
Local network services	$ 475,104	$ 520,740
Interstate access services	4,049,106	3,785,027
Intrastate access services	48,076	54,132
Federal universal service support	760,429	841,769
State high cost fund support	1,356,426	1,436,437
Miscellaneous	83,397	70,710
Uncollectible	(1,069)	(940)
Total Operating Revenues	6,771,469	6,707,875
Operating Expenses:		
Plant specific	1,376,590	1,665,936
Plant nonspecific	293,668	274,760
Depreciation and amortization	1,308,723	1,256,117
Customer operations	614,856	734,383
Corporate operations	1,271,658	1,211,387
Operating taxes	262,514	267,143
Total Operating Expenses	5,128,009	5,409,726
Operating Income	1,643,460	1,298,149
Nonoperating Income (Expense):		
Interest income	42,217	59,174
Allowance for funds used during construction	21,268	19,224
Nonoperating expense, net	(31,560)	(26,176)
Interest expense	(111,771)	(118,444)
Total Nonoperating Expense	(79,846)	(66,222)
Income Before Income Taxes	1,563,614	1,231,927
Provision for Income Taxes	452,215	346,803
Net Income	1,111,399	885,124
Retained Earnings, beginning of year	8,114,059	7,528,935
Dividends on Common Stock	(500,000)	(300,000)
Retained Earnings, end of year	$ 8,725,458	$ 8,114,059

See accompanying notes to financial statements.

FORESTHILL TELEPHONE CO.

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

		2025		2024
Cash Flows from Operating Activities:				
Net income	$	1,111,399	$	885,124
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		1,308,723		1,256,117
Deferred income taxes		447,000		23,000
Allowance for funds used during construction		(21,268)		(19,224)
Unrealized loss (gain) on temporary investments		545		(704)
Changes in operating assets and liabilities:				
Subscriber accounts receivable		(4,714)		7,989
Settlement and access accounts receivable		(182,776)		173,228
Other accounts receivable		196,398		(194,926)
Materials and supplies		2,819		30,819
Prepaid expenses		38,032		(10,101)
Other assets		61,232		44,018
Accounts payable		14,608		(15,854)
Related-party accounts payable, net		(255,175)		663,227
Advance billings and payments		(3,946)		(2,600)
Income taxes payable/prepaid income taxes, parent company		(328,330)		13,532
Accrued compensated absences		(2,273)		(3,705)
Accrued pension		(8,306)		(6,910)
Net Cash Provided by Operating Activities		2,373,968		2,843,030
Cash Flows from Investing Activities:				
Purchase of temporary investments		(900,000)		(675,000)
Proceeds from sales of temporary investments		900,000		900,000
Purchase of property, plant, and equipment		(1,873,651)		(2,119,798)
Plant removal costs, net of salvage		21,619		203,165
Net Cash Used by Investing Activities		(1,852,032)		(1,691,633)

See accompanying notes to financial statements.

FORESTHILL TELEPHONE CO.

Statements of Cash Flows, continued

Years Ended December 31, 2025 and 2024

		2025		2024
Cash Flows from Financing Activities:				
Payments on long-term debt	$	(307,846)	$	(301,172)
Dividends paid		(500,000)		(300,000)
Net Cash Used by Financing Activities		(807,846)		(601,172)
Net Increase (Decrease) in Cash and Cash Equivalents		(285,910)		550,225
Cash and Cash Equivalents, beginning of year		889,495		339,270
Cash and Cash Equivalents, end of year	$	603,585	$	889,495
Cash Paid During the Year for Interest, net of amounts capitalized	$	90,503	$	99,220
Cash Paid During the Year for Taxes	$	223,102	$	213,565

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Foresthill Telephone Co. (the Company), a wholly owned subsidiary of Sebastian Enterprises, Inc. (SEI), is a California corporation providing telecommunications services to the town of Foresthill, California and the surrounding areas.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to regulated enterprises.

Regulation

The Company is subject to limited regulation by the California Public Utilities Commission (CPUC) and the Federal Communications Commission (FCC). The Company maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the FCC and adopted by the CPUC. As a result, the Company's application of GAAP differs in certain respects from the application by nonregulated entities. Such differences primarily concern the time at which certain items enter into the determination of net income.

The Company also receives universal service support from various support mechanisms administered by the Universal Service Administrative Company (USAC) under the direction of the FCC.

Regulatory and legislative actions, as well as future regulations and ongoing matters with the FCC and the CPUC, the outcomes of which are uncertain, could have a significant impact on the Company's future operations and financial condition.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. These estimates involve judgments with respect to numerous factors that are beyond management's control. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per account holder per bank.

Cash deposited in bank accounts at times exceeds the federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Temporary Investments

Temporary investments are comprised of certificates of deposit, which mature within one year, with interest rates ranging from 3.7% to 4.2% at December 31, 2025 (4.3% to 5.1% at December 31, 2024). The certificates of deposit are highly liquid; however, they have a maturity greater than 3 months and therefore have been classified separately from cash and cash equivalents.

Accounts Receivable

Accounts receivable are recorded at unpaid balances, less an allowance for credit losses using a forward-looking expected credit loss model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability. Receivables from subscribers and other exchange carriers are due 30–40 days after issuance of the customer bill. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for credit loss was $91 at December 31, 2025, and $87 at December 31, 2024.

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Materials and Supplies
Materials and supplies consist of construction materials, which are valued at the lower of cost and net realizable value. Cost is determined principally by the average cost method.

Fair Value of Financial Instruments
The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, temporary investments, receivables, accounts payable, and notes payable. The Company estimates that the fair value of all of these nonderivative financial instruments at December 31, 2025 and 2024 do not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

Property, Plant, and Equipment
Property, plant, and equipment in service and under construction are stated at cost, including estimated overhead expense. Depreciation is calculated on a straight-line basis over the estimated life of the classes of property and equipment in accordance with rates consistent with industry standards or based on a rate case stipulation from the CPUC. Depreciation rates range from 0% to 19.02%. Expenditures for maintenance and repairs are charged to expense as incurred and major additions are capitalized. Costs of regulated plant retired are eliminated from utility plant accounts, and such costs plus removal expenses, less salvage, are charged to accumulated depreciation in accordance with industry practice.

The Company follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In 2025, total interest incurred was $111,771 ($118,444 in 2024), of which $21,268 was capitalized ($19,224 in 2024).

Revenue Recognition
The Company recognizes revenue when its performance obligations are satisfied, regardless of the period in which it is billed. The amount and timing of revenue recognition varies based on the nature of the goods or services. Monthly service fees derived from local telephone and broadband service are billed in advance. Advanced billings are recorded as a contract liability and subsequently transferred to income in the period earned. Access charges and other revenue based on usage are billed in arrears and recognized in the month the service is provided. Revenues for monthly services and access charges are generally collected within one month. Various economic factors affect revenues and cash flows. See Note 2 for more information about the Company's revenue.

Leases
The Company adheres to the accounting standards codification Topic 842, *Leases*, which provides guidance for financial statement recognition, measurement, and disclosure of leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. Management has analyzed all lease agreements and determined no right-of-use assets or lease liabilities exist as of December 31, 2025 and 2024. The lease agreements do not contain any material residual value guarantees. Short-term lease expense charged to plant specific for the years ended December 31, 2025 and 2024, were $20,800 and $19,100, respectively.

Income Taxes
The Company is a taxable C corporation that files a consolidated return with its parent, SEI.

Deferred income tax represents the future tax return consequence of differences between the financial statement and the tax basis of assets and liabilities, which will either be taxable or deductible when the related assets or liabilities are recorded or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change in deferred tax assets and liabilities during the period.

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued
The Company follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

Subsequent Events
The Company has evaluated subsequent events through April 22, 2026, which is the date the financial statements were available to be issued.

Note 2 - Revenue

Revenue Recognition
The Company earns revenue from contracts with customers accounted for under Topic 606, primarily through providing local telephone and broadband services. The Company also earns revenues that are not accounted for under Topic 606 from universal service support payments and pooled revenues that do not meet the definition of a contract with a customer (see below, Network Access Revenues), and miscellaneous fees. In total, revenues are accounted for as follows:

	2025	2024
Revenues accounted for under Topic 606	$ 605,508	$ 644,642
Revenues not accounted for under Topic 606	6,165,961	6,063,233
Total Revenues	$ 6,771,469	$ 6,707,875

The Company's revenues from contracts with customers are derived from monthly services and are recognized over time as customers receive the services.

Contract Assets and Liabilities
The Company has recorded the following beginning and ending contract balances related to revenue from contracts with customers accounted for under Topic 606:

	December 31, 2025	December 31, 2024	January 1, 2024
Contract Assets - subscriber accounts receivable	$ 82,825	$ 78,111	$ 86,100
Contract Liabilities - advance billings and payments	$ 24,915	$ 28,861	$ 31,461

Network Access Revenues
Network access revenue is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long-distance carrier for access and interconnection to local facilities. The Company has elected to file access tariffs through the National Exchange Carrier Association (NECA) and directly with the CPUC for these charges. These access tariffs are subject to approval by the FCC for interstate charges and the CPUC for intrastate charges.

Note 2 - Revenue, continued

Network Access Revenues, continued
When network access revenues have been received pursuant to the settlement and access agreements above, they are then either placed into common pooling arrangements with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with NECA. Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar years, are recorded in the year in which such adjustments become determinable based upon studies performed.

In addition to recoveries from the pools, the Company also receives revenues from the Universal Service High Cost Loop Fund (HCL) and Connect America Fund (consisting of CAF-BLS and CAF-ICC) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Company for the high cost of providing service in rural areas. The amount of support received from HCL and CAF-BLS is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC.

CAF-ICC support is calculated beginning with a base figure consisting of the frozen switched access revenue requirement under the 2011 NECA annual tariff filing plus certain amounts related to the mandated reduction in intrastate switched access rates and net reciprocal compensation revenue. The base figure is reduced annually by 5% beginning July 1, 2012.

In 2023, the FCC issued Order 23-60, which provided the option for a one-time voluntary election by rate-of-return carriers to receive a predetermined amount of model-based support beginning in 2024 and running through 2038 under the Enhanced Alternative Connect America Cost Model (E-ACAM). The Company did not elect E-ACAM support and therefore will continue to receive support under the legacy HCL and CAF-BLS support systems.

The Company also receives State High Cost Fund revenues administered by the CPUC, based on rules established by the state of California. The California High Cost Fund-A (CHCF-A) support is subject to renewal by the California legislature. Legislation to extend the CHCF-A program to January 1, 2028, was adopted in September 2022.

Note 3 - Other Assets

Other assets consist of amounts paid for legal expenses related to the Company’s most recent rate cases filed with the CPUC. These costs are allowable for rate-making purposes and will be amortized over the life of the related revenue from 2023 through 2028. At December 31, 2025, $183,698 is reported as other assets in the accompanying balance sheets ($244,930 at December 31, 2024).

Note 4 - Property, Plant, and Equipment

Major classes of property, plant, and equipment consist of the following at December 31:

	2025	2024
Land	$ 86,540	$ 86,540
General support	2,400,601	2,536,688
Central office	8,439,465	7,868,429
Cable and wire facilities	34,397,851	32,824,888
	45,324,457	43,316,545
Plant under construction	177,449	822,215
Nonoperating plant	35,000	35,000
	$ 45,536,906	$ 44,173,760

Note 5 - Long-Term Debt

Long-term debt consists of the following as of December 31:

	2025	2024
Notes payable to RUS, at 2.01% to 3.62%, due in monthly installments of $34,968, principal and interest, collateralized by real and personal property, due in 2036.	$ 3,893,778	$ 4,201,624
Less current portion	(316,612)	(308,116)
	$ 3,577,166	$ 3,893,508

Future maturities of long-term debt are as follows:

2026	$ 316,612
2027	325,363
2028	334,120
2029	343,630
2030	353,168
Thereafter	$ 2,220,885 / 3,893,778

The terms of the mortgage agreements contain restrictions on the payment of dividends and require the Company to meet certain levels of stockholder's equity and meet certain financial ratios. Management has determined that they are in compliance with these requirements as of December 31, 2025 and 2024.

Note 6 - Profit-Sharing Plan

The Company adopted an Internal Revenue Code Section 401(k) profit-sharing plan and trust for all of its employees effective January 1, 1984. Contributions to the plan are held in trust in the name of Sebastian Enterprises, Inc. 401(k) Profit Sharing Plan. An employee becomes a participant 30 days after employment and having attained 18 years of age. The employee becomes 100% vested after five years of service for the employer profit-sharing contribution and becomes 100% vested immediately for the employer safe harbor match contribution. Normal retirement age is 65. A full year of service is credited to a participant who works 1,000 hours during the plan year. The Company matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions, resulting in a total Company contribution of 4%. The Company's matching contributions to the 401(k) plan were $20,325 and $18,527 for the years ended December 31, 2025 and 2024, respectively.

Additionally, the plan permits discretionary profit-sharing contributions determined annually by management. For the years ended December 31, 2025 and 2024, the Company made no profit-sharing contributions.

Note 7 - Income Taxes

The components of the provision for income tax expense for the years ended December 31 are as follows:

	2025	2024
Current expense	$ 9,388	$ 322,240
Deferred expense	447,000	23,000
Prior year (over)/under accrual	(4,173)	1,563
	$ 452,215	$ 346,803

The Company computes and records federal and state income taxes on a separate return basis, but files consolidated federal and state income tax returns with its parent, SEI.

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before income taxes due to the effects of state taxes (net of federal benefit), state tax credits, nondeductible items, and prior year over or under accruals.

The net deferred tax assets (liabilities) at December 31 are as follows:

	2025	2024
Current Deferred Tax Assets (Liabilities):		
Federal deferral of state franchise tax	$ 30,000	$ 23,000
Accrued compensated absences	1,000	2,000
Net Current Deferred Tax Asset	31,000	25,000
Noncurrent Deferred Tax Assets (Liabilities):		
Property - tax depreciation in excess of book	(2,445,000)	(1,992,000)
Noncurrent Deferred Tax Liability, net	$ (2,414,000)	$ (1,967,000)

Note 8 - Related-Party Transactions

The Company provides and receives various services to and from its affiliates: Kerman Telephone Co., Audeamus, and its parent, Sebastian Enterprises, Inc. The Company and its affiliates share a number of employees who perform services across all of the affiliated companies. Some of the shared employees' labor, including management, is allocated between the Company and its affiliates based on various allocation methodologies. Management periodically reviews these allocation methodologies for reasonableness. The Company computes charges to its affiliates monthly for shared labor and facility charges, in addition to billing its affiliates for services performed by the Company. Total charges to affiliates for the 12 months ended December 31, 2025 and 2024, were $1,485,879 and $1,482,035, respectively. The Company is charged by its affiliates monthly for shared labor and facility charges, services performed by its affiliates, and use of assets owned by its affiliates. Total charges from affiliates for the 12 months ended December 31, 2025 and 2024, were $3,192,472 and $2,929,480, respectively. Amounts receivable and payable for these services are reported net on the accompanying balance sheets as related-party accounts payable.

Foresthill Telephone Co.

RUS LETTER

Year Ended December 31, 2025

Aldrich CPAs + Advisors LLP
5665 Meadows Road, #200
Lake Oswego, OR 97035

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Foresthill Telephone Co.
Kerman, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Foresthill Telephone Co. (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, CONTINUED

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

Lake Oswego, Oregon
April 22, 2026

Exhibit 6

Foresthill Telephone Company

Longterm Debt Schedule

Lender	Loan Number	Interest Rate	Advance Date	Maturity Date	12/31/2024 Balance	Draws	Payments	Misc	12/31/2025 Balance	12/31/2025 Annual Interest Expense
RUS	11020	3.6200%	12/23/13	10/17/36	1,265,251		88,246		1,177,004.82	44,550
RUS	RET-2-2	2.2532%	01/23/15	10/17/36	210,825		15,867		194,957.91	5,531
RUS	RET-2-3	2.1006%	02/03/15	10/17/36	487,118		36,973		450,144.71	11,935
RUS	RET-2-4	2.6648%	09/14/15	10/17/36	750,415		55,195		695,220.18	23,178
RUS	RET-2-5	2.0145%	06/15/16	10/17/36	756,055		57,657		698,398.19	17,783
RUS	RET-2-7	2.8040%	12/09/16	10/17/36	282,251		20,602		261,648.84	9,159
RUS	RET-2-8	2.5408%	09/25/17	10/17/36	449,709		33,306		416,402.78	13,262
					4,201,624	-	307,846	-	3,893,777	125,398
TOTAL LTD					4,201,624	-	307,846		3,893,777	125,398

Exhibit 7

Foresthill Telephone Co.
Paid Dividends from 2021-2025

Year	Amount
2021	$ 768,000
2022	$1,363,000
2023	$1,361,000
2024	$ 300,000
2025	$ 500,000