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August 14, 2012

RECEIVED

AUG 22 2012

PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

Dear Mr. Derouen

Please find the enclosed original and 10 copies of the application relating to Foothills Rural Telephone Cooperative Corporation seeking authorization to borrow \$15,639,500 from CoBank and execute necessary notes and to repay RUS and RTB notes in the same amount.

Should you have any questions regarding this application, please don't hesitate to contact me.

Sincerely,

Brandon M. Wheeler, CPA  
Senior Accountant  
(606) 297-9116

**ORIGINAL**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF FOOTHILLS RURAL TELEPHONE )  
COOPERATIVE CORPORATION FOR AUTHORIZATION )  
TO BORROW \$15,639,500 FROM COBANK AND )  
EXECUTE NECESSARY NOTES AND TO REPAY )  
RURAL UTILITES SERVICE AND RURAL TELEPHONE BANK )  
NOTES IN THE SAME AMOUNT )

CASE NO. 2012-\_\_\_\_\_

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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF Foothills Rural Telephone	)	
COOPERATIVE CORPORATION FOR AUTHORIZATION	)	
TO BORROW \$15,639,500 FROM COBANK AND	)	CASE NO. 2012-_____
EXECUTE NECESSARY NOTES AND TO REPAY	)	
RURAL UTILITIES SERVICE AND RURAL TELEPHONE BANK	)	
NOTES IN THE SAME AMOUNT	)	

APPLICATION

Foothills Rural Telephone Cooperative Corporation ("Foothills RTCC") respectfully submits this application seeking expedited approval (by September 15, 2012, in order to close by October 1, 2012) of long-term refinancing, pursuant to KRS 278.300. The petition respectfully shows:

1. Foothills RTCC is a non-stock, non-profit, membership cooperative corporation, duly organized and existing under and by virtue of the provisions of Chapter 279, Kentucky Revised Statutes, and pursuant to 807 KAR 5:001:Section 9(1)(a). A copy of Foothills' Articles of Incorporation and all amendments are attached as Exhibit 7.
2. Foothills RTCC's address is 1621 Kentucky Route 40 West; PO Box 240, Staffordsville, KY 41256.
3. Foothills RTCC, operates a local telephone system containing seven (7) exchanges in eastern Kentucky. As of June 30, 2012, Foothills had a total of 13,359 access lines providing telephone service to subscribers in parts of Magoffin, Johnson, Lawrence, and Breathitt Counties of eastern Kentucky. The total original cost of these exchanges and additional facilities as of June 30, 2012 is \$124,160,250.


4. The financial exhibit, as required by 807 KAR 5:001, Section 11(2) (a), is attached as Exhibit 1, 2, and 3 to this application.
5. Foothills Telephone is not seeking authorization to issue any kinds of stock as part of this application.
6. Foothills Telephone seeks to borrow from CoBank a total of \$15,639,500 and execute one note in conjunction with this borrowing from CoBank at a fixed interest rate of 2.71%.
7. Foothills Telephone expects the actual payoff to be very close to the \$15,639,500.
8. Foothills Telephone will use the proceeds from the CoBank loan to pay-off notes of the same amount outstanding to Rural Utilities Service ("RUS") and Rural Telephone Bank ("RTB"). The notes being paid off are listed in the CoBank proposal at Exhibit 5.
9. The notes secured by mortgages of Foothills Telephone are listed in Exhibit 5 of this application.
10. In as much as no property is being acquired in conjunction with this financing, Inter807 KAR 5:001, Section 11(2)(c) is not applicable.
11. Additional information in support of this application is included in attached Exhibit 5, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings amounts to \$917,106.90 with a present value of \$802,336.07 discounted at the fixed interest rate of 2.71%.

WHEREFORE, Foothills Telephone asks that the Commission issue an Order authorizing Foothills Telephone to execute and issue evidences of indebtedness and security for the CoBank loan described herein, and for any other relief to which it may be entitled.

DATED this 14th day of August, 2012

  
\_\_\_\_\_  
Ruth Conley  
President & General Manager

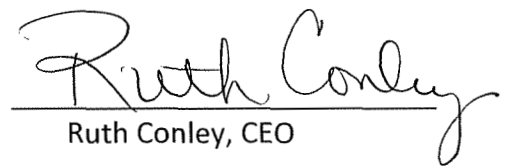
Subscribed and sworn to before me by Ruth Conley, this 14<sup>th</sup> day of August, 2012.

  
\_\_\_\_\_  
Notary Public, State at Large

My commission expires: 3-31-2014

VERIFICATION

The undersigned, Ruth Conley, being first duly sworn states that she is the CEO of Foothills Rural Telephone Cooperative Corporation; she has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of her knowledge, information, and belief.

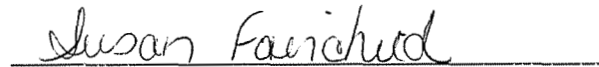
  
Ruth Conley, CEO

COMMONWEALTH OF KENTUCKY

COUNTY OF JOHNSON

Subscribed, sworn to, and acknowledged before me this 14<sup>th</sup> day of August, 2012.

My commission expires: 3-31-2014



Notary Public

Notary ID: \_\_\_\_\_

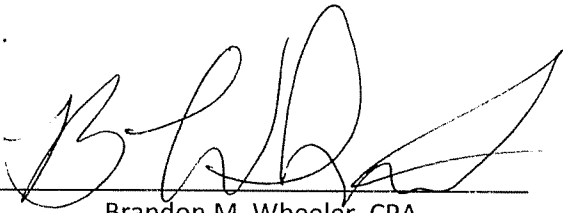
**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of Case No. 2012-\_\_\_\_\_:


AFFIDAVIT

Brandon M. Wheeler, CPA, being duly sworn states that he is the person who prepared and compiled Exhibit 1 through 8 of Foothills Rural Telephone Cooperative's application dated August 14<sup>th</sup>, 2012; that he has read the same and knows the contents thereof; that the matters stated therein are true and correct to the best of his knowledge and belief.

Witness my signature this 14<sup>th</sup> day of August, 2012.

  
\_\_\_\_\_  
Brandon M. Wheeler, CPA

Subscribed and sworn to before me by Brandon M. Wheeler, CPA this 14<sup>th</sup> day of August, 2012.

  
\_\_\_\_\_  
Notary Public, State at Large

My commission expires: 3-31-2014.

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION

CASE NO. \_\_\_\_\_

INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Exhibit 1.....	Notes Executed
Exhibit 2.....	Income Statement
Exhibit 3.....	Balance Sheet
Exhibit 4.....	Board Resolution
Exhibit 5.....	Proposal
Exhibit 6.....	Restated Mortgage & Security Agreement
Exhibit 7.....	Articles of Incorporation and Bylaws
Exhibit 8.....	RUS Correspondence





**FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION  
BLENDED INTEREST RATE - LONG TERM DEBT  
7/31/2012**

DATE	NOTE NUMBER	MATURITY DATE	INTEREST RATE	LOAN BALANCE	BLENDED %	BLENDED RATE	INTEREST PAID DURING 2011
<b>RUS</b>							
11/1/1995	12183	11/1/2015	4.3800%	\$ 907,385.12	9.408%	0.412%	
10/1/2002	12191	10/1/2018	4.4800%	\$ 578,933.50	6.003%	0.269%	
10/1/2002	12192	10/1/2018	4.2500%	\$ 2,128,730.08	22.072%	0.938%	
10/1/2002	12193	10/1/2018	4.2700%	\$ 794,463.51	8.238%	0.352%	
7/14/2005	12200	7/14/2015	4.3600%	\$ 5,234,841.55	54.279%	2.367%	
<b>TOTALS</b>				<b>\$ 9,644,353.76</b>	<b>100.000%</b>	<b>4.337%</b>	<b>534,993.36</b>

<b>RTB</b>							
10/1/2002	S030	10/1/2018	5.000%	\$ 2,031,448.14	30.543%	1.527%	
10/1/2002	S031	10/1/2018	5.490%	\$ 577,461.72	8.682%	0.477%	
	S032		5.130%	\$ 758,470.83	11.404%	0.585%	
7/14/2005	S040	7/14/2015	5.490%	\$ 3,283,777.21	49.372%	2.710%	
<b>TOTALS</b>				<b>\$ 6,651,157.90</b>	<b>100.000%</b>	<b>5.299%</b>	<b>440,829.18</b>

<b>RUS - BROADBAND</b>							
	BBL-1-1		2.6007%	\$ 369,980.76	100%	2.601%	
<b>TOTALS</b>				<b>\$ 369,980.76</b>	<b>100%</b>	<b>2.601%</b>	<b>673.33</b>

<b>CO-BANK</b>							
			6.25%	\$ 5,312,500.00	100%	6.250%	
<b>TOTALS</b>				<b>\$ 5,312,500.00</b>	<b>100%</b>	<b>6.250%</b>	<b>397330.73</b>

<b>TOTAL</b>	<b>\$ 21,977,992.42</b>	<b>5.062%</b>	<b>\$ 1,373,826.60</b>
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**CUSHION OF CREDIT BALANCE** **\$ 1,689,349.05**

**GRAND TOTAL** **\$ 20,288,643.37**



# General Ledger

## RUS Form 479

### INCOME STATEMENT FOR JUNE 2012

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Local Network Services Revenue	1,869,298.86	1,786,655.03	2,021,138.52	308,062.12	336,856.42
2. Network Access Services Revenue	10,491,011.71	9,536,347.71	8,750,461.50	1,390,921.05	1,458,410.25
3. Long Distance Network Services Revenues	0.00	0.00	0.00	0.00	0.00
4. Carrier Billing and Collection Revenues	280,199.04	282,304.10	269,375.60	47,561.06	44,895.90
5. Miscellaneous Revenues	174,299.96	163,107.37	179,583.18	28,868.88	29,930.53
6. Uncollectible Revenues	-12,000.00	-12,000.00	-12,000.00	-2,000.00	-2,000.00
7. Net Operating Revenues (1 thru 5 less 6)	12,802,809.57	11,756,414.21	11,208,558.80	1,773,413.11	1,868,093.10
8. Plant Specific Operations Expense	2,715,480.84	2,837,097.07	2,739,466.02	555,178.21	456,577.67
9. Plant Nonspecific Operations Expense	830,557.73	852,637.59	793,827.00	143,354.97	132,304.50
10. Depreciation Expense	3,511,941.69	3,356,005.61	3,560,596.98	560,597.50	593,432.83
11. Amortization Expense	0.00	0.00	0.00	0.00	0.00
12. Customer Operations Expense	902,096.45	880,640.15	873,916.02	190,785.51	145,652.67
13. Corporate Operations Expense	740,857.59	701,910.89	737,587.50	114,603.81	122,931.25
14. Total Operating Expenses (8 thru 13)	8,700,934.30	8,628,291.31	8,705,393.52	1,564,520.00	1,450,898.92
15. Operating Income or Margins (7 less 14)	4,101,875.27	3,128,122.90	2,503,165.28	208,893.11	417,194.18
16. Other Operating Income and Expenses	0.00	0.00	0.00	0.00	0.00
17. State and Local Taxes	506,389.05	571,817.05	498,766.02	91,913.01	83,127.67
18. Federal Income Taxes	0.00	0.00	0.00	0.00	0.00
19. Other Taxes	0.00	0.00	0.00	0.00	0.00
20. Total Operating Taxes (17 + 18 + 19)	506,389.05	571,817.05	498,766.02	91,913.01	83,127.67
21. Net Operating Income or Margins (15 + 16 - 20)	3,595,486.22	2,556,305.85	2,004,399.26	116,980.10	334,066.51
22. Interest on Funded Debt	710,035.44	599,224.20	627,203.52	94,999.86	104,533.92
23. Interest Expense - Capital Leases	0.00	0.00	0.00	0.00	0.00
24. Other Interest Expense	5,885.89	5,378.39	5,919.00	852.17	986.50
25. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
26. Total Fixed Charges (22 + 23 + 24 - 25)	715,921.33	604,602.59	633,122.52	95,852.03	105,520.42
27. Nonoperating Net Income	126,569.19	111,346.95	120,523.45	2,747.09	20,087.25
28. Extraordinary Items	0.00	0.00	0.00	0.00	0.00
29. Jurisdictional Differences	0.00	0.00	0.00	0.00	0.00
30. Nonregulated Net Income	399,353.89	728,012.47	596,712.00	117,647.39	99,452.00
31. Total Net Income or Margins (21+27+28+29+30-26)	3,405,487.97	2,791,062.68	2,088,512.19	141,522.55	348,085.34



<b>General Ledger</b> <b>RUS Form 479</b>
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**BALANCE SHEET FOR JUNE 2012**

	This Year	Last Year
<b>ASSETS</b>		
<b>Current Assets</b>		
1. Cash and Equivalents	7,552,736.66	6,503,946.96
2. Cash-RUS Construction Fund	900,000.00	0.00
3. Affiliates:		
a. Telecom, Accounts Receivable	0.00	0.00
b. Other Accounts Receivable	487,184.08	318,070.52
c. Notes Receivable	0.00	0.00
4. Non-Affiliates:		
a. Telecom, Accounts Receivable	534,282.84	465,101.76
b. Other Accounts Receivable	1,954,164.05	1,547,045.61
c. Notes Receivable	0.00	0.00
5. Interest and Dividends Receivable	0.00	0.00
6. Material-Regulated	679,375.76	451,079.86
7. Material-Nonregulated	393,986.17	372,054.29
8. Prepayments	134,368.65	150,458.00
9. Other Current Assets	0.00	0.00
10. Total Current Assets (1 thru 9)	12,636,098.21	9,807,757.00
<b>Noncurrent Assets</b>		
11. Investments in Affiliated Companies		
a. Rural Development	0.00	0.00
b. Nonrural Development	23,108,956.15	20,580,908.49
12. Other Investments		
a. Rural Development	0.00	0.00
b. Nonrural Development	83,278.80	61,349.39
13. Nonregulated Investments	2,540,362.33	2,861,881.33
14. Other Noncurrent Assets	3,452.71	3,452.71
15. Deferred Charges	0.00	0.00
16. Jurisdictional Differences	0.00	0.00
17. Total Noncurrent Assets (11 thru 16)	25,736,049.99	23,507,591.92
<b>Plant, Property, and Equipment</b>		
18. Telecom, Plant-in-Service	124,160,249.91	121,530,141.91
19. Property Held for Future Use	0.00	0.00
20. Plant Under Construction	3,339,937.61	3,377,208.34
21. Plant Adj., Nonop. Plant & Goodwill	0.00	0.00
22. Less Accumulated Depreciation	-69,810,370.64	-65,491,304.03
23. Net Plant (18 thru 21 less 22)	57,689,816.88	59,416,046.22
24. Total Assets (10 + 17 + 23)	96,061,965.08	92,731,395.14

**LIABILITIES AND STOCKHOLDERS' EQUITY**
**Current Liabilities**

25. Accounts Payable	1,147,774.93	816,427.26
26. Notes Payable	0.00	0.00
27. Advance Billings and Payments	0.00	0.00
28. Customer Deposits	216,698.84	215,540.00
29. Current Mat. L/T Debt	0.00	0.00
30. Current Mat. L/T Debt - Rur. Dev.	0.00	0.00
31. Current Mat. - Capital Leases	0.00	0.00
32. Income Taxes Accrued	400,000.00	400,000.00
33. Other Taxes Accrued	433,723.73	406,622.62
34. Other Current Liabilities	926,791.25	1,008,189.81
35. Total Current Liabilities (25 thru 34)	<u>3,124,988.75</u>	<u>2,846,779.69</u>

**Long-Term Debt**

36. Funded Debt - RUS Notes	8,428,076.44	10,625,990.18
37. Funded Debt - RTB Notes	6,805,714.50	8,234,335.14
38. Funded Debt - FFB Notes	0.00	0.00
39. Funded Debt - Other	5,312,500.00	6,162,500.00
40. Funded Debt - Rural Develop. Loan	0.00	0.00
41. Premium (Discount) on L/T Debt	0.00	0.00
42. Reacquired Debt	0.00	0.00
43. Obligations Under Capital Lease	0.00	0.00
44. Adv. From Affiliated Companies	0.00	0.00
45. Other Long-Term Debt	0.00	0.00
46. Total Long-Term Debt (36 thru 45)	<u>20,546,290.94</u>	<u>25,022,825.32</u>

**Other Liability and Deferred Credits**

47. Other Long-Term Liabilities	3,717,185.52	3,593,482.52
48. Other Deferred Credits	0.00	0.00
49. Other Jurisdictional Differences	0.00	0.00
50. Total Other Liab. and Def. Credits (47 thru 49)	<u>3,717,185.52</u>	<u>3,593,482.52</u>

**Equity**

51. Cap. Stock Outstand. & Subscribed	0.00	0.00
52. Additional Paid-in Capital	0.00	0.00
53. Treasury Stock	0.00	0.00
54. Membership and Cap. Certificates	662,617.07	665,530.59
55. Other Capital	124,537.05	113,049.89
56. Patronage Capital Credits	49,932,400.82	44,570,391.57
57. Retained Earnings or Margins	17,953,944.93	15,919,335.56
58. Total Equity (51 thru 57)	<u>68,673,499.87</u>	<u>61,268,307.61</u>
59. Total Liabilities and Equity (35 + 46 + 50 + 58)	<u><u>96,061,965.08</u></u>	<u><u>92,731,395.14</u></u>





FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

RESOLUTION OF BOARD OF DIRECTORS

REFINANCING OF RUS/RTB NOTES

WHEREAS, FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC. ("FHS") is a current debtor as evidenced by certain notes held by the Rural Utilities Service ("RUS") and Rural Telephone Bank ("RTB") in the approximate amount of \$15,639,500 which is secured by the assets of FHS ("secured Debt") and

WHEREAS, the RUS & RTB notes relating to the Secured Debt have a maturity date of 3 years and 6 years, respectively; and

WHEREAS, FHS is currently considering a refinancing of RUS & RTB notes relating to the Secured Debt in order to reduce the total amount of monetary payments by FHS; and

WHEREAS, in the current interest rate environment, FHS anticipates achieving significant savings by refinancing the RUS notes and RTB notes relating to the Secured Debt through a refinancing transaction with COBANK, ACB; and

WHEREAS, interest rates change daily and the exact date of the anticipated loan closing is undeterminable due to the necessity of securing the approval of the Kentucky Public Service Commission ("KPSC") and

NOW, THEREFORE, BE IT RESOLVED, that FHS' President, FHS' Secretary and Ruth Conley, FHS' CEO and General Manager, are singularly and collectively authorized as required to negotiate and enter the loan transaction with COBANK, ACB, upon acceptable terms to include a forward setting of a fixed interest rate less than three percent (3%) annual rate exclusive of capital patronage or cash.

BE IT FURTHER RESOLVED, that Ruth Conley, CEO & General Manager, is hereby authorized and directed on behalf of FHS to seek KPSC approval for refinancing the said RUS notes, the RTB notes and the Secured Debt.

I, George Carpenter, Secretary of the Foothills Rural Telephone Cooperative Corporation, Inc. do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Foothills Rural Telephone Cooperative Corporation on August 13, 2012, at which a quorum was present, voted upon and unanimously passed.

A handwritten signature in cursive script, reading "George Carpenter", written over a horizontal line.

George Carpenter, Secretary



# Executive Summary

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Foothills Rural Telephone Cooperative Corporation currently holds \$9,237,742.76 of RUS and \$6,401,757.90 of RTB debt in which the current rates range from 4.25% – 5.49%. Foothills RTCC has the opportunity to refinance these notes with CoBank at a rate of 2.71%, for a term of 5 years until maturity; with an effective rate of 1.89% after patronage refunds from CoBank.

The total projected savings amount to \$508,175.90 before patronage refunds. This will also improve Foothills cash flow by reducing the principal and interest payments for the first two years. Such refinancing of mortgage debt is permitted by RUS. See Exhibit 8 for correspondence with the Office of the Deputy Chief Financial Officer of RUS.

We have enclosed for your review a profile of existing eligible notes, including a comparison of the savings opportunity by refinancing our RUS debt with CoBank, and also amortization schedules for the financing of the notes until maturity.

**Foothills Rural Telephone Cooperative Corporation  
Loan Refinance Proposal  
Amounts as of 10/1/2012**

NOTE	MATURITY	CURRENT RATE	PRINCIPAL BALANCE	CURRENT RATES -	5 YEAR, 2.71% CO-BANK REFINANCE	INTEREST	CO-BANK	TOTAL SAVINGS
				INTEREST PAYMENTS UNTIL MATURITY	INTEREST PAYMENTS UNTIL MATURITY	SAVINGS BEFORE PATRONAGE	CASH PATRONAGE	
RUS 12191	10/1/2018	4.480%	\$ 565,333.50	\$ 80,429.10				
12192	10/1/2018	4.250%	\$ 2,078,530.08	\$ 279,922.15				
12193	10/1/2018	4.270%	\$ 775,663.51	\$ 104,972.40				
12183	11/1/2015	4.380%	\$ 864,185.12	\$ 61,234.58				
12200	7/14/2015	4.360%	\$ 4,954,030.55	\$ 317,596.68				
RTB S-040	7/14/2015	5.490%	\$ 3,111,777.21	\$ 252,450.01				
S-030	10/1/2018	5.000%	\$ 1,984,448.14	\$ 316,628.93				
S-031	10/1/2018	5.490%	\$ 564,461.72	\$ 99,340.11				
S-032	10/1/2018	5.130%	\$ 741,070.83	\$ 121,462.94				
			<u>\$ 15,639,500.66</u>	<u>\$ 1,634,036.90</u>	<u>\$ 1,125,861.00</u>	<u>\$ 508,175.90</u>	<u>\$ 408,931.00</u>	<u>\$ 917,106.90</u>

## Foothills Rural Telephone Cooperative Corporation Loan Refinance Proposal - Present Value of Savings

	RUS/RTB- All notes financed until maturity	Co-Bank 5 Year Note
<b>Principal Payments</b>	\$ 15,639,500.00	\$ 15,639,500.00
<b>Interest Payments</b>	\$ 1,634,036.90	\$ 1,125,861.00
	<u>\$ 17,273,536.90</u>	<u>\$ 16,765,361.00</u>
<b>Potential Savings =</b>		
Interest Savings		\$ 508,175.90
CoBank Cash Patronage		\$ 265,155.00
CoBank Stock Patronage		<u>\$ 143,776.00</u>
Total Savings		<u>\$ 917,106.90</u>
Present Value of Savings (discounted at 2.71%)		<u>\$ 802,336.07</u>

**Foothills Rural Telephone Cooperative Corporation**  
**Loan Refinance Proposal - Weighted Average Maturity**  
**As of 10/1/2012**

NOTE	Maturity Date	Balance	Current Rate	Years To Maturity	Weighted Average Maturity
RUS 12191	10/1/2018	\$ 565,333.50	4.48%	6	
12192	10/1/2018	\$ 2,078,530.08	4.25%	6	
12193	10/1/2018	\$ 775,663.51	4.27%	6	
12183	11/1/2015	\$ 864,185.12	4.38%	3.083	
12200	7/14/2015	\$ 4,954,030.55	4.36%	2.8	
RTB S-040	7/14/2015	\$ 3,111,777.21	5.49%	2.8	
S-030	10/1/2018	\$ 1,984,448.14	5.00%	6	
S-031	10/1/2018	\$ 564,461.72	5.49%	6	
S-032	10/1/2018	\$ 741,070.83	5.13%	6	
		<u>\$ 15,639,500.66</u>			
					<u>4.19 Years</u>

**Foothills Rural Telephone Cooperative Corporation  
Loan Refinance Proposal - Yearly Payment Totals  
Amounts as of 10/1/2012**

	<b>Remainder of 2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>TOTAL</b>
RUS & RTB Notes	\$ 1,167,433.83	\$ 4,669,735.32	\$ 4,669,735.32	\$ 3,334,628.14	\$ 1,285,377.00	\$ 1,285,377.00	\$ 964,032.75	\$ 17,376,319.36
CO-BANK 5 Year Note	\$ 897,203.00	\$ 3,520,864.00	\$ 3,434,446.00	\$ 3,348,029.00	\$ 3,261,611.00	\$ 2,303,207.00	\$ -	\$ 16,765,360.00

**COBANK**  
Rural America's Cooperative Bank

**Projection of Cash Flow and Effective Interest Rate**

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Foothills Rural Telephone Cooperative
Schedule	
Account Officer	Andy Smith
Prepared by:	
Quote Date	July 30, 2012
Origination Date	October 1, 2012
Amortization Start Date	December 31, 2012

Nominal Interest Rate	2.71%
<b>Net Effective Interest Rate</b>	<b>1.89%</b>
<b>Reduction of Interest Rate</b>	<b>0.82%</b>
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$1,000
Target Equity	8.00%

Loan Amount	\$15,639,500
Years to Maturity	5
Nominal Interest Rate	2.71%
Origination Fee (\$)	39,099
Payments/Year	4
Amort Method	Irregular Payments
Days per Year	360
Payment Amount	\$0

Prior Year End Capital Balance	1,000
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0



Borrower: Foothills Rural Telephone Cooperative													
Quote Date: July 30, 2013		Schedule:											
Origination Date: October 1, 2012		Effective Interest Rate: 1.87%											
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2012	15,639,500	786,289	110,914	0	0	0	14,742,296	13,610	14,610	14,853,211	3,888,510	388,851	31,108
2013	0	3,145,158	375,706	0	25,275	0	-3,495,589	47,832	62,442	11,708,053	13,666,237	1,755,475	140,438
2014	0	3,145,158	289,288	0	88,831	0	-3,345,616	36,824	99,265	8,562,895	10,521,079	2,807,582	224,607
2015	0	3,145,158	202,871	0	68,387	0	-3,279,642	25,816	125,081	5,417,737	7,375,921	3,545,175	283,614
2016	0	3,145,158	116,453	0	47,943	0	-3,213,668	14,819	139,900	2,272,579	4,234,006	3,968,575	317,486
2017	0	2,272,579	30,628	0	27,521	0	-2,275,686	3,876	143,776	0	1,107,355	4,079,311	326,345
2018	0	0	0	0	7,198	0	7,198	0	143,776	0	0	4,079,311	326,345
2019	0	0	0	0	0	0	0	0	143,776	0	0	4,079,311	326,345
2020	0	0	0	0	0	0	0	0	143,776	0	0	4,079,311	326,345
2021	0	0	0	0	0	0	0	0	143,776	0	0	4,079,311	326,345
2022	0	0	0	0	0	0	0	0	143,776	0	0	3,690,460	295,237
2023	0	0	0	0	0	0	0	0	143,776	0	0	2,323,836	185,907
2024	0	0	0	0	0	0	0	0	143,776	0	0	1,271,728	101,738
2025	0	0	0	0	0	42,038	42,038	0	101,738	0	0	534,136	42,731
2026	0	0	0	0	0	59,007	59,007	0	42,731	0	0	110,736	8,859
2027	0	0	0	0	0	13,872	13,872	0	8,859	0	0	0	0
2028	0	0	0	0	0	8,859	8,859	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	0	0	0	0	0	0	0	0	0	0
2040	0	0	0	0	0	0	0	0	0	0	0	0	0
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	0	0	0	0	0	0	0	0	0	0
2043	0	0	0	0	0	0	0	0	0	0	0	0	0
2044	0	0	0	0	0	0	0	0	0	0	0	0	0
2045	0	0	0	0	0	0	0	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0
2058	0	0	0	0	0	0	0	0	0	0	0	0	0
2059	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$15,639,500	\$15,639,500	\$1,125,861	\$0	\$265,155	\$143,776		\$142,776					



*Rural America's Cooperative Bank*

### **Projection of Cash Flows and Effective Interest Rates**

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

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# Loan Amortization Schedule



[HELP](#)

Loan Information		Summary	
Loan Amount	565,333.50	Rate (per period)	0.373%
Annual Interest Rate	4.48%	Number of Payments	72
Term of Loan in Years	6	Total Payments	645,762.60
First Payment Date	10/31/2012	Total Interest	80,429.10
Payment Frequency	Monthly	Est. Interest Savings	(0.11)
Compound Period	Monthly		
Payment Type	End of Period		
<b>Monthly Payment</b>	<b>8,968.92</b>		

Amortization Schedule  Rounding On

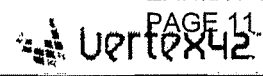
No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						565,333.50
1	10/31/12	8,968.92		2,110.58	6,858.34	558,475.16
2	11/30/12	8,968.92		2,084.97	6,883.95	551,591.21
3	12/31/12	8,968.92		2,059.27	6,909.65	544,681.56
4	1/31/13	8,968.92		2,033.48	6,935.44	537,746.12
5	2/28/13	8,968.92		2,007.59	6,961.33	530,784.79
6	3/31/13	8,968.92		1,981.60	6,987.32	523,797.47
7	4/30/13	8,968.92		1,955.51	7,013.41	516,784.06
8	5/31/13	8,968.92		1,929.33	7,039.59	509,744.47
9	6/30/13	8,968.92		1,903.05	7,065.87	502,678.60
10	7/31/13	8,968.92		1,876.67	7,092.25	495,586.35
11	8/31/13	8,968.92		1,850.19	7,118.73	488,467.62
12	9/30/13	8,968.92		1,823.61	7,145.31	481,322.31
13	10/31/13	8,968.92		1,796.94	7,171.98	474,150.33
14	11/30/13	8,968.92		1,770.16	7,198.76	466,951.57
15	12/31/13	8,968.92		1,743.29	7,225.63	459,725.94
16	1/31/14	8,968.92		1,716.31	7,252.61	452,473.33
17	2/28/14	8,968.92		1,689.23	7,279.69	445,193.64
18	3/31/14	8,968.92		1,662.06	7,306.86	437,886.78
19	4/30/14	8,968.92		1,634.78	7,334.14	430,552.64
20	5/31/14	8,968.92		1,607.40	7,361.52	423,191.12
21	6/30/14	8,968.92		1,579.91	7,389.01	415,802.11
22	7/31/14	8,968.92		1,552.33	7,416.59	408,385.52
23	8/31/14	8,968.92		1,524.64	7,444.28	400,941.24
24	9/30/14	8,968.92		1,496.85	7,472.07	393,469.17
25	10/31/14	8,968.92		1,468.95	7,499.97	385,969.20
26	11/30/14	8,968.92		1,440.95	7,527.97	378,441.23
27	12/31/14	8,968.92		1,412.85	7,556.07	370,885.16
28	1/31/15	8,968.92		1,384.64	7,584.28	363,300.88
29	2/28/15	8,968.92		1,356.32	7,612.60	355,688.28
30	3/31/15	8,968.92		1,327.90	7,641.02	348,047.26
31	4/30/15	8,968.92		1,299.38	7,669.54	340,377.72
32	5/31/15	8,968.92		1,270.74	7,698.18	332,679.54
33	6/30/15	8,968.92		1,242.00	7,726.92	324,952.62
34	7/31/15	8,968.92		1,213.16	7,755.76	317,196.86
35	8/31/15	8,968.92		1,184.20	7,784.72	309,412.14
36	9/30/15	8,968.92		1,155.14	7,813.78	301,598.36
37	10/31/15	8,968.92		1,125.97	7,842.95	293,755.41

12191-Continued

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	8,968.92		1,096.69	7,872.23	285,883.18
39	12/31/15	8,968.92		1,067.30	7,901.62	277,981.56
40	1/31/16	8,968.92		1,037.80	7,931.12	270,050.44
41	2/29/16	8,968.92		1,008.19	7,960.73	262,089.71
42	3/31/16	8,968.92		978.47	7,990.45	254,099.26
43	4/30/16	8,968.92		948.64	8,020.28	246,078.98
44	5/31/16	8,968.92		918.69	8,050.23	238,028.75
45	6/30/16	8,968.92		888.64	8,080.28	229,948.47
46	7/31/16	8,968.92		858.47	8,110.45	221,838.02
47	8/31/16	8,968.92		828.20	8,140.72	213,697.30
48	9/30/16	8,968.92		797.80	8,171.12	205,526.18
49	10/31/16	8,968.92		767.30	8,201.62	197,324.56
50	11/30/16	8,968.92		736.68	8,232.24	189,092.32
51	12/31/16	8,968.92		705.94	8,262.98	180,829.34
52	1/31/17	8,968.92		675.10	8,293.82	172,535.52
53	2/28/17	8,968.92		644.13	8,324.79	164,210.73
54	3/31/17	8,968.92		613.05	8,355.87	155,854.86
55	4/30/17	8,968.92		581.86	8,387.06	147,467.80
56	5/31/17	8,968.92		550.55	8,418.37	139,049.43
57	6/30/17	8,968.92		519.12	8,449.80	130,599.63
58	7/31/17	8,968.92		487.57	8,481.35	122,118.28
59	8/31/17	8,968.92		455.91	8,513.01	113,605.27
60	9/30/17	8,968.92		424.13	8,544.79	105,060.48
61	10/31/17	8,968.92		392.23	8,576.69	96,483.79
62	11/30/17	8,968.92		360.21	8,608.71	87,875.08
63	12/31/17	8,968.92		328.07	8,640.85	79,234.23
64	1/31/18	8,968.92		295.81	8,673.11	70,561.12
65	2/28/18	8,968.92		263.43	8,705.49	61,855.63
66	3/31/18	8,968.92		230.93	8,737.99	53,117.64
67	4/30/18	8,968.92		198.31	8,770.61	44,347.03
68	5/31/18	8,968.92		165.56	8,803.36	35,543.67
69	6/30/18	8,968.92		132.70	8,836.22	26,707.45
70	7/31/18	8,968.92		99.71	8,869.21	17,838.24
71	8/31/18	8,968.92		66.60	8,902.32	8,935.92
72	9/30/18	8,969.28		33.36	8,935.92	0.00

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# Loan Amortization Schedule



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## Loan Information

Loan Amount	2,078,530.08
Annual Interest Rate	4.25%
Term of Loan in Years	6
First Payment Date	10/31/2012
Payment Frequency	Monthly
Compound Period	Monthly
Payment Type	End of Period

## Summary

Rate (per period)	0.354%
Number of Payments	72
Total Payments	2,358,452.23
Total Interest	279,922.15
Est. Interest Savings	0.01

**Monthly Payment 32,756.28**

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						2,078,530.08
1	10/31/12	32,756.28		7,361.46	25,394.82	2,053,135.26
2	11/30/12	32,756.28		7,271.52	25,484.76	2,027,650.50
3	12/31/12	32,756.28		7,181.26	25,575.02	2,002,075.48
4	1/31/13	32,756.28		7,090.68	25,665.60	1,976,409.88
5	2/28/13	32,756.28		6,999.78	25,756.50	1,950,653.38
6	3/31/13	32,756.28		6,908.56	25,847.72	1,924,805.66
7	4/30/13	32,756.28		6,817.02	25,939.26	1,898,866.40
8	5/31/13	32,756.28		6,725.15	26,031.13	1,872,835.27
9	6/30/13	32,756.28		6,632.96	26,123.32	1,846,711.95
10	7/31/13	32,756.28		6,540.44	26,215.84	1,820,496.11
11	8/31/13	32,756.28		6,447.59	26,308.69	1,794,187.42
12	9/30/13	32,756.28		6,354.41	26,401.87	1,767,785.55
13	10/31/13	32,756.28		6,260.91	26,495.37	1,741,290.18
14	11/30/13	32,756.28		6,167.07	26,589.21	1,714,700.97
15	12/31/13	32,756.28		6,072.90	26,683.38	1,688,017.59
16	1/31/14	32,756.28		5,978.40	26,777.88	1,661,239.71
17	2/28/14	32,756.28		5,883.56	26,872.72	1,634,366.99
18	3/31/14	32,756.28		5,788.38	26,967.90	1,607,399.09
19	4/30/14	32,756.28		5,692.87	27,063.41	1,580,335.68
20	5/31/14	32,756.28		5,597.02	27,159.26	1,553,176.42
21	6/30/14	32,756.28		5,500.83	27,255.45	1,525,920.97
22	7/31/14	32,756.28		5,404.30	27,351.98	1,498,568.99
23	8/31/14	32,756.28		5,307.43	27,448.85	1,471,120.14
24	9/30/14	32,756.28		5,210.22	27,546.06	1,443,574.08
25	10/31/14	32,756.28		5,112.66	27,643.62	1,415,930.46
26	11/30/14	32,756.28		5,014.75	27,741.53	1,388,188.93
27	12/31/14	32,756.28		4,916.50	27,839.78	1,360,349.15
28	1/31/15	32,756.28		4,817.90	27,938.38	1,332,410.77
29	2/28/15	32,756.28		4,718.95	28,037.33	1,304,373.44
30	3/31/15	32,756.28		4,619.66	28,136.62	1,276,236.82
31	4/30/15	32,756.28		4,520.01	28,236.27	1,248,000.55
32	5/31/15	32,756.28		4,420.00	28,336.28	1,219,664.27
33	6/30/15	32,756.28		4,319.64	28,436.64	1,191,227.63
34	7/31/15	32,756.28		4,218.93	28,537.35	1,162,690.28
35	8/31/15	32,756.28		4,117.86	28,638.42	1,134,051.86
36	9/30/15	32,756.28		4,016.43	28,739.85	1,105,312.01
37	10/31/15	32,756.28		3,914.65	28,841.63	1,076,470.38

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No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	32,756.28		3,812.50	28,943.78	1,047,526.60
39	12/31/15	32,756.28		3,709.99	29,046.29	1,018,480.31
40	1/31/16	32,756.28		3,607.12	29,149.16	989,331.15
41	2/29/16	32,756.28		3,503.88	29,252.40	960,078.75
42	3/31/16	32,756.28		3,400.28	29,356.00	930,722.75
43	4/30/16	32,756.28		3,296.31	29,459.97	901,262.78
44	5/31/16	32,756.28		3,191.97	29,564.31	871,698.47
45	6/30/16	32,756.28		3,087.27	29,669.01	842,029.46
46	7/31/16	32,756.28		2,982.19	29,774.09	812,255.37
47	8/31/16	32,756.28		2,876.74	29,879.54	782,375.83
48	9/30/16	32,756.28		2,770.91	29,985.37	752,390.46
49	10/31/16	32,756.28		2,664.72	30,091.56	722,298.90
50	11/30/16	32,756.28		2,558.14	30,198.14	692,100.76
51	12/31/16	32,756.28		2,451.19	30,305.09	661,795.67
52	1/31/17	32,756.28		2,343.86	30,412.42	631,383.25
53	2/28/17	32,756.28		2,236.15	30,520.13	600,863.12
54	3/31/17	32,756.28		2,128.06	30,628.22	570,234.90
55	4/30/17	32,756.28		2,019.58	30,736.70	539,498.20
56	5/31/17	32,756.28		1,910.72	30,845.56	508,652.64
57	6/30/17	32,756.28		1,801.48	30,954.80	477,697.84
58	7/31/17	32,756.28		1,691.85	31,064.43	446,633.41
59	8/31/17	32,756.28		1,581.83	31,174.45	415,458.96
60	9/30/17	32,756.28		1,471.42	31,284.86	384,174.10
61	10/31/17	32,756.28		1,360.62	31,395.66	352,778.44
62	11/30/17	32,756.28		1,249.42	31,506.86	321,271.58
63	12/31/17	32,756.28		1,137.84	31,618.44	289,653.14
64	1/31/18	32,756.28		1,025.85	31,730.43	257,922.71
65	2/28/18	32,756.28		913.48	31,842.80	226,079.91
66	3/31/18	32,756.28		800.70	31,955.58	194,124.33
67	4/30/18	32,756.28		687.52	32,068.76	162,055.57
68	5/31/18	32,756.28		573.95	32,182.33	129,873.24
69	6/30/18	32,756.28		459.97	32,296.31	97,576.93
70	7/31/18	32,756.28		345.58	32,410.70	65,166.23
71	8/31/18	32,756.28		230.80	32,525.48	32,640.75
72	9/30/18	32,756.35		115.60	32,640.75	0.00

12193



# Loan Amortization Schedule

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Loan Information		Summary	
Loan Amount	775,663.51	Rate (per period)	0.356%
Annual Interest Rate	4.27%	Number of Payments	72
Term of Loan in Years	6	Total Payments	880,635.91
First Payment Date	10/31/2012	Total Interest	104,972.40
Payment Frequency	Monthly	Est. Interest Savings	(0.05)
Compound Period	Monthly		
Payment Type	End of Period		
<b>Monthly Payment</b>	<b>12,231.05</b>		

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						775,663.51
1	10/31/12	12,231.05		2,760.07	9,470.98	766,192.53
2	11/30/12	12,231.05		2,726.37	9,504.68	756,687.85
3	12/31/12	12,231.05		2,692.55	9,538.50	747,149.35
4	1/31/13	12,231.05		2,658.61	9,572.44	737,576.91
5	2/28/13	12,231.05		2,624.54	9,606.51	727,970.40
6	3/31/13	12,231.05		2,590.36	9,640.69	718,329.71
7	4/30/13	12,231.05		2,556.06	9,674.99	708,654.72
8	5/31/13	12,231.05		2,521.63	9,709.42	698,945.30
9	6/30/13	12,231.05		2,487.08	9,743.97	689,201.33
10	7/31/13	12,231.05		2,452.41	9,778.64	679,422.69
11	8/31/13	12,231.05		2,417.61	9,813.44	669,609.25
12	9/30/13	12,231.05		2,382.69	9,848.36	659,760.89
13	10/31/13	12,231.05		2,347.65	9,883.40	649,877.49
14	11/30/13	12,231.05		2,312.48	9,918.57	639,958.92
15	12/31/13	12,231.05		2,277.19	9,953.86	630,005.06
16	1/31/14	12,231.05		2,241.77	9,989.28	620,015.78
17	2/28/14	12,231.05		2,206.22	10,024.83	609,990.95
18	3/31/14	12,231.05		2,170.55	10,060.50	599,930.45
19	4/30/14	12,231.05		2,134.75	10,096.30	589,834.15
20	5/31/14	12,231.05		2,098.83	10,132.22	579,701.93
21	6/30/14	12,231.05		2,062.77	10,168.28	569,533.65
22	7/31/14	12,231.05		2,026.59	10,204.46	559,329.19
23	8/31/14	12,231.05		1,990.28	10,240.77	549,088.42
24	9/30/14	12,231.05		1,953.84	10,277.21	538,811.21
25	10/31/14	12,231.05		1,917.27	10,313.78	528,497.43
26	11/30/14	12,231.05		1,880.57	10,350.48	518,146.95
27	12/31/14	12,231.05		1,843.74	10,387.31	507,759.64
28	1/31/15	12,231.05		1,806.78	10,424.27	497,335.37
29	2/28/15	12,231.05		1,769.69	10,461.36	486,874.01
30	3/31/15	12,231.05		1,732.46	10,498.59	476,375.42
31	4/30/15	12,231.05		1,695.10	10,535.95	465,839.47
32	5/31/15	12,231.05		1,657.61	10,573.44	455,266.03
33	6/30/15	12,231.05		1,619.99	10,611.06	444,654.97
34	7/31/15	12,231.05		1,582.23	10,648.82	434,006.15
35	8/31/15	12,231.05		1,544.34	10,686.71	423,319.44
36	9/30/15	12,231.05		1,506.31	10,724.74	412,594.70
37	10/31/15	12,231.05		1,468.15	10,762.90	401,831.80

12193 - (continued)

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	12,231.05		1,429.85	10,801.20	391,030.60
39	12/31/15	12,231.05		1,391.42	10,839.63	380,190.97
40	1/31/16	12,231.05		1,352.85	10,878.20	369,312.77
41	2/29/16	12,231.05		1,314.14	10,916.91	358,395.86
42	3/31/16	12,231.05		1,275.29	10,955.76	347,440.10
43	4/30/16	12,231.05		1,236.31	10,994.74	336,445.36
44	5/31/16	12,231.05		1,197.18	11,033.87	325,411.49
45	6/30/16	12,231.05		1,157.92	11,073.13	314,338.36
46	7/31/16	12,231.05		1,118.52	11,112.53	303,225.83
47	8/31/16	12,231.05		1,078.98	11,152.07	292,073.76
48	9/30/16	12,231.05		1,039.30	11,191.75	280,882.01
49	10/31/16	12,231.05		999.47	11,231.58	269,650.43
50	11/30/16	12,231.05		959.51	11,271.54	258,378.89
51	12/31/16	12,231.05		919.40	11,311.65	247,067.24
52	1/31/17	12,231.05		879.15	11,351.90	235,715.34
53	2/28/17	12,231.05		838.75	11,392.30	224,323.04
54	3/31/17	12,231.05		798.22	11,432.83	212,890.21
55	4/30/17	12,231.05		757.53	11,473.52	201,416.69
56	5/31/17	12,231.05		716.71	11,514.34	189,902.35
57	6/30/17	12,231.05		675.74	11,555.31	178,347.04
58	7/31/17	12,231.05		634.62	11,596.43	166,750.61
59	8/31/17	12,231.05		593.35	11,637.70	155,112.91
60	9/30/17	12,231.05		551.94	11,679.11	143,433.80
61	10/31/17	12,231.05		510.39	11,720.66	131,713.14
62	11/30/17	12,231.05		468.68	11,762.37	119,950.77
63	12/31/17	12,231.05		426.82	11,804.23	108,146.54
64	1/31/18	12,231.05		384.82	11,846.23	96,300.31
65	2/28/18	12,231.05		342.67	11,888.38	84,411.93
66	3/31/18	12,231.05		300.37	11,930.68	72,481.25
67	4/30/18	12,231.05		257.91	11,973.14	60,508.11
68	5/31/18	12,231.05		215.31	12,015.74	48,492.37
69	6/30/18	12,231.05		172.55	12,058.50	36,433.87
70	7/31/18	12,231.05		129.64	12,101.41	24,332.46
71	8/31/18	12,231.05		86.58	12,144.47	12,187.99
72	9/30/18	12,231.36		43.37	12,187.99	0.00



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# Loan Amortization Schedule

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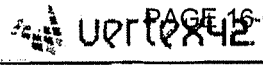
Loan Information		Summary	
Loan Amount	864,185.12	Rate (per period)	0.365%
Annual Interest Rate	4.38%	Number of Payments	37
Term of Loan in Years	3.083	Total Payments	925,419.70
First Payment Date	10/31/2012	Total Interest	61,234.58
Payment Frequency	Monthly	Est. Interest Savings	(0.23)
Compound Period	Monthly		
Payment Type	End of Period		
<b>Monthly Payment</b>		<b>25,014.04</b>	

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						864,185.12
1	10/31/12	25,014.04		3,154.28	21,859.76	842,325.36
2	11/30/12	25,014.04		3,074.49	21,939.55	820,385.81
3	12/31/12	25,014.04		2,994.41	22,019.63	798,366.18
4	1/31/13	25,014.04		2,914.04	22,100.00	776,266.18
5	2/28/13	25,014.04		2,833.37	22,180.67	754,085.51
6	3/31/13	25,014.04		2,752.41	22,261.63	731,823.88
7	4/30/13	25,014.04		2,671.16	22,342.88	709,481.00
8	5/31/13	25,014.04		2,589.61	22,424.43	687,056.57
9	6/30/13	25,014.04		2,507.76	22,506.28	664,550.29
10	7/31/13	25,014.04		2,425.61	22,588.43	641,961.86
11	8/31/13	25,014.04		2,343.16	22,670.88	619,290.98
12	9/30/13	25,014.04		2,260.41	22,753.63	596,537.35
13	10/31/13	25,014.04		2,177.36	22,836.68	573,700.67
14	11/30/13	25,014.04		2,094.01	22,920.03	550,780.64
15	12/31/13	25,014.04		2,010.35	23,003.69	527,776.95
16	1/31/14	25,014.04		1,926.39	23,087.65	504,689.30
17	2/28/14	25,014.04		1,842.12	23,171.92	481,517.38
18	3/31/14	25,014.04		1,757.54	23,256.50	458,260.88
19	4/30/14	25,014.04		1,672.65	23,341.39	434,919.49
20	5/31/14	25,014.04		1,587.46	23,426.58	411,492.91
21	6/30/14	25,014.04		1,501.95	23,512.09	387,980.82
22	7/31/14	25,014.04		1,416.13	23,597.91	364,382.91
23	8/31/14	25,014.04		1,330.00	23,684.04	340,698.87
24	9/30/14	25,014.04		1,243.55	23,770.49	316,928.38
25	10/31/14	25,014.04		1,156.79	23,857.25	293,071.13
26	11/30/14	25,014.04		1,069.71	23,944.33	269,126.80
27	12/31/14	25,014.04		982.31	24,031.73	245,095.07
28	1/31/15	25,014.04		894.60	24,119.44	220,975.63
29	2/28/15	25,014.04		806.56	24,207.48	196,768.15
30	3/31/15	25,014.04		718.20	24,295.84	172,472.31
31	4/30/15	25,014.04		629.52	24,384.52	148,087.79
32	5/31/15	25,014.04		540.52	24,473.52	123,614.27
33	6/30/15	25,014.04		451.19	24,562.85	99,051.42
34	7/31/15	25,014.04		361.54	24,652.50	74,398.92
35	8/31/15	25,014.04		271.56	24,742.48	49,656.44
36	9/30/15	25,014.04		181.25	24,832.79	24,823.65
37	10/31/15	24,914.26		90.61	24,823.65	0.00

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# Loan Amortization Schedule

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## Loan Information

Loan Amount	4,954,030.55
Annual Interest Rate	4.36%
Term of Loan in Years	2.8
First Payment Date	10/31/2012
Payment Frequency	Monthly
Compound Period	Monthly
Payment Type	End of Period

## Summary

Rate (per period)	0.363%
Number of Payments	34
Total Payments	5,271,627.23
Total Interest	317,596.68
Est. Interest Savings	(68.23)

**Monthly Payment 156,891.64**

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						4,954,030.55
1	10/31/12	156,891.64		17,999.64	138,892.00	4,815,138.55
2	11/30/12	156,891.64		17,495.00	139,396.64	4,675,741.91
3	12/31/12	156,891.64		16,988.53	139,903.11	4,535,838.80
4	1/31/13	156,891.64		16,480.21	140,411.43	4,395,427.37
5	2/28/13	156,891.64		15,970.05	140,921.59	4,254,505.78
6	3/31/13	156,891.64		15,458.04	141,433.60	4,113,072.18
7	4/30/13	156,891.64		14,944.16	141,947.48	3,971,124.70
8	5/31/13	156,891.64		14,428.42	142,463.22	3,828,661.48
9	6/30/13	156,891.64		13,910.80	142,980.84	3,685,680.64
10	7/31/13	156,891.64		13,391.31	143,500.33	3,542,180.31
11	8/31/13	156,891.64		12,869.92	144,021.72	3,398,158.59
12	9/30/13	156,891.64		12,346.64	144,545.00	3,253,613.59
13	10/31/13	156,891.64		11,821.46	145,070.18	3,108,543.41
14	11/30/13	156,891.64		11,294.37	145,597.27	2,962,946.14
15	12/31/13	156,891.64		10,765.37	146,126.27	2,816,819.87
16	1/31/14	156,891.64		10,234.45	146,657.19	2,670,162.68
17	2/28/14	156,891.64		9,701.59	147,190.05	2,522,972.63
18	3/31/14	156,891.64		9,166.80	147,724.84	2,375,247.79
19	4/30/14	156,891.64		8,630.07	148,261.57	2,226,986.22
20	5/31/14	156,891.64		8,091.38	148,800.26	2,078,185.96
21	6/30/14	156,891.64		7,550.74	149,340.90	1,928,845.06
22	7/31/14	156,891.64		7,008.14	149,883.50	1,778,961.56
23	8/31/14	156,891.64		6,463.56	150,428.08	1,628,533.48
24	9/30/14	156,891.64		5,917.00	150,974.64	1,477,558.84
25	10/31/14	156,891.64		5,368.46	151,523.18	1,326,035.66
26	11/30/14	156,891.64		4,817.93	152,073.71	1,173,961.95
27	12/31/14	156,891.64		4,265.40	152,626.24	1,021,335.71
28	1/31/15	156,891.64		3,710.85	153,180.79	868,154.92
29	2/28/15	156,891.64		3,154.30	153,737.34	714,417.58
30	3/31/15	156,891.64		2,595.72	154,295.92	560,121.66
31	4/30/15	156,891.64		2,035.11	154,856.53	405,265.13
32	5/31/15	156,891.64		1,472.46	155,419.18	249,845.95
33	6/30/15	156,891.64		907.77	155,983.87	93,862.08
34	7/31/15	94,203.11		341.03	93,862.08	0.00

5-030

# Loan Amortization Schedule



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Loan Information		Summary	
Loan Amount	1,984,448.14	Rate (per period)	0.417%
Annual Interest Rate	5.00%	Number of Payments	72
Term of Loan in Years	6	Total Payments	2,301,077.07
First Payment Date	10/31/2012	Total Interest	316,628.93
Payment Frequency	Monthly	Est. Interest Savings	(0.01)
Compound Period	Monthly		.
Payment Type	End of Period		.
<b>Monthly Payment</b>	<b>31,959.40</b>		

## Amortization Schedule

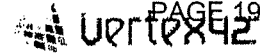
Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						1,984,448.14
1	10/31/12	31,959.40		8,268.53	23,690.87	1,960,757.27
2	11/30/12	31,959.40		8,169.82	23,789.58	1,936,967.69
3	12/31/12	31,959.40		8,070.70	23,888.70	1,913,078.99
4	1/31/13	31,959.40		7,971.16	23,988.24	1,889,090.75
5	2/28/13	31,959.40		7,871.21	24,088.19	1,865,002.56
6	3/31/13	31,959.40		7,770.84	24,188.56	1,840,814.00
7	4/30/13	31,959.40		7,670.06	24,289.34	1,816,524.66
8	5/31/13	31,959.40		7,568.85	24,390.55	1,792,134.11
9	6/30/13	31,959.40		7,467.23	24,492.17	1,767,641.94
10	7/31/13	31,959.40		7,365.17	24,594.23	1,743,047.71
11	8/31/13	31,959.40		7,262.70	24,696.70	1,718,351.01
12	9/30/13	31,959.40		7,159.80	24,799.60	1,693,551.41
13	10/31/13	31,959.40		7,056.46	24,902.94	1,668,648.47
14	11/30/13	31,959.40		6,952.70	25,006.70	1,643,641.77
15	12/31/13	31,959.40		6,848.51	25,110.89	1,618,530.88
16	1/31/14	31,959.40		6,743.88	25,215.52	1,593,315.36
17	2/28/14	31,959.40		6,638.81	25,320.59	1,567,994.77
18	3/31/14	31,959.40		6,533.31	25,426.09	1,542,568.68
19	4/30/14	31,959.40		6,427.37	25,532.03	1,517,036.65
20	5/31/14	31,959.40		6,320.99	25,638.41	1,491,398.24
21	6/30/14	31,959.40		6,214.16	25,745.24	1,465,653.00
22	7/31/14	31,959.40		6,106.89	25,852.51	1,439,800.49
23	8/31/14	31,959.40		5,999.17	25,960.23	1,413,840.26
24	9/30/14	31,959.40		5,891.00	26,068.40	1,387,771.86
25	10/31/14	31,959.40		5,782.38	26,177.02	1,361,594.84
26	11/30/14	31,959.40		5,673.31	26,286.09	1,335,308.75
27	12/31/14	31,959.40		5,563.79	26,395.61	1,308,913.14
28	1/31/15	31,959.40		5,453.80	26,505.60	1,282,407.54
29	2/28/15	31,959.40		5,343.36	26,616.04	1,255,791.50
30	3/31/15	31,959.40		5,232.46	26,726.94	1,229,064.56
31	4/30/15	31,959.40		5,121.10	26,838.30	1,202,226.26
32	5/31/15	31,959.40		5,009.28	26,950.12	1,175,276.14
33	6/30/15	31,959.40		4,896.98	27,062.42	1,148,213.72
34	7/31/15	31,959.40		4,784.22	27,175.18	1,121,038.54
35	8/31/15	31,959.40		4,670.99	27,288.41	1,093,750.13
36	9/30/15	31,959.40		4,557.29	27,402.11	1,066,348.02
37	10/31/15	31,959.40		4,443.12	27,516.28	1,038,831.74

5-030-Continued

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	31,959.40		4,328.47	27,630.93	1,011,200.81
39	12/31/15	31,959.40		4,213.34	27,746.06	983,454.75
40	1/31/16	31,959.40		4,097.73	27,861.67	955,593.08
41	2/29/16	31,959.40		3,981.64	27,977.76	927,615.32
42	3/31/16	31,959.40		3,865.06	28,094.34	899,520.98
43	4/30/16	31,959.40		3,748.00	28,211.40	871,309.58
44	5/31/16	31,959.40		3,630.46	28,328.94	842,980.64
45	6/30/16	31,959.40		3,512.42	28,446.98	814,533.66
46	7/31/16	31,959.40		3,393.89	28,565.51	785,968.15
47	8/31/16	31,959.40		3,274.87	28,684.53	757,283.62
48	9/30/16	31,959.40		3,155.35	28,804.05	728,479.57
49	10/31/16	31,959.40		3,035.33	28,924.07	699,555.50
50	11/30/16	31,959.40		2,914.81	29,044.59	670,510.91
51	12/31/16	31,959.40		2,793.80	29,165.60	641,345.31
52	1/31/17	31,959.40		2,672.27	29,287.13	612,058.18
53	2/28/17	31,959.40		2,550.24	29,409.16	582,649.02
54	3/31/17	31,959.40		2,427.70	29,531.70	553,117.32
55	4/30/17	31,959.40		2,304.66	29,654.74	523,462.58
56	5/31/17	31,959.40		2,181.09	29,778.31	493,684.27
57	6/30/17	31,959.40		2,057.02	29,902.38	463,781.89
58	7/31/17	31,959.40		1,932.42	30,026.98	433,754.91
59	8/31/17	31,959.40		1,807.31	30,152.09	403,602.82
60	9/30/17	31,959.40		1,681.68	30,277.72	373,325.10
61	10/31/17	31,959.40		1,555.52	30,403.88	342,921.22
62	11/30/17	31,959.40		1,428.84	30,530.56	312,390.66
63	12/31/17	31,959.40		1,301.63	30,657.77	281,732.89
64	1/31/18	31,959.40		1,173.89	30,785.51	250,947.38
65	2/28/18	31,959.40		1,045.61	30,913.79	220,033.59
66	3/31/18	31,959.40		916.81	31,042.59	188,991.00
67	4/30/18	31,959.40		787.46	31,171.94	157,819.06
68	5/31/18	31,959.40		657.58	31,301.82	126,517.24
69	6/30/18	31,959.40		527.16	31,432.24	95,085.00
70	7/31/18	31,959.40		396.19	31,563.21	63,521.79
71	8/31/18	31,959.40		264.67	31,694.73	31,827.06
72	9/30/18	31,959.67		132.61	31,827.06	0.00

S-040



# Loan Amortization Schedule

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Loan Information		Summary	
Loan Amount	3,111,777.21	Rate (per period)	0.458%
Annual Interest Rate	5.49%	Number of Payments	34
Term of Loan in Years	2.8	Total Payments	3,364,227.22
First Payment Date	10/31/2012	Total Interest	252,450.01
Payment Frequency	Monthly	Est. Interest Savings	(54.84)
Compound Period	Monthly		
Payment Type	End of Period		
<b>Monthly Payment</b>	<b>100,124.18</b>		

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						3,111,777.21
1	10/31/12	100,124.18		14,236.38	85,887.80	3,025,889.41
2	11/30/12	100,124.18		13,843.44	86,280.74	2,939,608.67
3	12/31/12	100,124.18		13,448.71	86,675.47	2,852,933.20
4	1/31/13	100,124.18		13,052.17	87,072.01	2,765,861.19
5	2/28/13	100,124.18		12,653.81	87,470.37	2,678,390.82
6	3/31/13	100,124.18		12,253.64	87,870.54	2,590,520.28
7	4/30/13	100,124.18		11,851.63	88,272.55	2,502,247.73
8	5/31/13	100,124.18		11,447.78	88,676.40	2,413,571.33
9	6/30/13	100,124.18		11,042.09	89,082.09	2,324,489.24
10	7/31/13	100,124.18		10,634.54	89,489.64	2,234,999.60
11	8/31/13	100,124.18		10,225.12	89,899.06	2,145,100.54
12	9/30/13	100,124.18		9,813.83	90,310.35	2,054,790.19
13	10/31/13	100,124.18		9,400.67	90,723.51	1,964,066.68
14	11/30/13	100,124.18		8,985.61	91,138.57	1,872,928.11
15	12/31/13	100,124.18		8,568.65	91,555.53	1,781,372.58
16	1/31/14	100,124.18		8,149.78	91,974.40	1,689,398.18
17	2/28/14	100,124.18		7,729.00	92,395.18	1,597,003.00
18	3/31/14	100,124.18		7,306.29	92,817.89	1,504,185.11
19	4/30/14	100,124.18		6,881.65	93,242.53	1,410,942.58
20	5/31/14	100,124.18		6,455.06	93,669.12	1,317,273.46
21	6/30/14	100,124.18		6,026.53	94,097.65	1,223,175.81
22	7/31/14	100,124.18		5,596.03	94,528.15	1,128,647.66
23	8/31/14	100,124.18		5,163.56	94,960.62	1,033,687.04
24	9/30/14	100,124.18		4,729.12	95,395.06	938,291.98
25	10/31/14	100,124.18		4,292.69	95,831.49	842,460.49
26	11/30/14	100,124.18		3,854.26	96,269.92	746,190.57
27	12/31/14	100,124.18		3,413.82	96,710.36	649,480.21
28	1/31/15	100,124.18		2,971.37	97,152.81	552,327.40
29	2/28/15	100,124.18		2,526.90	97,597.28	454,730.12
30	3/31/15	100,124.18		2,080.39	98,043.79	356,686.33
31	4/30/15	100,124.18		1,631.84	98,492.34	258,193.99
32	5/31/15	100,124.18		1,181.24	98,942.94	159,251.05
33	6/30/15	100,124.18		728.57	99,395.61	59,855.44
34	7/31/15	60,129.28		273.84	59,855.44	0.00

5-031

# Loan Amortization Schedule

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Loan Information	
Loan Amount	564,461.72
Annual Interest Rate	5.49%
Term of Loan in Years	6
First Payment Date	10/31/2012
Payment Frequency	Monthly
Compound Period	Monthly
Payment Type	End of Period

Summary	
Rate (per period)	0.458%
Number of Payments	72
Total Payments	663,801.83
Total Interest	99,340.11
Est. Interest Savings	0.06

**Monthly Payment 9,219.47**

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						564,461.72
1	10/31/12	9,219.47		2,582.41	6,637.06	557,824.66
2	11/30/12	9,219.47		2,552.05	6,667.42	551,157.24
3	12/31/12	9,219.47		2,521.54	6,697.93	544,459.31
4	1/31/13	9,219.47		2,490.90	6,728.57	537,730.74
5	2/28/13	9,219.47		2,460.12	6,759.35	530,971.39
6	3/31/13	9,219.47		2,429.19	6,790.28	524,181.11
7	4/30/13	9,219.47		2,398.13	6,821.34	517,359.77
8	5/31/13	9,219.47		2,366.92	6,852.55	510,507.22
9	6/30/13	9,219.47		2,335.57	6,883.90	503,623.32
10	7/31/13	9,219.47		2,304.08	6,915.39	496,707.93
11	8/31/13	9,219.47		2,272.44	6,947.03	489,760.90
12	9/30/13	9,219.47		2,240.66	6,978.81	482,782.09
13	10/31/13	9,219.47		2,208.73	7,010.74	475,771.35
14	11/30/13	9,219.47		2,176.65	7,042.82	468,728.53
15	12/31/13	9,219.47		2,144.43	7,075.04	461,653.49
16	1/31/14	9,219.47		2,112.06	7,107.41	454,546.08
17	2/28/14	9,219.47		2,079.55	7,139.92	447,406.16
18	3/31/14	9,219.47		2,046.88	7,172.59	440,233.57
19	4/30/14	9,219.47		2,014.07	7,205.40	433,028.17
20	5/31/14	9,219.47		1,981.10	7,238.37	425,789.80
21	6/30/14	9,219.47		1,947.99	7,271.48	418,518.32
22	7/31/14	9,219.47		1,914.72	7,304.75	411,213.57
23	8/31/14	9,219.47		1,881.30	7,338.17	403,875.40
24	9/30/14	9,219.47		1,847.73	7,371.74	396,503.66
25	10/31/14	9,219.47		1,814.00	7,405.47	389,098.19
26	11/30/14	9,219.47		1,780.12	7,439.35	381,658.84
27	12/31/14	9,219.47		1,746.09	7,473.38	374,185.46
28	1/31/15	9,219.47		1,711.90	7,507.57	366,677.89
29	2/28/15	9,219.47		1,677.55	7,541.92	359,135.97
30	3/31/15	9,219.47		1,643.05	7,576.42	351,559.55
31	4/30/15	9,219.47		1,608.38	7,611.09	343,948.46
32	5/31/15	9,219.47		1,573.56	7,645.91	336,302.55
33	6/30/15	9,219.47		1,538.58	7,680.89	328,621.66
34	7/31/15	9,219.47		1,503.44	7,716.03	320,905.63
35	8/31/15	9,219.47		1,468.14	7,751.33	313,154.30
36	9/30/15	9,219.47		1,432.68	7,786.79	305,367.51
37	10/31/15	9,219.47		1,397.06	7,822.41	297,545.10

S-031-Continued

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	9,219.47		1,361.27	7,858.20	289,686.90
39	12/31/15	9,219.47		1,325.32	7,894.15	281,792.75
40	1/31/16	9,219.47		1,289.20	7,930.27	273,862.48
41	2/29/16	9,219.47		1,252.92	7,966.55	265,895.93
42	3/31/16	9,219.47		1,216.47	8,003.00	257,892.93
43	4/30/16	9,219.47		1,179.86	8,039.61	249,853.32
44	5/31/16	9,219.47		1,143.08	8,076.39	241,776.93
45	6/30/16	9,219.47		1,106.13	8,113.34	233,663.59
46	7/31/16	9,219.47		1,069.01	8,150.46	225,513.13
47	8/31/16	9,219.47		1,031.72	8,187.75	217,325.38
48	9/30/16	9,219.47		994.26	8,225.21	209,100.17
49	10/31/16	9,219.47		956.63	8,262.84	200,837.33
50	11/30/16	9,219.47		918.83	8,300.64	192,536.69
51	12/31/16	9,219.47		880.86	8,338.61	184,198.08
52	1/31/17	9,219.47		842.71	8,376.76	175,821.32
53	2/28/17	9,219.47		804.38	8,415.09	167,406.23
54	3/31/17	9,219.47		765.88	8,453.59	158,952.64
55	4/30/17	9,219.47		727.21	8,492.26	150,460.38
56	5/31/17	9,219.47		688.36	8,531.11	141,929.27
57	6/30/17	9,219.47		649.33	8,570.14	133,359.13
58	7/31/17	9,219.47		610.12	8,609.35	124,749.78
59	8/31/17	9,219.47		570.73	8,648.74	116,101.04
60	9/30/17	9,219.47		531.16	8,688.31	107,412.73
61	10/31/17	9,219.47		491.41	8,728.06	98,684.67
62	11/30/17	9,219.47		451.48	8,767.99	89,916.68
63	12/31/17	9,219.47		411.37	8,808.10	81,108.58
64	1/31/18	9,219.47		371.07	8,848.40	72,260.18
65	2/28/18	9,219.47		330.59	8,888.88	63,371.30
66	3/31/18	9,219.47		289.92	8,929.55	54,441.75
67	4/30/18	9,219.47		249.07	8,970.40	45,471.35
68	5/31/18	9,219.47		208.03	9,011.44	36,459.91
69	6/30/18	9,219.47		166.80	9,052.67	27,407.24
70	7/31/18	9,219.47		125.39	9,094.08	18,313.16
71	8/31/18	9,219.47		83.78	9,135.69	9,177.47
72	9/30/18	9,219.46		41.99	9,177.47	0.00

S-032

# Loan Amortization Schedule



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Loan Information	
Loan Amount	741,070.83
Annual Interest Rate	5.13%
Term of Loan in Years	6
First Payment Date	10/31/2012
Payment Frequency	Monthly
Compound Period	Monthly
Payment Type	End of Period

Summary	
Rate (per period)	0.428%
Number of Payments	72
Total Payments	862,533.77
Total Interest	121,462.94
Est. Interest Savings	(0.05)

**Monthly Payment 11,979.63**

## Amortization Schedule

Rounding On

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
						741,070.83
1	10/31/12	11,979.63		3,168.08	8,811.55	732,259.28
2	11/30/12	11,979.63		3,130.41	8,849.22	723,410.06
3	12/31/12	11,979.63		3,092.58	8,887.05	714,523.01
4	1/31/13	11,979.63		3,054.59	8,925.04	705,597.97
5	2/28/13	11,979.63		3,016.43	8,963.20	696,634.77
6	3/31/13	11,979.63		2,978.11	9,001.52	687,633.25
7	4/30/13	11,979.63		2,939.63	9,040.00	678,593.25
8	5/31/13	11,979.63		2,900.99	9,078.64	669,514.61
9	6/30/13	11,979.63		2,862.17	9,117.46	660,397.15
10	7/31/13	11,979.63		2,823.20	9,156.43	651,240.72
11	8/31/13	11,979.63		2,784.05	9,195.58	642,045.14
12	9/30/13	11,979.63		2,744.74	9,234.89	632,810.25
13	10/31/13	11,979.63		2,705.26	9,274.37	623,535.88
14	11/30/13	11,979.63		2,665.62	9,314.01	614,221.87
15	12/31/13	11,979.63		2,625.80	9,353.83	604,868.04
16	1/31/14	11,979.63		2,585.81	9,393.82	595,474.22
17	2/28/14	11,979.63		2,545.65	9,433.98	586,040.24
18	3/31/14	11,979.63		2,505.32	9,474.31	576,565.93
19	4/30/14	11,979.63		2,464.82	9,514.81	567,051.12
20	5/31/14	11,979.63		2,424.14	9,555.49	557,495.63
21	6/30/14	11,979.63		2,383.29	9,596.34	547,899.29
22	7/31/14	11,979.63		2,342.27	9,637.36	538,261.93
23	8/31/14	11,979.63		2,301.07	9,678.56	528,583.37
24	9/30/14	11,979.63		2,259.69	9,719.94	518,863.43
25	10/31/14	11,979.63		2,218.14	9,761.49	509,101.94
26	11/30/14	11,979.63		2,176.41	9,803.22	499,298.72
27	12/31/14	11,979.63		2,134.50	9,845.13	489,453.59
28	1/31/15	11,979.63		2,092.41	9,887.22	479,566.37
29	2/28/15	11,979.63		2,050.15	9,929.48	469,636.89
30	3/31/15	11,979.63		2,007.70	9,971.93	459,664.96
31	4/30/15	11,979.63		1,965.07	10,014.56	449,650.40
32	5/31/15	11,979.63		1,922.26	10,057.37	439,593.03
33	6/30/15	11,979.63		1,879.26	10,100.37	429,492.66
34	7/31/15	11,979.63		1,836.08	10,143.55	419,349.11
35	8/31/15	11,979.63		1,792.72	10,186.91	409,162.20
36	9/30/15	11,979.63		1,749.17	10,230.46	398,931.74
37	10/31/15	11,979.63		1,705.43	10,274.20	388,657.54



S-032 - Continued

No.	Due Date	Payment	Additional Payment	Interest	Principal	Balance
38	11/30/15	11,979.63		1,661.51	10,318.12	378,339.42
39	12/31/15	11,979.63		1,617.40	10,362.23	367,977.19
40	1/31/16	11,979.63		1,573.10	10,406.53	357,570.66
41	2/29/16	11,979.63		1,528.61	10,451.02	347,119.64
42	3/31/16	11,979.63		1,483.94	10,495.69	336,623.95
43	4/30/16	11,979.63		1,439.07	10,540.56	326,083.39
44	5/31/16	11,979.63		1,394.01	10,585.62	315,497.77
45	6/30/16	11,979.63		1,348.75	10,630.88	304,866.89
46	7/31/16	11,979.63		1,303.31	10,676.32	294,190.57
47	8/31/16	11,979.63		1,257.66	10,721.97	283,468.60
48	9/30/16	11,979.63		1,211.83	10,767.80	272,700.80
49	10/31/16	11,979.63		1,165.80	10,813.83	261,886.97
50	11/30/16	11,979.63		1,119.57	10,860.06	251,026.91
51	12/31/16	11,979.63		1,073.14	10,906.49	240,120.42
52	1/31/17	11,979.63		1,026.51	10,953.12	229,167.30
53	2/28/17	11,979.63		979.69	10,999.94	218,167.36
54	3/31/17	11,979.63		932.67	11,046.96	207,120.40
55	4/30/17	11,979.63		885.44	11,094.19	196,026.21
56	5/31/17	11,979.63		838.01	11,141.62	184,884.59
57	6/30/17	11,979.63		790.38	11,189.25	173,695.34
58	7/31/17	11,979.63		742.55	11,237.08	162,458.26
59	8/31/17	11,979.63		694.51	11,285.12	151,173.14
60	9/30/17	11,979.63		646.27	11,333.36	139,839.78
61	10/31/17	11,979.63		597.82	11,381.81	128,457.97
62	11/30/17	11,979.63		549.16	11,430.47	117,027.50
63	12/31/17	11,979.63		500.29	11,479.34	105,548.16
64	1/31/18	11,979.63		451.22	11,528.41	94,019.75
65	2/28/18	11,979.63		401.93	11,577.70	82,442.05
66	3/31/18	11,979.63		352.44	11,627.19	70,814.86
67	4/30/18	11,979.63		302.73	11,676.90	59,137.96
68	5/31/18	11,979.63		252.81	11,726.82	47,411.14
69	6/30/18	11,979.63		202.68	11,776.95	35,634.19
70	7/31/18	11,979.63		152.34	11,827.29	23,806.90
71	8/31/18	11,979.63		101.77	11,877.86	11,929.04
72	9/30/18	11,980.04		51.00	11,929.04	0.00



RUS PROJECT DESIGNATION:

KENTUCKY 522-R12 FOOTHILLS

RESTATED MORTGAGE,  
SECURITY AGREEMENT  
AND  
FINANCING STATEMENT

made by and among

FOOTHILLS RURAL TELEPHONE COOPERATIVE  
CORPORATION, INC.

P.O. Box 240  
Staffordsville, Kentucky 41256,

as mortgagor and debtor,

and

UNITED STATES OF AMERICA

Rural Utilities Service  
Washington, D.C. 20250-1500,

as mortgagee and secured party,

and

RURAL TELEPHONE BANK

Rural Telephone Bank  
c/o Rural Utilities Service  
Washington, D.C. 20250-1500,

as mortgagee and secured party.

Dated as of October 1, 2002

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.  
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.  
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, AFTER-ACQUIRED PROPERTY,  
PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.  
NOTICE - THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$100,000,000.00.  
INDEBTEDNESS SECURED HEREUNDER, INCLUDING FUTURE INDEBTEDNESS, TOGETHER WITH INTEREST, ARE SENIOR TO  
INDEBTEDNESS TO OTHER CREDITORS UNDER MORTGAGES AND LIENS FILED OR RECORDED SUBSEQUENT HERETO.  
THIS INSTRUMENT WAS PREPARED BY DAVID OBLICH OR TERESA TEMME-DIETZ, AS ATTORNEY FOR UNITED STATES  
DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

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ORGANIZATIONAL NO. 61-0480100

RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT, dated as of October 1, 2002, made by and among FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC. (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, as mortgagor and debtor, and UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, successor to the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the United States of America, as mortgagees and secured parties (the Government and the Bank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and, for the purposes of the Underlying Mortgage, as amended, as hereinafter defined, the terms "REA" and "Administrator" will be deemed to mean respectively "RUS" and "Administrator of the RUS"; and

WHEREAS, the Mortgagor has heretofore borrowed funds from the Government and the Bank, or from a third party lender whose loans are guaranteed by the Government, acting through the Administrator of RUS, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*, hereinafter called the "Act"), and pursuant to a loan contract or amending loan contract and any amendments thereto prior to the date of the Amending Telephone Loan Contract identified in the twelfth recital hereof (hereinafter called the "Instruments Recital"), by and among the Mortgagor, the Government and the Bank; and

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

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

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

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

WHEREAS, the Underlying Mortgage provides that the Mortgagor shall, upon the request in writing of the holder or holders of not less than a majority in principal amount of the RUS Notes or the Bank Notes, as hereinafter defined, duly authorize, execute, and deliver and record and file all such supplemental mortgages and conveyances as may reasonably be requested by such holder or holders to effectuate the intention of the Underlying Mortgage and to provide for the conveying, mortgaging and pledging of the property of the Mortgagor intended to be conveyed, mortgaged or pledged by the Underlying Mortgage to secure the payment of the principal of and

interest on notes executed and delivered thereunder and pursuant thereto, or otherwise secured thereby, and the holders of all such notes have in writing requested the execution and delivery of this Restated Mortgage, Security Agreement and Financing Statement (hereinafter called "this Restated Mortgage"), pursuant to such provisions; and

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

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

WHEREAS, the Mortgagor has determined at this time to borrow additional funds from the Government pursuant to the Act and the Amending Telephone Loan Contract, and has accordingly duly authorized and executed, and delivered to the Government, its mortgage note (identified in the Instruments Recital and hereinafter called the "Concurrent RUS Note") to be secured by this Restated Mortgage of the property hereinafter described; and

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

WHEREAS, the instruments referred to in the preceding recitals are as follows:

#### INSTRUMENTS RECITAL

"Amending Telephone Loan Contract" dated as of October 1, 2002.

"Outstanding RUS Notes":

Eight (8) certain mortgage notes payable to the order of the Government, in an aggregate principal amount of \$30,402,000.00, all of which will finally mature on or before October 22, 2016.

"Outstanding Bank Notes":

Two (2) certain mortgage notes payable to the order of the Bank in an aggregate principal amount of \$10,218,600.00, all of which will finally mature on or before March 23, 2027.

"Concurrent RUS Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> <u>(per annum)</u>	<u>Final Payment</u> <u>Date</u>
\$10,583,000	Determined by Advance	October 1, 2018

"Concurrent Bank Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate (per annum)</u>	<u>Final Payment Date</u>
\$6,160,350	Determined by Advance	October 1, 2018

"Underlying Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated Mortgage, Security Agreement and Financing Statement	November 1, 1995

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

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

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

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

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

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

NOW, THEREFORE, this Restated Mortgage

WITNESSETH:

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

#### GRANTING CLAUSE

In order to secure the payment of the principal of and interest on the notes, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in this Mortgage and the Consolidated Loan Agreement and to declare the terms and conditions upon which the notes are to

be secured, the Mortgagor, in consideration of the premises, has executed and delivered this Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged, and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees, and their respective assigns, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

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

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the Counties of Breathitt, Johnson, Knott, Lawrence and Magoffin in the Commonwealth of Kentucky.

(b) The property referred to in the last line of paragraph 1 of the Granting Clause includes the real estate described on Exhibit A attached hereto, 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 Exhibit A 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 Exhibit A as though fully set forth at length therein.

(d) The real estate described in Exhibit A shall also include all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on such real estate, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in any wise appertaining.

II

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

III

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

systems or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation relating to the Mortgaged Property together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code), and all stock, bonds, notes, debentures, commercial paper, subordinated capital certificates, securities, obligations of or beneficial interests or investments in any corporation, association, partnership, joint venture, trust, government or any agency or department thereof, or any other entity of any kind, heretofore or hereafter acquired by the Mortgagor;

V

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

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

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

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

ARTICLE I

ADDITIONAL NOTES

SECTION 1. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes 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 (2) execute and deliver to the Bank one or more Additional Bank Notes to evidence loans made by the Bank to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Bank created by a loan or loans theretofore made by the Bank to such third party or parties pursuant to the Act. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute



and deliver one or more Additional Notes to refund any note or notes at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding note or notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the outstanding principal balances owing on the notes shall not at any one time exceed one hundred million dollars (\$100,000,000), and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. As used in this Mortgage, the term "directors" includes trustees.

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

## ARTICLE II

### PARTICULAR COVENANTS OF THE MORTGAGOR

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

SECTION 1. The Mortgagor is duly authorized under its articles of incorporation and bylaws and the laws of the Commonwealth of its incorporation and all other applicable provisions of law to execute and deliver the Outstanding RUS Notes, the Outstanding Bank Notes, the Concurrent RUS Note, the Concurrent Bank Note and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Outstanding RUS Notes, the Outstanding Bank Notes, the Concurrent RUS Note, the Concurrent Bank Note and this Mortgage has been duly and effectively taken; and the Outstanding RUS Notes, the Outstanding Bank Notes, the Concurrent RUS Note, the Concurrent Bank Note and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

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

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

shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge.

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

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

(b) The Mortgagor may, however, without obtaining the approval of the holder or holders of any of the notes at the time outstanding, at any time or from time to time so long as the Mortgagor is not in default hereunder, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to nor useful for the operation of the Mortgagor's business, or which has become obsolete, worn out or damaged or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall: (1) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the RUS Notes and the Bank Notes in the proportions which the aggregate principal balances then owing on the RUS Notes and the aggregate principal balances then owing on the Bank Notes, respectively, bear to the aggregate principal balances then owing on the RUS Notes and the Bank Notes, collectively, and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such receipt; or (2) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the RUS Notes and the Bank Notes in the proportions and in the manner provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority RUS noteholders and the majority Bank noteholders shall specify in such restricted bank accounts as such holder or holders shall designate, and shall use the same only for such additions to or improvements of the Mortgaged Property and on such terms and conditions as such holder or holders shall specify.

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

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

SECTION 7. (a) The Mortgagor shall take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for

such classes and amounts of coverage for utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice. Prudent Utility Practice shall mean any of the practices, methods, and acts which, in the exercise of reasonable judgement, in light of the facts, including but not limited to, the practices, methods, and acts engaged in or approved by a significant portion of the telecommunications industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method, or act to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety, and expedition.

(b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to Mortgagees as their interests may appear by means of the standard mortgage clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of suspension, cancellation, or termination.

(c) In the event of damage to or the destruction of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed, or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction, or loss and shall apply the proceeds of the insurance for that purpose. The Mortgagor shall replace the lost portion of such Mortgaged Property or shall commence such restoration promptly after such damage, destruction, or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance form all costs and expenses in connection therewith.

(d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagor or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

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

to the noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

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

SECTION 10. Salaries, wages and other compensation paid by the Mortgagor for services, and directors' or trustees' fees, shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor. Except as specifically authorized in writing in advance by the majority RUS noteholders and the majority Bank noteholders, the Mortgagor will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members or affiliated companies, provided, however, the Mortgagor may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee or advance made to, an affiliated company of the Mortgagor that is used by such company for such purpose) to the extent that, immediately after such investment, (1) the aggregate of such investments does not exceed one-third of the net worth (defined in Exhibit One hereto) of the Mortgagor and (2) the Mortgagor's net worth is at least twenty percent of its total assets (defined in Exhibit One hereto). As used in this section, the term "affiliated companies" shall have the meaning prescribed for this term by the Federal Communications Commission in its prevailing uniform system of accounts for Class A telephone companies.

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

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

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

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

SECTION 14. The Mortgagor, subject to applicable laws and rules, and regulations and orders of regulatory bodies, will charge for telephone service furnished by it rates which shall yield revenues at least sufficient to enable the Mortgagor to pay and discharge all taxes and expenses when due, and also to make any payment in respect of principal of and interest on the notes when and as the same shall become due.

SECTION 15. (a) The Mortgagor may make a distribution (hereinafter called a "distribution"), in the nature of an investment, guarantee, extension of credit, advance, loan, non-affiliated company joint venture, affiliated company investment, or dividend or capital credit distribution only if the majority RUS noteholders and the majority Bank noteholders have given prior written approval to the distribution or if, after such distribution,

- (1) the Mortgagor's net worth is equal to at least one percent of its total assets and the amount of all such distributions during the calendar year does not exceed twenty-five percent of the Mortgagor's net income or net margins for the prior calendar year;
- (2) the Mortgagor's net worth is equal to at least twenty percent of its total assets and the amount of all such distributions during the calendar year does not exceed fifty percent of the Mortgagor's earnings or margins for the prior calendar year;
- (3) the Mortgagor's net worth is equal to at least thirty percent of its total assets and the amount of all such distributions during the calendar year does not exceed seventy-five percent of its net income or net margins for the prior calendar year; or
- (4) the Mortgagor's net worth is equal to at least forty percent of its total assets, regardless of the aggregate amount of such distributions.

The terms "net worth", "total assets", and "net income or net margins" are determined in accordance with Exhibit One.

(b) In addition to the distributions authorized under the preceding subsection 15(a), the Mortgagor may make any distribution or investment provided in 7 CFR 1744 Subpart D.

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

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

SECTION 18. If all the RUS Notes have been paid and discharged while any of the Bank Notes are still outstanding, all rights and powers of the Government and the holders of the RUS Notes under this Mortgage shall immediately vest in the Bank and the holders of the Bank Notes, respectively, and, correspondingly, if all the Bank Notes have been paid and discharged while any of the RUS Notes are still outstanding, all rights and powers of the Bank and the holders of the Bank Notes under this Mortgage shall immediately vest in the Government and the holders of the RUS Notes, respectively. The Bank, the Government, the Mortgagor and the noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

SECTION 19. At all times when any note is held by the Government, or in the event the Government shall assign a note without having insured the payment of such note, this Mortgage shall secure payment of such note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any note may be sold to an insured purchaser, it shall continue to be considered a "note" as defined herein, but as to any such insured note the Government, and not such insured purchaser, shall be considered to be, and shall have the rights of, the noteholder for purposes of this Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured notes. As to any note which evidences a loan made by a third party lender to the Mortgagor and guaranteed by the Government, acting through the Administrator, pursuant to the Act, the Government and not such third party lender shall be considered to be, and shall have the rights of the noteholder for purposes of this Mortgage.

SECTION 20. (a) The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, shall design its rates for telephone service and other services furnished by it with a view to paying and discharging all taxes, maintenance expenses and operating expenses of its telephone system, and also to making all payments in respect of principal of and interest on the notes when and as the same shall become due, to providing and maintaining reasonable working capital for the Mortgagor and to maintaining an Average TIER on all of its outstanding indebtedness to the Government, the Bank, and all other lenders of not less than 1.00 commencing with the date hereof and ending December 31, 2006 (hereinafter called the "Forecast Period"), and the TIER the Mortgagor is required to maintain after the Forecast Period shall be 1.50.

(b) For purposes of this section 20, Average TIER shall be determined as of January 1 of each year during which any obligation secured by this Mortgage remains unsatisfied and shall mean the average of the two highest TIER ratios achieved by the Mortgagor during each of the three calendar years last preceding the various dates of its determination.

(c) As used in this section 20, TIER means the Mortgagor's net income or net margins (determined in accordance with Exhibit One hereto) plus interest expense (determined in accordance with Exhibit One hereto) divided by interest expense.

SECTION 21. (a) Net worth, net income or net margins, interest expense, and total assets, as used in sections 10, 15 or 20 of article II of this Mortgage, are defined in Exhibit One hereto. Net Plant and secured debt, if referred to in this Mortgage, are also determined in accordance with Exhibit One hereto.

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

SECTION 22. If the Underlying Mortgage contains provisions requiring the Mortgagor to maintain a net plant to secured debt ratio or a funded reserve, then such provisions are incorporated in and made a part of this Mortgage as though fully set forth herein at this point.

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

SECTION 24. The Mortgagor will not pay its directors or trustees, as such, any salaries for their services, except such as shall have been approved by the majority RUS noteholders and the majority Bank noteholders, provided that nothing herein contained shall preclude any director or trustee from serving the Mortgagor in any other capacity and receiving compensation therefor.

SECTION 25. (a) The Mortgagor will not at any time employ, or enter into any contract for the employment of, any manager of its telephone properties, unless such employment or such contract shall first have been approved by the majority RUS noteholders and the majority Bank noteholders. (b) If, during such periods as the Mortgagor shall be in default in the making of a payment or payments of principal of or interest on one or more of the notes, the majority RUS noteholders or the majority Bank noteholders shall give notice to the Mortgagor that in their opinion its telephone properties are not being efficiently operated, and shall request the termination of the employment of any such manager, or shall request the termination of any operating contract in respect of any such telephone properties, the Mortgagor will terminate such employment or operating contract within thirty (30) days after the date of such notice. (c) All contracts in respect of the employment of any such manager or for the operation of such telephone properties shall contain provisions to permit compliance with the foregoing covenants.

### ARTICLE III

#### REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

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

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

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

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

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

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

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

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

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority in principal amount of the notes at the time outstanding (hereinafter called the "majority noteholders"), for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, insofar as not prohibited by law:

(a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues and profits



pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

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

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

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

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

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

SECTION 6. The Mortgagor covenants that it will give immediate written notice to both of the Mortgagees and to all of the noteholders of the occurrence of an event of default or in the event that any right or remedy described in clauses 2(a) through 2(c) of this article III is exercised or enforced, or of any action taken to exercise or enforce any such right or remedy.

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

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

#### ARTICLE IV

##### POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

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

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

ARTICLE V

MISCELLANEOUS

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

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

SECTION 3. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided.

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

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

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

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

The Government:  
Rural Utilities Service  
Washington, D. C. 20250-1500

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

SECTION 6. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code, this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code and a "financing statement" under the Uniform Commercial Code for said security agreement. The mailing address of the Mortgagor, as debtor, and of the Mortgagees as secured parties, are as set forth in section 5 of this article V.

SECTION 7. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions shall not affect the remaining portions of this Mortgage, nor shall any such invalidity as to one Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder of notes.

SECTION 8. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC., P.O. Box 240, Staffordsville, Kentucky 41256, as Mortgagor, has caused this Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, RURAL TELEPHONE BANK, as Mortgagee, has caused this Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized and UNITED STATES OF AMERICA, as Mortgagee, has caused this Mortgage to be duly executed in its behalf, all as of the day and year first above written.

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

by

President

(Seal)

Attest:

Secretary

Executed by the Mortgagor  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_

Witnesses

UNITED STATES OF AMERICA, and  
RURAL TELEPHONE BANK, respectively

by

as  
Assistant Administrator  
Telecommunications Program  
of the  
Rural Utilities Service  
and as Assistant Governor  
of the  
Rural Telephone Bank

(Seal)

Attest:

Assistant Secretary  
of the  
Rural Telephone Bank

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

\_\_\_\_\_

\_\_\_\_\_

Witnesses

COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF )

I, \_\_\_\_\_, a Notary Public in and for the County and  
Commonwealth aforesaid, do hereby certify that \_\_\_\_\_, personally known to me  
to be the President of Foothills Rural Telephone Cooperative Corporation, Inc., a corporation of the Commonwealth  
of Kentucky, and to me known to be the identical person whose name is as President of said corporation, subscribed  
to the foregoing instrument, appeared before me this day in person and produced the foregoing instrument to me in  
the County aforesaid and acknowledged that as such President he signed the foregoing instrument pursuant to  
authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free  
and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to  
the foregoing instrument is the corporate seal of said corporation.

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ .

\_\_\_\_\_  
Notary Public  
in and for \_\_\_\_\_  
County, Kentucky

(Notarial Seal)

My Commission expires:

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 and as Assistant Governor of the Rural Telephone Bank.

\_\_\_\_\_

Notary Public

(Notarial Seal)

My commission expires: \_\_\_\_\_.

Exhibit One (Exhibit to Mortgage)  
UNIFORM SYSTEM OF ACCOUNTS  
ACCOUNT NUMBERS USED IN CERTAIN PROVISIONS  
THIS EXHIBIT CONSISTS OF 2 PAGES

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

ACCOUNT NAMES	ACCOUNT NUMBERS	
	CLASS A	CLASS B

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

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

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

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

\*\* Summary Accounts



NET WORTH: the sum of the balances of the following accounts of the Mortgagor:

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

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

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

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

**EXHIBIT A**

**PROPERTY SCHEDULE**

1. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 29, 1953 from Fannie M. Patrick and C. W. Patrick (unstated relationship) to Foothills recorded at Deed Book 79, Page 415, records of the Magoffin County Clerk's Office.
2. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 29, 1953 from Fannie M. Patrick and C. W. Patrick (unstated relationship) to Foothills recorded at Deed Book 132, Page 106, records of the Johnson County Clerk's Office.
3. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 11, 1953 from Oscar P. Williams, Jr., and Mary G. Williams, his wife, to Foothills and recorded at Deed Book 132, Page 256, records of the Johnson County Clerk's Office.
4. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 27, 1953 from Paul Gambill and Callie Gambill, his wife, to Foothills and recorded at Deed Book 124, Page 213, records of the Lawrence County Clerk's Office.
5. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 19, 1954 from Wiley Rice and Rose Rice, his wife, to Foothills and recorded at Deed Book 79, Page 612, records of the Magoffin County Clerk's Office.
6. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 13, 1954 from Russell Carroll and Naomi Carroll, his wife, to Foothills and recorded at Deed Book 124, Page 321, records of the Lawrence County Clerk's Office.
7. Right-of-Way from Russell and Naomi Carroll to Foothills dated February 13, 1952 and recorded at Deed Book 124, Page 322, records of the Lawrence County Clerk's Office.
8. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 13, 1953 from Lonzo Arrington and Zella G. Arrington, his wife, to Foothills and recorded at Deed Book 124, Page 323, records of the Lawrence County Clerk's Office.
9. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 28, 1958 from Elizabeth McKenzie, single, to Foothills and recorded at Deed Book 139, Page 639, records of the Johnson County Clerk's Office.
10. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 29, 1959 from Roy K. Helton and Mary Helton, his wife, to Foothills and recorded at Deed Book 142, Page 139, records of the Johnson County Clerk's Office.

11. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 17, 1960 from George W. Carroll and Mae Carroll, his wife, to Foothills and recorded at Deed Book 132, Page 535, records of the Lawrence County Clerk's Office.
12. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 29, 1960 from George W. Carroll and Mae Carroll, his wife, to Foothills and recorded at Deed Book 132, Page 552, records of the Lawrence County Clerk's Office.
13. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 4, 1962 from Mace Howard, et. ux. to Foothills and recorded at Deed Book 90, Page 330, records of the Magoffin County Clerk's Office.
14. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 30, 1963 from Gladys McKenzie, single, to Foothills and recorded at Deed Book 146, Page 497, records of the Johnson County Clerk's Office.
15. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 6, 1964 from Scott P. Rice, et. al. to Foothills and recorded at Deed Book 94, Page 573, records of the Magoffin County Clerk's Office.
16. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 1, 1966 from Clint Salyer, Jr. and Christa Salyer, his wife, to Foothills and recorded at Deed Book 153, Page 69, records of the Johnson County Clerk's Office.
17. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 5, 1967 from Clint Salyer, Jr. and Christa Salyer, his wife, to Foothills and recorded at Deed Book 153, Page 583, records of the Johnson County Clerk's Office.
18. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 7, 1967 from Zella G. Arrington, et. ux., to Foothills and recorded at Deed Book 145, Page 86, records of the Lawrence County Clerk's Office.
19. Right-of-Way Agreement by and between L. G. Howard and Foothills dated October 6, 1964 and recorded at Deed Book 97, Page 172, records of the Magoffin County Clerk's Office.
20. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 27, 1969 from Callie Gambill, widow, to Foothills and recorded at Deed Book 148, Page 300, records of the Lawrence County Clerk's Office.
21. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 15, 1974 from Ray VanHorn, et. ux., to Foothills and recorded at Deed Book 160, Page 369, records of the Lawrence County Clerk's Office.

22. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 4, 1978 from Una Howard, widow, to Foothills and recorded at Deed Book 114, Page 207, records of the Magoffin County Clerk's Office.
23. Right-of- Way Agreement by and between Thomas Cartmel and Foothills dated July 21, 1978 and recorded at Deed Book 173, Page 319, records of the Lawrence County Clerk's Office.
24. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 21, 1978 from Walter R. Isaacs and Maggie Isaacs, his wife, to Foothills and recorded at Deed Book 114, Page 545, records of the Magoffin County Clerk's Office.
25. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 8, 1979 from Proctor Owens, Jr. and Mollie Owens, his wife, to Foothills and recorded at Deed Book 117, Page 32, records of the Magoffin County Clerk's Office.
26. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 6, 1979 from Dudley Carpenter and Ada Carpenter, his wife, to Foothills and recorded at Deed Book 117, Page 409, records of the Magoffin County Clerk's Office.
27. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 28, 1979 from George W. Combs, unmarried, to Foothills and recorded at Deed Book 197, Page 247, records of the Johnson County Clerk's Office.
28. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 13, 1979 from Roger O'Bryan and Diana Sue O'Bryan, his wife, to Foothills and recorded at Deed Book 197, Page 375, records of the Johnson County Clerk's Office.
29. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 19, 1979 from John W. Turner, M.D. and Gwendolyn Turner, his wife, to Foothills and recorded at Deed Book 197, Page 627, records of the Johnson County Clerk's Office.
30. Right-of-Way Agreement by and between James M. Spillman and Connie Spillman and Foothills dated February 5, 1982 and recorded at Deed Book 181, Page 424, records of the Lawrence County Clerk's Office.
31. Right-of-Way Agreement by and between Virginia Frazier and Foothills dated March 19, 1982 and recorded at Deed Book 181, Page 424, records of the Lawrence County Clerk's Office.
32. Right-of-Way Agreement by and between Jack G. See and Foothills dated March 19, 1982 and recorded at Deed Book 181, Page 425, records of the Lawrence County Clerk's Office.

33. Right-of-Way Agreement by and between Edgar P. Thompson dated June 25, 1982 and recorded at Deed Book 182, Page 108, records of the Lawrence County Clerk's Office.
34. Right-of-Way Agreement by and between Mary Moore and Foothills dated July 23, 1982 and recorded at Deed Book 182, Page 276, records of the Lawrence County Clerk's Office.
35. Right-of-Way Agreement by and between Port and Grettie Dobyms and Foothills dated August 27, 1982 and recorded at Deed Book 182, Page 426, records of the Lawrence County Clerk's Office.
36. Right-of-Way Agreement by and between Ruth and W. T. Withers and Foothills dated September 10, 1982 and recorded at Deed Book 182, Page 483, records of the Lawrence County Clerk's Office.
37. Right-of-Way Agreement by and between Elza and Garnet Moore and Foothills dated October 15, 1982 and recorded at Deed Book 182, Page 670, records of the Lawrence County Clerk's Office.
38. Right-of-Way Agreement by and between The United States of America and Foothills dated October 5, 1989 and recorded at Deed Book 203, Page 654, records of the Lawrence County Clerk's Office
39. Right-of-Way Agreement by and between Edgar P. Thompson dated June 25, 1982 and recorded at Deed Book 182, Page 108, records of the Lawrence County Clerk's Office.
40. A certain tract or parcel of property described in that certain Deed of Conveyance dated May 17, 1983 from Department of the Army to Foothills and recorded at Deed Book 228, Page 285, records of the Johnson County Clerk's Office.
41. Easement by and between Jacob Allen Little and Foothills dated May 20, 1983 and recorded at Deed Book 229, Page 27, records of the Johnson County Clerk's Office.
42. Right-of-Way Agreement by and between Grover and Della Allen and Foothills dated February 19, 1990 and recorded at Deed Book 139, Page 298, records of the Magoffin County Clerk's Office.
43. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 23, 1991 from Osmund Kidd, et. ux., to Foothills and recorded at Deed Book 211, Page 367, records of the Lawrence County Clerk's Office.
44. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 24, 1991 from Jimmy D. See, et. ux., to Foothills and recorded at Deed Book 211, Page 376, records of the Lawrence County Clerk's Office.

45. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 10, 1991 from Kenneth Mills, et. ux., to Foothills and recorded at Deed Book 212, Page 24, records of the Lawrence County Clerk's Office.
46. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Kermit McGinnis, et. ux., to Foothills and recorded at Deed Book 212, Page 520, records of the Lawrence County Clerk's Office.
47. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Elmer Lee Ketzell, et. ux., to Foothills and recorded at Deed Book 212, Page 527, records of the Lawrence County Clerk's Office.
48. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from William A. Cheek, et. al., to Foothills and recorded at Deed Book 212, Page 533, records of the Lawrence County Clerk's Office.
49. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from David L. Bond to Foothills and recorded at Deed Book 212, Page 540, records of the Lawrence County Clerk's Office.
50. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Francis Elam Burgess, single, to Foothills and recorded at Deed Book 212, Page 547, records of the Lawrence County Clerk's Office.
51. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 10, 1994 from Faye Ely and Phillip Ely, her husband, to Foothills and recorded at Deed Book 148, Page 310, records of the Magoffin County Clerk's Office.
52. Right-of-Way Agreement by and between Gene A. Wilson, et. ux., and Foothills and recorded at Deed Book 220, Page 377, records of the Lawrence County Clerk's Office.
53. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 4, 1995 from Galene Richard Mulford to Foothills and recorded at Deed Book 152, Page 109, records of the Magoffin County Clerk's Office.
54. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 25, 1995 from C. J. Tackett and Dianne L. Tackett, his wife, to Foothills and recorded at Deed Book 152, Page 246, records of the Magoffin County Clerk's Office.
55. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 2, 1995 from Maxie Rice, widow, to Foothills and recorded at Deed Book 152, Page 409, records of the Magoffin County Clerk's Office.

56. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 2, 1995 from R. C. May and Martha May (unstated relationship) to Foothills and recorded at Deed Book 152, Page 413, records of the Magoffin County Clerk's Office.
57. Right-of-Way and Easement Agreement by and between Grover J. Thompson and Foothills dated November 6, 1995 and recorded at Deed Book 227, Page 324, records of the Lawrence County Clerk's Office.
58. Right-of-Way and Easement Agreement by and between Lafe S. Hinkle, II and Foothills dated November 6, 1995 and recorded at Deed Book 227, Page 326, records of the Lawrence County Clerk's Office.
59. Right-of-Way and Easement Agreement by and between Gary L. Rager and Foothills dated November 20, 1995 and recorded at Deed Book 227, Page 457, records of the Lawrence County Clerk's Office.
60. Right-of-Way Agreement by and between Thurman Endicott and Foothills dated January 1, 1996 and recorded at Deed Book 228, Page 42, records of the Lawrence County Clerk's Office.
61. Right-of-Way and Easement Agreement by and between Favored United Baptist Church and Foothills dated February 29, 1996 and recorded at Deed Book 228, Page 422, records of the Lawrence County Clerk's Office.
62. Right-of-Way and Easement Agreement by and between David L. Compton and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 356, records of the Lawrence County Clerk's Office.
63. Right-of-Way and Easement Agreement by and between Donald VanHorn and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 358, records of the Lawrence County Clerk's Office.
64. Right-of-Way and Easement Agreement by and between Charlotte A. Skaggs and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 360, records of the Lawrence County Clerk's Office.
65. Right-of-Way and Easement Agreement by and between Orië Chaffin and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 362, records of the Lawrence County Clerk's Office.
66. Easement Agreement by and between The United States of America and Foothills dated January 8, 1997 and recorded at Deed Book 232, Page 270, records of the Lawrence County Clerk's Office.



67. Right-of-Way and Easement Agreement by and between Glen Prince and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 498, records of the Lawrence County Clerk's Office.
68. Right-of-Way and Easement Agreement by and between Virginia Frazier and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 500, records of the Lawrence County Clerk's Office.
69. Right-of-Way and Easement Agreement by and between Marie Moore and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 502, records of the Lawrence County Clerk's Office.
70. Right-of-Way and Easement Agreement by and between Curtis Ralph Sturgill and Foothills dated February 22, 1997 and recorded at Deed Book 233, Page 175, records of the Lawrence County Clerk's Office.
71. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 22, 1997 from D. R. Thompson to Foothills and recorded at Deed Book 233, Page 177, records of the Lawrence County Clerk's Office.
72. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 28, 1995 from Garland L. Arnett and M. Louise Arnett, his wife, to Foothills and recorded at Deed Book 152, Page 753, records of the Magoffin County Clerk's Office.
73. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 28, 1995 from Jimmy Patrick and Elizabeth Patrick, his wife, to Foothills and recorded at Deed Book 152, Page 753, records of the Magoffin County Clerk's Office.
74. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 4, 1995 from James C. Howard and Linda Howard, his wife, to Foothills and recorded at Deed Book 153, Page 94, records of the Magoffin County Clerk's Office.
75. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 11, 1997 from Robert G. Miller, Jr. and Kimberly P. Miller, his wife, to Foothills and recorded at Deed Book 346, Page 92, records of the Johnson County Clerk's Office.
76. Right-of-Way and Easement Agreement by and between Con Young and Foothills dated May 9, 1997 and recorded at Deed Book 234, Page 61, records of the Lawrence County Clerk's Office.
77. Right-of-Way and Easement Agreement by and between Mable Fyffe and Foothills dated May 9, 1997 and recorded at Deed Book 234, Page 63, records of the Lawrence County Clerk's Office.

78. Right-of-Way and Easement Agreement by and between James B. Ball and Foothills dated July 17, 1997 and recorded at Deed Book 234, Page 704, records of the Lawrence County Clerk's Office.
79. Right-of-Way and Easement Agreement by and between Herman Young and Foothills dated November 21, 1997 and recorded at Deed Book 236, Page 301, records of the Lawrence County Clerk's Office.
80. Right-of-Way and Easement Agreement by and between James T. Franklin and Foothills dated December 8, 1997 and recorded at Deed Book 350, Page 113, records of the Johnson County Clerk's Office.
81. Right-of-Way and Easement Agreement by and between James T. Franklin and Foothills dated June 21, 1999 and recorded at Deed Book 358, Page 307, records of the Johnson County Clerk's Office.
82. Right-of-Way and Easement Agreement by and between Gary Davis and Foothills dated June 28, 1997 and recorded at Deed Book 348, Page 67, records of the Johnson County Clerk's Office.
83. Right-of-Way and Easement Agreement by and between Arvin and Marie Skaggs and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 69, records of the Johnson County Clerk's Office.
84. Right-of-Way and Easement Agreement by and between Wendell Nickell and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 71, records of the Johnson County Clerk's Office.
85. Right-of-Way and Easement Agreement by and between Garnet Gay Bailey Goble and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 73, records of the Johnson County Clerk's Office.
86. Right-of-Way and Easement Agreement by and between Mark and Marsha Murray and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 75, records of the Johnson County Clerk's Office.
87. Right-of-Way and Easement Agreement by and between Gail and Phyllis Gillem and Foothills dated July 31, 1997 and recorded at Deed Book 348, Page 111, records of the Johnson County Clerk's Office.
88. Right-of-Way and Easement Agreement by and between Fred and Jewell Ross and Foothills dated July 31, 1997 and recorded at Deed Book 348, Page 113, records of the Johnson County Clerk's Office.

89. Lease Agreement by and between Bruce and Gene Castle and Foothills dated December 10, 1997 and recorded at Lease Book 105, Page 651, records of the Johnson County Clerk's Office.
90. Easement by and between Callis Kelly and Foothills dated January 22, 1998 and recorded at Deed Book 350, Page 517, records of the Johnson County Clerk's Office.
91. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 8, 1990 from Gladys Baker to Foothills and recorded at Deed Book 287, Page 247, records of the Johnson County Clerk's Office.
92. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 4, 1990 from Charles Thomas Meade to Foothills and recorded at Deed Book 288, Page 137, records of the Johnson County Clerk's Office.
93. Right-of-Way and Easement Agreement by and between Estill Hitchcock and Foothills dated September 18, 1997 and recorded at Deed Book 348, Page 790, records of the Johnson County Clerk's Office.
94. Right-of-Way and Easement Agreement by and between William M. McCloud and Foothills dated September 18, 1997 and recorded at Deed Book 348, Page 792, records of the Johnson County Clerk's Office.
95. Easement by and between Edath M. Conley and Foothills dated March 26, 1999 and recorded at Deed Book 357, Page 67, records of the Johnson County Clerk's Office.
96. Easement by and between Cecil Hitchcock and Foothills dated September 9, 1997 and recorded at Deed Book 348, Page 686, records of the Johnson County Clerk's Office.
97. Easement by and between Marsha and Mark Murray and Foothills dated August 10, 1998 and recorded at Deed Book 351, Page 243, records of the Johnson County Clerk's Office.
98. Lease Agreement by and between Robert<sup>n</sup> and Elvira Davis and Foothills dated August 27, 1998 and recorded at Deed Book 160, Page 471, records of the Magoffin County Clerk's Office.
99. Lease Agreement by and between John P. and June Montgomery and Foothills dated August 27, 1998 and recorded at Deed Book 160, Page 474, records of the Magoffin County Clerk's Office.
100. Easement by and between Jessie J. and Joyce Hale and Foothills dated September 25, 1998 and recorded at Deed Book 160, Page 635, records of the Magoffin County Clerk's Office.

101. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 30, 1998 from Jack W. Williams to Foothills and recorded at Deed Book 349, Page 171, records of the Johnson County Clerk's Office.
102. Right-of-Way and Easement Agreement by and between Tilden R. Salyer and Foothills dated September 8, 1997 and recorded at Deed Book 348, Page 664, records of the Johnson County Clerk's Office.
103. Lease Agreement by and between Paul E. Preston and Foothills dated June 29, 1998 and recorded at Lease Book 106, Page 98, records of the Johnson County Clerk's Office.
104. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 26, 1999 from Delco Resources, Inc. to Foothills and recorded at Deed Book 357, Page 70, records of the Johnson County Clerk's Office.
105. Right-of-Way and Easement Agreement by and between Earl A. Osborne and Foothills dated December 9, 1997 and recorded at Deed Book 236, Page 457, records of the Lawrence County Clerk's Office.
106. Lease Agreement by and between Bruce Castle and Foothills dated April 28, 1998 and recorded at Deed Book 238, Page 401, records of the Lawrence County Clerk's Office.
107. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 21, 1998 from Chester Trimble and Ann Trimble, his wife, to Foothills and recorded at Deed Book 352, Page 78, records of the Johnson County Clerk's Office.
108. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 12, 1998 from Helen Evans, widow; Myrna Clark and Phillip Clark, her husband; Henry Evans and Joyce Evans, his wife; James T. Evans and Judy Evans, his wife, to Foothills and recorded at Deed Book 352, Page 661, records of the Johnson County Clerk's Office.
109. A certain tract or parcel of property described in that certain Deed of Conveyance dated May 27, 1998 from Edith L. Sipple, widow, to Foothills and recorded at Deed Book 352, Page 491, records of the Johnson County Clerk's Office.
110. Right-of-Way Agreement by and between Clyde and Lenora Jackson to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 267, records of the Magoffin County Clerk's Office.
111. Right-of-Way Agreement by and between Henry Clay and Wilma Jean Sizemore to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 264, records of the Magoffin County Clerk's Office.

112. Right-of-Way Agreement by and between Buck and Sue Joseph to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 261, records of the Magoffin County Clerk's Office.
113. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 25, 1998 from Cledith Wireman and Goldie Wireman, husband and wife, to Foothills and recorded at Deed Book 160, Page 630, records of the Magoffin County Clerk's Office.

## SUPPLEMENTAL MORTGAGE and SECURITY AGREEMENT

Supplemental Mortgage and Security Agreement, dated and effective this 26<sup>th</sup> day of September, 2008, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC. (hereinafter called the "Mortgagor"), a Kentucky corporation, the UNITED STATES OF AMERICA, acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), RURAL TELEPHONE BANK, acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Bank"), and COBANK, ACB (hereinafter called the "Supplemental Lender"), a federally chartered instrumentality of the United States, and is intended to confer rights and benefits on both the Government, the Bank and the Supplemental Lender in accordance with this Supplemental Mortgage and the Original USA Mortgages (hereinafter defined) (the Government, the Bank and the Supplemental Lender being hereinafter sometimes collectively referred to as the "Mortgagees").

### Recitals

Whereas, the Mortgagor, the Government and the Bank and are parties to those certain mortgages, and amendments and supplements thereto, as identified in Schedule "A" of this Supplemental Mortgage (collectively, the "Original USA Mortgages") originally entered into between the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS") and the Bank acting by and through the Administrator of RUS; and

Whereas, the Original USA Mortgages as the same may have been previously supplemented, amended or restated are hereinafter referred to collectively as the "Existing Mortgages"; and

Whereas, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge certain property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, and to add the Supplemental Lender as a Mortgagee and secured party hereunder and under the Existing Mortgages (the Supplemental Mortgage and the Existing Mortgages, hereinafter sometimes collectively referred to as the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "B" hereto are secured pari passu by the Existing Mortgages for the benefit of all the Mortgagees under the Existing Mortgages; and

Whereas, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Note listed in Schedule "B" (hereinafter called the "Supplemental Lender Note"), having a maturity date of September 30, 2018, pari passu with the Outstanding Notes under the Existing Mortgage and do hereby add the Supplemental Lender as a Mortgagee and a secured party under the Existing Mortgages; and

Whereas, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and related obligations under the terms of the Mortgage, have been in all respects duly authorized.

Now, Therefore, this Supplemental Mortgage, Witnesseth:

That to secure the payment of the principal of (and premium, if any) and interest on all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, 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 to the Mortgagees, for the purposes hereinafter expressed, a continuing security interest in all property, rights, privileges 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, in accordance with the Existing Mortgages, owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

- A. all of those certain real property interests as set forth in Schedule "C" hereto, subject in each case to those matters set forth in such Schedule; and
- B. all of those certain real property interests as set forth in the Existing Mortgages, including but not limited to any schedules, exhibits or in any restatement, amendment or supplement thereto; and
- C. all of the kinds, types or items of property, now owned or hereafter acquired, described as Mortgaged Property in the Existing Mortgages or in any restatement, amendment to supplement thereto as Mortgaged Property.


It is Further Agreed and Covenanted the Original USA Mortgages, as previously restated, amended or supplemented, and this Supplement shall constitute one agreement and the parties hereto shall be bound by all of the terms thereof and, without limiting the foregoing:

1. All terms not defined herein shall have the meaning given in the Existing Mortgages.
2. The Supplemental Lender Note is a "note" and an "Additional Note" under the terms of the Existing Mortgages and the Supplemental Mortgage is a supplemental mortgage under the terms of the Existing Mortgages.
3. The holder of the Supplemental Lenders Note shall be considered as a class, so that in those instances where the Existing Mortgages provide that the holders of majority of the notes issued to other Mortgagees, voting as a class, may approve certain actions or make certain demands, so shall the holder of the Supplemental Lender Note be considered to be a class with rights and authority equal to those of the holders of notes issued to such other Mortgagees.

4. The Maximum Debt Limit for the Existing Mortgages shall is set forth in Schedule "A" hereto.
5. The Supplemental Lender shall immediately cease transfer of funds covered by the Supplemental Lender Note if it receives notice that RUS has determined that the borrower's financial condition has deteriorated to a level that impairs the security or feasibility of the government's loans to the Mortgagor.


In Witness Whereof, FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC., as Mortgagor, has caused this Supplemental Mortgage to be signed in its name and attested by its officers thereunto duly authorized, RURAL TELEPHONE BANK, as Mortgagee, has caused this Supplemental Mortgage to be signed in its name and attested by its officers thereunto duly authorized, COBANK, ACB, as Mortgagee, has caused this Supplemental Mortgage to be signed in its name and attested by its officers thereunto duly authorized and UNITED STATES OF AMERICA, as Mortgagee, has caused this Supplemental Mortgage to be duly executed in its behalf, all as of the day and year first written above.

FOOTHILLS RURAL TELEPHONE  
COOPERATIVE CORPORATION, INC.

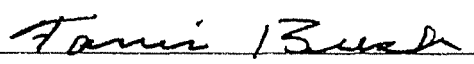
By: 

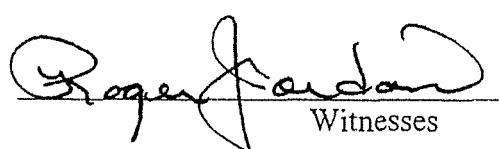
Name: Thomas E. Preston

Title: General Manger and Chief Executive Officer

Attest:   
George J. Carpenter  
Secretary

Executed by the Mortgagor  
in the presence of:



  
Witnesses

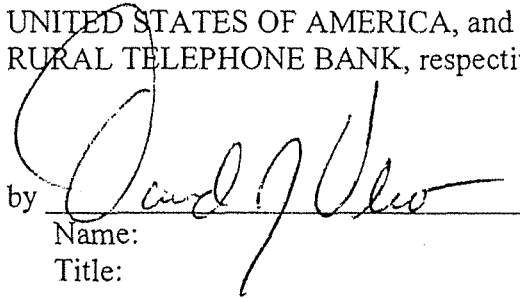


UNITED STATES OF AMERICA, and  
RURAL TELEPHONE BANK, respectively

by

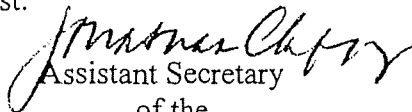
Name:

Title:



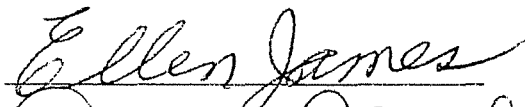
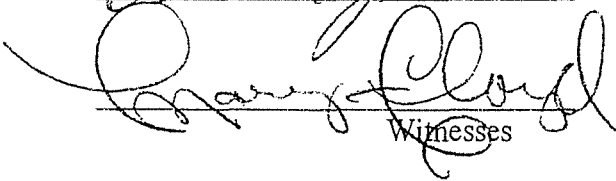
as  
Assistant Administrator  
Telecommunications Program  
of the  
Rural Utilities Service  
and as Assistant Governor  
of the  
Rural Telephone Bank

Attest:



Assistant Secretary  
of the  
Rural Telephone Bank

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

Witnesses

COBANK, ACB

by \_\_\_\_\_  
Name: Andy Smith  
Title: Vice President

Attest:

Executed by the Mortgagee  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_  
Witnesses

STATE OF KENTUCKY

COUNTY OF Johnson

Subscribed, sworn to and acknowledged before me by Thomas E. Preston as General Manager and Chief Executive Officer of Foothills Rural Telephone Cooperative Corporation, Inc., this the 8<sup>th</sup> day of September, 2008.

My Commission expires: 3/5/2011

Sammy Coleman  
NOTARY PUBLIC

~~STATE OF~~ \_\_\_\_\_


~~COUNTY OF~~ District of Columbia

Subscribed, sworn to and acknowledged before me by David J. Villano as ~~Assistant Administrator, Telecom~~ of United States of American and Rural Telephone Bank, this the 26<sup>th</sup> day of September, 2008.

My Commission expires: 8-1-2012

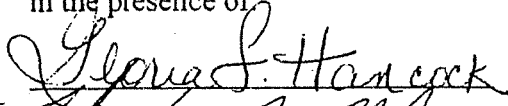

Elizabeth J. Hoyle  
NOTARY PUBLIC

COBANK, ACB

by   
Name: Andy Smith  
Title: Vice President

Attest:

Executed by the Mortgagee  
in the presence of:

  
  
Witnesses

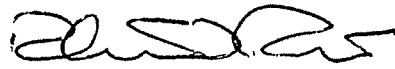
STATE OF Georgia  
COUNTY OF Cobb

Subscribed, sworn to and acknowledged before me by Andy Smith as Vice President of  
CoBank, ACB this the 8 day of September, 2008.

My Commission expires: \_\_\_\_\_  
NOTARY PUBLIC COBB COUNTY GEORGIA  
MY COMMISSION EXPIRES FEBRUARY 17 2009

  
NOTARY PUBLIC

THIS INSTRUMENT PREPARED BY:

  
Hon. Robert J. Patton  
KINNER & PATTON LAW OFFICE  
328 East Court Street  
Prestonsburg, Kentucky 41653  
606-886-1343

**SCHEDULE "A"**

- (1) RUS PROJECT DESIGNATION: Kentucky 522 – R12 Foothills Restated Mortgage, Security Agreement and Financing Statement by and between Foothills Rural Telephone Cooperative Corporation Inc., United States of America and Rural Telephone Bank dated October 1, 2002 and recorded at Mortgage Book 77, Page 277, (Magoffin County) Mortgage Book 154, Page 398 and Fixture Filing Book 3, Page 45 (Lawrence County) Mortgage Book 339, Page 688 and Fixture Filing Book 4, Page 1 (Johnson County), all records of the respective County Court Clerk in the State of Kentucky.
  
- (2) RUS PROJECT DESIGNATION: Kentucky 522 – P12 Foothills Restated Mortgage, Security Agreement and Financing Statement ‘ By and between Foothills Rural Telephone Cooperative Corporation Inc., United States of America and Rural Telephone Bank dated November 1, 1995 and recorded at Mortgage Book 56, Page 326, and re-recorded at Mortgage Book 56, Page 394 (Magoffin County) Mortgage Book 105, Page 499 and Fixture Filing Book 1, Page 487 (Lawrence County) Mortgage Book 250, Page 397, and Fixture Filing Book 3, Page 301 (Johnson County), all records of the respective County Court Clerk in the State of Kentucky.
  
- (3) REA PROJECT DESIGNATION: Kentucky 522 - N4 and N7 FOOTHILLS SUPPLEMENTAL MORTGAGE and SECURITY AGREEMENT made by and between Foothills Rural Telephone Cooperative Corporation, Inc., United States of America and Rural Telephone Bank dated August 8, 1988 and recorded at Mortgage Book 43, Page 150 (Magoffin County), Mortgage Book 78, Page 771 (Lawrence County), and Mortgage Book 155, Page 231 (Johnson County), all records of the respective County Court Clerk in the State of Kentucky.
  
- (4) REA PROJECT DESIGNATION: Kentucky 522 - K8 FOOTHILLS SUPPLEMENTAL MORTGAGE made by FOOTHILLS RURAL TELEPHONE COOPERTIVE CORPORATION, INC TO UNITED STATES OF AMERICA dated September 2, 1975 and recorded at Mortgage Book 25, Page 366 (Magoffin County), Mortgage Book 53, Page 433 (Lawrence County), Mortgage Book 50, Page 955 (Johnson County), all records of the respective County Court Clerk in the State of Kentucky.

- (5) REA PROJECT DESIGNATION: Kentucky 522 - H8  
FOOTHILLS SUPPLEMENTAL MORTGAGE made by FOOTHILLS  
RURAL TELEPHONE COOPERTIVE CORPORATION, INC TO  
UNITED STATES OF AMERICA dated January 18, 1974 and  
recorded at Mortgage Book 25, Page 179 (Magoffin County), Mortgage  
Book 51, Page 277 (Lawrence County), Mortgage Book 46, Page 371  
(Johnson County), all records of the County respective Court Clerk  
in the State of Kentucky.
- (6) Kentucky 522 – F FOOTHILLS MORTGAGE made by FOOTHILLS  
RURAL TELEPHONE COOPERTIVE CORPORATION, INC TO  
UNITED STATES OF AMERICA dated October 27, 1967 and  
recorded at Mortgage Book 23, Page 305 (Magoffin County), Mortgage  
Book 43, Page 551, (Lawrence County) Mortgage Book 30, Page 471  
(Johnson County), all records of the respective County Court Clerk  
in the State of Kentucky.
- (7) Kentucky 522 – E – FOOTHILLS MORTGAGE, FINANCING  
STATEMENT from FOOTHILLS RURAL TELEPHONE COOPERTIVE  
CORPORATION, INC TO UNITED STATES OF AMERICA dated May  
19, 1966 recorded at Mortgage Book 23, Page 171 (Magoffin County),  
and Mortgage Book 42, Page 441 (Lawrence County) Mortgage Book 27,  
Page 368 (Johnson County), all records of the respective County Court  
Clerk in the State of Kentucky.
- (8) Financing Statement by and between Foothills Rural Telephone  
Cooperative Corporation, Inc., Rural Telephone Bank and the United  
States Of America filed January 9<sup>th</sup>, 2003 at File No. 2003-1893507-28 in  
The Uniform Commercial Code Records of the Kentucky Secretary of  
State.
- Said Financing Statement confirms the Rural Telephone Bank and the  
Untied States Of America are secured with respect to certain collateral  
more particularly described therein.
- (9) Financing Statement by and between Foothills Rural Telephone  
Cooperative Corporation, Inc., Rural Telephone Bank and the United  
States Of America filed January 9<sup>th</sup>, 2003 at File No. 2003-1893530-14 in  
the Uniform Commercial Code Records of the Kentucky Secretary of  
State.
- Said Financing Statement confirms the Rural Telephone Bank and the  
Untied States Of America are secured with respect to certain collateral  
including all fixtures currently owned, controlled or hereafter acquired  
by debtor.

## SCHEDULE "B"

### MORTGAGOR'S OUTSTANDING NOTES, THE ADDITIONAL NOTE, MAXIMUM DEBT LIMIT AND OTHER INFORMATION

#### The Mortgagor's Outstanding Notes are described as follows:

(1) Promissory Note by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Utilities Service dated November 1, 1995 in the original amount of Eight Million Six Hundred Seventy-Seven Thousand Dollars (\$8,677,000.00). The Mortgagor's balance is not greater than One Million Eight Hundred Sixty Three Thousand Eight Hundred Ninety Four Dollars (\$1,863,894.00) on or around August 15, 2008.

(2) Promissory Note by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Utilities Service dated October 1, 2002 in the original amount of Ten Million Five Hundred Eighty Three Thousand Dollars (\$10,583,000.00). The Mortgagor's balance is not greater than Five Million Three Hundred Thirty One Thousand Three Hundred Ninety Seven Dollars (\$5,331,397.00) on or around August 15, 2008.

(3) Promissory Note by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Telephone Bank dated October 1, 2002 in the original amount of Six Million One Hundred Sixty Thousand Three Hundred Fifty Dollars (\$6,160,350.00) with a balance not greater than Three Million Nine Hundred Fifteen Thousand Two Hundred Seventy Five Dollars (\$3,915,275.00) on or around August 15, 2008.

(4) Promissory Note by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Utilities Service dated July 15, 2005 in the original amount of Fifteen Million One Hundred Twenty Thousand Dollars (\$15,120,000.00). The Mortgagor's balance is not greater than Eleven Million Four Hundred Thirty Nine Thousand Two Hundred Seventy Eight Dollars (\$11,439,278.00) on or around August 15, 2008.

(5) Promissory Note by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Telephone Bank dated July 15, 2005 in the original amount of Ten Million Five Hundred Eighty Four Thousand Dollars (\$10,584,000.00) with a balance not greater than Seven Million Eighteen Thousand Three Hundred Eighty Nine Dollars (\$7,018,389.00) on or around August 15, 2008.

(6) Advance Payment Account by and between Foothills Rural Telephone Cooperative Corporation, Inc. and the USDA Rural Utilities Service with a credit balance of One Million Three Hundred Eighty Six Thousand Five Hundred Thirty Three Dollars (\$1,386,533.00) on or around August 15, 2008.

**The Mortgagor's Additional Note is described as follows:**

(1) Promissory Note by Foothills Rural Telephone Cooperative Corporation, Inc. in favor of COBANK, ACB dated on or around September 15, 2008 in an amount of Eight Million Five Hundred Thousand Dollars (\$8,500,000.00).

**The Mortgagor's Maximum Debt Limit for the Existing Mortgages shall be:**

(1) The Mortgagor's maximum debt limit under the Existing Mortgages shall not exceed One Hundred Million Dollars (\$100,000,000.00) in principal subject to a limitation of Forty Million Dollars (\$40,000,000.00) by Board resolution.

On August 15, 2008, the Mortgagor's current principal outstanding balance is in the amount of Twenty Eight Million One Hundred Eighty One Thousand Six Hundred Ninety Eight Dollars (\$28,181,698.00). The Mortgagor has been approved and authorized and anticipates increasing the existing balance under the Outstanding Notes secured by the Existing Mortgages by an additional sum of One Million Three Hundred Forty Four Thousand Five Hundred Thirty One Dollars (\$1,344,531.00).

SCHEDULE "C"  
PROPERTY SCHEDULE

Foothills Rural Telephone Cooperative Corporation, Inc. ("Foothills") is the record owner of the following property interests:

1. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 29, 1953 from Fannie M. Patrick and C.W. Patrick (unstated relationship) to Foothills and recorded at Deed Book 79, Page 415, records of the Magoffin County Clerk's Office.
2. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 29, 1953 from Fannie M. Patrick and C.W. Patrick (unstated relationship) to Foothills and recorded at Deed Book 132, Page 106, records of the Johnson County Clerk's Office.
3. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 11, 1953 from Oscar P. Williams, Jr. and Mary G. Williams, his wife, to Foothills and recorded at Deed Book 132, Page 256, records of the Johnson County Clerk's Office.
4. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 27, 1953 from Paul Gambill and Callie Gambill, his wife, to Foothills and recorded at Deed Book 124, Page 213, records of the Lawrence County Clerk's Office.
5. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 19, 1954 from Wiley Rice and Rose Rice, his wife, to Foothills and recorded at Deed Book 79, Page 612, records of the Magoffin County Clerk's Office.
6. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 13, 1954 from Russell Carroll and Naomi Carroll, his wife, to Foothills and recorded at Deed Book 124, Page 321, records of the Lawrence County Clerk's Office.
7. Right-of-Way by and between Russell Carroll, Naomi Carroll and Foothills dated February 13, 1952 and recorded at Deed Book 124, Page 322, records of the Lawrence County Clerk's Office.
8. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 13, 1953 from Lonzo Arrington and Zella G. Arrington, his wife, to Foothills and recorded at Deed Book 124, Page 323, records of the Lawrence County Clerk's Office.



9. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 28, 1958 from Elizabeth McKenzie, single, to Foothills and recorded at Deed Book 139, Page 639, records of the Johnson County Clerk's Office.
10. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 29, 1959 from Roy K. Helton and Mary Helton, his wife, to Foothills and recorded at Deed Book 142, Page 139, records of the Johnson County Clerk's Office.
11. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 17, 1960 from George W. Carroll and Mae Carroll, his wife, to Foothills and recorded at Deed Book 132, Page 535, records of the Lawrence County Clerk's Office.
12. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 29, 1960 from George W. Carroll and Mae Carroll, his wife, to Foothills and recorded at Deed Book 132, Page 552, records of the Lawrence County Clerk's Office.
13. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 4, 1962 from Mace Howard, et. ux. to Foothills and recorded at Deed Book 90, Page 330, records of the Magoffin County Clerk's Office.
14. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 30, 1963 from Gladys McKenzie, single, to Foothills and recorded at Deed Book 146, Page 497, records of the Johnson County Clerk's Office.
15. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 6, 1964 from Scott P. Rice, et.al. to Foothills and recorded at Deed Book 94, Page 573, records of the Magoffin County Clerk's Office.
16. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 1, 1966 from Clint Salyer, Jr. and Christa Salyer, his wife, to Foothills and recorded at Deed Book 153, Page 69, records of the Johnson County Clerk's Office.
17. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 5, 1967 from Clint Salyer, Jr. and Christa Salyer, his wife, to Foothills and recorded at Deed Book 153, Page 583, records of the Johnson County Clerk's Office.

18. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 7, 1967 from Zella G. Arrington, et. ux to Foothills and recorded at Deed Book 145, Page 86, records of the Lawrence County Clerk's Office.
19. Right-of-Way Agreement by and between L.G. Howard and Foothills dated October 6, 1964 and recorded at Deed Book 97, Page 172, records of the Magoffin County Clerk's Office.
20. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 27, 1969 from Callie Gambill, widow, to Foothills and recorded at Deed Book 148, Page 300, records of the Lawrence County Clerk's Office.
21. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 15, 1974 from Ray VanHorn, et. ux. to Foothills and recorded at Deed Book 160, Page 369, records of the Lawrence County Clerk's Office.
22. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 4, 1978 from Una Howard, widow, to Foothills and recorded at Deed Book 114, Page 207, records of the Magoffin County Clerk's Office.
23. Right-of-Way Agreement by and between Thomas Cartmel and foothills dated July 21, 1978 and recorded at Deed Book 173, Page 319, records of the Lawrence County Clerk's Office.
24. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 21, 1978 from Walter R. Isaacs and Maggie Isaacs, his wife, to Foothills and recorded at Deed Book 114, Page 545, records of the Magoffin County Clerk's Office.
25. A certain tract or parcel of property described in that certain Deed of Conveyance dated January 8, 1979 from Proctor Owens, Jr. and Mollie Owens, his wife, to Foothills and recorded at Deed Book 117, Page 32, records of the Magoffin County Clerk's Office.
26. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 6, 1979 from Dudley Carpenter and Ada Carpenter, his wife, to Foothills and recorded at Deed Book 117, Page 409, records of the Magoffin County Clerk's Office.
27. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 28, 1979 from George W. Combs, unmarried, to

- Foothills and recorded at Deed Book 197, Page 247, records of the Johnson County Clerk's Office.
28. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 13, 1979 from Roger O'Bryan and Diana Sue O'Bryan, his wife, to Foothills and recorded at Deed Book 197, Page 375, records of the Johnson County Clerk's Office.
  29. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 19, 1979 from John W. Turner, M.D. and Gwendolyn Turner, his wife, to Foothills and recorded at Deed Book 197, Page 627, records of the Johnson County Clerk's Office.
  30. Right-of-Way Agreement by and between James M. Spillman and Connie Spillman and Foothills dated February 5, 1982 and recorded at Deed Book 181, Page 424, records of the Lawrence County Clerk's Office.
  31. Right-of-Way Agreement by and between Virginia Frazier and Foothills dated March 19, 1982 and recorded at Deed Book 181, Page 424, records of the Lawrence County Clerk's Office.
  32. Right-of-Way Agreement by and between Jack G. See and Foothills and dated March 19, 1982 and recorded at Deed Book 181, Page 425, records of the Lawrence County Clerk's Office.
  33. Right-of-Way Agreement by and between Edgar P. Thompson dated June 25, 1982 and recorded at Deed Book 182, Page 108, records of the Lawrence County Clerk's Office.
  34. Right-of-Way Agreement by and between Mary Moore and Foothills dated July 23, 1982 and recorded at Deed Book 182, Page 276, records of the Lawrence County Clerk's Office.
  35. Right-of-Way Agreement by and between Port and Grettie Dobyns and Foothills dated August 27, 1982 and recorded at Deed Book 182, Page 426, records of the Lawrence County Clerk's Office.
  36. Right-of-Way Agreement by and between Ruth and W.T. Withers and Foothills dated September 10, 1982 and recorded at Deed Book 182, Page 483, records of the Lawrence County Clerk's Office.
  37. Right-of-Way Agreement by and between Elza and Garnet Moore and Foothills dated October 15, 1982 and recorded at Deed Book 182, Page 670, records of the Lawrence County Clerk's Office.

38. Right-of-Way Agreement by and between the United States of America and Foothills dated October 5, 1989 and recorded at Deed Book 203, Page 654, records of the Lawrence County Clerk's Office.
39. Right-of-Way Agreement by and between Edgar P. Thompson dated June 25, 1982 and recorded at Deed Book 182, Page 108, records of the Lawrence County Clerk's Office.
40. A certain tract or parcel of property described in that certain Deed of Conveyance dated May 17, 1983 from Department of the Army to Foothills and recorded at Deed Book 228, Page 285, records of the Johnson County Clerk's Office.
41. Easement by and between Jacob Allen Little and Foothills dated May 20, 1983 and recorded at Deed Book 229, Page 27, records of the Johnson County Clerk's Office.
42. Right-of-Way Agreement by and between Grover and Della Allen and Foothills dated February 19, 1990 and recorded at Deed Book 139, Page 298, records of the Magoffin County Clerk's Office.
43. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 23, 1991 from Osmund Kidd, et. ux. to Foothills and recorded at Deed Book 211, Page 367, records of the Lawrence County Clerk's Office.
44. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 24, 1991 from Jimmy D. See, et. ux. to Foothills and recorded at Deed Book 211, Page 376, records of the Lawrence County Clerk's Office.
45. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 10, 1991 from Kenneth Mills, et. ux. to Foothills and recorded at Deed Book 212, Page 24, records of the Lawrence County Clerk's Office.
46. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Kermit McGinnis, et. ux. to Foothills and recorded at Deed Book 212, Page 520, records of the Lawrence County Clerk's Office.
47. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Elmer Lee Ketzell, et. ux. to Foothills and recorded at Deed Book 212, Page 527, records of the Lawrence County Clerk's Office.

48. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from William A. Cheek, et. al. to Foothills and recorded at Deed Book 212, Page 533, records of the Lawrence County Clerk's Office.
49. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from David L. Bond to Foothills and recorded at Deed Book 212, Page 540, records of the Lawrence County Clerk's Office.
50. a certain tract or parcel of property described in that certain Deed of Conveyance dated February 18, 1992 from Francis Elam Burgess, single, to Foothills and recorded at Deed Book 212, Page 547, records of the Lawrence County Clerk's Office.
51. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 10, 1994 from Faye Ely and Phillip Ely, her husband, to Foothills and recorded at Deed Book 148, Page 310, records of the Magoffin County Clerk's Office.
52. Right-of-Way Agreement by and between Gene A. Wilson, et. ux. and Foothills and recorded at Deed Book 220, Page 377, records of the Lawrence County Clerk's Office.
53. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 4, 199t from Galene Richard Mulford to Foothills and recorded at Deed Book 152, Page 109, records of the Magoffin County Clerk's Office.
54. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 25, 1995 from C.J. Tackett and Dianne L. Tackett, his wife, to Foothills and recorded at Deed Book 152, Page 246, records of the Magoffin County Clerk's Office.
55. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 2, 1995 from Maxie Rice, widow, to Foothills and recorded at Deed Book 152, Page 409, records of the Magoffin County Clerk's Office.
56. A certain tract or parcel of property described in that certain Deed of Conveyance dated October 2, 1995 from R.C. May and Martha May (unstated relationship) to Foothills and recorded at Deed Book 152, Page 413, records of the Magoffin County Clerk's Office.

57. Right-of-Way and Easement Agreement by and between Grover J. Thompson and Foothills dated November 6, 1995 and recorded at Deed Book 227, Page 324, records of the Lawrence County Clerk's Office.
58. Right-of-Way and Easement Agreement by and between Lafe S. Hinkle, II and Foothills dated November 6, 1995 and recorded at Deed Book 227, Page 326, records of the Lawrence County Clerk's Office.
59. Right-of-Way and Easement Agreement by and between Gary L. Rager and Foothills dated November 20, 1995 and recorded at Deed Book 227, Page 457, records of the Lawrence County Clerk's Office.
60. Right-of-Way Agreement by and between Thurman Endicott and Foothills dated January 1, 1996 and recorded at Deed Book 228, Page 42, records of the Lawrence County Clerk's Office.
61. Right-of-Way and Easement Agreement by and between Favored United Baptist Church and Foothills dated February 29, 1996 and recorded at Deed Book 228, Page 422, records of the Lawrence County Clerk's Office.
62. Right-of-Way and Easement Agreement by and between David L. Compton and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 356, records of the Lawrence County Clerk's Office.
63. Right-of-Way and Easement Agreement by and between Donald VanHorn and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 358, records of the Lawrence County Clerk's Office.
64. Right-of-Way and Easement Agreement by and between Charlotte A. Skaggs and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 360, records of the Lawrence County Clerk's Office.
65. Right-of-Way and Easement Agreement by and between Orië Chaffin and Foothills dated May 1, 1996 and recorded at Deed Book 229, Page 362, records of the Lawrence County Clerk's Office.
66. Easement Agreement by and between The United States of America and Foothills dated January 8, 1997 and recorded at Deed Book 232, Page 270, records of the Lawrence County Clerk's Office.
67. Right-of-Way and Easement Agreement by and between Glen Prince and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 498, records of the Lawrence County Clerk's Office.

68. Right-of-Way and Easement Agreement by and between Virginia Frazier and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 500, records of the Lawrence County Clerk's Office.
69. Right-of-Way and Easement Agreement by and between Marie Moore and Foothills dated January 15, 1997 and recorded at Deed Book 232, Page 502, records of the Lawrence County Clerk's Office.
70. Right-of-Way and Easement Agreement by and between Curtis Ralph Sturgill and Foothills dated February 22, 1997 and recorded at Deed Book 233, Page 175, records of the Lawrence County Clerk's Office.
71. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 22, 1997 from D.R. Thompson to Foothills and recorded at Deed Book 233, Page 177, records of the Lawrence County Clerk's Office.
72. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 28, 1995 from Garland L. Arnett and M. Louise Arnett, his wife, to Foothills and recorded at Deed Book 152, Page 753, records of the Magoffin County Clerk's Office.
73. A certain tract or parcel of property described in that certain Deed of Conveyance dated November 28, 1995 from Jimmy Patrick and Elizabeth Patrick, his wife, to Foothills and recorded at Deed Book 152, Page 753, records of the Magoffin County Clerk's Office.
74. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 4, 1995 from James C. Howard and Linda Howard, his wife, to Foothills and recorded at Deed Book 153, Page 94, records of the Magoffin County Clerk's Office.
75. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 11, 1997 from Robert G. Miller, Jr. and Kimberly P. Miller, his wife, to Foothills and recorded at Deed Book 346, Page 92, records of the Johnson County Clerk's Office.
76. Right-of-Way and Easement Agreement by and between Con Young and Foothills dated May 9, 1997 and recorded at Deed Book 234, Page 61, records of the Lawrence County Clerk's Office.
77. Right-of-Way and Easement Agreement by and between Mable Fyffe and Foothills dated May 9, 1997 and recorded at Deed Book 234, Page 63, records of the Lawrence County Clerk's Office.

78. Right-of-Way and Easement Agreement by and between James B. Ball and Foothills dated July 17, 1997 and recorded at Deed Book 234, Page 704, records of the Lawrence County Clerk's Office.
79. Right-of-Way and Easement Agreement by and between Herman Young and Foothills dated November 21, 1997 and recorded at Deed Book 236, Page 301, records of the Lawrence County Clerk's Office.
80. Right-of-Way and Easement Agreement by and between James T. Franklin and Foothills dated December 8, 1997 and recorded at Deed Book 350, Page 113, records of the Johnson County Clerk's Office.
81. Right-of-Way and Easement Agreement by and between James T. Franklin and Foothills dated June 21, 1999 and recorded at Deed Book 358, Page 307, records of the Johnson County Clerk's Office.
82. Right-of-Way and Easement Agreement by and between Gary Davis and Foothills dated June 28, 1997 and recorded at Deed Book 348, Page 67, records of the Johnson County Clerk's Office.
83. Right-of-Way and Easement Agreement by and between Arvin and Marie Skaggs and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 69, records of the Johnson County Clerk's Office.
84. Right-of-Way and Easement Agreement by and between Wendell Nickell and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 71, records of the Johnson County Clerk's Office.
85. Right-of-Way and Easement Agreement by and between Garnet Gay Bailey Goble and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 73, records of the Johnson County Clerk's Office.
86. Right-of-Way and Easement Agreement by and between Mark and Marsha Murray and Foothills dated July 28, 1997 and recorded at Deed Book 348, Page 75, records of the Johnson County Clerk's Office.
87. Right-of-Way and Easement Agreement by and between Gail and Phyllis Gillem and Foothills dated July 31, 1997 and recorded at Deed Book 348, Page 111, records of the Johnson County Clerk's Office.
88. Right-of-Way and Easement Agreement by and between Fred and Jewell Ross and Foothills dated July 31, 1997 and recorded at Deed Book 348, Page 113, records of the Johnson County Clerk's Office.



JOHNSON COUNTY  
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89. Lease Agreement by and between Bruce and Gene Castle and Foothills dated December 10, 1997 and recorded at Lease Book 105, Page 651, records of the Johnson County Clerk's Office.
90. Easement by and between Callis Kelly and Foothills dated January 22, 1998 and recorded at Deed Book 350, Page 517, records of the Johnson County Clerk's Office.
91. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 8, 1990 from Gladys Baker to Foothills and recorded at Deed Book 287, Page 247, records of the Johnson County Clerk's Office.
92. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 4, 1990 from Charles Thomas Meade to Foothills and recorded at Deed Book 288, Page 137, records of the Johnson County Clerk's Office.
93. Right-of-Way and Easement Agreement by and between Estill Hitchcock and Foothills dated September 18, 1997 and recorded at Deed Book 348, Page 790, records of the Johnson County Clerk's Office.
94. Right-of-Way and Easement Agreement by and between William M. McCloud and Foothills dated September 18, 1997 and recorded at Deed Book 348, Page 792, records of the Johnson County Clerk's Office.
95. Easement by and between Edath M. Conley and Foothills dated March 26, 1999 and recorded at Deed Book 357, Page 67, records of the Johnson County Clerk's Office.
96. Easement by and between Cecil Hitchcock and Foothills dated September 9, 1997 and recorded at Deed Book 348, Page 686, records of the Johnson County Clerk's Office.
97. Easement by and between Marsha and Mark Murray and Foothills dated August 10, 1998 and recorded at Deed Book 351, Page 243, records of the Johnson County Clerk's Office.
98. Lease Agreement by and between Robert and Elvira Davis and Foothills dated August 27, 1998 and recorded at Deed Book 160, Page 471, records of the Magoffin County Clerk's Office.
99. Lease Agreement by and between John P. and June Montgomery and Foothills dated August 27, 1998 and recorded at Deed Book 160, Page 474, records of the Magoffin County Clerk's Office.

100. Easement by and between Jessie J. and Joyce Hale and Foothills dated September 25, 1998 and recorded at Deed Book 160, Page 635, records of the Magoffin County Clerk's Office.
101. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 30, 1998 from Jack W. Williams to Foothills and recorded at Deed Book 349, Page 171, records of the Johnson County Clerk's Office.
102. Right-of-Way and Easement Agreement by and between Tilden R. Salyer and foothills dated September 8, 1997 and recorded at Deed Book 348, Page 664, records of the Johnson County Clerk's Office.
103. Lease Agreement by and between Paul E. Preston and Foothills dated June 29, 1998 and recorded at Lease Book 106, Page 98, records of the Johnson County Clerk's Office.
104. A certain tract or parcel of property described in that certain Deed of Conveyance dated March 26, 1999 from Delco Resources, Inc. to Foothills and recorded at Deed Book 357, Page 70, records of the Johnson County Clerk's Office.
105. Right-of-Way and Easement Agreement by and between Earl A. Osborne and Foothills dated December 9, 1997 and recorded at Deed Book 236, Page 457, records of the Lawrence County Clerk's Office.
106. Lease Agreement by and between Bruce Castle and Foothills dated April 28, 1998 and recorded at Deed Book 238, Page 401, records of the Lawrence County Clerk's Office.
107. A certain tract or parcel of property described in that certain Deed of Conveyance dated April 21, 1998 from Chester Trimble and Ann Trimble, his wife, to Foothills and recorded at Deed Book 352, Page 78, records of the Johnson County Clerk's Office.
108. A certain tract or parcel of property described in that certain Deed of Conveyance dated June 12, 1998 from Helen Evans, widow; Myrna Clark and Phillip Clark, her husband; Henry Evans and Joyce Evans, his wife; James T. Evans and Judy Evans, his wife, to Foothills and recorded at Deed Book 352, Page 661, records of the Johnson County Clerk's Office.
109. A certain tract or parcel of property described in that certain Deed of Conveyance dated May 27, 1998 from Edith L. Sipple, widow, to Foothills and recorded at Deed Book 352, Page 491, records of the Johnson County Clerk's Office.

110. Right-of-Way Agreement by and between Clyde and Lenora Jackson to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 267, records of the Magoffin County Clerk's Office.
111. Right-of-Way Agreement by and between Henry Clay and Wilma Jean Sizemore to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 264, records of the Magoffin County Clerk's Office.
112. Right-of-Way Agreement by and between Buck and Sue Joseph to Foothills dated July 24, 1998 and recorded at Deed Book 160, Page 261, records of the Magoffin County Clerk's Office.
113. A certain tract or parcel of property described in that certain Deed of Conveyance dated September 25, 1998 from Cledith Wireman and Goldie Wireman, husband and wife, to Foothills and recorded at Deed Book 160, Page 630, records of the Magoffin County Clerk's Office.
114. A certain tract or parcel of property described in that certain Deed of Conveyance dated December 30, 2005 from Betty Meade Burchett, et al, to Foothills and recorded at Deed Book 398, Page 185, records of the Johnson County Clerk's Office.
115. Right-of-Way Agreement by and between Mrs. Paul Lemaster et al to Foothills dated December 27, 2007 and recorded at Deed Book 410, Page 686, records of the Johnson County Clerk's Office.
116. A certain tract or parcel of property described in that certain Deed of Conveyance dated August 6, 2002 from Priscilla Bocook to Foothills and recorded at Deed Book 375, Page 755, records of the Johnson County Clerk's Office.  
  
\* This Item is subject to those certain out conveyances by Foothills recorded at Deed Book 385, Page 315 and Deed Book 376, Page 57, records of the Johnson County Clerk's Office.
117. A certain tract or parcel of property described in that certain Deed of Conveyance dated February 5<sup>th</sup>, 2003 from Gary B. Oney and Carolyn Sue Oney to Foothills and recorded at Deed Book 175, Page 87, records of the Magoffin County Clerk's Office.
118. Right-of-Way Agreement by and between Orvil Gene Risner, Geraldine Risner and Foothills dated October 1<sup>st</sup>, 2004 and recorded at Deed Book 180, Page 223, records of the Magoffin County Clerk's Office.

119. Right-of-Way Agreement by and between Harold Poe, Brenda Poe and Foothills dated November 23<sup>rd</sup>, 2004 and recorded at Deed Book 180, Page 634, records of the Magoffin County Clerk's Office.
120. Right-of-Way Agreement by and between W.H. Collinsworth and Foothills dated February 24<sup>th</sup>, 2006 and recorded at Deed Book 185, Page 315, records of the Magoffin County Clerk's Office.
121. Right-of-Way Agreement by and between Cammie Mitchell and Foothills dated May 15<sup>th</sup>, 2007 and recorded at Deed Book 189, Page 758, records of the Magoffin County Clerk's Office.
122. Right-of-Way Agreement by and between Jeff Lykins, Anita Lykins and Foothills dated May 18<sup>th</sup>, 2007 and recorded at Deed Book 189, Page 772, records of the Magoffin County Clerk's Office.
123. Right-of-Way Agreement by and between Hurl Scott and Foothills dated May 22<sup>nd</sup>, 2007 and recorded at Deed Book 189, Page 749, records of the Magoffin County Clerk's Office.
124. Right-of-Way Agreement by and between Victor Prater and Foothills dated May 24<sup>th</sup>, 2007 and recorded at Deed Book 190, Page 165, records of the Magoffin County Clerk's Office.
125. Right-of-Way Agreement by and between Chester Howard and Foothills dated June 13<sup>th</sup>, 2007 and recorded at Deed Book 190, Page 209, records of the Magoffin County Clerk's Office.
126. Right-of-Way Agreement by and between Richard Cole, Emma Cole and Foothills dated June 22<sup>nd</sup>, 2007 and recorded at Deed Book 190, Page 251, records of the Magoffin County Clerk's Office.
127. Right-of-Way Agreement by and between Alton Francis, Wanda Francis and Foothills dated July 7<sup>th</sup>, 2007 and recorded at Deed Book 190, Page 364, records of the Magoffin County Clerk's Office.
128. Right-of-Way Agreement by and between Phillip Williams, Ethel Williams and Foothills dated July 17<sup>th</sup>, 2007 and recorded at Deed Book 190, Page 475, records of the Magoffin County Clerk's Office.
129. Right-of-Way Agreement by and between Terry Hensley, Janet Hensley and Foothills dated July 25<sup>th</sup>, 2007 and recorded at Deed Book 190, Page 542, records of the Magoffin County Clerk's Office.

130. Right-of-Way Agreement by and between Hubert Jenkins, Rena Jenkins and Foothills dated August 1<sup>st</sup>, 2007 and recorded at Deed Book 190, Page 575, records of the Magoffin County Clerk's Office.
131. Right-of-Way Agreement by and between Johnny Salyer, Margie Salyer and Foothills dated October 22<sup>nd</sup>, 2007 and recorded at Deed Book 191, Page 445, records of the Magoffin County Clerk's Office.
132. Right-of-Way Agreement by and between Larry Issac, June Issac and Foothills dated November 11<sup>th</sup>, 2007 and recorded at Deed Book 191, Page 588, records of the Magoffin County Clerk's Office.
133. Right-of-Way Agreement by and between Chandler Allen, Gladys Allen and Foothills dated December 20<sup>th</sup>, 2007 and recorded at Deed Book 192, Page 41, records of the Magoffin County Clerk's Office.
134. Right-of-Way Agreement by and between Arthur Auxier and Patty Auxier and Foothills dated January 5<sup>th</sup>, 2008 and recorded at Deed Book 192, Page 128, records of the Magoffin County Clerk's Office.
135. Right-of-Way Agreement by and between State Road Fork United Baptist and Foothills dated January 28<sup>th</sup>, 2008 and recorded at Deed Book 192, Page 279, records of the Magoffin County Clerk's Office.
136. Right-of-Way Agreement by and between Brenda Curry (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated May \_\_\_\_\_ 2007, and record at Deed Book 293, Page 017, records of the Lawrence County Clerk's Office.
137. Right-of-Way Agreement by and between Ella J. Webb (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated July 11<sup>th</sup> 2007, and record at Deed Book 293, Page 009, records of the Lawrence County Clerk's Office.
138. Right-of-Way Agreement by and between Alfred Hamilton and Amanda Hamilton and Foothills Rural Telephone Cooperative Corporation, Inc., dated July 31<sup>st</sup>, 2007, and record at Deed Book 293, Page 001, records of the Lawrence County Clerk's Office.
139. Right-of-Way Agreement by and between Larry Hayes (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated July 31<sup>st</sup>, 2007, and record at Deed Book 293, Page 750, records of the Lawrence County Clerk's Office.
140. Right-of-Way Agreement by and between Jerry Bowen and Susan Bowen and Foothills Rural Telephone Cooperative Corporation, Inc., dated August 1<sup>st</sup>,

2007, and record at Deed Book 293, Page 013, records of the Lawrence County Clerk's Office.

141. Right-of-Way Agreement by and between Joyce Salyers (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated August 2<sup>nd</sup>, 2007, and record at Deed Book 293, Page 005, records of the Lawrence County Clerk's Office.
142. Right-of-Way Agreement by and between Okie Thompson and Vanessa Thompson, his wife, and Foothills Rural Telephone Cooperative Corporation, Inc., dated October 29<sup>th</sup>, 2007, and record at Deed Book 292, Page 742, records of the Lawrence County Clerk's Office.
143. Right-of-Way Agreement by and between Candi Evans (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated January 4<sup>th</sup>, 2008, and record at Deed Book 292, Page 746, records of the Lawrence County Clerk's Office.
144. Right-of-Way Agreement by and between B.A. Slone (unknown status) and Foothills Rural Telephone Cooperative Corporation, Inc., dated January 25<sup>th</sup> 2008, and record at Deed Book 292, Page 738, records of the Lawrence County Clerk's Office.

DOCUMENT NO: 370600  
RECORDED ON: OCTOBER 06, 2008 03:39:05PM  
TOTAL FEES: \$83.00  
COUNTY CLERK: SALLEE HOLBROOK  
COUNTY: JOHNSON COUNTY  
DEPUTY CLERK: JENNIFER  
BOOK M447 PAGES 647 - 671



**Commonwealth of Kentucky**  
Department of State



**Secretary of State**

FRANCES JONES MILLS

FRANKFORT, KENTUCKY

**CERTIFICATE**

I, FRANCES JONES MILLS, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of Articles of Incorporation of **FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.** filed September 10, 1951.

IN WITNESS WHEREOF, I have hereunto  
set my hand and affixed my official seal.  
Done at Frankfort this.....20th.....day of

March..... 19.51.....

*Frances Jones Mills*  
Secretary of State, Commonwealth of Kentucky



Kentucky Form of  
Articles of Incorporation (Telephone)

D-4775

ARTICLES OF INCORPORATION

OF

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, nonprofit corporations, rural telephones and telephone services", approved March 25, 1950.

FIRST, the name of the Cooperative is Foothills Rural Telephone Cooperative, Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is Paintsville, Johnson County, Kentucky.

THIRD, the names and addresses of the incorporators of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
<u>J. Milton Kitchen</u>	<u>Blains</u>

Process  
gent.....

FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
<u>J. Milton Kitchen</u>	<u>Blains</u>

-2-

FIFTH, The operations of the Cooperative are to be conducted in the Counties of Johnson, Magoffin, Lawrence, and Floyd, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF we have hereunto subscribed our names this

4<sup>th</sup> day of September 1901.

Max Mullin  
Ch. J. J. J.  
W. W. J. J.  
Shirley B. J.  
M. J. J.

STATE OF KENTUCKY  
COUNTY OF Jackson

I, Wm. W. Smith Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Wm. Mullins and J. E. Payne was this day produced to me in the county and state aforesaid by Wm. Mullins and J. E. Payne and acknowledged by them to be their act and deed.

Given under my hand and seal of my office this 3<sup>rd</sup> day of Sept 1951.

Wm. W. Smith  
Notary Public, Jackson

My Commission expires Sept 25, 1954

seal

STATE OF KENTUCKY  
COUNTY OF Lawrence

I, O. E. Wheeler Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from J. Mullins and J. E. Payne was this day produced to me in the county and state aforesaid by J. Mullins and J. E. Payne and acknowledged by him to be his act and deed.

Given under my hand and seal of my office this 3 day of Sept 1951.

O. E. Wheeler  
Notary Public

My Commission expires May 14, 1953

seal



STATE OF KENTUCKY  
COUNTY OF Magoffin

I, Wm. H. Gues Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Wm. Mullins and J. E. Payne was this day produced to me in the county and state aforesaid by Wm. Mullins and J. E. Payne and acknowledged by them to be their act and deed.

Given under my hand and seal of my office this 14 day of Sept 1951.

Wm. H. Gues  
Notary Public

My Commission expires 1-3-1954

seal

**BY LAWS**  
**of**  
**Foothills Rural Telephone Cooperative Corporation, Inc.**

**ARTICLE I**

**MEMBERSHIP**

**SECTION 1.1. Eligibility.** Any person, firm, association, limited liability company, corporation, body politic or other legally organized entity is eligible to become a member of Foothills Rural Telephone Cooperative Corporation, Inc. (hereinafter called the "Cooperative") upon receipt of telecommunications and information services (hereinafter referred to simply as "services") from the Cooperative at a premise within its established area and the execution of a membership application in the form prescribed by the Board of Trustees (hereinafter the "Board").

- (1) Such application shall include an agreement:
  - (a) to purchase service from the Cooperative as an end user of such services, in accordance with the rates, terms and conditions specified by the Cooperative; and
  - (b) to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations duly adopted by the Board; and
  - (c) to pay any membership fee established by the Board.
- (2) Purchasers of the Cooperative's services at wholesale, or otherwise for resale shall not be eligible for membership or patronage credits with respect to such wholesale services.
- (3) Upon acceptance of the application by the Board, membership shall become effective upon the date of commencement of service. Membership eligibility terminates upon disconnection of service; however, the Board may provide for suspension of service during periods of temporary absence of a member.

Each member shall be assigned a member number and the status of all memberships shall be reflected upon the books of the Cooperative. A membership certificate may be issued at the discretion of the Board.

**SECTION 1.2. Definition and Classifications.**

- (1) Effective March 1, 1999, the Cooperative membership shall be comprised of two distinct classes in recognition of the differences of contribution by each respective membership class.

- (a) Class A members shall be all members who procure the Cooperative's central office dial tone and reside in the Cooperative's designated service area. Class A members shall have all voting rights and privileges. Class A members shall be eligible, if qualified, to serve as a Trustee of the Cooperative.
  - (b) Class B members shall be all members who receive telecommunication services but do not procure the Cooperative's central office dial tone. Class B members may or may not reside in the Cooperative's designated service area. Class B members shall not be entitled to vote and shall not be eligible to serve as a Trustee of the Cooperative. Effective March 1, 1999, Class B members may be eligible for capital credit allocation in a form and manner prescribed by the Board in its sole discretion.
- (2) The Board will determine under rules of general application the types and amounts of revenue streams for the types and amount of patronage that give rise to the privileges and obligations of membership.
  - (3) Exchange and interexchange carriers who participate with the Cooperative in the provision of telecommunications services to members are neither members nor patrons by virtue of division of revenue contracts.
  - (4) Each time sharing or interval ownership premise is considered as a single corporate member. The owner of seasonal, recreational and short-interval rental properties will be deemed to hold the membership.
  - (5) No member may hold more than one membership of each class in the Cooperative. No membership in the Cooperative shall be transferable.

All memberships in the Cooperative are extended only to individual persons (natural or corporate) who meet the requirements of 1.1. Memberships formerly issued to husbands and wives, previously referred to as joint memberships, will be allowed to continue. However, no new joint memberships will be established. Thus, the term, "member" as used in these Bylaws shall refer to an individual but can, on a grandfathered basis, be deemed to include a husband and wife still holding a joint membership and any provisions relating to the rights and liabilities of member shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (1) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (2) The vote of either separately or both jointly shall constitute one joint vote;
- (3) A waiver of notice signed by either or both shall constitute a joint waiver.

- (4) Notice to either shall constitute notice to both;
- (5) Expulsion of either shall terminate the joint membership;
- (6) Withdrawal of either shall terminate the joint membership;
- (7) Either, but not both, may be elected or appointed as an officer or board member if individually qualified;
- (8) Upon the death of either spouse who is a party to the joint membership, such membership shall be converted to an individual membership. However, the estate of the deceased shall not be released from any debts due to the cooperative.

**SECTION 1.3.**     Membership Fees. The Board, at its discretion, may determine to require a membership fee which shall be uniform for each class of membership.

**SECTION 1.4.**     Purchase of Services. Each person who applies for service shall, as soon as service is available, take service from the Cooperative. The member shall pay therefor monthly at rates in accordance with either established tariffs as fixed by the Board, or, for the services rendered by other carriers, at the rates which the Cooperative is obliged to bill and collect by contractual arrangements with other carriers. It is expressly understood that amounts received by the Cooperative for all services in excess of cost are furnished by members from the moment of receipt as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. However, the Cooperative is not obligated to furnish such credits for services which are not billed and collected by the Cooperative, or other reliable patronage date cannot be reasonably acquired even when such services are partially rendered over the facilities of the Cooperative. Each member shall pay the above amounts owed by him to the Cooperative as and when the same shall become due and payable.

**SECTION 1.5.**     Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than 2/3 of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
- (b) Upon the withdrawal, death, cessation of service or expulsion of a member, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release

a member or his estate from any debts due the Cooperative nor do unpaid bills release a member from his obligations under these bylaws or rules and regulations approved by the Board.

- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of any membership fee credited to the member's account, provided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debts or obligations owed by the member to the Cooperative.

## ARTICLE II

### RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

#### **SECTION 2.1.      Service Obligations.**

- (a) The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services nor will it always be able to provide every service desired by each individual member.
- (b) The members pledge to purchase all services from the Cooperative to the extent that its services are able to meet the members needs and are competitively priced.

**SECTION 2.2.      Cooperation of the Members in the Extension of Services.** The cooperation of members of the Cooperative is imperative to the successful, efficient and economical operation of the Cooperative. Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge telephone and/or communications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across and upon any real property or interest therein owned or leased or controlled by said member for the furnishing of telephone or communication service to said member, or any other member, at no cost to the Cooperative. When requested by the Cooperative, the member does agree to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

**SECTION 2.3.      Nonliability for Debts of the Cooperative.** The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

**SECTION 2.4.      Property Interest of Members.** Upon dissolution, or sale of the assets of the Cooperative, after:

- (1) All debts and liabilities of the Cooperative shall have been paid;

- (2) All capital furnished through patronage shall be retired as provided in these bylaws; and
- (3) All membership fees shall have been repaid, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each member and former member bears to the total patronage of all such members and such former members on the date of dissolution or sale, unless otherwise provided by law.

### ARTICLE III

#### MEETINGS OF MEMBERS

**SECTION 3.1. Annual Meetings.** The annual meeting of the members shall be held at a date and place within the State as selected by the Board and which shall be designated in the Notice of the Meeting for the purpose of electing Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

**SECTION 3.2. Special Meetings.** Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three (3) Board members, by the president, or by not less than two hundred (200) members or by five percent (5%) of all the members, whichever shall be the lesser, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the Notice of the special meeting.

**SECTION 3.3. Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not later than the last billing date nor more than forty-five (45) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. Mail, addressed to the member at the address appearing on the records of the Cooperative, with postage thereon prepaid. The incidental or unintended failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**SECTION 3.4. Postponement of a Meeting of the Members.** In the event of inclement weather or the occurrence of a catastrophic event, the meeting of the members may be postponed by the President. Notice of the adjourned meeting shall be given by the President in any media or general circulation or broadcast serving the area.



**SECTION 3.5. Quorum.** Business may not be transacted at any meeting of the members unless, there are present in person at least fifty (50) members or five percent (5%) of the then total members of the Cooperative, whichever is greater, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date. At all meetings of the members, whether a quorum be present or not, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

**SECTION 3.6. Credentials And Election Committee.** The Board of Trustees shall, at least ten (10) days before any meeting of the members, appoint a credentials and election committee consisting of an uneven number of Cooperative members - not less than five (5), nor more than fifteen (15) who are not existing Cooperative employees, agents, officers, trustees or known candidates for trustee, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the geographic areas served by the Cooperative. The Committee may elect its own Chairman and Secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of Trustees (including, but not limited to the validity of petitions of nominations or the qualification of candidates and the regularity of the nomination and election of Trustees), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or an objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its Chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time, but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless the majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this section shall be final.

**SECTION 3.7. Voting.** Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporation, or these bylaws.

**SECTION 3.8. Order of Business.** The order of business at the annual meeting of the members and, so far as possible at all other meetings of the members, shall be conducted under

policies established by the Board and under an agenda essentially as follows, except as otherwise determined by the members at such meeting:

- (1) Report on the number of members present in person in order to determine the existence of a quorum.
- (2) Reading of the Notice of the Meeting and proof of timely publication or mailing thereof, or the waiver or waivers of Notice of Meeting, as the case may be.
- (3) Reading of unapproved minutes of last annual meeting of the members and the taking of necessary action thereon. The President may entertain a motion from the floor to dispense with the reading of such minutes.
- (4) Audit report of outside auditors, or, a summary thereof.
- (5) Election of Board members.
- (6) Presentation and consideration of reports of Officers, Trustees, and Committees.
- (7) Unfinished business.
- (8) New business.
- (9) Adjournment.

Notwithstanding the foregoing, the Board or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; provided, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

#### **ARTICLE IV**

#### **BOARD MEMBERS**

**SECTION 4.1.**     General Powers.     The business and affairs of the Cooperative shall be managed by a Board of five member Trustees which shall exercise all of the powers of the Cooperative except such as are by laws, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members.

**SECTION 4.2.**     Election Process and Tenure of Office.     Trustees shall be elected by a

select ballot at each annual meeting when there is competition for the Board seat(s) to be filled. They shall be elected by and from the members to serve a three (3) year term, or until their successors shall have been elected and shall have qualified, and that the terms of the Trustees shall be staggered to ensure continuity.

Trustees shall be nominated and elected as provided hereinafter. The Cooperative is divided into three (3) geographic service areas and from geographic area #1, one (1) Trustee shall be elected to the Board, and from each geographic area #2 and #3, two (2) Trustees shall be elected to the Board. Members shall be eligible to vote for every Trustee. The geographic service areas are set forth as follows:

Geographic Area #1 - - Magoffin County

Geographic Area #2 - - Johnson County

Geographic Area # 3 - - Lawrence County

**SECTION 4.3. Qualifications to be Nominated , to Become, or Remain a Trustee.**

Any eligible member may be nominated, elected and remain a Trustee of the Cooperative who:

- (1) Resides in the geographic area from which he or she is elected, and has resided there for more than two hundred forty (240) days during the last twelve (12) month period. However, residency is not a requirement for members who are not natural persons.
- (2) Is NOT an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in selling communication services or communications supplies or maintaining communications facilities. However, the Board may grant exceptions for "deminimus" competing enterprise.
- (3) Is NOT closely related to an incumbent Trustee or an employee of the Cooperative. As used here, "closely related" means a person who is related to the principal person who is either a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew or niece, by blood or in law, of the principal. However, no incumbent Trustee shall lose eligibility to remain a Trustee or to be reelected as a Trustee if he becomes a close relative of another incumbent Trustee or of a Cooperative employee because of a marriage to which he was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative to a Trustee who does not live in the household of the Trustee to which he or she was not a party. To remain a Trustee, the incumbent must attend two-thirds (2/3) or more of the regular meetings during each twelve (12) month period beginning with the month of his/her election. Upon establishment of the fact that a Trustee or nominee is in violation of any of the provisions of this Section, that office or nomination shall be deemed vacant. Nothing in this section shall affect in any manner whatsoever, the

validity of any action taken at any meetings of the Board.

The Cooperative shall adopt a written policy which will govern the application in practice of this by-law section to assure no employee will suffer unjust or unreasonable discrimination because of marital status.

**SECTION 4.4. Nominations.** It shall be the duty of the Board to appoint, not less than forty (40) days nor more than ninety (90) days before the date of a meeting of the members at which Board members are to be elected, a committee on nominations consisting of five (5) members who shall be selected from different geographic areas so as to ensure equitable representation. At least one (1) member of the Committee shall be selected from each geographic area where a Trustee is to be elected. No member of the Board, close relative of a Board member or employee may serve on such committee. The Committee, keeping in mind the principle of equitable representation, shall prepare and post at the principle office of the Cooperative at least ten (10) days before the meeting, a list of nominations for Board members which shall include as many nominees for each Board position as the Committee deems desirable. The Secretary shall be responsible for mailing with a Notice of the Meeting, or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Board members to be elected and the names and addresses of the candidates nominated by the Committee on nominations. "Any ten percent (10%) or more members acting together may make other nominations by petition and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted." Nominations made by petition, if any, received at least ten (10) days before the meeting shall be included on the official ballot. Such ballot shall arrange the names of the candidates by geographic areas and shall also designate the candidates nominated by the Committee and those nominated by petition. Later nominations by petition shall be treated as nominations from the floor. The Chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one (1) minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

**SECTION 4.5. Election of Trustees.** Contested elections of Trustees shall be by a form of printed ballot. The ballot shall list the names of the candidates nominated by the Committee and by petition with such names arranged by geographic area. Any member desiring to vote for a candidate nominated from the floor at the meeting shall write in the name of such candidate beneath the names of the candidates nominated by the Committee on nominations and by petition of the particular geographic area which such candidate would represent if elected.

Each member of the Cooperative present in person at the meeting shall be entitled to vote for one (1) or two (2) candidate(s) from each geographic area from which a Trustee is to be elected or on any issue before the meeting. The candidate or candidates from each geographic area from which a Trustee is to be elected receiving a plurality of votes cast for that office at such meeting shall be declared elected as a Trustee. Failure of an election for a given year shall allow the incumbent Trustees whose trusteeships would have been voted on to hold over only until the next member meeting at which a quorum is present.

**SECTION 4.6.**        Removal of Board Member by Members and Resignations. Any member may bring charges, relating to the duties and responsibilities of his position, against a Board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) percent of the members, or two hundred (200), whichever is the lesser, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel to present evidence in respect to the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members. No trustee shall be removed from office unless by a vote of two-thirds (2/3) of the members present. Any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

A Trustee may resign at any time by written notice delivered to the Board of Trustees, the President or Secretary of the Cooperative. A resignation is effective when the notice is delivered unless the notice specifies a future date. The pending vacancy may be filled before the effective date but the successor shall not take office until the effective date.

**SECTION 4.7.**        Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within sixty (60) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions in respect to nominations. However, any successor, whether chosen by the Board or the members, must reside in the same geographic area as the vacant Trustee and have the same qualifications for office as set forth in Section 4.3.

**SECTION 4.8.**        Compensation. Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. Board members, who elect to participate, may be extended various forms of liability and accident insurance as well as participation in benefits provided to employees except for benefits based on salary. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for serving the Cooperative, unless the payment and amount of the compensation shall be specifically authorized by a vote of the members of the service by the Board member or his close relative shall have been certified by the Board as an emergency measure. For purpose of this section, close relative includes grandparents, parents, husband, wife, children, grandchildren, brothers, sisters, aunts, uncles, nephews and nieces, by blood, by marriage or adoption, and spouses of any of the foregoing.

This by-law provision shall not apply to an employee who marries a close relative of a Trustee who does not live in the household of the Trustee.

The Cooperative shall adopt a written policy which will govern the application in practice of this by-law section to assure no employee will suffer unjust or unreasonable discrimination because of marital status.

**SECTION 4.9.**        Rules, Regulations, Rate Schedules and Contracts. The Board of Trustees shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Certificate of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative, or cause such to be submitted for any appropriate governmental regulatory approval. Further, the Board of Trustees may constitute itself into committees for the purpose of studying and making recommendations to the full Board in the course of its decisional processes.

**SECTION 4.10.**       Accounting Systems and Reports. The Board of Trustees shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

## ARTICLE V

### MEETINGS OF THE BOARD

**SECTION 5.1.**        Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof. A minimum of at least ten (10) regular meetings shall be held each year. Unless specifically prohibited by law, meetings, regular or special, may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

**SECTION 5.2.**        Special Meetings. Special meetings of the Board may be called by the President or by any three (3) Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or Board members calling the meeting shall fix the time and place for the holding of the meeting.

**SECTION 5.3.**        Notice of Board Meetings. Written notice of the time, place (or telecommunication conference event) and purpose of any special meeting of the Board shall be deemed to be delivered when deposited in the U.S. Mail, addressed to the Board member at his/her address as it appears on the records of the Cooperative, with first-class postage thereon prepaid, at least five (5) days before the date set for the meeting.

**SECTION 5.4.**        Quorum. A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present and voting at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws or by the parliamentary procedure or special rules adopted by the Cooperative. Board members may not vote by proxy at regular or special Board meetings.

**SECTION 5.5.**        Unanimous Consent in Writing. Unless otherwise prohibited by law, Board actions may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action taken in detail and the document is signed by all Board members entitled to vote.

## ARTICLE VI

### OFFICERS

**SECTION 6.1.**        Number and Titles. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 6.2.**        Election and Term of Office. The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding. They shall be elected annually by and from the Board, at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members, or until

a successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.3.**        Removal of Officers and Agents by the Board. Any officer or agent elected or appointed by the Board may be removed by the Board for cause related to position whenever in its judgment the best interest of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity.

**SECTION 6.4.**        President. The President shall:

- (1) Be the principal executive officer of the corporation and unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- (2) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (3) In general perform all duties incident to the Office of President and such other duties as may be prescribed by the Board from time to time.

**SECTION 6.5.**        Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the Board.

**SECTION 6.6.**        Secretary. The Secretary shall be responsible for:

- (1) Keeping the minutes of the meetings of the members and of the Board in books prepared for that purpose;
- (2) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (3) The safekeeping of the corporate books and records and the Seal of the Cooperative and affixing the Seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (4) Keeping a register of the names and post office addresses of all members;



- (5) Keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto and at the expense of the Cooperative, furnishing a copy of these Bylaws and of all amendments thereto to each member; and
- (6) In general performing all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to him by the Board.

**SECTION 6.7.**        Treasurer. The Treasurer shall be responsible for:

- (1) Custody of all funds and securities of the Cooperative;
- (2) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; provided, however, that the Treasurer shall have authority, with the approval of the Board, to delegate to the General Manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and
- (3) The general performance of all the duties incident to the Office of Treasurer and such other duties as from time to time may be assigned to him by the Board; provided, however, with respect to the duties and responsibilities of the Treasurer, the Cooperative shall indemnify and hold the Treasurer harmless against any and all losses, claims and/or damages which may be asserted against the Treasurer, in his official capacity, unless such claim is a result of an act personally committed or omitted by the Treasurer resulting in loss to the Cooperative.

**SECTION 6.8.**        General Manager. The Board shall appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative. The General Manager shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time vest in him.

**SECTION 6.9.**        Bonds. The Board shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.10.**       Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed or approved by the Board, subject to the provisions of these Bylaws with respect to compensation for close relatives of Trustees.

**SECTION 6.11.**     Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

## ARTICLE VII

### INDEMNIFICATION OF OFFICERS, BOARD MEMBERS, EMPLOYEES AND AGENTS

**SECTION 7.1.**     Scope of Indemnification. The Cooperative shall indemnify any person who was or is a party, or who is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by, or in the right of the Cooperative) by reason of the fact that such person is or was a Board member, officer, employee or agent of the Cooperative or who is or was serving at the request of the Cooperative as a Board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), adjustments, fines and amount paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon pleas of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

**SECTION 7.2.**     Indemnification for Good Faith Action. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to, any threatened, pending or completed action or suit by, or in the right of, the Cooperative to procure a judgment in its favor by reason of the fact that such person is, or was, a Board member, officer, employee, or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a Board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative. No indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless, and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, by in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

**SECTION 7.3.**     Cost of Defense Indemnified. To the extent a Board member,

officer, employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Sections 7.1 and 7.2, in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith.

**SECTION 7.4. Amount of Indemnification.** Any indemnification under Sections 7.1 and 7.2 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the Board member, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 7.1 and 7.2. Such determination shall be made:

- (1) By the Board by a majority vote of a quorum consisting of Board members who were not parties to such action, suit or proceedings; or
- (2) If such quorum is not obtainable, or even if obtainable, if a quorum of disinterested Board members so directs, by independent legal counsel in a written opinion; or
- (3) By the members.

**SECTION 7.5. Expenses Advanced.** Expenses incurred in defending a civil or criminal action, suite or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding, as authorized by the Board in the specific case, upon receipt of a firm commitment by or on behalf of the Board member, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Cooperative as authorized in this Article.

**SECTION 7.6. Rights of Person Indemnified.** The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board member, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

**SECTION 7.7. Insurance Coverage.** The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Board member, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of each person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Article.

## ARTICLE VIII

## NON-PROFIT OPERATION

**SECTION 8.1.**        Interest of Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**SECTION 8.2.**        Patronage Capital in Connection with Furnishing Telecommunications and Information Services. In the furnishing of telecommunications and information services, the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of telecommunications and information services in excess of operating costs and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account; provided that individual notice of such amounts furnished by each patron shall not be required if the Cooperative notified all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself or herself the specific amounts of capital so credited to him or her. All such amounts credited to the capital account of any patron shall have the same status as though it has been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperation corresponding amounts for capital.

All other non-operating income received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (1) Used to offset any losses incurred during the current or any prior fiscal year, and
- (2) To the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of patrons in an equitable manner as approved by the Board.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be at the discretion and direction of the Board

as to timing, method and type of retirement.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or in part of such patrons' premises served by the Cooperative unless the Board, acting under policies of general application, and the legal representative of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

When the capital credits of any patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the Board of Trustees, the same shall be retired in full with such retirements made only when and at the same time that a general retirement to other patrons is made. During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over. All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron, and further, between all the patrons themselves individually. Both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions with the Cooperative and each of its patrons. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its patrons.

**SECTION 8.3.** Patronage Capital in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than telecommunications and information services, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board shall determine.

## ARTICLE IX

### DISPOSITION AND PLEDGING OF PROPERTY DISSOLUTION AND DISTRIBUTION OF SURPLUS ASSETS UPON DISSOLUTION

The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than seventy-five percent (75%) of all members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof provided further that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated.

## ARTICLE X

### SEAL

The Corporate Seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words, "Corporate Seal."

## ARTICLE XI

### FINANCIAL TRANSACTIONS

**SECTION 11.1.** Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

**SECTION 11.2.** Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner, as shall from time to time be determined by resolution of the Board.

**SECTION 11.3.** Deposits. All the funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such institutions as the Board may select.

**ARTICLE XII**

**MISCELLANEOUS**

**SECTION 12.1. Membership in Other Organizations.** The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships or joint ventures when the Board finds that the general or long-term interests of its membership will be served by such investments or participation.

**SECTION 12.2. Waiver of Notice.** Any member or trustee may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or Trustee at any meeting shall constitute a waiver of notice of such meeting by such member or Trustee, except in a case member or Trustee shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

**SECTION 12.3. Rules and Regulations.** The Board shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and the affairs of the Cooperative.

**ARTICLE XIII**

**AMENDMENTS**

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than a majority of the Trustee in office, at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof; provided, however, that the provisions of Section 9 relating to a major disposition of the Cooperative's property and relating to the dissolution of the Cooperative, and Section 3.7 of Article III relating to voting by members, may be altered, amended or repealed only by the affirmative vote of not less than two-thirds (2/3) of all current members of the Cooperative voting in person and without proxies.

AMENDED: FEBRUARY 15, 1999





**Brandon Wheeler**

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**From:** Pomicter, Joseph - RD, St. Louis, MO <joseph.pomicter@stl.usda.gov>  
**Sent:** Thursday, July 19, 2012 10:01 AM  
**To:** Brandon Wheeler  
**Subject:** RE: Reference number RUS- 221522, RTB-921522

Brandon,  
All of those loans are eligible to be prepaid and there are no prepayment penalties.  
Thanks

Joe Pomicter | Accountant, Direct Loan and Grant Branch  
Office of the Deputy Chief Financial Officer  
Rural Development  
U.S. Department of Agriculture  
4300 Goodfellow Blvd. | St. Louis, MO 63120  
Phone: 314.457.4089 | Fax: 314.457.4283

[www.rurdev.usda.gov](http://www.rurdev.usda.gov)

"Committed to the future of rural communities"  
"Estamos dedicados al futuro de las comunidades rurales"

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**From:** Brandon Wheeler [<mailto:brandon@foothills.coop>]  
**Sent:** Thursday, July 19, 2012 8:50 AM  
**To:** RD.DCFO.RUS  
**Subject:** Reference number RUS- 221522, RTB-921522

Greetings,

We are considering refinancing some of our RUS and RTB debt here at Foothills. I need to know if this debt is eligible to refinance, and if there are any prepayments penalties. For RTB, loans S030, S031, S032, S040; For RUS, loans 12183, 12191, 12192, 12193, 12200. Appreciate your help with this matter.

Thanks,

**Brandon M. Wheeler, CPA**

Senior Accountant  
Foothills Rural Telephone Cooperative  
PO Box 240  
Staffordsville, KY 41256  
Office: 606-297-9116  
Fax: 606-297-9616

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