

MORTGAGE
AND
SECURITY AGREEMENT

Made By and Between
INTERSTATE 35 TELEPHONE COMPANY

Mortgagor

and

RURAL TELEPHONE FINANCE COOPERATIVE

Mortgagee

Dated as of

THIS INSTRUMENT SECURES FUTURE ADVANCES MADE BY THE MORTGAGEE TO THE MORTGAGOR AND FUTURE OBLIGATIONS OF THE MORTGAGOR TO THE MORTGAGEE.

THE MORTGAGOR, AS DEBTOR, IS A TRANSMITTING UTILITY.

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MARY E. WELTY
RECORDER
MADISON COUNTY, IOWA
Fee \$140.00

PARTIAL
FOR RELEASE OF ANNEXED MORTGAGES SEE
MORTGAGE RECORD 151 PAGE 422

TABLE OF CONTENTS

Page

ARTICLE I

SECURITY

SECTION 1.01 Granting Clause..... 2

ARTICLE II

ADDITIONAL NOTES

SECTION 2.01 Additional Notes Secured by this Mortgage... 4

SECTION 2.02 Supplemental Mortgages to Confirm
Security 5

ARTICLE III

PARTICULAR COVENANTS OF THE MORTGAGOR

SECTION 3.01 Authority to Execute and Deliver
Notes and Mortgages; All Action
Taken; Enforceable Obligations 5

SECTION 3.02 Authority to Mortgage Property;
No Liens; Exception for Permitted
Encumbrances; Mortgagor to Defend
Title and Remove Liens 5

SECTION 3.03 Payment of Notes 6

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

3

TABLE OF CONTENTS, Continued

	Page
SECTION 3.04 Preservation of Corporate Existence and Franchises; Compliance with Laws; Limitations on Mergers, Transfers and Purchases.....	6
SECTION 3.05 Maintenance of Mortgaged Property.....	6
SECTION 3.06 Purchase of Property Free of Liens.....	6
SECTION 3.07 Insurance; Restoration of Damaged Mortgaged Property	7
SECTION 3.08 Noteholders' Right to Expend Money to Protect Mortgaged Property	7
SECTION 3.09 Limitations on Contracts; Deposits of Funds	8
SECTION 3.10 Limitations on Wages and Compensation	8
SECTION 3.11 Financial Books; Financial Reports; Mortgagee Right of Inspection.....	9
SECTION 3.12 Further Assurances to Confirm Security of Mortgage	9
SECTION 3.13 Limitation on Dividends, Patronage Refunds and Other Cash Distributions	10

TABLE OF CONTENTS, Continued

	Page
SECTION 3.14 Application of Proceeds from Condemnation	10
SECTION 3.15 Compliance with Loan Agreements.....	10
SECTION 3.16 Contracts for General Manager; Termination Thereof.....	10
SECTION 3.17 Notice of Change in Place of Business	11
SECTION 3.18 Rights of Way, etc., Necessary in Business	11
SECTION 3.19 Limitations on Loans, Investments and Other Obligations.....	11
SECTION 3.20 Sales of Assets.....	12

ARTICLE IV

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

SECTION 4.01 Events of Default	12
SECTION 4.02 Remedies of Mortgagee and Noteholders.....	13
SECTION 4.03 Right of Noteholders to Bid on Mortgaged Property	15
SECTION 4.04 Application of Proceeds from Remedial Actions	15
SECTION 4.05 Notice of Default	15
SECTION 4.06 Remedies Cumulative; No Election	15
SECTION 4.07 Waiver of Appraisalment Rights.....	15

-iii-

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

TABLE OF CONTENTS, Continued

	Page
ARTICLE V	
POSSESSION UNTIL DEFAULT - DEFEASANCE CLAUSE	
SECTION 5.01 Possession Until Default	16
SECTION 5.02 Defeasance	16
ARTICLE VI	
MISCELLANEOUS	
SECTION 6.01 Property Deemed Real Property	16
SECTION 6.02 Mortgage to Bind and Benefit Successors and Assigns	17
SECTION 6.03 Headings	17
SECTION 6.04 Notices.....	17
SECTION 6.05 Severability	18
SECTION 6.06 Counterparts	18
SECTION 6.07 Mortgage Deemed Security Agreement.....	18
SECTION 6.08 Indemnification by Mortgagor of Mortgagee.....	18
SECTION 6.09 Use of Terms.....	18
EXHIBIT I	
EXHIBIT II	

DEFINED TERMS

Additional Notes..... 1
Events of Default.....12
Existing Facilities..... 1
First Note..... 1
Fiscal Date..... 9
Instruments Recital..... 1
Loan Agreement..... 1
Mortgage..... 1
Mortgaged Property..... 2
Mortgagee..... 1
Mortgagor..... 1
Noteholder..... 5
Notes..... 1
RTFC..... 1
Uniform Commercial Code..... 1

MORTGAGE AND SECURITY AGREEMENT ("Mortgage"), dated as of ~~September 27~~, 1988, made by and between INTERSTATE 35 TELEPHONE COMPANY (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Iowa and Rural Telephone Finance Cooperative (hereinafter sometimes called the "Mortgagee" and sometimes called the "RTFC"), a South Dakota cooperative association.

WHEREAS, the Mortgagor has determined to borrow funds from the Mortgagee pursuant to a Loan Agreement (said Loan Agreement, as it may be from time to time amended or supplemented, being hereinafter called the "Loan Agreement"), identified in Exhibit I hereto (hereinafter called the "Instruments Recital"), and has accordingly duly authorized and executed, and delivered to the Mortgagee, its mortgage note(s) (identified in the Instruments Recital as and hereinafter called the "First Note") to be secured by this Mortgage of the property hereinafter described; and

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

WHEREAS, the Mortgagor now owns a telephone system and other facilities identified in the Property Schedule attached as Exhibit II hereto (hereinafter called the "Existing Facilities"); and

WHEREAS, to the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code of any state (hereinafter called the "Uniform Commercial Code"), the parties hereto desire that this Mortgage be

regarded as a "Security Agreement" and as a "Financing Statement" for said security agreement under the Uniform Commercial Code;

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

ARTICLE I

SECURITY

SECTION 1.01. 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 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 Mortgagee, and assigns, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the Existing Facilities and buildings, plants, works, improvements, structures, estates, grants, franchises, easements, rights, privileges and properties real, personal and mixed, tangible or intangible, of every kind or description, now owned or leased by the Mortgagor or which may hereafter be owned, 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, subscriber equipment, including house wiring and protectors, instruments, connections and appliances, office furniture and equipment, work equipment and any and all other property of every kind, nature and description, used, useful or acquired for use by the Mortgagor in connection therewith and including, without limitation, the property described in the Property Schedule attached as Exhibit II hereto;

- 2 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

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, contracts rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor;

V

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

10

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

Provided, however, 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 Mortgagee and its assigns forever, to secure equally and ratably the payment of the principal of, premium 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 Loan Agreement contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE II

ADDITIONAL NOTES

SECTION 2.01. Additional Notes Secured by This Mortgage: The Mortgagor, when authorized by resolution of its board of directors, may from time to time execute and deliver to the Mortgagee one or more Additional Notes to evidence loans made by the Mortgagee to the Mortgagor. The Mortgagor, when authorized by resolution of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any Note at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding Note. 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 authorizing the execution and delivery thereof and the Mortgagee shall prescribe, provided, however, that 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.

- 4 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

11

SECTION 2.02. Supplemental Mortgages to Confirm Security: The Mortgagor, when authorized by resolution 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.

ARTICLE III

PARTICULAR COVENANTS OF THE MORTGAGOR

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

SECTION 3.01. Authority to Execute and Deliver Notes and Mortgages; All Action Taken; Enforceable Obligations: The Mortgagor is duly authorized under its articles of incorporation and by-laws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the First 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 First Note and this Mortgage has been duly and effectively taken; and the First Note and this Mortgage are the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

SECTION 3.02. Authority to Mortgage Property; No Liens; Exception for Permitted Encumbrances; Mortgagor to Defend Title and Remove Liens: 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 Mortgagee against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all

12

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 Mortgagee or to any Noteholder adequate proof of such payment or discharge.

SECTION 3.03. Payment of Notes: 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 3.04. Preservation of Corporate Existence and Franchises; Compliance with Laws; Limitations on Mergers, Transfers and Purchases: 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 Mortgagee, take or suffer to be taken any steps to reorganize, or to consolidate with or merge into any other corporation. The Mortgagor will not without the written approval of the Mortgagee, purchase, lease or otherwise acquire any additions or extensions to its system if such addition or extension is in excess of 10% of total assets.

SECTION 3.05. Maintenance of Mortgaged Property: 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 in accordance with prudent industry practice, 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 3.06. Purchase of Property Free of Liens: Except as specifically authorized in writing in advance by the Mortgagee or in the case of vehicles, the Mortgagor will purchase all materials, equipment, supplies and replacements to be incorporated in or used in connection with or otherwise constituting 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.

- 6 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

13

SECTION 3.07. Insurance; Restoration of Damaged Mortgaged Property: (a) The Mortgagor will at all times at its own expense maintain, with a financially sound and reputable insurer, property and casualty insurance (including fidelity bonds) with respect to its properties and business against such casualties and contingencies of such types and in such amounts as the Mortgagee reasonably determines is customary in the case of any entity of established reputation engaged in the same or a similar business and owning similar properties. The Mortgagor will cause the Mortgagee to be named as a co-insured on all such insurance policies. The Mortgagor will, upon request of the Mortgagee, submit a schedule of its insurance in effect on the date specified in such request and shall, if so directed by the Mortgagee, submit a certificate of its insurance coverages. If the Mortgagor shall at any time fail or refuse to take out or maintain insurance or to make changes in respect thereof upon appropriate request by the Mortgagee, the Mortgagee may take out such insurance on behalf and in the name of the Mortgagor, and the Mortgagor will pay the cost thereof.

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

SECTION 3.08. Noteholders' Right to Expend Money to Protect Mortgaged Property: 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 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, after notice given by such Noteholders that existing insurance is inadequate, and if Mortgagor has failed, within thirty days of the giving of such notice, to provide evidence satisfactory to such Noteholder, that adequate insurance is in effect. 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

- 7 -

14

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 rate applicable to loans made by the Mortgagee to similarly classified borrowers 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 making such advance or advances upon demand; provided, however, that such interest rate shall not be in excess of the rate permitted by law. 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 3.09. Limitations on Contracts; Deposits of Funds:
The Mortgagor will not, without the approval in writing of the Mortgagee: (a) enter into any contract or contracts for management of its business or any part thereof, 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 contract which in form and substance conforms with contracts in general use in the telephone industry by companies of size and character similar to; or (b) deposit any of its funds, regardless of the source thereof, in any bank which is not insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or the successor thereof.

SECTION 3.10. Limitations on Wages and Compensation: (a) 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 Mortgagee, provided that nothing herein contained shall preclude any director or trustee from serving the Mortgagor in any other capacity and receiving compensation therefor.

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

- 8 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

15

SECTION 3.11. Financial Books; Financial Reports; Mortgagee Right of Inspection: The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Mortgagor, in accordance with methods of accounting prescribed by the state regulatory body having jurisdiction over the Mortgagor, or in the absence of such regulatory body or such prescription, by the Federal Communications Commission. The Mortgagor will prepare and furnish each Noteholder not later than the forty-fifth day of the end of each fiscal quarter, or at more frequent intervals when specified by the Mortgagee, 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 Mortgagee, 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 12-month period during the term hereof, a full and complete report of its and its subsidiaries financial condition as of a date (hereinafter called the "Fiscal Date") not more than ninety days (90) prior to the date such report is furnished to the Noteholders hereunder, and of its and its subsidiaries operations for the twelve-month period ended on the Fiscal Date, in form and substance satisfactory to the Mortgagee, audited and certified by independent certified public accountants satisfactory to said Noteholders and accompanied by a report of such audit in form and substance satisfactory to the Mortgagee. The Mortgagee, through its 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, cancelled checks, statements and other documents and papers of every kind belonging to or in possession of the Mortgagor and pertaining to the Mortgagor's property or business.

SECTION 3.12. Further Assurances to Confirm Security of Mortgage: The Mortgagor will from time to time upon written demand of the Mortgagee make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the Mortgagee and take or cause to be taken all such further action as may reasonably be requested by the Mortgagee 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 Mortgagee 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 interest of the Mortgagee 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 Mortgagee 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 Mortgagee and the Noteholders.

SECTION 3.13. Limitations on Dividends, Patronage Refunds and Other Cash Distributions: The Mortgagor will not, in any one calendar year, without the approval in writing of the Mortgagee, declare or pay any dividends on its capital stock, membership certificates, or equity capital certificates or make any other distribution to its stockholders, members or subscribers, or purchase or redeem or retire any of its capital stock, membership certificate or equity capital certificates, or make any investment in affiliated companies, if after giving effect to such distribution the total equity of the Mortgagor will be less than 30% of its total assets and other debits; provided further that, if after giving effect to such distribution, the total equity of the Mortgagor will be less than 30% of its total assets and other debits, then in such event the Mortgagor may make such distribution if, after giving effect to such distribution the total equity of the Mortgagor will be not less than 20%, and such distribution in the aggregate for the calendar year does not exceed 40% of the total net income or margins for the next preceeding calendar year; provided further, that in no event will the Mortgagor make such a distribution when there is unpaid any due installment of principal and/or interest on the Notes secured by this Mortgage, if the Mortgagor is otherwise in default of any provision of this Mortgage or if, after giving effect to the distribution, the Mortgagor's total current and accrued assets would be less than its total current and accrued liabilities.

For the purpose of this section, "distribution" shall not include the prepayment of a membership fee upon termination of service and "total equity" shall mean the aggregate of capital stock, memberships, capital certificates, retained earnings, retained margins or patronage capital.

SECTION 3.14. Application of Proceeds from Condemnation: 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

- 10 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

17

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 fourth, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 3.15. Compliance with Loan Agreements: The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the Loan Agreement on its part to be observed or performed. In the event of any inconsistency between the terms and conditions of the Mortgage and Loan Agreement, the more restrictive provisions shall apply to the Mortgagor.

SECTION 3.16. Contracts for General Manager; Termination Thereof: (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 Mortgagee, except that no such approval shall be required for contracts in effect as of the date hereof, although it shall be required for amendments or supplements thereto or renewals thereof. (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 Mortgagee shall give notice to the Mortgagor that in its 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.

SECTION 3.17. Notice of Change of Chief Executive Offices: The Mortgagor will promptly notify the Mortgagee in writing of any change in location of its chief executive offices or the office where its records concerning accounts and contract rights are kept.

SECTION 3.18. Rights of Way, etc., Necessary in Business: The Mortgagor will use its best efforts to obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by the Mortgagee, deliver to the Mortgagee evidence satisfactory to the Mortgagee of the obtaining of such rights of way, easements or releases.

SECTION 3.19. Limitations on Loans, Investments and Other Obligations: The Mortgagor will not, without the written approval of the Mortgagee, hereafter make any loan or advance to, or make any investment in, or purchase or make any commitment to purchase any stock, bonds, Notes or other securities of, or guaranty, assume or otherwise become obligated or liable with respect to the obligations

18

of, any person, firm or corporation, except (i) securities or deposits issued, guaranteed or fully insured as to payment by the United States Government or any agency thereof, (ii) Subordinated Capital Certificates or other certificates and securities of the Mortgagee or of National Rural Utilities Cooperative Finance Corporation, (iii) loans, deposits, advances, investments, securities and obligations which the Mortgagor has, prior to the date hereof, committed itself to make, purchase or undertake, as the case may be, and as to which the Mortgagor has given the Mortgagee notice in writing prior to the date hereof.

SECTION 3.20. Sale of Assets: The Mortgagor and any subsidiary of the Mortgagor may not, without prior written approval of the Mortgagee, sell, lease or transfer any capital asset, unless the fair market value of such asset is less than \$50,000 and the aggregate value of assets sold, leased or transferred in any 12-month period is less than \$200,000. The proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such sale transaction must be immediately applied as prepayment of the Notes as may be designated by the respective Noteholders at the time of any such prepayment or set aside as a deposit in any construction fund.

ARTICLE IV

REMEDIES OF THE MORTGAGEE AND NOTEHOLDERS

SECTION 4.01. Events of Default: 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 or premium 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 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;

- 12 -

Form - RTFC Mortgage
RTFC Loan Telephone
7/88 L19 OR 547-A-9001

19

(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, easements or licenses required to carry on any material portion of its business; or

(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 such Note 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 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 who shall have declared the principal of and interest on Notes held by such Noteholder 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 4.02. Remedies of Mortgagee and Noteholders: If one or more of the events of default shall happen, the Mortgagee personally or by attorney, in its discretion, may (regardless of whether any of the Notes has been accelerated), 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

20

limitation, the making of all repairs or replacements deemed necessary or advisable;

(b) proceed to protect and enforce the rights of the Mortgagee and the rights of the Noteholder 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 instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers, in like and similar cases, to the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

(c) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county in which the property to be sold, or any part thereof is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county, or if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this section 4.02 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale 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

- 14 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

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 4.03. Right of Noteholders to Bid on Mortgaged Property: At any sale hereunder any Noteholder 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 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 held by such Noteholder and such amount so applied shall be credited as a payment on account of principal of and interest on the Note held by such Noteholder.

SECTION 4.04. Application of Proceeds from Remedial Actions: Any proceeds of 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 4.05. Notice of Default: The Mortgagor covenants that it will give written notice to the Mortgagee and to all of the Noteholders of the occurrence of an Event of Default or an event which, with the giving of notice or lapse of time or both, would constitute an Event of Default.

SECTION 4.06. Remedies Cumulative; No Election: Every right or remedy herein conferred upon or reserved to the Mortgagee 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 4.07. Waiver of Appraisal Rights: The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or

92
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 V

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 5.01. Possession Until Default: 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 5.02. Defeasance: 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 Mortgagee and the Noteholders shall thereupon cease, determine and become void and the Mortgagee and the Noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each Noteholder, upon payment in full to such Noteholder by the Mortgagor of all principal of and interest on any Note held by such Noteholder 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 VI

MISCELLANEOUS

SECTION 6.01. Property Deemed Real Property: 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

- 16 -

Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

23

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

SECTION 6.03. Headings: The descriptive headings of the various articles of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 6.04. Notices: 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: INTERSTATE 35 TELEPHONE COMPANY
P.O. Box 206
Truro, Iowa 50257
Attention: President

As to the Mortgagee: RURAL TELEPHONE
FINANCE COOPERATIVE
1115 30th Street, N.W.
Washington, D.C. 20007
Attention: Loan Officer

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 Mortgagee. The Mortgagor or the Mortgagee 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.

24

SECTION 6.05. Severability: 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 any holder of Notes hereunder affect the rights hereunder of any other holder of Notes.

SECTION 6.06. Counterparts: 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.

SECTION 6.07. Mortgage Deemed Security Agreement: To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the 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 addresses of the Mortgagor as debtor, and of the Mortgagee as secured party are as set forth in Section 6.04.

SECTION 6.08. Indemnification by Mortgagor of Mortgagee: The Mortgagor agrees to indemnify and save harmless the Mortgagee and any other Noteholder against any liability or damages which any of them may incur or sustain in the exercise and performance of their powers and duties hereunder. For such reimbursement and indemnity, the Mortgagee and any other Noteholder shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee or any other Noteholder incurring or suffering the same with interest at the rate specified in Section 3.08 hereof.

SECTION 6.09. Use of Terms. The use of any gender or the neuter herein shall also refer to the other gender or the neuter and the use of the plural shall also refer to the singular; and vice versa.

15

IN WITNESS WHEREOF, INTERSTATE 35 TELEPHONE COMPANY, 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, and Rural Telephone Finance Cooperative, as Mortgagee, has caused this Mortgage to be duly executed in its behalf, all as of the day and year first above written.

INTERSTATE 35 TELEPHONE COMPANY

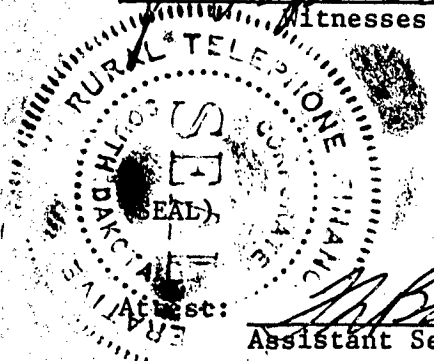
NO (SEAL)

By: *John Mauer*
President

Attest: *John Mauer*
Secretary

Executed by the Mortgagor
in the presence of:

Shirley Keating
John Mauer
Witnesses



RURAL TELEPHONE FINANCE COOPERATIVE

By: *D. H. [Signature]*
Title: Acting C.E.O.

Attest: *M. Brandt*
Assistant Secretary-Treasurer

Executed by the Mortgagee
in the presence of:

Corona Fredrickson
Linda Johnson
Witnesses

26

STATE OF IOWA)
) SS
COUNTY OF Madison)

BE IT REMEMBERED, that on this 27 day of September, 1988, before me, the undersigned, a notary public in and for the county and state aforesaid, came Dale Mauch, president of Interstate 35 Telephone Company, a corporation, who is personally known to me to be such officer, and who is personally known to me to be the person who executed as such officer the within instrument of writing on behalf of such corporation, and such person duly acknowledged the execution of the same to be the act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

Carol Knapp
Notary Public

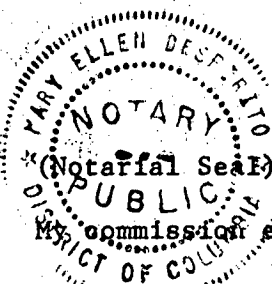


~~District of COLUMBIA~~
~~STATE OF SOUTH DAKOTA~~)
) SS
~~COUNTY OF~~)

BE IT REMEMBERED, that on this 27th day of September, 1988, before me, the undersigned, a notary public in and for the District of Columbia, aforesaid, came N. J. Walsh, Acting C.E.O. of the RURAL TELEPHONE FINANCE COOPERATIVE, a corporation, who is personally known to me to be such Acting C.E.O. and who is personally known to me to be the person who executed as such Acting C.E.O. the within instrument of writing on behalf of such corporation and such person duly acknowledged the execution of the same as the act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

Mary Ellen Desjardis
Notary Public



Form - RTFC Mortgage
RTFC Loan Telephone
9/88 L39 IA 648-A-9001

21

Exhibit I

INSTRUMENTS RECITAL

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

"Loan Agreement" dated as of even date herewith

"First Note"

<u>Date</u>	<u>Principal Amount</u>	<u>Final Payment Date</u>
As of even date herewith	\$666,666.00	15 yrs from the date hereof

18

Exhibit II

INTERSTATE 35 TELEPHONE COMPANY
Real Estate

1. The South 82 feet of the West 28 feet of Lot One (1) in the Southwest Section of the Original Town of St. Carles, Madison County, Iowa.
2. Beginning at the Southeast corner of Lot One (1) in the Southwest Section of St. Charles, Madison County, Iowa, running thence North 54 feet, thence West 38 feet, thence South 54 feet, thence East 38 feet to the point of beginning, St. Carles, Madison County, Iowa.
3. Lot Seven (7) in Block Eight (8) of the Original Town Plat of Truro, (formerly called Ego), Madison County, Iowa.
4. Beginning at a point 106 feet South and 30 feet West of the Northeast Corner of Section Sixteen (16), Township Seventy-five (75) North, Range Twenty-five (25) West of the 5th P.M., Iowa, thence West 53 feet; thence South 24 feet; thence East 53 feet; thence North 24 feet to the place of beginning, St. Marys, Warren County, Iowa.

Form - RTFC Mortgage
RTFC Loan Telephone
7/88 L19 OR 547-A-9001