JAMES BATES
BRANNAN GROOVER LLP

JOHN B. NICHOLS DIRECT LINE: (478) 749-9982 EMAIL: jnichols@jamesbatesllp.com

- PLEASE REPLY TO THE MACON OFFICE –

June 12, 2023

VIA EMAIL to stanner@psc.ga.gov
AND VIA OVERNIGHT MAIL

Sallie Tanner
Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, Georgia 30334-5701

Re: Loan Application and Offer from the USDA Rural Utilities Service

Dear Ms. Tanner:

I represent Public Service Telephone Company ("PSTC"). PSTC has resolved to seek financing for the construction of a broadband infrastructure project to serve rural areas where at least 90% of the households are without sufficient access to broadband through a RUS ReConnect loan application in the amount of $36,492,568. The note will be a 22-year term at a subsidized rate of two percent (2%) per year. PSTC will continue to serve all customers in its footprint but will be deploying over 410 miles of buried fiber optic distribution plant to provide broadband connectivity to customers in rural and remote parts of Crawford, Macon, Marion, Monroe, Talbot, and Taylor Counties in middle Georgia.

In conjunction with the loan, PSTC submits the following documents for your review and approval of the loan:

- PSTC Board Resolution authorizing the borrowing of loan funds from the USDA RUS ReConnect Program;
- Loan commitment letter from the USDA;
- Loan documents provided by the USDA;
- Latest audited financial statement; and
- Executive summary of the project.

Please feel free to let me know if you require any other documentation for review or approval of this loan request.

Respectfully,

JAMES-BATES-BRANNAN-GROOVER-LLP

By: 

John B. Nichols

Enclosures

cc: James L. Bond (via email only to jim.bond@publicsvc.com)
Stacey Fitzgerald (via email only to stacey.fitzgerald@publicsvc.com)

49317.0066

UNANIMOUS WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS
OF
PUBLIC SERVICE TELEPHONE COMPANY, INC.
14 September 2022

Pursuant to Section 14-2-821 of the Georgia Business Corporation Code, the undersigned, being all the members of the Board of Directors of Public Service Telephone Company, Inc., a Georgia Corporation, (the "Company") hereby consent to and take the actions set forth below, in lieu of a meeting of the board of Directors, and the actions taken herein are to have the same force and effect as if taken at a meeting at which all the members of the Board of Directors were present and voting.

WHEREAS, the Board of Directors of Public Service Telephone Company, Inc. determined it would be desirable to request a loan from the United States of America, acting through the Administrator of the Rural Utility Service (hereinafter "RUS) in an amount not to exceed $36,492,568. The RUS Reconnect Program Loan will be utilized for RUS approved construction of broadband infrastructure projects to serve rural areas where at least 90% of households are without sufficient access to broadband.

RESOLVED that the Board of Directors of Public Service Telephone hereby move to borrow from the United States of America, acting through the Administrator of RUS, an amount not to exceed $36,492,568 to be used for such purposes approved by RUS.

RESOLVED that the Board of Directors approve the below application acceptance forms to be executed by the President of the corporation.

- Assurance Regarding Felony Conviction or Tax Delinquent Statue for Corporate Applicants (AD3031 Form)
- Loan acceptance letter

Motion and AD3031, Loan acceptance letter and draft loan agreement attached to minutes.

Don E. Bond

E. Kelly Bond

James L. Bond

This form is available electronically.

OMB Control No. 0505-0025
Expiration Date: 6/30/2022

USDA

Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants

AD-3031

The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. § 552a, as amended). The authority for requesting the following information for U.S. Department of Agriculture (USDA) agencies and staff offices is in § 744 and 745 of the Consolidated Appropriations Act, 2019, Pub. L. 116-6 as amended and/or subsequently enacted. The information will be used to confirm applicant status concerning entity conviction of a felony criminal violation, and/or unpaid Federal tax liability status.

According to the Paperwork Reduction Act of 1995 an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0505-0025. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The provisions of appropriate criminal, civil, fraud, privacy, and other statutes may be applicable to the information provided.

This award is subject to the provisions contained in the Consolidated Appropriations Act, 2019, Pub. L. 116-6, Division E, Title VII, sections § 744 and 745, as amended and/or subsequently enacted for U.S. Department of Agriculture (USDA) agencies and offices regarding corporate felony convictions and corporate federal tax delinquencies.

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

APPLICANT'S SIGNATURE

President

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

Public Service Telephone Company

BUSINESS NAME

09-14-2022

DATE SIGNED (*MM-DD-YYYY*)

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint (https://www.ascr.usda.gov/filing-program-discrimination-complaint-usda-customer) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442.

REV 04/19

USDA
United States Department of Agriculture

Rural Development

RUS Telecommunications Program

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

Voice 202.720.0800

James Bond
Public Service Telephone Company
President
8 North Winston Street
Reynolds, Georgia 31076

Dear Mr. James Bond,

We are pleased to inform you that your application for a loan from the Rural Utilities Service ReConnect Program has been approved. We are offering you a loan in the amount of $36,492,568 carrying an interest rate of 2% over 22 years. The loan is subject to the terms of the enclosed Loan Agreement. The loan designation for your project is GA 1706-A73. This designation should be referenced in all future correspondence concerning this loan.

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

Please be advised that pursuant to federal regulations at 7 CFR 1970.11(b), the Agency has determined that assured access to ReConnect funding for this Project is necessary for economic rural development. As a result, the attached Loan and Security Agreement is subject to the completion of all necessary environmental procedures required by Federal law. Given that all such procedures have not yet finished on your Project, no work on the Project, whether work which will be reimbursed through federal funds, or work which will be paid for with Awardees own funds, may be engaged until successful completion of the environmental reviews. Awardee acknowledges that unless it has received written notice from the Agency, it will not engage in any work on the Project, under any circumstances, except for that required to finalize the environmental reviews. Failure to abide by this requirement will result in the termination of the Loan and Security Agreement. Additionally, Awardee acknowledges that should any findings in the environmental reviews require significant changes to the Project, and as a result to the Loan and Security Agreement, such changes will constitute an immediate deobligation of federal funding and the termination of the Loan and Security Agreement and will not result in an amended agreement until revised terms are agreed upon and funding is determined to be still available.

USDA is an equal opportunity provider, employer, and lender.

Rural Development

RUS Telecommunications Program

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

Voice 202.720.0800

It is acceptable for ReConnect awardees to order materials and enter into engineering contracts prior to the commencement of "work". However, applicants must request permission to purchase the materials and must submit the engineering contracts for approval and must be informed that any purchases completed or contracts entered into before all environmental clearances have been obtained are at their own risk and that RUS has no obligation to reimburse these purchases.

Finally, before funds are drawn, you should have in place a cybersecurity plan, a supply chain plan, and a plan to comply with cybersecurity requirements of the National Institute of Standards and Technology and the Cybersecurity and Infrastructure Security Agency.

Please indicate your acceptance of this offer by having **the president or other authorized official** sign this letter, and within five (5) days from the date hereof, returning it and an executed copy of the AD3031 form **by email** to:

Mr. Randall Millhiser, Deputy Assistant Administrator
Loan Origination and Approval Division
USDA, Rural Utilities Service
Stop 1590, Room 4121, South Building
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1590
Email: LOADinfo@usda.gov

Upon receipt of the signed copy of this letter and the AD3031 form, the loan documents will be prepared and forwarded in the near future for execution. This loan/grant is approved with the understanding that the loan/grant documents will be authorized and executed by your organization and returned to us within the time period which will be set forth in the letter of transmittal.

USDA is an equal opportunity provider, employer, and lender.

USDA
United States Department of Agriculture

Rural Development

RUS Telecommunications Program

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

Voice 202.720.0800

Although we are very glad to be making this loan combination to Public Service Telephone Company, we would appreciate it if you did not announce this loan offer until USDA makes a formal announcement of your acceptance of the loan.

Sincerely,

CHRISTOPHER MCLEAN Digitally signed by CHRISTOPHER MCLEAN Date: 2022.09.12 14:26:50 -04'00'

CHRISTOPHER MCLEAN
Acting Administrator
Rural Utilities Service

ACCEPTANCE:
Public Service Telephone Company

By: _____
Name: James L. Bond
Title: President
Date: September 14, 2022

Enclosures:
Loan and Security Agreement
Form AD-3031

A.A#: RECON 350

USDA is an equal opportunity provider, employer, and lender.

PROMISSORY NOTE

GA 1706-A73
Georgia

THIS PROMISSORY NOTE (hereinafter the "Note,") dated as of October 20, 2022, is made by PUBLIC SERVICE TELEPHONE COMPANY (hereinafter the "Borrower,") a corporation duly organized and existing under the laws of the State of Georgia, to the **UNITED STATES OF AMERICA**, (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS.") For value received, the Borrower promises to pay to the order of the Government, at the United States Treasury, Washington, D.C., Thirty-Six Million Four Hundred Ninety-Two Thousand Two Hundred Fifty-Eight Dollars ($36,492,258), with interest payable, from the date of each advance, on the amount advanced by the Government (hereinafter the "Advance,") pursuant to a certain loan agreement, dated the same date as this Note (hereinafter the "Loan Agreement,") made by and between the Borrower and the Government, and remaining unpaid from time to time, in the time and manner herein provided:

1. *Interest Rate*. Interest shall accrue on each Advance at two (2) percent per annum.

2. *Maturity Date*. On a date Twenty-two (22) years after funds are first made available, the principal hereof advanced pursuant to the Loan Agreement and remaining unpaid, if any, and interest thereon, shall be due and payable (hereinafter the "Maturity Date.")

3. *Fund Advance Period.* Funds will be advanced pursuant to the Loan Agreement. The fund advance period for this Note begins on the date hereof and terminates five (5) years from the Release of Funds Date, as set forth in the Loan Agreement (hereinafter the "Expiration Date.") No funds will be advanced subsequent to the Expiration accordance with the Loan Agreement.

4. *Deferral Period*. Unless payment is otherwise made by the Borrower, all accrued interest and principal on Advances will be deferred for a three (3)-year period starting when funds are first made available to be drawn by the Borrower, as indicated in written notice by RUS.

5. *Payments on Advances*. At the end of the three-year deferral period, all unpaid accrued interest will be capitalized and added to the outstanding principal, and monthly payments will be established in an amount that amortizes the outstanding balance in equal payments over the remaining term of the loan.

6. *Application of Payments*. Each payment made on this Note shall be applied as follows: First, to expenses, costs and penalties; Second, to late charges; Third, to the payment of interest on principal; and Fourth, to principal.

7. *Prepayment*. All, or a portion of the outstanding balance, of any Advance may be prepaid on any payment date, as herein provided. However, so long as any of the

principal advanced pursuant to the Loan Agreement shall remain unpaid, the Borrower shall be obligated to make the monthly payment on account of principal and interest, in the amount provided herein, unless the Borrower and the Government shall otherwise agree, in writing.

8. *Late Payments*. A late charge shall be charged on any payment not made within five (5) days of the date the payment becomes due. The late charge rate shall be computed on the payment from the due date at a rate equal to the rate of the cost of funds to the United States Treasury as prescribed and published by the Secretary of the Treasury. In addition, the Borrower shall pay administrative costs and penalty charges assessed in accordance with applicable Government regulations. Acceptance by the Government of a late payment shall not be deemed to be a waiver of any right or remedy of the Government.

9. *Security*. This Note is secured by a security interest in collateral described in the Loan Agreement and Restated Mortgage, Security Agreement and Financing Statement, dated the same date as this Note, made by and between the Borrower and the Government (such security agreement, intercreditor agreement, mortgage, as amended, supplemented, consolidated or restated from time to time, hereinafter called the "Security Agreement.") Rights and obligations with respect to the collateral are stated in the Security Agreement.

10. *Noteholder*. This Note evidences indebtedness created by a loan made under the Rural Electrification Act (7 U.S.C. § 901 *et seq.*). The Government shall be and shall have all rights as holder of this Note.

11. *Default*. In an event of default, as provided in the Loan Agreement and/or Security Agreement, all principal advanced pursuant to the Loan Agreement and remaining unpaid on this Note, and all interest thereon may be declared or may become due and payable in the manner and with the effect provided in the Loan Agreement and/or Security Agreement.

12. *Costs*. The Borrower shall pay any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Loan Agreement and/or Security Agreement.

13. *Waivers*. The Borrower waives demand, presentment for payment, notice of non-payment, notice of dishonor, protest, and notice of non-payment of this Note.

14. *Obligations*. The obligations hereunder of the Borrower on this Note are absolute and unconditional, irrespective of any defense or any right to set off, recoupment, or counterclaim it might otherwise have against the Government.

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

PUBLIC SERVICE TELEPHONE COMPANY

by _____
Name:
Title:

(SEAL)

Attested to by:_____
Secretary

RUS PROJECT DESIGNATION:
GA 1706-A73

RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

made by and between

PUBLIC SERVICE TELEPHONE COMPANY
8 North Winston Street
Reynolds, Georgia 31076

as Mortgagor and Debtor,

and

UNITED STATES OF AMERICA
Rural Utilities Service
1400 Independence Ave.
Washington, D.C. 20250-1500,

as Mortgagee and secured party.

dated as of

October 20, 2022

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, AFTER-ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
THIS INSTRUMENT WAS DRAFTED BY THE RURAL UTILITIES DIVISION, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250-1400.
MORTGAGOR'S ORGANIZATION NUMBER: J418223.

No. 1

THIS RESTATED MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT(hereinafter this "Restated Mortgage,") dated as of October 20, 2022, made by and between **PUBLIC SERVICE TELEPHONE COMPANY** (hereinafter the "Mortgagor,") a for-profit corporation existing under the laws of the State of Georgia, as Mortgagor and Debtor, and the **UNITED STATES OF AMERICA** (hereinafter the "Government,") acting through the Administrator of the Rural Utilities Service ("RUS") (hereinafter the "Mortgagee" and secured party), with the Government also sometimes referred to as the Mortgagee.

WHEREAS, the Mortgagor has determined at this time to borrow funds from the Government pursuant to the Consolidated Appropriations Act, 2018, Pub. L. 115-141, § 779, the Funding Opportunity Announcement published at 84 Fed. Reg. 67913 (Dec. 12, 2019), and Title VI of the Rural Electrification Act of 1936 (7 U.S.C. §§ 901 *et seq.*)(hereinafter the "Act,") and pursuant to the Loan Agreement identified in Schedule A, and has accordingly duly authorized and executed, and delivered to the Government, its mortgage note (identified in Schedule A and hereinafter the "Current RUS Note(s)") to be secured by this Restated Mortgage of the property herein described;

WHEREAS, the Mortgagor and Mortgagee are parties to certain prior telephone loan contracts (the "Prior Telephone Loan Contracts") between the Mortgagor and Mortgagee;

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

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

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

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

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

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

GRANTING CLAUSE

NOW, THEREFORE, THIS RESTATED MORTGAGE WITNESSETH: That to secure the payment of the principal, premium, if any, and interest on the Outstanding RUS Notes, Current RUS Note(s), and all Notes issued hereunder according to their tenor and effect, and to secure the performance of all provisions therein, herein, in the Prior Telephone Loan Contracts, and the Loan Agreement, and in consideration of the covenants herein contained and other good and valuable consideration, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest and lien in, for the

purposes hereinafter expressed, unto the Mortgagee all property, assets, rights, privileges, licenses and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature now owned or hereafter acquired or arising by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including without limitation all and singular the following (hereinafter 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 but not limited to all buildings, plants, works, structures, towers, antennas, 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 following property:

(a) The Existing Facilities located in the Counties listed in Schedule B in the States identified in Schedule B;

(b) The real estate described on Schedule B, and by this reference made a part hereof, as if fully set forth at length at this point;

(c) If the real estate described in Schedule B is by reference to deeds, grantor(s), grantee, etc., then the description of each of the properties conveyed by and through such deeds is, by reference, made a part of Schedule B as though fully set forth at length therein; and

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

II

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

III

All right, title, and interest of the Mortgagor in, to, and under any and all licenses and permits (including without limitation those granted by the Federal Communications Commission ("FCC"), subject to the FCC's prior approval of any assignment or transfer of de jure or de facto control of such licenses), franchises, ordinances, and privileges, whether heretofore or hereafter granted, issued, or executed, to it or to its assignors by the Government, or by any state, county, township, municipality, village, or other political subdivision thereof, or by any

agency, board, commission, or department of any of the foregoing, authorizing the construction, acquisition, or operation of the Mortgagor's properties, facilities, systems, or businesses, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title, and interest of the Mortgagor in, to, and under all personal property and fixtures of every kind and nature, including without limitation all goods (such as inventory, equipment and any accessions thereto,) instruments (such as promissory notes or chattel paper, electronic or otherwise,) documents, accounts (such as deposit accounts or trust accounts pursuant hereto or to a loan agreement,) letter-of-credit rights, investment property (such as certificated and uncertificated securities or security entitlements and accounts,) software, general intangibles (such as payment intangibles,) supporting obligations, contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently and hereafter defined in the UCC; provided, however, that the term "instrument" shall be such term as defined in Article 9 of the UCC rather than Article 3);

V

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

VI

All right, title, and interest of the Mortgagor in, to, and under any and all books, records and correspondence relating to the Mortgage Property, including, but not limited to, all records, ledgers, leases, computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other electronically prepared information indicating, summarizing, evidencing, or otherwise necessary or helpful in the collection or realization on the Mortgage Property;

VII

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

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

TO HAVE AND TO HOLD all or in part the Mortgaged Property unto the Mortgagee and its respective assigns forever, to secure equally and ratably the payment of the principal and interest on the Notes, according to their tenor and effect, without preference, priority or distinction as to interest, principal (except as otherwise specifically provided herein), lien, or otherwise, of any note over any other note by reason of the priority in

time of the execution, delivery 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 contained in the Prior Telephone Loan Contracts and the Loan Agreement, and for the uses and purposes and upon the terms, conditions, provisos, and agreements herein expressed and declared.

ARTICLE I

ADDITIONAL NOTES

SECTION 1.1 Additional Notes

(a) The Mortgagor, when authorized by resolution(s) of its board of directors, members, or other relevant governing body, may from time to time execute and deliver to the Government one or more Additional RUS Notes: (1) to evidence loans made or guaranteed by the Government to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party, or parties to the Government, created by a loan or loans theretofore made or guaranteed by the Government to such third party or parties pursuant to the Act; and/or (2) to refund any Note(s) at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding Note(s).

(b) Additional RUS Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors, members, or other relevant governing body of the Mortgagor authorizing the execution and delivery thereof and the Government shall prescribe; provided, however, that the outstanding principal balances owing on the Notes shall not at any one time exceed the Debt Limit set forth in Schedule A, and no Note shall mature more than fifty (50) years after the date hereof. Additional RUS Notes, when and as executed and delivered, shall be secured by this Restated Mortgage, equally and ratably with all other Note(s) at the time outstanding, without preference, priority, or distinction of any Note over any other Note by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. As used in this Restated Mortgage, the term "directors" includes trustees.

SECTION 1.2 Supplemental Mortgage

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

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

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

The Mortgagor has all requisite corporate and legal power to enter into and perform its obligations under the Outstanding RUS Notes, Current RUS Note(s), Prior Telephone Loan Contracts, the Loan Agreement and

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

SECTION 2.2 Warranty of Title

(a) Except as disclosed in writing in the opinion of counsel, at the time of execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the Mortgaged Property, free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto, except for the following Permitted Encumbrances:

(i) as to the Mortgaged Property which is real property, the restrictions, exceptions, reservations, conditions, limitations, interests and other matters which are set forth or referred to in deeds or other conveyance documents and each of which fits one or more of the clauses of this definition; provided however, that such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;

(ii) liens for taxes, assessments and other governmental charges which are not delinquent;

(iii) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;

(iv) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;

(v) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; provided, the Mortgagor shall have set aside on its books adequate reserves with respect thereto;

(vi) easements and similar rights granted by the Mortgagor over, or in respect of, any Mortgaged Property; provided that in the opinion of the Mortgagor's board, members, or other relevant governing body or official acceptable to RUS, such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagee, and similar rights granted by any predecessor in title of the Mortgagor;

(vii) easements, leases, reservations, or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against

pollution and zoning laws and minor defects and irregularities in the record of title; provided that the above do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

(viii) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (vii) of this definition, securing indebtedness neither created, assumed, nor guaranteed by the Mortgagor, nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;

(ix) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing, and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;

(x) terminable or short term leases or permits for occupancy, which expressly grant to the Mortgagor the right to terminate at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;

(xi) any lien or privilege vested in any lessor, licensor or permittor for rent or other obligations or acts to be performed, the payment or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;

(xii) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;

(xiii) the burdens of any law, governmental regulation, or permit requiring the Mortgagor to maintain certain facilities or to perform certain acts as a condition of the Mortgagor's occupancy of certain real estate, or prohibiting the interference with any public lands or any river or stream or navigable waters;

(xiv) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes; provided that in the opinion of counsel for the Mortgagor: (1) the Mortgagor shall have obtained from the apparent owner of the lands, or estates therein covered by any such right-of-way, a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or to be used; or (2) the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

(xv) rights reserved to, or vested in, any municipal, governmental, or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes it is held by the Mortgagor;

(xvi) any obligations or duties, affecting the property of the Mortgagor, to any municipal, governmental, or other public authority with respect to any franchise, grant, license or permit;

(xvii) any right which any municipal, governmental, or other public authority may have by virtue of any franchise, license, contract or statute (1) to purchase, (2) to designate a purchaser of, or (3) to order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor; or to terminate any franchise, license or other rights; or to regulate the property and business of the Mortgagor; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;

(xviii) any lien required by law or government regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; provided however, that nothing in this clause is intended to waive any claim or rights that the Government may otherwise have under federal laws;

(xix) liens arising out of any defeased mortgage or indenture of the Mortgagor;

(xx) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor, as well as the rights of such owners to such property pursuant to the ownership contracts; and/or

(xxi) this Restated Mortgage.

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

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

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

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

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

(c) The Mortgagor will cause this Restated Mortgage and all supplemental mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and place as may be required by law, or requested by the Mortgagee, fully to preserve and protect the rights of the Mortgagee and Noteholders hereunder to the Mortgaged Property.

SECTION 2.4 Negative Pledge

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

SECTION 2.5 Payment of Taxes

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

SECTION 2.6 Payment of Notes and Secured Obligations

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

SECTION 2.7 Restrictions on Transfers of Property

Except as provided in Section 2.8 below, and excluding any property which the Mortgagor must sell to customers in the ordinary course of business, the Mortgagor shall not sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor) without the prior written consent of the Mortgagee.

SECTION 2.8 Disposal of Unnecessary, Obsolete, or Damaged Mortgaged Property

So long as the Mortgagor is not in default hereunder, the Mortgagor may, without obtaining the consent of the Mortgagee or Noteholders, sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to, nor useful for, the operation of the Mortgagor's business, or which has become obsolete, worn out, damaged, or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the prepayment of the indebtedness on the outstanding Notes, and shall be applied to such notes and installments thereof as may be designated by the respective Noteholders at the time of any such receipt; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into such bank accounts as the Mortgagee shall specify, and shall use the same only for such additions to, or improvements in, the Mortgaged Property, on such terms and conditions as the Mortgagee shall specify.

SECTION 2.9 Maintenance, Preservation, and Operation of Mortgaged Property

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

(b) If in the sole judgment of the Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, the Mortgagee may send the Mortgagor a written report of needed improvements, upon receipt of which the Mortgagor will promptly undertake to accomplish such improvements.

SECTION 2.10 Mortgaged Property to be Purchased Free of Encumbrances

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

SECTION 2.11 Insurance Requirements; Application of Insurance Proceeds

(a) The Mortgagor shall take out and maintain insurance on the Mortgaged Property in accordance with 7 C.F.R. Part 1788.

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

SECTION 2.12 Application of Proceeds from Eminent Domain

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

SECTION 2.13 Compliance with Loan Agreement

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

SECTION 2.14 Government to be Noteholder

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

SECTION 2.15 Mortgagee Right to Expend Money to Protect Mortgaged Property

If in any respect the Mortgagor fails to comply with the covenants and conditions herein contained regarding the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims, or to comply with any other covenant contained in this Restated Mortgage or the Loan Agreement, the Mortgagee shall have the right, without prejudice to any other remedies arising by reason of such default: (1) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, (2) to save the Mortgaged Property from sale or forfeiture for any unpaid tax, assessment, or otherwise, (3) to redeem the same from any tax or other sale, (4) to purchase any tax title thereon, (5) to remove or purchase any mechanics' liens or other encumbrance thereon, (6) to make repairs thereon, (7) to comply with any other covenant herein contained, (8) to prosecute and defend any suit in relation to the Mortgaged Property, or (9) in any manner, to protect the Mortgaged Property and the title thereto; 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 percent (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 Mortgagee upon demand. It shall not be obligatory for the Mortgagee in making any such advances or expenditures to inquire into the validity of any such tax title, taxes, assessments, sales therefor, mechanics' liens, or other encumbrance thereof.

ARTICLE III

REMEDIES OF THE MORTGAGEE AND NOTEHOLDERS

SECTION 3.1 Events of Default:

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

(a) Representations and Warranties. Any representation or warranty made by the Mortgagor in the Loan Documents, as defined in the Loan Agreement, or any certificate furnished to RUS thereunder, or in the Application, as defined in the Loan Agreement, shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;

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

(c) Corrective Actions. Default by the Mortgagor in the observance or performance of Section 5.9 of the Loan Agreement;

(d) Limited Liability Companies. Default by the Mortgagor or its members in the observance or performance of Section 7.3 of the Loan Agreement;

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

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

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

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

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

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

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

SECTION 3.2 Acceleration of Maturity; Annulment of Acceleration

(a) If any Event of Default has occurred and is continuing, the Mortgagee and/or any other Noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other Noteholders, if any, declare all unpaid principal and accrued interest on any or all of their respective Notes to be due and payable immediately; and upon any such declaration, all such unpaid principal and accrued interest shall immediately become due and payable, notwithstanding anything contained herein or in any Note to the contrary.

(b) If after the unpaid principal and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which have become due and payable by the terms of such Note(s) shall be paid to the respective Noteholders, and all other defaults hereunder and under the Notes shall have been made good or secured to the satisfaction of all of the Noteholders, the Noteholder(s) which have declared the principal and interest on Notes held by such Noteholder(s) to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other Noteholders, annul such declaration or declarations and waive such default(s) and consequences thereof, with such waiver not extending to or affecting any subsequent default or impairing any right consequent thereon.

SECTION 3.3 Remedies of Mortgagee

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

(a) (i) take immediate possession of the Mortgaged Property, (ii) collect and receive all credits, outstanding accounts, bills receivable, rents, income, revenues and profits of the Mortgagor, pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and (iii) manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

(b) Mortgagee, or any employee or agent of it, is hereby constituted and appointed as true and lawful attorney-in-fact of the Mortgagor with full power to (i) notify or require the Mortgagor to notify any and all customers that the Mortgaged Property has been assigned to Mortgagee and/or that Mortgagee has a security interest in the Mortgaged Property; (ii) sign and endorse the name of the Mortgagor upon any notes, checks, acceptances, drafts, money orders, or other instruments of payment (including payments made under any policy of insurance) that may come into possession of Mortgagee, or upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, assignment verification or notice in connection with receivables, all in full or part payment of any amount owing to Mortgagee; (iii) send requests for verifications of Mortgaged Property to customers or account debtors; (iv) sell, assign, sue for, collect, or compromise payment of all or any part of the Mortgaged Property in the name of the Mortgagor or in its own name, or make any other disposition of Mortgaged Property, or any part thereof, for cash, credit, or any combination thereof; and Mortgagee may purchase all or any part of the Mortgaged Property at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price may set off the amount of such price against amount owing to the Mortgagee; granting to Mortgagee, as the attorney-in-fact of the Mortgagor, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Mortgagor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by

virtue hereof. Neither Mortgagee, its employees, or agents shall be liable for any act, omission, error of judgment, or mistake of fact or law in its capacity as attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Restated Mortgage so long as any Notes shall remain outstanding;

(c) proceed to protect and enforce the rights of the Mortgagee and the rights of the Noteholder(s) under this Restated Mortgage by suits or actions in equity or at law in any court of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein, for aid of execution of any power herein granted, for foreclosure hereunder, for sale of the Mortgaged Property, or any part thereof, for collection of debts hereby secured, or for enforcement of other appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred; and in the event any such action or suit is instituted, the Mortgagee or Noteholder(s) instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues, and profits pertaining thereto, or arising, derived, received, or had therefrom, from the commencement of such suit or action; 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;

(d) sell or cause to be sold the Mortgaged Property, all or in part, and all right, title, interest, claim, and demand of the Mortgagor therein or thereto, at public auction in any county in which the property to be sold is located, at such time, place, and manner as may be specified in the notice of sale, containing a brief general description of the property to be sold, giving a copy thereof to the Mortgagor by mail at least fifteen (15) days prior to the date fixed for such sale, and publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county, or if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale made under this subparagraph may be adjourned from time to time by announcement, at the time and place appointed for such sale or adjourned sale(s); and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law, the notice of sale shall be given or the sale shall be conducted, as the case may be, in accordance with the applicable provisions of law. The expenses incurred by the Mortgagee (including, but not limited to, receiver's fees, attorneys' fees, cost of advertisement, and agents' compensation) in the exercise of any of the remedies provided in this Restated Mortgage shall be secured by this Restated Mortgage;

(e) Mortgagee shall have the right to enter and/or remain upon the premises of the Mortgagor without any obligation to pay rent to the Mortgagor or others, or any other place(s) where any of the Mortgaged Property is located and kept and: (i) remove the Mortgaged Property therefrom in order to maintain, collect, sell, and/or liquidate the Mortgaged Property or, (ii) use such premises, together with materials, supplies, books, and records of the Mortgagor, to maintain possession and/or the condition of the Mortgaged Property, and to prepare the Mortgaged Property for sale, liquidation, or collection. Mortgagee may require the Mortgagor to assemble the Mortgaged Property and make it available to Mortgagee at a place to be designated by Mortgagee;

(f) Mortgagee shall have the right, without prior notice to the Mortgagor, to exercise rights of setoff, recoupment, or any counterclaim and apply any and all amounts held or hereafter held by Mortgagee, owed to the Mortgagor, or for the credit of the Mortgagor, against any and all of the Notes. Mortgagee agrees to notify the Mortgagor promptly after any such setoff or recoupment and the application thereof; provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Mortgagor waives all rights of setoff, deduction, recoupment, or counterclaim; and/or

(g) Mortgagee shall have, in addition to any other rights and remedies contained in this Restated Mortgage, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time or times hereafter executed by the Mortgagor and delivered to Mortgagee, all of the rights and remedies of a secured party under the UCC in force in the state identified in the first paragraph hereof as of the date hereof, all of which rights and remedies shall be cumulative, and nonexclusive.

SECTION 3.4 Right to Purchase Mortgaged Property

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

SECTION 3.5 Application of Proceeds from Remedial Actions

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

SECTION 3.6 Notice of Default

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

SECTION 3.7 Remedies Cumulative, No Election

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

SECTION 3.8 Waiver of Appraisement Rights, Marshaling of Assets Not Required

The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatsoever, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Restated Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser(s) thereat, and the Mortgagor, for itself and all who may claim

through or under it, hereby waives the benefit of all such laws, unless such waiver shall be forbidden by law. Under no circumstance shall there be any marshaling of assets upon any foreclosure or other enforcement of this Restated Mortgage.

SECTION 3.9 Federal Communications Commission Matters

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

(a) Any loss, revocation, foreclosure on, sale, transfer, or other disposition of FCC Licenses by the Mortgagee shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, and applicable rules and regulations thereunder, and, if and to the extent required thereby, subject to the prior approval or notice to and non-opposition of the FCC.

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

(c) The Mortgagor acknowledges that the assignment, transfer, loss, or revocation of any FCC License is integral to the Mortgagee's realization of the value of the Mortgaged Property, that there is no adequate remedy at law for failure by the Mortgagor to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees, without limiting the rights of the Mortgagee to seek and obtain specific performance of other obligations of the Mortgagor contained in this Restated Mortgage, that the agreements contained in this Section may be specifically enforced.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 4.1 Possession until Default

Until one or more of the Events of Default has happened, the Mortgagor shall be 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 Restated Mortgage.

SECTION 4.2 Defeasance

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

ARTICLE V

MISCELLANEOUS

SECTION 5.1 Mortgage to Bind and Benefit Successors and Assigns

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

SECTION 5.2 Headings

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

SECTION 5.3 Notices

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall give or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified in Schedule A; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have

been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notice of the respective parties are set forth in Schedule "A."

SECTION 5.4 Mortgage Deemed Security Agreement

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

SECTION 5.5 Mortgagee Right to File Financing Statements

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

SECTION 5.6 Severability Cause

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

SECTION 5.7 Indemnification by Mortgagor of Mortgagee

The Mortgagor agrees to indemnify the Mortgagee against any liability or damages which it may incur or sustain in the exercise and performance of its rightful powers and duties hereunder. For such reimbursement and indemnity, the Mortgagee shall be secured under this Restated Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 2.15 hereof. The Mortgagor's obligation to indemnify the Mortgagee under this section shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Restated Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

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

PUBLIC SERVICE TELEPHONE COMPANY

by_____
Name:
Title:

(Seal)

Attested to by:_____
Secretary

Executed by the Mortgagor
in the presence of:

_____
Name:

_____
Name:

THE UNITED STATES OF AMERICA

by _____

Name: Andrew Berke
as Administrator of the Rural Utilities Service

Executed by United States of America, Mortgagee,
in the presence of:

_____
Name:

_____
Name: Anne Mayberry

DISTRICT OF COLUMBIA) SS

This instrument was acknowledged before me on Oct. 27, 2022, by Andy Berke, Administrator of the Rural Utilities Service of the United States of America.

ROBIN MEIGEL NOTARY PUBLIC EXP. 11-30-25 (Notarial Seal) DISTRICT OF COLUMBIA

Robin Meigel
Notary Public
ROBIN MEIGEL

My commission expires: NOV 30 2025.

STATE OF GEORGIA)
) SS
COUNTY OF)

I certify that on this_____day of_____, 2____, the foregoing instrument was acknowledged before me,_____, a Notary Public in and for said County and State, by _____ [(Secretary/Subscribing Witness], and that _____, to me personally known, did personally appear before me and execute the foregoing instrument in my presence and in the presence of the subscribing witness above, who being duly sworn and deposed according to law, did make proof to my satisfaction and say that he/she is at the time of execution hereof the _____ [Position] of _____, a Georgia corporation, that he/she knows the corporate seal of said entity, if one exists, and that the foregoing instrument, whose contents are known to him/her, was signed, sealed, and delivered on behalf of said entity by authority and/or Resolution of its board of directors, manager, or members, and furthermore acknowledged the instrument to be his/her free and voluntary act and deed, as well as that of the entity, for the purposes and uses therein set forth.

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

_____
Notary Public

(Notarial Seal)

My Commission expires:

SCHEDULE A

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

Note Designation	Note Date	Stated Principal Amount	Maturity Date	Interest Rate
GA 0510-L8	**01/30/1989**	**$3,337,000**	**02/17/2033**	**5%**
GA 0510-M12 RET-23	**11/01/1995**	**$9,111,000**	**11/01/2030**	**variable**
GA 0510-M12 RTB-4*	**11/01/1995**	**$5,316,150**	**11/01/2030**	**variable**
GA 0510-N54	**04/21/2022**	**$16,096,000**	**12/31/044**	**variable**

***Note: This note evidences a loan from the Rural Telephone Bank. For purposes of this Restated Mortgage, RUS, as the holder, shall have all rights, powers, privileges, and remedies and is entitled to all benefits and security of this Restated Mortgage.**

2. The Prior Mortgages referred to in the Recitals are:

Restated Mortgage, Security Agreement and Financing Statement, dated as of April 21, 2022, made by and between PUBLIC SERVICE TELEPHONE COMPANY, as Mortgagor and Debtor, and THE UNITED STATES OF AMERICA, acting through the Administrator of the Rural Utilities Service ("RUS"), as Mortgagee and secured party.

3. The "Loan Agreement" is the Loan Agreement, dated the same date as this Restated Mortgage between the Mortgagor and the Government.

4. "Current RUS Note(s)" made by the Mortgagor to the Government, dated the same date as this Restated Mortgage:

RUS Designation: **GA 1706-A73**
Stated Principal Amount: **$36,492,258**
Interest Rate: **Two (2) percent**
Maturity Date: **22 years from the date funds are first made available.**

5. The "Debt Limit" referred to in section 1.1 is **N/A.**

6. The following addresses are for purposes of Sections 5.3 and 5.4:

Mortgagee:
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1500
Attention: Administrator

With a copy to:
Attention: Peter Aimable, Deputy Assistant Administrator
Portfolio Management and Risk Assessment Division
USDA, Rural Utilities Service
Stop 1590, Room No. 4121-S
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1590

Mortgagor:
James Bond
Public Service Telephone Company
President
8 North Winston Street
Reynolds, Georgia 31076

With a copy to: **John B. Nichols**
231 Riverside Drive
Macon, Georgia 31201

SCHEDULE B

1. The "Existing Facilities" referred to in Granting Clause I are located in the COUNTIES of MONROE, TAYLOR, BIBB, CRAWFORD, TALBOT, MARION, and MUSCOGEE in the State of GEORGIA.

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

SEE ATTACHED PROPERTY SCHEDULE

RUS Project Designation:

GA 1706-A72

ReCONNECT PROGRAM

LOAN AGREEMENT

dated as of October 20, 2022

between

PUBLIC SERVICE TELEPHONE COMPANY

and

THE UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

ReCONNECT PROGRAM
LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), dated as of October 20, 2022 is between **PUBLIC SERVICE TELEPHONE COMPANY** ("Awardee"), a for-profit corporation existing under the laws of Georgia and the **UNITED STATES OF AMERICA**, acting through the Administrator of the Rural Utilities Service ("RUS").

The Awardee has applied for financial assistance ("Application") from RUS to finance the construction of a broadband infrastructure project to serve rural areas where at least 90% of the households are without sufficient access to broadband.

RUS is willing to extend financial assistance, in the form of a loan to the Awardee, pursuant to the Consolidated Appropriations Act, 2018, Pub. L. 115-141, § 779 (the "FY2018 Appropriations"), the Funding Opportunity Announcement published at 86 Fed. Reg. 58860 (Oct. 25, 2021), and Title VI of the Rural Electrification Act of 1936 (7 U.S.C. §§ 901 *et seq.*), and all applicable federal regulations, on the terms and conditions stated herein.

The Awardee is willing to secure the loan and its other obligations to RUS on the terms stated herein.

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

ARTICLE I - DEFINITIONS

Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage. The terms defined herein include both the plural and the singular. Unless otherwise specifically provided herein or in the FOA, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made in accordance with Accounting Requirements.

"Accounting Requirements" shall mean compliance with U.S. Generally Accepted Accounting Principles (GAAP) acceptable to RUS, as well as compliance with the requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 C.F.R. 200 and the system of accounting prescribed by RUS Bulletin 1770B-1.

"Advance" or "Advances" shall mean the disbursement of Loan funds in accordance with this Agreement.

"Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity, or which exists for the sole purpose of providing any service to one company or exclusively to companies which otherwise meet the definition of affiliate. This definition includes Variable Interest Entities as described in Financial Accounting Standards Board Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*. For the purpose of this definition, "control" means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership voting of securities, common directors, officers, or stockholders, voting trust, holding trusts (other than money exchanged) for property or services.

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

"Approved Project Service Area" shall mean all or a portion of the Proposed Funded Service Area, as such term is defined in the FOA and detailed in the map submitted to the Agency by the Awardee, that is approved by the Agency for funding.

"Award" shall mean the Loan described in Article III.

"Awardee" shall mean the Loan recipient named in the first paragraph hereof.

"Buildout Timeline" shall mean the detailed schedule describing the Project buildout, submitted with the RUS approved Application, as may be amended from time to time with prior written RUS consent.

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

"Collateral" shall mean ALL ASSETS of the Awardee including but not limited to those licenses granted by the Federal Communications Commission ("FCC"), subject to the FCC's prior approval of any assignment or transfer of de jure or de facto control of such licenses.

"Composite Economic Life" means the weighted (by dollar amount of each class of facility in the Award) average economic life of all classes of facilities in the Award, as determined by RUS.

"Current ratio" shall mean the current assets divided by the current liabilities, as set forth in Section 5.8 hereof.

"Debt Service Coverage Ratio (DSCR)" shall mean the ratio of the sum of the Awardee's total net income or margins, depreciation and amortization expense, and interest expense, minus an allowance for funds used during construction, all divided by the sum of interest on funded debt, other interest and principal payment on debt and capital leases, as set forth in Section 5.8 hereof.

"Distribution" shall have the meaning as defined in Section 7.9.

"Eligible Purposes" shall mean purposes and expenses which are specified in the FOA as being eligible award costs for funding.

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

"Expiration Date" shall have the meaning as defined in Section 3.1(d).

"FOA" shall mean the Funding Opportunity Announcement, published in the Federal Register at 86 Fed. Reg. 58860 (Oct. 25, 2021).

"Financial Requirements Commencement Date" shall have the meaning as defined in Section 5.7.

"Form 481" shall have the meaning as defined in Section 4.3(d).

"GAAP" shall mean generally accepted accounting principles in the United States.

"Interest Expense" shall mean the accrual of interest on all classes of indebtedness, including capital leases and securities issued by the Awardee and shall also include the amortization of debt issuance expenses, premiums, and discounts.

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

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

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

"Mortgage" shall have the meaning as described in Schedule 1 hereto.

"Mortgaged Property" shall have the meaning as defined in the Mortgage.

"Net Income" or "Net Margins" shall mean the amount equal to the income that the Awardee has after subtracting costs and expenses from the total revenue. Costs and expenses include but are not limited to all operations and maintenance expenses, corporate operations, taxes, interest, dividends, depreciation, and gains and losses on the disposition of property.

"Network Design" shall mean the network as described in the RUS approved Application.

"Net Worth" (equity) shall mean total assets less total liabilities of the Awardee. Net worth includes the recorded value of capital stock, additional paid-in capital, treasury stock, retained earnings and other comprehensive income.

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

"Obligations" shall mean any and all indebtedness, obligations and liabilities of the Awardee to RUS, of every kind and description, direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising, howsoever evidenced or created, including, without limitation, all loans (including any loan by renewal or extension); all indebtedness, all Notes, all undertakings to take or refrain from taking any action; and all interest, taxes, fees, charges, expenses, and attorney's fees chargeable to Awardee or incurred by RUS under this Agreement or in any other document or instrument delivered hereunder or as a supplement hereto.

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

"Project" means all of the work, as approved by the Agency, to be performed to bring broadband service to all premises in the Approved Project Service Area under the Application, including construction, the purchase and installation of equipment, and professional services including engineering and accountant/consultant fees, whether funded by federal assistance, matching, or other funds.

"Project Completion" shall mean that all Award funds for construction of the broadband system, excluding those funds for subscriber drop connections and customer premises equipment, have been advanced to the Awardee by RUS.

"RE Act" shall mean the Rural Electrification Act of 1936 (7 U.S.C. §§ 901 *et seq.*).

"ReConnect Program Construction Procedures" shall mean the procedures for construction and Advances, attached hereto as Attachment 2.

"Release of Funds Date" shall mean the date funds are first made available as evidenced by the notice sent by the Agency to the Awardee.

"Security Documents" shall mean, collectively, any mortgage, security agreement, financing statement, deposit account control agreement or other document providing collateral for the Obligations, including without limitation, repayment of the Loan.

"Service Obligation" shall mean the period in which assets purchased with federal assistance and subsidized by a federal grant to lower the interest rate, must be placed into service to carry out the purposes of the ReConnect Program.

"Service Rates" shall mean the rates charged for data, video, voice or any other service proposed in the RUS approved Application.

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

"Tangible Equity" shall mean Net Worth minus intangible assets, goodwill and preferred stock.

"Tangible Equity to Total Assets" shall mean Tangible Equity divided by Total Assets.

"TIER" shall mean the Awardee's total Net Income or Net Margins plus Interest Expense payable minus Allowance for Funds Used During Construction for any year divided by Interest Expense payable minus Allowance for Funds Used During Construction for such year, as set forth in Section 5.8 hereof.

"Total Assets" shall mean all property owned by the Awardee. Total assets include current and noncurrent assets such as cash, receivables, material and supplies, prepayments, deferred charges, and investments; fixed assets (plant) such as buildings and equipment, both in service and under construction; as well as capital leases and intangibles.

ARTICLE II - REPRESENTATIONS AND WARRANTIES

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

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

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

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

(d) *Binding Agreement.* Each part of the Loan Agreement is, or when executed and delivered will be, the legal, valid, and binding obligation of the Awardee, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in

equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

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

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

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

(h) *Principal Place of Business.* The principal place of business and chief executive office of the Awardee is at the address of the Awardee specified in Schedule 1 hereto.

(i) *Organization Number.* The Awardee's organization number is correctly identified in Schedule 1 hereto.

(j) *Subsidiaries and Parent.* Any subsidiaries or parent of the Awardee are disclosed on the attached Schedule 1.

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

(l) *Title to Property.* As to property which is presently included in the description of Mortgaged Property, the Awardee holds good and marketable title to all of its real property and owns all of its personal property free and clear of any Lien except for Permitted Encumbrances or Liens permitted under the Mortgage.

(m) *Additional Representations and Warranties.* The Awardee further represents and warrants as set forth in Schedule 1.

ARTICLE III – THE LOAN

Section 3.1 Loan Amounts, Interest Rate, and Expiration Date.

(a) *Loan Amounts.* RUS agrees to make and the Awardee agrees to accept, on the terms and conditions stated in this Agreement and subject to 31 U.S.C. 1551 and 1552, a loan, in the amount specified in Schedule 1 hereto (the "Loan").

(b) *Interest Rate.* Through the use of federal grants, the Loan specified in Schedule 1 hereto will bear interest at a subsidized rate of 2% per annum, calculated by daily accrual.

(c) *Maturity Date.* The principal advanced pursuant to this Agreement and remaining unpaid, if any, and interest thereon, shall be due and payable on the date ("Maturity Date") specified in Schedule 1 hereto.

(d) *Expiration Date.* The obligation of RUS to advance the Award, or any portion thereof, shall expire on a date ("Expiration Date") five (5) years from the Release of Funds date.

Section 3.2 Loan Agreement

(a) The debt created by the Loan will be evidenced by a note(s) ("Note(s)") executed by the Awardee and payable to the United States of America. The Awardee shall repay the Loan in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.

(b) The Awardee shall execute the Security Documents, in form and substance satisfactory to RUS, and such other security instruments as required by RUS.

Section 3.3 Payment

Except as otherwise prescribed by RUS, the Awardee shall make all payments on the Note(s) utilizing electronic fund transfer procedures as specified by RUS.

Section 3.4 Project

(a) *Loan Purpose.* The Loan has been made solely to finance the broadband infrastructure project specifically described in the RUS approved Application ("Project").

(b) *Changes to Project.* The Awardee shall obtain the prior written approval of RUS for any material change to the network design, construction, Buildout Timeline, delivery of services, and/or objective(s) of the Project.

Section 3.5 ACH Payments

The Awardee consents to the use of the Automated Clearing House (ACH) Payment System and to the deposit of award funds directly into the Pledged Deposit Account.

ARTICLE IV – CONDITIONS OF FINANCIAL ASSISTANCE

Section 4.1 Conditions Precedent to Closing

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

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

(b) *Loan Agreement.* RUS shall receive duly executed originals of the Loan Agreement;

(c) *Filed and Recorded Security Documents.* RUS shall have received the following documents securing the Loan: (i) executed, filed, and indexed financing statements covering all of the personal property and fixtures of the Awardee and (ii) executed,

filed, and recorded counterparts of a Mortgage covering all of the Awardee's real property;

(d) *Articles of Incorporation, Charter, Bylaws and Organizational Documents.* With respect to corporate and cooperative Awardees, RUS shall have received certified copies of the Awardee's most recent articles of incorporation or charter and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received certified copies of the Awardee's most recent organization documents containing provisions reflecting the obligations of the Awardee in paragraphs (c) and (d) of Section 7.3;

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

(f) *Approvals.* RUS shall have received satisfactory evidence that the Awardee has duly registered when and where required by law with all state, Federal and other public authorities and regulatory bodies and obtained all authorizations, certificates, and approvals necessary for, or required as a condition of, the validity and enforceability of each part of the Loan Agreement;

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

(h) *Management, Service, and Operating Agreements.* Except as otherwise provided in Sections 4.2 and/or 4.3 herein, RUS shall have received all management, service, and operating agreements, in form and substance acceptable to RUS, which shall be in accordance with fees or rates presented in the *pro forma* financial statements submitted to RUS in the RUS approved Application;

(i) *Opinion of Counsel.* RUS shall have received an opinion of counsel for the Awardee (who shall be acceptable to RUS) in form and substance acceptable to RUS for each state in which the Awardee operates; and

(j) *Additional Conditions.* The Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.2 General Conditions Precedent to RUS' Obligations to Release Funds for Advance

The obligations of RUS hereunder are subject to the satisfaction of each of the following conditions precedent (all documents, certificates and other evidence of such conditions are to be satisfactory to RUS in its discretion):

(a) *Service Rate Evidence.* RUS shall have received satisfactory evidence that the Awardee has duly adopted Service Rates for all proposed services which are designed with a view to: (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Awardee; (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due; (iii) providing and maintaining reasonable working capital of the Awardee; and (iv) producing and maintaining the financial requirements specified in Section 5.8 hereof;

(b) *Current Financial Information and Certificate of Authority.* RUS has received from the Awardee: (i) its updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Form 675, "Certification of Authority," designating an officer, employee, or agent of the Awardee as the person or persons authorized to execute and submit, on behalf of the Awardee, RUS Form 481, "Financial Requirement Statement;"

(c) *Deposited Funds.* RUS has received from the Awardee evidence, satisfactory to RUS, verifying that the Awardee has on deposit in the Pledged Deposit Account, funds sufficient to fulfill the matching funds requirement and to complete the Project as specified on Schedule 1; and

(d) *Additional Conditions.* The Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.3 Conditions to Individual Advances

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

(a) *Continuing Representations and Warranties.* That the representations and warranties of the Awardee contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date;

(b) *Material Adverse Effect.* That no event has occurred which has had or could have a Material Adverse Effect;

(c) *Event of Default.* That no Event of Default and no event which with the passage of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, or shall have occurred after giving effect to any Advances on the books of the Awardee;

(d) *Requisitions and Supporting Documentation.* That RUS shall have received not more frequently than once a month, unless otherwise agreed to by RUS, a completed RUS Form 481, "Financial Requirement Statement" (hereinafter "Form 481"), bearing the original signature of the officer, employee, or agent of the Awardee authorized to receive, disburse, or receive and disburse the Award, with supporting documentation from the Awardee in accordance with the ReConnect Program Construction Procedures. Advances shall be limited to the minimum amounts required for the Awardee's immediate disbursement needs and shall be requested by the Awardee only for actual immediate cash requirements of the Awardee. Such loan advances shall be provided on a reimbursement basis, or based on unpaid third party invoices for Eligible Purposes, or contracts approved by RUS, in accordance with the ReConnect Program Construction Procedures;

(e) *Flood Insurance.* That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Awardee and located in such a flood hazard area, the Awardee shall have submitted evidence, in form and substance satisfactory to RUS or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood

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

(f) *Current Financial Information.* That RUS has received from the Awardee: its current, updated balance sheets, income statements and statements of cash flow;

(g) *Compliance with Buildout Timeline and Reporting Requirements.* That RUS has received from the Awardee evidence, satisfactory to RUS, that the Project is being constructed in accordance with the Buildout Timeline and Reporting Requirements as required in Section 6.4;

(h) *Compliance with Loan Agreement.* That the Awardee is in material compliance with the Loan Agreement;

(i) *Permits, Licenses and Franchises.* That RUS shall have received satisfactory evidence that the Awardee has obtained the permits, licenses, franchises and other approvals identified on Schedule 1;

(j) *Deposited Funds.* That Awardee has maintained on deposit in the Pledged Deposit Account the matching funds requirement as well as other funds to complete the Project as specified on Schedule 1, unless expended and withdrawn as authorized by RUS;

(k) *Additional Documents.* That the Awardee agrees to provide RUS with such additional documents as RUS may request; and

(l) *Additional Conditions.* That the Awardee has met all additional conditions specified in Schedule 1 hereto.

Section 4.4 First Advance to Pay Off Pre-Application Expenses

Funds to pay off certain pre-application expenses, as defined in the FOA, if any, must be included in the first Advance request.

ARTICLE V – AFFIRMATIVE COVENANTS

Section 5.1 General

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

Section 5.2 Use of Advances

The Awardee shall expend Award funds only for Eligible Purposes in accordance with the RUS approved line item Project budget and Form(s) 481 submitted to RUS prior to the advance of funds.

Section 5.3 Unused and Disallowed Advances

(a) The Awardee shall return to RUS forthwith all or any advanced portion of the Loan not disbursed by the Awardee for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account.

(b) The Awardee shall reimburse RUS for any advanced funds whose original expenditure has been disallowed by an RUS loan audit. Disallowances shall be satisfied, as directed by RUS, by either administrative offset against other approved purposes on Form(s) 481 or repaying the disallowed amount directly to the United States Treasury. Such disallowed amounts shall accrue interest payable to RUS from the date RUS delivers to the Awardee a written demand for payment. Interest shall accrue on disallowed Loan Advances at the lesser of the following: the interest rate of the disallowed Advance or the then current United States Treasury rate as prescribed by the Secretary of the Treasury. Closeout of the Loan will not affect the right of RUS to disallow expenditures and recover, in full, any amount on the basis of a subsequent audit or other review or the Awardee's obligation to return any disallowed expenditures.

Section 5.4 Deposit of Advances into Pledged Deposit Account

(a) The Awardee shall open and maintain a deposit account pledged to RUS ("Pledged Deposit Account,") in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be identified by the RUS' designation of the Awardee followed by the words "Pledged Deposit Account." The Awardee shall promptly deposit proceeds from all Advances, including previously advanced funds whose original expenditure has been disallowed by an RUS audit into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes for which Advances were made, or for such other purposes as may be approved in writing by RUS. Deposits and disbursements from the Pledged Deposit Account shall be made and recorded in accordance with the ReConnect Program Construction Procedures.

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

Section 5.5 Additional Project Funding

The Awardee shall ensure that adequate funding is in place to complete the Project and will, after obtaining the prior written approval of RUS, obtain additional loans or funds or receive binding commitments for supplemental funding in an amount needed to ensure completion of the Project.

Section 5.6 Miscellaneous Notices

The Awardee shall furnish to RUS:

(a) *Notice of Other Defaults.* Promptly after becoming aware thereof, notice of the occurrence of any default on any other agreement, or receipt of any notice with respect to an event that with the passage of time, would become an Event of Default or Material Adverse Effect hereunder.

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

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

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

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

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

Section 5.7 Rates and Financial Performance Criteria

The Awardee shall design, charge and maintain rates in effect which shall enable it to meet the Financial Requirements as specified in Section 5.8.

Section 5.8 Financial Requirements

The Awardee will meet the following requirements:

(a) At least two of the three requirements on the Financial Requirements Commencement Date, as specified in Schedule 1 hereto, until the Loan is repaid in full: (i) a minimum TIER requirement of 1.2; (ii) a minimum DSCR requirement of 1.2; and (iii) a minimum Current Ratio of 1.2;

(b) Tangible equity to Total Assets must be at least 20 percent at the end of the calendar year starting in the third year and ending in the fifth year of the award;

(c) Positive cash flow from operations at the end of the fifth year of the award; and

(d) Positive ending cash balance as reflected on the cash flow statement for each year of the forecast period.

Section 5.9 Corrective Action

Within thirty (30) days of: (i) sending the financial reports required by Section 6.4 hereof that show the Financial Requirements of Section 5.8 were not met for the reported fiscal period; or (ii) being notified by RUS that such requirements were not met for the period, whichever is earlier, the Awardee, in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the specified Financial Requirements on a timely basis and shall promptly implement said plan.

Section 5.10 Service Obligation

The Awardee shall provide the level of broadband service described in the RUS approved Application commencing from the date of Project Completion until the longer of: (i) the Composite Economic Life of the facilities financed by the Award as specified on Schedule 1; or (ii) as long as the Note(s) is outstanding. Awardee acknowledges that given the significant amount of government contribution to the Project in the form of a subsidized interest rate through a federal grant, the Service Obligation is a significant portion of the public benefit of the Award, and that a material breach of the Service Obligation shall be an Event of Default.

Section 5.11 Obligations with Respect to the Construction, Operation and Maintenance of the Project

(a) *Project Management and Operation.* The Awardee shall be responsible for the management of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.

(b) *Construction in Accordance with Network Design and Buildout Timeline.* The Awardee shall cause the Project to be constructed and/or built out, and completed in accordance with the Network Design submitted with the RUS approved Application, as such design may be amended with prior RUS consent, and the Buildout Timeline. The Awardee shall also ensure that facilities constructed with award funds are capable of delivering 100 Mbps symmetrical service to every premise in the Approved Project Service Area at the same time.

(c) *General Insurance Requirements.* The Awardee shall take out and maintain insurance on the Project and any other property acquired with the Loan in accordance with 7 CFR Section 1788 as well as maintaining the fidelity bond or theft insurance coverage required in Section 4.2(b) hereof.

(d) *Contracting.* The Awardee may, in accordance with the ReConnect Program Construction Procedures, contract for goods and services to be funded by the Award, using RUS form contracts or private contracts; provided that private contracts must comply with equal employment opportunity and civil rights requirements,

(e) *Commencement and Completion of the Project.*

(1) Awardees are required to commence the Project within 180 days from the date that RUS notifies in writing that the environmental review process has been concluded; and

(2) Project Completion shall occur within five years from the Release of Funds Date.

(f) *National Programmatic Agreement.* If indicated on Schedule 1, Awardee shall be bound by the requirements of the National Programmatic Agreement (NPA), whose terms and conditions shall be incorporated into this Agreement. Failure to abide by the NPA, if entered into, shall be an Event of Default hereunder.

Section 5.12 Preservation of Existence and Rights

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

Section 5.13 Compliance with Laws

Awardees shall comply with all applicable federal and state laws, including but not limited to: (i) The nondiscrimination and equal employment opportunity requirements of Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. § 2000e *et seq.*, 7 CFR pt. 15); (ii) Section 504 of the Rehabilitation Act (29 U.S.C. § 794 *et seq.*; 7 CFR pt. 15b); (iii) The Age Discrimination Act of 1975, as amended (42 U.S.C. § 6101 *et seq.*; 45 CFR pt. 90); (iv) Executive Order 11375, amending Executive Order 11246, Relating to Equal Employment Opportunity (3 CFR pt. 102); (v) The Architectural Barriers Act of 1968, as amended (42 U.S.C. § 4151 *et seq.*); (vi) The Uniform Federal Accessibility Standards (UFAS), as published by the United States Access Board; (vii) The Council on Environmental Quality Regulations for Implementing the Procedural Provisions of NEPA and certain related federal environmental laws, statutes, regulations, and Executive Orders found in 7 CFR 1970; (viii) The Native American Graves Protection and Repatriation Act (25 USC 3001 *et seq.*, 43 CFR § 10.4); (ix) The Communications Act of 1934, as amended, (47 U.S.C. § 151

et seq.); (x) The Telecommunications Act of 1996, as amended (Pub. L. 104-104, 110 Stat. 56 (1996); and (xi) The Communications Assistance for Law Enforcement Act (47 U.S.C. § 1001 *et seq.*) (CALEA).

Section 5.14 Equal Opportunity Requirements

(a) *Equal Opportunity Provisions in Construction Contracts.* The Awardee shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS or borrowed on the credit of the United States pursuant to a contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Attachment 1 hereto, entitled Equal Opportunity Contract Provisions.

(b) *Equal Opportunity Contract Provisions Also Bind the Awardee.* The Awardee further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.

(c) *Sanctions and Penalties.* The Awardee agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS' primary responsibility for securing compliance. The Awardee further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Awardee agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this Agreement, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Awardee, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 5.15 Purchases with Award Funds

Except as specifically authorized in writing in advance by RUS, all facilities, materials, equipment, supplies, replacements and all other items purchased with Award funds shall be purchased 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 5.16 Awardee to Defend Title and Remove Liens

Except for Permitted Encumbrances, the Awardee will maintain and preserve the lien of this Agreement superior to all other liens affecting the Collateral, and will forever warrant and defend the title to the Collateral against any and all claims and demands whatsoever. The Awardee shall make, execute, acknowledge, deliver, file and record all such mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as is necessary to preserve the lien of this Agreement against the Collateral superior to all other liens. The Awardee shall maintain the Collateral free of all liens except for Permitted Encumbrances, and 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 Collateral, as and when the same shall become due and payable; and whenever called upon so to do by RUS will furnish to RUS adequate proof of such payment or discharge; provided, however that this provision shall not be deemed to require the payment or discharge of any tax, rate, levy, assessment or other governmental charge while the Awardee is contesting the validity thereof by appropriate proceedings in good faith and so long as it shall have set aside on its books adequate reserves with respect thereto.

Section 5.17 Further Assurances

(a) The Awardee shall from time to time upon written demand of RUS make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental financing statements, continuation statements, security agreements, instruments and conveyances as may be requested by RUS and take or cause to be taken all such further action as may reasonably be requested by RUS to provide for the securing and payment of the principal of, interest on, and any and all other amounts payable hereunder and under the Note(s) according to the terms thereof and for the purpose of fully conveying, transferring and confirming the property hereby conveyed and pledged or intended so to be, whether now owned by the Awardee or hereafter acquired by it.

(b) The Awardee shall cause this Agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to subsection (a) immediately above, to forthwith upon execution to be filed and recorded and refiled and rerecorded as conveyances and security interests in personal property in such manner and in such places as may be required by law or requested by RUS in order to fully preserve the security for the Obligations, including the Loan, and to perfect and maintain the superior lien of this Agreement and all supplemental security instruments.

Section 5.18 Buy American

The Awardee agrees to comply with the Buy American requirements promulgated at 7 CFR 1787, and that any requests for waiver of these requirements must be submitted pursuant to those regulations.

Section 5.19 RDOF Funding

If the Awardee is a recipient of Rural Digital Opportunity Fund (RDOF) funding, Awardee acknowledges and certifies that neither funds under this Award nor under the RDOF award will be used to reimburse the same expenditures. Such Awardees must also maintain separate accounts to track sources and uses of each funding source.

Section 5.20 Additional Affirmative Covenants

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

ARTICLE VI – ACCOUNTING AND REPORTING

Section 6.1 Financial Records

(a) Awardees must establish an accounting system satisfactory to RUS in compliance with Accounting Requirements. Such a system of accounts must account for all funds advanced under this Agreement separately from all other funds for the Project.

(b) The Awardee shall maintain, at its premises, such books, documents, papers, or other records and supporting documents, including, but not limited to, invoices, receipts,

payroll records and bills of sale, adequate to identify the purposes for which, and the manner in which Loan and other funds were expended on the Project. The Awardee shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Awardee and its Subsidiaries, in accordance with its system of accounts complying with Paragraph (a) immediately above. The Awardee shall maintain copies of all documents submitted to RUS in connection with the Award until the longer of (i) the Loan being paid in full and all audits have been completed, (ii) the term of this Agreement or (iii) three years subsequent to close-out of the Award.

Section 6.2 Rights of Inspection

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

Section 6.3 Annual Audit

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

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

Section 6.4 Reporting

(a) *Quarterly Report.* No later than thirty (30) calendar days after the end of each calendar year quarter, the Awardee must submit to RUS utilizing RUS' online reporting system, the following information: balance sheets, income statements, statements of cash flow, and the number of customers taking broadband service. In addition, the Awardee must provide RUS with such other reports concerning the financial condition or operation of the Awardee, including its Subsidiaries, as RUS may request.

(b) *Annual Performance Report.* For three years starting the first January 31st after Project Completion, the Awardee must submit the following information utilizing RUS' online reporting system:

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

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

(iii) the progress towards fulfilling the objectives for which the assistance was granted;

(iv) the speed and average price of the most subscribed tier of the Awardee's broadband service offerings in the Project's service area; and

(v) the average price of broadband service in the Project's service area.

(c) *Annual Map Reporting*: No later than thirty (30) calendar days after the end of the Calendar Year, the Awardee shall be required to submit annually updated Approved Project Service Area(s) maps through RUS' online mapping tool showing the areas where construction has been completed and geospatial location of residences and businesses that are receiving new broadband service until the entire Approved Project Service Area can receive the broadband service.

(d) *Close Out Report.* The Awardee shall deliver a close out report to RUS no later than one hundred twenty (120) days after the expiration or termination of the Award or expenditure of all Award funds. The close out report shall address: (i) a comparison of actual accomplishments to the objectives set forth in the Application; (ii) a description of problems, delays, or adverse conditions that occurred, or which affected the attainment of overall Project objectives, prevented the meeting of time schedules or objectives, or precluded the attainment of particular Project work elements during established time periods; (iii) a comparison of how funds were spent against the original general budget submitted with the RUS approved Application, and (iv) a final buildout map on the RUS mapping tool indicating that all construction has been completed as proposed in the application. If parts of the Approved Project Service Area have not been constructed, RUS may require a portion of the award to be rescinded or paid back.

ARTICLE VII – NEGATIVE COVENANTS

Section 7.1 General

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

Section 7.2 Merger, Consolidation, Transfer of Property, or Change in Control

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

Section 7.3 Covenants for Limited Liability Companies and Similar Awardees

Awardees which are limited liability or similar organizations agree that:

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

(b) Prior to the date on which any and all obligations owed to RUS, including the Note evidencing the Loan, are discharged in full, the Awardee shall not be dissolved or terminated;

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

(d) No direct or indirect addition or issuance of any membership units (or any other ownership interest) in the Awardee may be made by the Awardee or its members without the prior written consent of RUS and no transfer, whether individually or in the aggregate, of any membership units (or any other ownership interest) in the Awardee which will result in the transfer of more than 49% of the equity interests (of whatever nature, including voting and non-voting) in the Awardee may be made by the Awardee or its members without the prior written consent of RUS.

Section 7.4 Additional Indebtedness

The Awardee shall not, without the prior written consent of RUS, incur additional secured or unsecured indebtedness other than (i) purchase money security interests, (ii) unsecured trade indebtedness and (iii) other debt arising in the ordinary course of business. Indebtedness under items (i), (ii), and (iii) in the aggregate shall not exceed five percent (5%) of the Awardee's consolidated total assets.

Section 7.5 Negative Pledge

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

Section 7.6 Contracts

The Awardee shall not, without the prior written consent of RUS, enter into any contract or contracts for the operation or management of all or any substantial part of the Awardee's system, including, without limitation, the Project, and shall not enter into any contract for the use by others of all or any substantial part of its system, including, without limitation, the Project.

Section 7.7 Salaries

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

Section 7.8 Extension of Credit

Except as specifically authorized in writing in advance by RUS, the Awardee 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, managers, Affiliates or Affiliated companies.

Section 7.9 Distributions or Withdrawals

(a) The Awardee shall not, without the prior written approval of RUS, make any dividend, stock, or capital distribution, or any membership withdrawals, unit redemptions, or other type of profit allocation to its members, or other distribution in the nature of an investment, guarantee, extension of credit, advance, or loan, nor make a capital credit distribution (all such distributions being hereinafter collectively called "Distributions;") *provided, however*, Distributions may be made in each fiscal year as follows:

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

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

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

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

(b) *Additional Negative Restrictions*. The Awardee shall comply with the additional negative restrictions on Distributions and Withdrawals set forth in Schedule 1 hereto.

Section 7.10 Changing Principal Place of Business, Place of Conducting Business, or Type of Organization

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

Section 7.11 Changing Name or Place of Incorporation or Organization

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

Section 7.12 Historic Preservation

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

Section 7.13 Affiliated Transactions

The Awardee shall not enter into any transaction, contract, or dealing with an Affiliate of the Awardee or with the Awardee's or Affiliate's directors, trustees, officers, managers, members (if the Awardee is a limited liability company), or other corporate officials, without the prior written consent of RUS. RUS' consent to advance loan funds for affiliated transactions will be limited to an amount which is the lower of cost or market rate and which is subject to verification by RUS and its representatives having access to the books and records of the Affiliate.

Section 7.14 Preferred Stock

The Awardee shall not issue any new or additional preferred stock without the prior written approval of RUS, which approval shall not be unreasonably withheld if such stock issuance, in RUS' sole opinion, would not be considered a debt instrument under GAAP.

Section 7.15 Restrictions on Transfers of Property

(a) Except as provided in Paragraph (b), and excluding any property which the Awardee must sell to customers in the ordinary course of business, the Awardee shall not sell, lease or transfer any Collateral to any other person or entity (including any subsidiary or affiliate of the Awardee) without the prior written consent of the RUS.

(b) So long as the Awardee is not in default hereunder, the Awardee may, without obtaining the consent of RUS, 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 Awardee's business, or which has become obsolete, worn out, damaged, or otherwise unsuitable for the purposes of the Awardee; provided, however, that the Awardee shall to the extent necessary: (1) replace the same with other property of the same kind and nature, or substitute thereof, which shall be subject to the lien hereof, free and clear of all prior liens, and apply the proceeds, if any, derived from the sale or disposition of such property, which are not needed for the replacement thereof, to the prepayment of the indebtedness on the outstanding Notes; (2) immediately upon the receipt of the proceeds of any sale or disposition of said property, apply the entire amount of such proceeds to the prepayment of the indebtedness evidenced by the Notes; or (3) deposit all or such part of the proceeds derived from the sale or disposition of said property into the Pledged Deposit Account , and shall use the same only for such additions to, or improvements in, the Collateral, on such terms and conditions as RUS shall specify.

Section 7.16 Restrictions on Changes to Line Item Budget

The Awardee agrees that the budget for the Project is a line item budget and agrees not to make any revisions to the RUS approved line item Project budget, including, without limitation, the part of the budget for construction, without the prior written approval of RUS.

Section 7.17 Additional Negative Covenants

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

ARTICLE VIII - LENDER'S RIGHTS

Section 8.1 Termination of Award Offer

RUS, in its sole discretion, may terminate the offer to make the Loan if it does not receive the Loan Agreement, duly executed on behalf of the Awardee and all conditions in Section 4.1 hereof are not satisfied within sixty (60) days from the date that RUS notifies in writing that the environmental review process has been concluded.

Section 8.2 Audits and Compliance Reviews

After giving prior notification to the Awardee, RUS has the right to conduct compliance reviews and audits of the Awardee to assure compliance with the Loan Agreement, FOA, and the Accounting Requirements.

Section 8.3 Disallowed Expenditures

Upon a determination by RUS that the Awardee did not expend Award funds on Eligible Purposes in accordance with the RUS approved line item Project budget and the Form(s) 481 approved by RUS prior to the advance of funds, RUS may, in its sole discretion:

(a) Disallow all or a part of the expenditures and disbursements of the Award and require the Awardee to deposit such funds in the Pledged Deposit Account to be applied toward other approved Project purposes on Form(s) 481 or to reimburse the Government, as provided in Section 5.3 hereof;

(b) Suspend future Advances; and/or

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

Section 8.4 Suspension of Advances

RUS may, in its absolute discretion, suspend making Advances on the Award upon its making a determination that an event has occurred that is likely to have a Material Adverse Effect. RUS may also suspend making advances of the Award upon the occurrence of an Event of Default.

Section 8.5 Payment Extensions

RUS may, at any time or times in succession without notice to or the consent of the Awardee and upon such terms as RUS may prescribe, grant to any person, firm or entity who shall have become obligated to pay all or any part of the principal of or interest on any note held by or indebtedness owed to RUS or who may be affected by the lien created by the Loan Agreement, an extension of the time for the payment of such principal or interest, and after any such extension the Awardee 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 8.6 Right to Expend Money

RUS shall have the right (without prejudice to any of its rights with respect to any Event of Default) to advance or expend moneys for the purpose of procuring insurance, or for the payment of insurance premiums as required hereunder, or to advance or expend moneys for the payment of taxes, assessments or other charges, or to save the Collateral 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 covenant herein contained or to prosecute and defend any suit in relation to the Collateral or in any manner to protect the Collateral 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 Collateral and shall be forthwith paid to RUS upon demand. It shall not be obligatory for RUS in making any such advances or expenditures to inquire into the validity of any such tax title, or of any such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

Section 8.7 Right to File Financing Statements

RUS shall have the right to file such financing statements and continuation statements on its behalf, as secured party, and on behalf of the Awardee, as debtor, as RUS deems necessary to perfect a first lien on the Collateral and to maintain and preserve such perfected first lien as long as the Loan remains outstanding. The Awardee shall reimburse RUS for any expenses incurred in the exercise of this right.

ARTICLE IX - EVENTS OF DEFAULT

Section 9.1 Events of Default

The following shall be events of default (each an "Event of Default") under this Agreement:

(a) Representations and Warranties. Any representation or warranty made by the Awardee in the Loan Agreement, Form(s) 481 or any certificate furnished to RUS under the Loan Agreement, or in the Application shall prove to have been incorrect in any material respect at the time made;

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

(c) Corrective Actions. Default by the Awardee in the observance or performance of Section 5.9;

(d) Limited Liability Companies. Default by the Awardee or its members in the observance or performance of Section 7.3;

(e) Improper Expenditures. The Awardee expends Award funds on costs which are not Eligible Purposes in accordance with the RUS approved line item Project budget and the Form(s) 481 approved by RUS prior to the advance of funds;

(f) Failure to Keep Adequate Records. The Awardee fails to keep adequate records, including the failure to document Award fund expenditures for Eligible Purposes as required herein;

(g) Failure to Build in Accordance with Buildout Timeline. The Awardee fails to commence build out of the Project within 180 days from the date that RUS notifies in writing that the environmental review process has been concluded or otherwise fails to meet or exceed milestones established in the Buildout Timeline, as it may be amended with prior written RUS consent;

(h) Failure to Comply with Accounting and Reporting Requirements. The Awardee fails to comply with the accounting and reporting requirements in Article VI;

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

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

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

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

(m) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Awardee, or the filing of such by the Awardee;

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

(o) Service Obligation. As determined by RUS, the Awardee has willfully failed to provide the Service Obligation on the Project, which the Awardee acknowledges, shall give rise, should the debt be accelerated, to the government's claim for the return of federal grant funds used to subsidize the interest rate; and/or

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

ARTICLE X - REMEDIES

Section 10.1 General

Upon the occurrence of an Event of Default, RUS may pursue all rights and remedies available to RUS that are contemplated by the Loan Agreement in the manner, upon the conditions, and with the effect provided in the Loan Agreement, and may pursue such other remedies that are generally available at law or in equity including, without limitation, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of RUS to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article IX hereof. Each right, power and remedy of RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

Section 10.2 Remedies

In addition to the remedies referred to in Section 10.1 hereof, upon the occurrence of an Event of Default, RUS may:

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

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

(c) Terminate the obligation to further advance on account of the Award; and/or

(d) Take immediate possession of the Collateral, collect and receive all credits, outstanding accounts and bills receivable of the Awardee and all rents, income, revenues and profits pertaining to or arising from the Collateral, or any part thereof, and issue binding receipts therefor; manage and control and operate the Collateral as fully as the Awardee might do if in possession thereof; RUS, any employee or agent of RUS is hereby constituted and appointed as true and lawful attorney-in-fact of the Awardee with full power to (i) notify or require the Awardee to notify any and all Customers that the Collateral has been assigned to RUS and/or that RUS has a security interest in the Collateral; (ii) endorse the name of the Awardee upon any notes, checks, acceptances, drafts, money orders, or other instruments or payment (including payments made under any policy of insurance) that may come into possession of RUS in full or part payment of any amount owing to RUS; (iii) sign and endorse the name of the Awardee upon any invoice, freight, or express bill, bill of lading, storage or warehouse receipt, assignment verification or notice in connection with receivables; (iv) send requests for verifications of Collateral to customers or account debtors; (v) sell, assign, sue for, collect, or compromise payment of all any part of the Collateral in the name of the Awardee or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit, or any combination thereof, and RUS may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price may set off the amount of such price against the Obligations; granting to RUS, as the attorney-in-fact of the Awardee, full power of substitution and full power to do any and all things necessary to be done in and about the premises fully and effectually as the Awardee might or could do but for this appointment, hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither RUS, its employees, nor its agents shall be liable for any act or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable during the term of this Agreement and so long as any Obligations shall remain outstanding;

(e) RUS shall have the right to enter and/or remain upon the premises of the Awardee without any obligation to pay rent to the Awardee or others, or any other place or places where any of the Collateral is located and kept and: (i) remove the Collateral therefrom in order to maintain, collect, sell, and/or liquidate the Collateral or, (ii) use such premises, together with materials, supplies, books, and records of the Awardee, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for sale, liquidation, or collection. RUS may require the Awardee to assemble the Collateral and make it available to RUS at a place to be designated by RUS;

(f) RUS shall have the right, without prior notice to the Awardee, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS or owed to the Awardee or for the credit of the Awardee against any and all of the Obligations. RUS agrees to notify the Awardee promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. Awardee waives all rights of setoff, deduction, recoupment or counterclaim; and/or

(g) RUS shall have, in addition to any other rights and remedies contained in this Agreement, and in any other agreements, guarantees, notes, mortgages, instruments, and documents heretofore, now, or at any time or times hereafter executed by the Awardee and delivered to RUS, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the state identified in the first paragraph hereof, as well as the state where the Collateral is located, as of the date hereof, all of which rights and remedies shall be cumulative, and nonexclusive.

ARTICLE XI - MISCELLANEOUS

Section 11.1 Notices

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

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

Awardee
See Schedule 1

With a copy to:
Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Stop 1590, Room No. 4121
Washington, D.C. 20250-1590
Attention: Peter Aimable
Email: TelecomPMRA@usda.gov

With a copy to:
See Schedule 1

Section 11.2 Notices of Actions Against Collateral

Any notice required to be given by RUS of a sale or other disposition or other intended action by RUS with respect to any of the Collateral, or otherwise, made in accordance with this Agreement at least five (5) days prior to such proposed action, shall constitute fair and reasonable notice to the Awardee of any such action.

Section 11.3 Application of Proceeds

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 11.4 Expenses

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

Section 11.5 Late Payments

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

Section 11.6 Filing Fees

To the extent permitted by law, the Awardee agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Awardee agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

Section 11.7 No Waiver

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

Section 11.8 Governing Law

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

Section 11.9 Consent to Jurisdiction

The Awardee hereby irrevocably submits to the jurisdiction of the U.S. District Court for the District of Columbia and the US Court of Appeals for the Federal Circuit (both the "DC Federal Courts") for any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding shall be heard and determined in such federal courts. The Awardee irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Awardee's address set forth in Schedule 1. The Awardee hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the DC Federal Courts and hereby further irrevocably waives and agrees not to plead or claim in such court that any such action or proceeding brought in any such

court has been brought in a forum *non conveniens*. Nothing herein shall affect the right of the Government to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Awardee in its own jurisdiction.

Section 11.10 Waiver of Jury Trial

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, SECURED PARTY, OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 11.11 Holiday Payments

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

Section 11.12 Rescission

The Awardee may elect to rescind the Award, in which event RUS shall release the Awardee from its obligations hereunder, provided the Awardee complies with such terms and conditions as RUS may impose for such release.

Section 11.13 Successors and Assigns

(a) This Agreement shall be binding upon and inure to the benefit of the Awardee and RUS and their respective successors and assigns, except that the Awardee may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.

(b) Pursuant to federal claims collection laws, RUS' claims hereunder may be transferred to other agencies of the United States of America; in the event of such a transfer, all rights and remedies hereby granted or conferred on RUS shall pass to and inure to the benefit of any such successor agency.

Section 11.14 Complete Agreement; Waivers and Amendments

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

Section 11.15 Headings

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

Section 11.16 Severability

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

Section 11.17 Right of Setoff

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

Section 11.18 Schedules and Attachments

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

Section 11.19 Authority of Representatives of RUS

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

Section 11.20 Term

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

(a) The Awardee and RUS replace this Agreement with another written agreement; or

(b) All of the Awardee's obligations under this Agreement, including the Service Obligation, have been discharged and paid.

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

PUBLIC SERVICE TELEPHONE COMPANY

by _____
Name:
Title:

(Seal)

Attested to by: _____
Secretary

UNITED STATES OF AMERICA

by ANDREW BERKE Digitally signed by ANDREW BERKE Date: 2022.10.29 14:12:16 -04'00'
Administrator
of the Rural Utilities Service

SCHEDULE 1

Article I **Definitions**

1. "Mortgage" refers to: Restated Mortgage, Security Agreement, and Financing Statement

Article II **Representations and Warranties**

1. Paragraph (h) Awardee's Principal Place of Business: **8 North Winston Street, Reynolds, Georgia 31076**

2. Paragraph (i) Awardee's Organization Number: **J418223**

3. Paragraph (j) Awardee's Subsidiaries: **N/A**

4. Paragraph (j) Awardee's Parent: **Public Service Communications**

5. Paragraph (m) Additional Representations and Warranties:

   The Awardee represents and warrants that it is primarily engaged in the business of transmitting communications electrically, electromagnetically, or by light.

Article III **The Loan**

1. Section 3.1(a) Loan amount: **$36,492,568**

2. Section 3.1(c) Maturity Date: **22 Years from Release of Funds Date**

Article IV **Conditions Precedent to Loan Closing**

1. The additional conditions referred to in Section 4.1(j) are as follows:

   a) **Pursuant to 7 CFR 1970.11(b), the Agency has determined that assurance of funding for this Project is necessary for economic rural development. As a result, this Agreement is subject to the completion of all necessary environmental procedures required by Federal law, and funds may not be disbursed until successful completion of such procedures. The Awardee acknowledges that it may not engage in any work on the Project until Awardee has received written notice from the Agency, except for work required to finalize the environmental reviews. Such environmental work, however, shall be done at the Awardee's own risk and may not be reimbursed if the environmental reviews cannot be completed as required by 7 CFR 1970.11(b). Awardee understands and acknowledges that unauthorized work will result in the termination of this Agreement. Awardee also acknowledges that any findings in the environmental reviews requiring significant changes to the Project will constitute an immediate deobligation of funding and termination of this Agreement, and will not result in an amended agreement until revised terms are agreed upon and funding is determined to be still available.**

   b) **Awardee must execute a Restated Mortgage, Security Agreement, and Financing Statement.**

   c) **Awardee must submit an up-to-date Evidence of Good Standing from the Secretary of State Office of Georgia.**

d) **Awardee must provide an updated Legal Opinion that is dated within 60 days of submission of the application.**

Conditions Precedent to Release of Funds

2. Section 4.2(c) funds deposited for Project completion: **N/A**

3. The additional conditions referred to in Section 4.2(d) are as follows: **N/A**

Conditions Precedent to Individual Advances

4. Section 4.3(i) Required permits, licenses, franchise, and other approvals: **N/A**

5. The additional conditions to advance referred to in Section 4.3(l) are as follows: **N/A**

Article V Affirmative Covenants

1. Section 5.8(a) Financial Requirements Commencement Date: **December 31, 2026**

2. Section 5.10 Composite Economic Life of RUS financed facilities: **19 Years**

3. Section 5.11(f) Awardee is subject to the following National Programmatic Agreement (NPA): **N/A**

4. The additional affirmative covenants referred to in Section 5.20 are as follows: **N/A**

Article VII Negative Covenants

1. The additional negative restrictions on Distributions and Withdrawals referred to in Section 7.9(b) are as follows: **N/A**

2. The additional negative covenants referred to in Section 7.17 are as follows: **N/A**

Article XI Miscellaneous

1. Section 11.1 Awardee's address for purposes of notification:

James Bond
Public Service Telephone Company
President
8 North Winston Street
Reynolds, Georgia 31076

2. Section 11.1 Address for Awardee's notification copy:

John B. Nichols
231 Riverside Drive
Macon, Georgia 31201

ATTACHMENT 1

EQUAL OPPORTUNITY CONTRACT PROVISIONS

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

(a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.

(b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.

(d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965 and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965 and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulation, and orders.

(f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

ATTACHMENT 2

RECONNECT PROGRAM CONSTRUCTION PROCEDURES

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

Together, America Prospers

ReConnect Program
Construction Procedures
Version 2.0 – February 2020

Rural Utilities Service
Telecommunications Program

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General

This guide implements and explains the provisions of the loan and grant documents containing the requirements and procedures to be followed by an Awardee performing work to be financed with ReConnect Program funds. The Awardee shall maintain accounting and plant records sufficient to document the cost and location of all construction and to support ReConnect Program advances and disbursements. The standard Award Documents also contain provisions regarding advances and disbursement of ReConnect Program funds. This guide also implements certain provisions by setting forth requirements and procedures to be followed by the Awardees in obtaining advances and making disbursements of funds.

Abbreviations

For the purposes of this guide:

C.F.R. stands for Code of Federal Regulations.

FRS stands for RUS Form 481, *Financial Requirement Statement.*

GFR stands for RUS General Field Representative.

Pub. L. stands for Public Law

RUS. stands for Rural Utilities Service

U.S.C. stands for United States Code.

Definitions

For the purposes of this guide:

Advance means transferring funds from RUS to the Awardee's Pledged Deposit Account.

Architect means a person registered as an architect in the state where construction is performed.

Award means a ReConnect award made by the Rural Utilities Service under the latest FOA.

Award Documents mean the documents covering an award made by RUS, including the award contract, note and mortgage or other security documents between the Awardee and RUS.

Awardee means any organization with an Award made by RUS under the ReConnect Program.

Bid Guarantee means a bid bond or certified check required of contractors bidding on construction work to ensure that the bidder, if successful, will furnish a performance bond.

Buy American Requirement means RUS' requirements for compliance with the "Buy American" provision of the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 *et seq*.

Broadband Service means a minimum transmission rate as defined in the current FOA applicable to the ReConnect Program.

Closeout Documents mean the documents required to certify the satisfactory completion of all obligations under a contract.

Contract means the agreement between the Awardee and an independent contractor covering the purchase and/or installation of equipment or the construction of broadband facilities to deliver broadband services for an Awardee's system.

Contract Work means any work performed pursuant to a standard RUS contract, or a Non-RUS contract.

Contract Forms mean RUS requirements to use standard forms of contracts for construction, procurement, engineering services, and architectural services, if the construction, procurement or services are financed by RUS.

Disbursement means payment by the Awardee out of the Pledged Deposit Account forapproved award purposes.

Domestic Product means a product that is manufactured in the United States or in any eligible country, substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States or in any eligible country. An "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the market of that country, as determined by the United States Trade Representative.

Engineer means a person registered as an engineer in the state where construction and/or installation of facilities is performed, or a person on the Awardee's staff authorized by RUS to perform engineering services.

In-house Engineering means any post-award engineering services for the Award performed by the Awardee's staff.

Network and Access Equipment means any switching, routing, video, or transport equipment used primarily for the delivery of broadband service.

Network Design means the network as described in the approved award application.

Non-domestic Product means any product other than a domestic product.

Non-RUS Contract means a private contract for specific work that is submitted by the Awardee, which must be approved by RUS before execution, if it is to be funded.

Outside Plant means the part of the broadband network that is physically located outside of buildings. This includes cable, conduits, poles and other supporting structures and certain other associated equipment items.

Performance Bond means a surety bond on RUS Form 168b guaranteeing the contractor's faithful performance of a contract. (See 7 CFR Part 1788.)

Plans and Specifications means a copy of the appropriate contract, the specifications, and such additional information and documents needed to provide a clear, accurate, and complete understanding of the work to be performed.

Pledged Deposit Account means an account required by the award contract into which all RUS award funds, matching, and any funds required for project completion as stated in the award contract are deposited.

Responsive Bid means a bid that complies with the plans and specifications.

Subcontract means a secondary contract undertaking some of the obligations of a primary contract. Under a RUS contract, the primary contractor bears the full responsibility for the performance of the subcontractor.

Work Order Work means any work performed by the Awardee employees, pursuant to its work order procedure, with the Awardee furnishing all materials, equipment, tools, and transportation.

Construction Procedures

General

All work must conform to the approved Network Design and shall be covered by an Environmental Report prepared in accordance with 7 CFR Part 1970 and approved by RUS. No construction and/or installation activities shall commence until all necessary local, state and federal requirements have been satisfied.

Materials and/or equipment purchased or construction performed prior to an award offer accepted by the applicant will not be eligible for financing. Only new materials and equipment may be financed with award funds, unless otherwise approved in writing by RUS.

Buy American

All materials and equipment financed with award funds must comply with the "Buy American" provisions in 7 C.F.R. 1787.

Insurance

A performance bond is required for construction exceeding $250,000, as indicated in 7 CFR Part 1788, Subpart C. or certain significant installation, as outlined in the Agency's Memorandum. The Awardee is responsible for ensuring that its contractor and engineer comply with all the insurance and bond requirements of 7 CFR Part 1788, Subpart C.

Software License

As part of the equipment purchase, the original equipment manufacturer may require that the Awardee enter into a software license agreement for the use of the equipment.

Non-RUS Contracts

The Awardee may choose to use a Non-RUS (private) contract to perform work provided that the Non-RUS Contract must comply with equal employment opportunity and civil rights requirements. The Non-RUS Contract must include a provision that it will not be binding on the parties, until administrative approval by RUS has been granted. RUS will not approve use of the Non-RUS Contract if, in RUS' judgment:

1) The contract is for work not covered in the approved Application, or is not for an Eligible Purpose;

2) The contract terms and conditions are vague, inadequate, or unreasonable; or

3) The contract presents unacceptable loan security risk to RUS.

Subcontracts

RUS construction contract Forms 257, 395, and 515 contain provisions for subcontracting. The contractor should refer to the individual contracts for the amounts and conditions on subcontracting.

RUS Form 282, *Subcontract*, shall be used for subcontracts. Minor modifications or additions may be made to the subcontract form, as long as they do not change the terms and conditions of the primary contract. Any alterations to the subcontract shall be initialed and dated by the parties executing the subcontract. These alterations shall be noticeable by using italic print or any other means that accomplished this purpose.

Subcontracts shall be prepared in triplicate. All copies shall be executed by the contractor and subcontractor and consented to by the Awardee and surety, if applicable. Subcontracts are not subject to RUS approval provided that they are in accordance with the provisions of the appropriate RUS contract. Upon execution, one copy each will be sent to the Awardee, contractor, and subcontractor.

As stated in RUS Forms 257, 395, and 515, the contractor shall bear full responsibility for the acts and omissions of the subcontractor and is not relieved of any of the contractual obligations to the Awardee and to the Government.

Contract Amendments

Awardees shall use RUS Form 238, *Construction or Equipment Contract Amendment*, when an amendment to RUS Form 395, *Equipment Contract*, or RUS Form 257, *Contract to Construct Buildings*, is required. For amendments to RUS Form 515, *Telecommunications System Construction Contract (Labor and Materials)*, Awardees shall use RUS Form 526, *Construction Contract Amendment*. For Non-RUS contracts, Awardees must follow the same procedure as stated below. The Awardee shall obtain RUS approval before execution of any amendment for an approved contract if:

1) The amendment alters the terms and conditions of the contract or changes the scope of the project covered by the contract regardless of the amount of the contract before amendment;

2) The amendment by itself (or together with preceding amendments) increases the original contract price by 20% or more. In this case, a performance bond extension will be required to bring the penal sum of the bond to the total amended contract price; or

3) The amendment causes an unbonded contract to require a contractor's performance bond. This would occur when an amendment increases the contract price to an amount requiring a performance bond per 7 CFR Part 1788, Subpart C.

Prior RUS approval to execute other contract amendments is not required. These amendments can be submitted to RUS at any time prior to contract closeout.

Once RUS approval to amend the contract has been granted, or for any other contract amendments not requiring approval, the Awardee must submit three copies of the executed amendment to RUS for approval. For each amendment, the Awardee shall make certain that:

1) The performance bond covers the additional work to be performed; and

2) The contractor is licensed to do business in the county and state where the work will be performed.

Affiliated Transactions

With regard to the Project, the Awardee shall not enter into any transaction, contract, or dealing with an Affiliate of the Awardee or with the Awardee's or Affiliate's directors, trustees, officers, managers, members (if the Awardee is a limited liability company), or other corporate officials, without the prior written consent of RUS. RUS' consent to advance award funds for affiliated transactions will be limited to an amount which is the lower of cost or market rate and which is subject to verification by RUS and its representatives having access to the books and records of the Affiliate.

As defined in the appropriate award document, "Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity, or which exists for the sole purpose of providing any service to one company or exclusively to companies which otherwise meet the definition of affiliate. This definition includes Variable Interest Entities as described in Financial Accounting Standards Board Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*. For the purpose of this definition, "control" means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership voting of securities, common directors, officers, or stockholders, voting trust, holding trusts (other than money exchanged) for property or services.

Records

Records supporting all assets financed by RUS shall be retained until audited and approved by RUS. Records must be sufficient to document the cost and location of all expenditures and to support advances and disbursement of award funds. The support records must include, but not limited to, contracts, third party invoices, timesheets, payroll records, material records, and overhead allocation records and summary schedules.

Records related to plant-in-service must be retained until the facilities are permanently removed from utility service, all removal and restoration activities are completed, and all costs are retired from the accounting records unless accounting adjustments resulting from reclassification and original costs studies have been approved by RUS or other regulatory body having jurisdiction.

Professional Services

General

Awardees shall only obtain professional services only from persons or firms who are not affiliated with, and have not represented a contractor, vendor or manufacturer who may provide labor, materials, or

equipment to the Awardee under any current award.

Engineering Services

All engineering services required by an Awardee, including inspection and certification, shall be rendered by an engineer selected by the Awardee and licensed in the state(s) where the facilities will be located or by qualified employees on the Awardee's staff authorized by RUS to perform such services.

1) *Outside Consultant*. Engineering services performed by a consulting engineering firm shall be covered under RUS Form 217, *Postloan Engineering Services Contract - Telecommunications*, RUS Form 245, *Engineering Service Contract Special Services-Telephone,* or a Non-RUS Contract.

2) *In-House Engineering.* When the proposed work is such that the engineering involved is within the capabilities of the employees on the Awardee's staff, Awardees may request RUS approval to provide such services. The request shall include:

   a. A description of services to be performed;

   b. The names and qualifications of each employee that will be performing the specific services. In addition, the Awardee shall identify an employee who will be in charge of the services. Such employee must meet the State experience requirements for a registered engineer in the State where facilities will be located. In the absence of specific State experience requirements, this employee should have at least eight years of experience in the design and construction of broadband network, with at least two years of the work experience at a supervisory level. RUS does not require professional registration of this employee, but this does not relieve the Awardee from complying with applicable state registration requirements, which may require a licensed individual to perform such services;

   c. The names, qualifications, and responsibilities of other principal employee(s) who will be associated with providing the engineering services; and

   d. A letter signed by an authorized representative of the Awardee requesting in-house engineering approval and certifying the supporting information.

RUS shall notify the Awardee by letter of approval or disapproval to perform in-house engineering. The letter shall set forth any conditions associated with an approval or the reasons for disapproval. RUS approval of in-house engineering services shall be only for the specific services covered by the approval.

Architectural Services

All architectural services required by an Awardee, shall be rendered by an architect selected by the Awardee and licensed in the state(s) where the facilities will be located. The Awardee shall use either RUS Form 220, *Architectural Services Contract*, RUS Form 217, *Postloan Engineering Services Contract*, or a Non-RUS contract when contracting for architectural services.

Other Professional Services

For all other professional services, the Awardee shall use RUS Form 245, *Engineering Service Contract – Special Services,* or a Non-RUS Contract.

Contract Documents

The Awardee shall submit three executed copies of the appropriate RUS Contract or the Non-RUS Contract, covering the professional services to be provided, for administrative approval. RUS will not approve the contract, if in RUS' judgment:

1) Unacceptable modifications have been made to the contract;

2) The contract will not accomplish award purposes;

3) The fees included in the contract are unreasonable; or

4) The contract presents unacceptable award risk to RUS.

Upon approval of the contract by RUS, one copy will be sent to the Awardee and one copy to the architect, engineer, or contractor.

Closeout Documents

Once all services and obligations required under the professional services contract have been completed, the Awardee shall submit two copies of RUS Form 284, *Final Statement of Cost for Architectural Service* or RUS Form 506, *Statement of Engineering Fees- Telecommunications* to close out the specific RUS contract. Awardees using RUS Form 245 or a Non-RUS Contract should provide a similar certification. RUS shall notify the Awardee and the engineer, architect, or contractor, in writing upon approval of the final statement of fees. Thereafter, the Awardee will make the final payment in accordance with the terms and condition of the contract.

Purchase and Installation of Equipment

General

When purchasing Network & Access Equipment or Customer Premises Equipment that is estimated to cost more than $100,000, including installation, the Awardee shall use RUS Form 395, *Equipment Contract,* or a Non-RUS Contract. Equipment purchased under RUS Form 395, that does not include installation, may be installed by the Awardee using the its own employees as described under the Small-Scale Construction.

Equipment purchases for $100,000 or less, including installation, can be purchased under a purchase order and reimbursed on an FRS through the Reimbursement method as described under Small-Scale Construction.

Under the terms of RUS Form 395, the prices do not include any amounts that are or may be payable by the supplier or the Awardee on account of taxes imposed upon the sale, purchase or use of equipment, material and software covered by the contracts. If any such tax is paid by the supplier, the contract requires that the amount is to be stated separately on all invoices and paid by the Awardee.

When purchasing and installing equipment using RUS Form 395 or a Non-RUS Contract, the Awardee shall follow the procedures below.

Plans & Specifications

The engineer shall prepare the plans & specifications (P&S) consisting of performance specifications and installation requirements, if applicable, along with RUS Form 395, *Equipment Contract* or Non-RUS Contract, prior to releasing them to prospective suppliers. The Awardee may negotiate with a single supplier, although RUS recommends that the Awardee obtain quotes from at least three different suppliers.

Contract Documents

The Awardee shall submit three executed copies of the RUS Form 395, *Equipment Contract,* or the Non-RUS Contract to RUS for administrative approval. RUS will not approve the contract, if in RUS' judgment:

1) Unacceptable modifications have been made to the contract;

2) The contract will not accomplish award purposes;

3) The fees included in the contract are unreasonable; or

4) The contract presents unacceptable award risk to RUS.

Upon approval of the contract by RUS, one copy will be sent to the Awardee and one copy to the contractor.

Closeout Documents

Upon completion of the equipment installation, the Awardee and its engineer shall arrange with the contractor for acceptance testing of the equipment. After completion of the acceptance tests by the Awardee and the contractor, the Awardee and its engineer should review the test results to ensure that the equipment is in conformance with the P&S. All deficiencies shall be documented and corrected before the contract can be closed out.

Once the equipment has been accepted, the Awardee, with the assistance from its engineer, shall complete the documents listed in the following table to closeout the RUS Form 395.

Documents Required to Closeout RUS Form 395						
RUS Form	Description	Copies Prepared by		Distribution		
		Supplier	Engineer	Awardee	Supplier	RUS
238	Construction or Equipment Contract Amendment (If not previously submitted, send to RUS for approval.)	---	3	---	---	3
395a	Certificate of Completion for Equipment Contract (Including Installation)	---	2	1	1	---
395b	Certificate of Completion for Equipment Contract (Not Including Installation)	---	2	1	1	---
395c	Certificate of Contractor and Indemnity Agreement (Use only for Installation Contracts)	1	---	1	---	---
213	Certificate (Buy American)	1	---	1	---	---
---	Report in writing, including all measurements and other information required under Part II of the applicable specifications	---	1	1	---	---
---	Set of maintenance recommendations for all equipment furnished under the contract	1	---	1	---	---

The Awardee shall obtain from the engineer, RUS Form 756, *Contract Closeout Certification* or a similar certification for a Non-RUS Contract, and submits it to RUS within 30 days. If the changes are made to the contract as a result of equipment or price changes during the course of the project, then RUS Form 238, *Construction and Equipment Amendment* reflecting those changes must be submitted to RUS for approval.

RUS shall notify the Awardee and the contractor, in writing, upon approval of the RUS Form 756. Thereafter, the Awardee shall make the final payment to the contractor in accordance with the terms and conditions of the contract.

Outside Plant Construction

General

The Awardee shall use RUS Form 515, *Telecommunications System Construction Contract*, or a Non-RUS Contract to finance outside plant construction projects estimated to cost over $1 million, including all labor and materials. The Awardee shall follow either the sealed competitive bidding method or the negotiated procedures described below.

For projects estimated to cost $1 million or less, including all labor and materials, the Awardee may use the same RUS Form 515, a Non-RUS Contract, or the two methods described under Small-Scale Construction. When using RUS Form 515, the Awardee can either follow the Sealed Competitive Bid or Negotiated Procurement methods.

When performing outside plant construction using RUS Form 515 or a Non-RUS Contract, the Awardee shall follow the procedures below.

Plans & Specifications

The engineer prepares P&S consisting of the RUS Form 515 and the applicable construction specifications listed below:

1) RUS Form 515a (Bulletin 1753F-150) - *Specifications and Drawings for Construction of Direct Buried Plant*.

2) RUS Form 515b (Bulletin 1753F-151) -*Specifications and Drawings for Construction of Underground Plant*.

3) RUS Form 515c (Bulletin 1753F-152) - *Specifications and Drawings for Construction of Aerial Plant*.

4) RUS Form 515d (Bulletin 1753F-153) - *Specifications and Drawings for Service Installation at Customer Access Locations*.

In addition, the P&S must also include the following items:

1) Description of special assembly units and guide drawings, if any;

2) Key, detail, and cable layout maps; and

3) If applicable, a list of any owner-furnished materials and the associated unit cost, using RUS Form 787.

When the Awardee furnishes materials under RUS Form 787, *Supplement A to Construction Contract (RUS Form 515)*, these steps should be followed:

1) Materials on hand to be furnished by the Awardee shall be released to the contractor at the start of construction. Materials on order, but not yet received, shall be provided to the contractor as they become available. The Awardee shall obtain from the contractor a written receipt for all such materials delivered.

2) Materials on hand, until released to the contractor, shall be covered by fire and either wind-storm or extended coverage insurance, exclusive of materials in the open and not within 100 feet of any building. Poles, wherever stored, shall be covered by fire insurance. All insured values must be at least 80 percent of the cash value of the property insured.

3) Subject to adjustment at the time of final settlement, the Awardee shall obtain from the contractor monthly invoices that show credit to the Awardee, at the prices quoted in RUS Form 787 for all materials furnished by the Awardee and installed by the contractor the preceding month.

4) Any materials furnished by the Awardee remaining as surplus at the completion of construction shall be returned to the Awardee. For such materials, the awardee shall furnish a written receipt to the contractor and credit the contractor at the prices quoted in RUS Form 787.

If the construction project is estimated to cost $1 million or less, including all labor and materials, then RUS approval of the P&S is not required. The Awardee shall proceed with negotiations with one or more contractors under the Negotiated Procurement method or the Sealed Competitive Bidding method.

If the construction cost of the project is estimated to exceed $1 million, including all labor and materials, the Awardee shall submit the P&S to RUS for approval. RUS shall approve the P&S in writing or notify the awardee of any reason for withholding approval. Upon approval of the P&S, the Awardee shall follow the Sealed Competitive Bidding method.

Procurement Methods

A. Negotiated Procurement

100% LOAN AWARD

If the Awardee will be using loan funds, and/or its own funds, for construction, then the Awardee can elect to negotiate with a single or multiple contractor(s) for construction. RUS approval to negotiate is not required but the Awardee must notify RUS of the amount of construction, the contractor selected and indicate if this is a new contract or an amendment to an existing contract.

50/50 LOAN GRANT COMBINATIONS

If the Awardee will be using only loan funds, or funds which have been substituted for the loan component of the award, for construction, then the Awardee can elect to negotiate with a single or multiple contractor(s) for construction. RUS approval to negotiate is not required but the awardee must notify RUS of the amount of the construction, the contractor selected and indicate if this is a new contract or an amendment to an existing contract. If a future contract amendment is required, then the Awardee must use loan funds or other funds for the amendment. Grant funds may not be used to fund or supplement contracts that have not been competitively bid.

Grant funds or a combination of loan/grant funds may not be used for contracts that have not been competitively bid unless the Awardee has requested RUS approval to negotiate with a single or multiple contractor(s) for construction. The Awardee must detail in writing the amount of the construction, the contractor selected, the rational and/or necessity for negotiating the contract, and if a new contract or an amendment to an existing contract will be used. The Awardee may not enter into any non-competitively bid contract which is to be reimbursed with grant funds unless and until it has received written approval from RUS.

100% GRANT AWARD

If the Awardee will only be using matching funds, then the Awardee can elect to negotiate with a single or multiple contractor(s) for construction. RUS approval to negotiate is not required but the Awardee must notify RUS of the amount of construction, the contractor selected and indicate if this is a new contract or an amendment to an existing contract. If a future contract amendment is required and all matching funds have been expended, then the Awardee must use other funds for the amendment. Grant funds may not be used to fund or supplement contracts that have not been competitively bid.

Grant funds may not be used for contracts that have not been competitively bid unless the Awardee has requested RUS approval to negotiate with a single or multiple contractor for construction. The Awardee must detail in writing the amount of the construction, the contractor selected, the rational and/or necessity for negotiating the contract, and if a new

contract or an amendment to an existing contract will be used. The Awardee may not enter into any non-competitively bid contract which is to be reimbursed with grant funds unless and until it has received written approval from RUS.

General

Upon preparation of the P&S, the Awardee shall schedule a conference to be attended by representatives of the engineer and the contractor(s) selected for negotiations. The purpose of the negotiation conference is to acquaint the contractor(s) with the scope and special considerations of the construction project and to answer any questions.

The Awardee shall ensure that the contractor selected meets all federal, state, and local licensing requirements, as well as bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 C.F.R. Part 1788.) If the contract amount exceeds $250,000, a contractor's bond for the contract amount must be provided by the contractor.

After a satisfactory negotiated proposal has been obtained, the Awardee shall enter into a contract with the selected contractor.

B. Sealed Competitive Bidding

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The Awardee shall solicit bids from at least six prospective bidders. The P&S shall clearly set forth all requirements including all other factors to be used in evaluating bids or proposals that the bidder shall fulfill in order for the bid to be evaluated by the Awardee. The Awardee shall consider the same alternates in all bids in determining the low bid. Any and all bids may be rejected when it is in the Awardee's interest to do so.

Upon RUS approval of the P&S, the Awardee shall schedule the bid opening date. The Awardee shall allow sufficient time for the bidders to examine the project site and prepare their bids when scheduling the bid opening date.

The Awardee shall obtain from its engineer a list of prospective bidders and a recommendation indicating which bidders are considered qualified. If the notice and instructions to bidders require that bidders show evidence of meeting certain requirements, the Awardee shall qualify bidders before issuing P&S to them. When fewer than three bidders have been qualified to submit bids, RUS approval must be obtained to proceed with requesting bids.

The Awardee shall review all bids to determine that:

1) The bid guarantees are adequate;

2) The bids are responsive to the P&S;

3) All minor errors or irregularities made through inadvertence ae corrected or waived. Failing this, the bid shall be rejected as non-responsive; and

4) In the event of non-minor errors or irregularities, the bid is rejected and the bid price not disclosed.

The Awardee shall reject:

1) All bids if quoted prices are not acceptable or if the specifications were ambiguous and resulted in bidders having different interpretations of the requirements; or

2) Any bid that is not responsive, or is incomplete, or submitted by an unqualified bidder, or unbalanced between labor and materials or other respects.

If fewer than three valid bids are received, the Awardee shall contact RUS to determine whether the bids are to be opened or returned unopened. RUS may require that the project be rebid if fewer than three bids are received and RUS determines that one or more other bidders with an express interest in bidding is available and could meet the bid requirements, but was not invited to bid. RUS shall also require rebidding if it is found that qualified bidders were discouraged from bidding by unreasonable bid requirements (such as late notification to bidders) or if the Awardee failed to follow the bid procedure.

The engineer shall review all the bids to make sure that the bid is in compliance with the P&S. The Awardee shall obtain from the engineer the determination of the selected bid, a tabulation of all bids and the engineer's recommendation for award of the contract. The Awardee may award the contract immediately if the following conditions are met:

1) The project is included in an approved award and adequate funds were budgeted in the award and are available;

2) All applicable RUS procedures were followed, including those in the *Notice and Instructions to Bid* in the standard forms of contract; and

3) The award is to the lowest responsive bidder.

If the above conditions are not satisfied, the bids along with the engineer's recommendation must be submitted to RUS for approval. The Awardee shall not enter into a contract until RUS has approved the bid.

Contract Documents

The Awardee shall submit three executed copies of the RUS Form 515, *Telecommunications System Construction Contract*, or the Non-RUS Contract to RUS for administrative approval. RUS will not approve the contract, if in RUS' judgment:

1) Unacceptable modifications have been made to the contract;

2) The contract will not accomplish award purposes;

3) The fees included in the contract are unreasonable; or

4) The contract presents unacceptable award risk to RUS.

Upon approval of the contract by RUS, one copy will be sent to the Awardee and one copy to the contractor.

Closeout Documents

After construction has been completed per the P&S, and acceptance tests have been made, the Awardee shall arrange the time for a final inspection to be conducted by the Awardee's engineer, the contractor, the GFR and a representative of the Awardee. The steps for closeout of the contract are included in the following table.

Step-by-Step Procedure for Closeout of RUS Form 515			
Sequence		By	Procedure
Step	When		
1	Upon Completion of Construction	Awardee's Engineer	Prepares the following: a set of Detail Maps and a set (when applicable) of Key Maps which show in red the work done under the RUS Form 515 contract; a Tabulation of Staking Sheet; and a tentative Final Inventory, RUS Forms 724 and 724a.
2	After acceptance tests are made	Awardee's Engineer	Forwards letter to the Awardee with copies to the GFR stating that the project is ready for final inspection. Schedules inspection date.
3	Upon receipt of letter from Awardee's Engineer	GFR	Advises Awardee whether attending the final inspection will be possible.
4	By inspection date	Awardee's Engineer	Obtains and makes available the following documents: a set of ``as constructed'' detail maps and (when applicable) ``as built'' key maps; a list of construction change orders; the final staking sheets; the tabulation staking sheets; the treated forest products inspection reports or certificates of compliance; the tentative final inventory, RUS Forms 724 and 724a; the tentative tabulation, and, a report of results of acceptance tests.
5	During inspection	Awardee's Engineer	Issues instructions to contractor covering corrections to be made in construction as a result of inspection.
6	During inspection	Contractor	Corrects construction on basis of instructions from the Awardee's engineer. The corrections should proceed closely behind the inspection in order that the Awardee's engineer can check the corrections before leaving the system.
7	During inspection	Awardee's Engineer	Inspects and approves corrected construction. Marks inspected areas on the key map, *if available, otherwise on the detail maps.*

Once all the acceptance tests and inspections have been completed and all deficiencies have been corrected, the Awardee, with assistance from its engineer, shall complete the documents listed in the following table to closeout the RUS Form 515.

Documents Required to Closeout RUS Form 515						
RUS Form	Description	Copies prepared by		Distribution		
		Contractor	Engineer	Awardee	Contractor	RUS
724	Final Inventory--Certificate of Completion	---	2	1	1	---
724a	Final Inventory--Assembly Units	---	2	1	1	---
None	Contractor's Bond Extension (send to RUS when required)	3	---	---	---	3
281	Tabulation of Materials Furnished by Borrower	2		1	1	
213	Certificate (Buy American)	1	---	1	---	---
---	Listing of Construction Change Orders		1	1	---	---
224	Waiver and Release of Lien (from each supplier)	1	---	1	---	---
231	Certificate of Contractor	1	---	1	---	--
527	Final Statement of Construction	---	2	1	1	---
---	Reports on Results of Acceptance Tests	---	1	1	1	---
---	Set of Final Staking Sheets	---	1	1	---	---
---	Tabulation of Staking Sheets	---	1	1	---	---
---	Correction Summary (legible copy)	---	1	1	---	---
---	Treated Forest Products Inspection Reports or Certificates of Compliance (prepared by inspection company or supplier).	---	---	1	---	---
---	Final Key Map (when applicable)	---	1	1	---	---
---	Final Central Office Area and Town Maps	---	1	1	---	---

The Awardee shall obtain from the engineer, RUS Form 756, *Contract Closeout Certification* or a similar certification for a Non-RUS Contract, and submits it to RUS within 30 days. If the contract included owner furnished materials, RUS Forms 281, 724, and 724a shall also be submitted with RUS Form 756. RUS shall notify the Awardee and the contractor, in writing upon approval of the RUS Form 756. Thereafter, the Awardee shall make the final payment to the contractor in accordance with the terms and conditions of the contract.

Building Construction

General

The Awardee shall use RUS Form 257, *Contract to Construct Buildings*, or a Non-RUS contract to finance the construction of all buildings estimated to cost more than 100,000. For unattended buildings that are estimated to cost $100,000, or less and for all building improvements, the Awardee shall follow the RUS Form 773 method described under Small-Scale Construction. For unattended buildings estimated to cost over $100,000, the Awardee shall use a Non-RUS Contract.

All construction pertaining to the building structure shall be performed under one contract. Separate contracts may be used for planting shrubbery, surfacing of roads and parking areas, and other identifiable parts of the project not pertaining to the building structure. These separate contracts shall also be subject to RUS approval.

When performing building construction using RUS Form 257 or a Non-RUS Contract, the Awardee shall follow the procedures below.

The site location, design, and construction of the facilities shall comply with all applicable laws and regulations, including:

1) Pub. L. 90-480 (42 U.S.C. 4151) (Access to Physically Handicapped), which requires certain buildings financed with Federal funds be designed and constructed to be accessible to the physically handicapped;

2) Pub. L. 91-596 (29 U.S.C. 651) the Occupational Safety and Health Act of 1970. OSHA issues rules and regulations covering occupational safety and health standards for buildings. These regulations are codified in 29 CFR Chapter XVII;

3) 7 CFR Part 1970, which provides for compliance with the National Environmental Policy Act (NEPA) and Council on Environmental Quality (CEQ) regulations (40 CFR Parts 1500-1508) implementing the procedural provisions of NEPA, as well as RUS conformance with other laws, regulations, and Executive Orders regarding environmental protection; and

4) 7 CFR Part 1792, Subpart C, which requires that the building design comply with applicable seismic design criteria. Prior to the design of buildings, Awardees shall submit to RUS a written acknowledgement from the architect or engineer that the design will comply.

Plans & Specifications

The engineer or architect shall prepare Plans & Specifications (P&S) for construction of all buildings. The P&S shall include the following:

1) RUS Contract Form 257, *Contract to Construct Buildings* or Non-RUS Contract;

2) Complete and detailed specifications covering materials and workmanship;

3) A detailed building plan. If the building is to house electronic apparatus, the detailed plan or specifications shall include the equipment environmental requirements and network equipment required; and

4) A site plan for each building showing the building location and giving the legal description of the site. Sufficient information shall be provided for the site to allow RUS to identify this site as the same property for which the Awardee submitted a title opinion to RUS. The legal description shall be typed on the site plan. The Awardee shall also furnish topographical information and a description of any proposed site development work and show proposed connections for public utilities.

The P&S shall show the identification and date of the model code used for seismic safety design considerations, and the seismic factor used. See 7 CFR Part 1792, Subpart C.

The Awardee shall submit the P&S to RUS for approval. RUS shall approve the P&S in writing or notify the Awardee of any reason for withholding approval. Upon RUS approval of the P&S, the Awardee shall solicit bids from at least three prospective bidders.

Bidding

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Awards shall be made to the bidder whose bid is responsive to the P&S and is most advantageous to the recipient, price, quality and other factors considered. The P&S shall clearly set forth all requirements including all other factors to be used in evaluating bids or proposals that the bidder shall fulfill in order for the bid to be evaluated by the Awardee. The Awardee shall consider the same alternates in all bids in determining the low bid Any and all bids may be rejected when it is in the Awardee's interest to do so.

Upon RUS approval of the P&S, the Awardee shall schedule the bid opening. The Awardee should also allow sufficient time for the bidders to examine the project site and prepare their bids.

The Awardee shall obtain from its engineer a list of prospective bidders and a recommendation indicating which bidders are considered qualified. If the notice and instructions to bidders require that bidders to show evidence of meeting certain requirements, the Awardee shall qualify bidders before issuing the P&S to them.

The Awardee shall review all the bids to determine that:

1) The bid guarantees are adequate;

2) The bids are responsive to the P&S;

3) All minor errors or irregularities made through inadvertence are corrected or waived. Failing this, the bid shall be rejected as nonresponsive; and

4) In the event of non-minor errors or irregularities, the bid is rejected and the bid price not disclosed.

The Awardee shall reject:

1) All bids if quoted prices are not acceptable or if the specifications were ambiguous and resulted in bidders having different interpretations of the requirements; or

2) Any bid that is not responsive, or is incomplete, or submitted by an unqualified bidder, or unbalanced between labor and materials or other respects.

The architect or engineer will review all bids for compliance to the P&S. The Awardee shall obtain from the architect or engineer the determination of the selected bid, a tabulation of all bids and the architect's or engineer's recommendation for award of the contract. The Awardee may award the contract immediately if the following conditions are met:

1) The construction is included in an approved award and adequate funds were budgeted in the award and are available;

2) All applicable RUS procedures were followed, including those in the *Notice and Instructions to Bid* in the standard forms of contract; and

3) The award is to the lowest responsive bidder.

If the above conditions are not satisfied, the bids along with the architect's or engineer's recommendation and bid tabulations must be submitted to RUS for approval. Contracts cannot be executed until RUS has notified the Awardee of its approval of the bid.

Contract Documents

The Awardee shall submit three executed copies of the RUS Form 257, *Contract to Construct Buildings* or the Non-RUS Contract to RUS for administrative approval. RUS will not approve the contract, if in RUS' judgment:

1) Unacceptable modifications have been made to the contract;

2) The contract will not accomplish award purposes;

3) The fees included in the contract are unreasonable; or

4) The contract presents unacceptable award risk to RUS.

Upon approval of the contract by RUS, one copy will be sent to the Awardee and one copy to the contractor.

Closeout Documents

Upon completion of construction, the Awardee shall complete, with the assistance of its architect or engineer, the documents listed in the following table to closeout the RUS Form 257.

Documents Required to Closeout RUS Form 257						
		Copies prepared by		Distribution		
RUS Form	Description	Contractor	Architect/ Engineer	Awardee	Contractor	RUS
238	Construction or Equipment Contract Amendment (if not previously submitted, send to RUS for approval)	---	**3**	---	---	**3**
187	Certificate of Completion (contract construction)	---	**2**	**1**	**1**	---
231	Certificate of Contractor	**1**	---	**1**	---	---
224	Waiver and Release of Lien from each Supplier	**1**	---	**1**	---	---
213	Certificate (Buy American)	**1**	---	**1**	---	---
---	"As Built" Plans and Specifications[2]	---	**1**	**1**	---	---
---	Guarantees, Warranties, Bonds, Operating or Maintenance Instructions, etc.	**1**	---	**1**	---	---

The Awardee shall obtain from the architect or engineer, RUS Form 756, *Contract Closeout Certification* or a similar certification for a Non-RUS Contract, and submits it to RUS within 30 days. RUS shall notify the Awardee and the contractor, in writing upon approval of the RUS Form 756. Thereafter, the Awardee shall make the final payment to the contractor in accordance with the terms and conditions of the contract.

Tower Construction

General

The Awardee shall use RUS Form 773, *Miscellaneous Construction Work and Maintenance Services Contract,* or a Non-RUS contract to finance the construction of all new towers and any improvements on existing towers.

Plans & Specifications

The engineer will prepare the P&S which will consist of the RUS Form 773, diagrams, sketches, and detailed specifications covering materials and workmanship. RUS approval is not required for the P&S.

The Awardee will solicit proposals from at least three contractors. The engineer will review all the proposals for compliance to the P&S. The Awardee shall obtain from the engineer the determination of the selected contractor, bid, a tabulation of all quotes and the engineer's recommendation for award of the contract. The award shall be made to the contractor whose quote is responsive to the P&S and is most advantageous to the recipient, price, quality and other factors considered.

Neither the selection of the contractor nor the quote requires RUS approval; however, the Awardee shall ensure that the contractor selected meets all federal, state, and local licensing requirements, as well as bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 C.F.R. Part 1788.) If the contract amount exceeds $250,000, a contractor's bond for the contract amount must be provided by the contractor. After a satisfactory proposal has been obtained, the Awardee shall enter into a contract with the selected contractor.

Contract Documents

The Awardee shall submit three executed copies of the RUS Form 773, *Miscellaneous Construction Work and Maintenance Services Contract,* or the Non-RUS Contract to RUS for administrative approval. RUS will not approve the contract, if in RUS' judgment:

1) Unacceptable modifications have been made to the contract;

2) The contract will not accomplish award purposes;

3) The fees included in the contract are unreasonable; or

4) The contract presents unacceptable award risk to RUS.

Upon approval of the contract by RUS, one copy will be sent to the Awardee and one copy to the contractor.

Closeout Documents

After construction has been completed per the P&S, and final inspection has been conducted by the Awardee's engineer, the Awardee shall obtain from the Contractor a final invoice and an executed copy of RUS Form 743, *Certificate of Contractor and Indemnity Agreement*.

The Awardee shall obtain from the engineer, RUS Form 756, *Contract Closeout Certification* or a similar certification for a Non-RUS Contract, and submits it to RUS within 30 days. RUS shall notify the Awardee and the contractor, in writing upon approval of the RUS Form 756. Thereafter, the Awardee shall make the final payment to the contractor in accordance with the terms and conditions of the contract.

Small-Scale Construction

General

Small-Scale Construction may be performed by either method below or in combination with other RUS Contracts or Non-RUS Contracts.

RUS Form 773

The Awardee shall prepare the RUS Form 773, *Miscellaneous Construction Work and Maintenance Services Contract*, without modifications, and attach any diagrams, sketches, and tabulations necessary to specify clearly the work to be performed and who shall provide which materials. Compensation may be based upon unit prices, hourly rates, or another basis agreed to in advance by the Awardee and the contractor.

Neither the selection of the contractor nor the contract requires RUS approval; however, Awardees are urged to obtain quotations from several contractors before entering into a contract to be assured of obtaining the lowest cost. The Awardee shall ensure that the contractor selected meets all federal and state licensing requirements, as well as bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 CFR Part 1788.) If the contract amount exceeds $250,000, a contractor's bond for the contract amount must be provided by the contractor.

Upon completion and final inspection of the work, the Awardee shall obtain from the Contractor a final invoice and an executed copy of RUS Form 743, Certificate of Contractor and Indemnity Agreement.

The Awardee shall submit the RUS Form 771a, along with a description of the completed work to the RUS General Field Representative for review prior to submitting it for reimbursement. The RUS Form 771a shall be certified by an authorized representative of the Awardee and the engineer.

Work Orders

Work Order Work shall be performed to all local, state, and Federal requirements. As Work Order Work is performed, the Awardee shall keep daily timesheets and material reports, referenced by the work project number, to record labor and materials used. Cost accounting system must be in place to meet

the requirements of 7 CFR 200, as applicable, to show the source and summary records to support requested and expended funds.

Upon completion and final inspection of the work, the Awardee shall submit RUS Form 771a, along with a description of the completed work, to the RUS General Field Representative for review. The RUS Form 771a shall be certified by an authorized representative of the Awardee and the engineer.

Reimbursement Method

Unless otherwise approved by RUS, the Awardee shall finance all Small-Scale Construction with non-award funds and obtain reimbursement with ReConnect award funds when the work is completed. Funds for Small-Scale construction must be requested on RUS Form 481, *Financial Requirement Statement* (FRS). To request funds, the Awardee shall submit RUS Form 771a, initialed by the GFR, along with a description of each project.

Advance and Disbursement of ReConnect Program Award Funds

General

The standard award documents contain provisions regarding advances and disbursement of award funds by Awardees. This section implements certain provisions by setting forth requirements and procedures to be followed by the Awardees in obtaining advances and making disbursements of award funds.

All matching and/or funds required for project completion as stated in the Award Documents must be deposited into the Pledged Deposit Account at award closing. For purposes of advances, all matching funds will be treated as award funds and recorded appropriately on the Financial Requirement Statement.

RUS is under no obligation to approve advances of award funds unless the Awardee complies with all terms and conditions of the award documents. The Awardee shall use funds in its Pledged Deposit Account funds only to make disbursements approved by RUS.

ReConnect Program Award Budget

When the award is approved, RUS will provide the Awardee with the award budget. This budget divides the award into budget categories that are associated with the proposed projects, such as equipment, outside plant, buildings, professional services, etc. Funds from one budget category may not be used for a different budget category without prior written approval from RUS.

Budget Adjustments

If more funds are required than are available in a budget category, the Awardee may request RUS' approval of a budget adjustment to use funds from another budget category. The request shall include an explanation as to why the adjustment is needed and the affected budget categories. RUS will not approve a budget adjustment unless the Awardee can demonstrate that all purposes can still be completed with the requested adjustment. RUS, at its discretion, may make a budget adjustment without a formal request to encumber funds for a contract, when funds within the budget category are insufficient, and when it determines that the budget adjustment is insignificant.

Pledged Deposit Account

The Awardee shall establish and maintain a Pledged Deposit Account to hold all Advances deposited by the Agency. The Pledged Deposit Account shall only be established in a bank or depository whose deposits are insured by the FDIC or other federal agency acceptable to RUS. Funds in the Pledged Deposit Account shall be used solely for the purpose approved in the Application and shall be withdrawn/disbursed for the approved purposes for which they were requested on the Financial Requirement Statement. All Advances will be electronically deposited into the Pledged Deposit Account.

RUS may require that other funds be deposited into the Pledged Deposit Account. These may include match, equity or general fund contributions for project completion, proceeds from the sale of property, interest received on award funds and similar types of receipts. Deposit slips for any deposits to the Pledged Deposit Account shall show the source and amount of funds deposited and be executed by an authorized representative of the bank. The disbursement of non-award funds deposited into the Pledged Deposit Account requires the same RUS approval as Advances on the award.

For accounting purposes, all withdrawals/disbursements from the Pledged Deposit Account must be evidenced by canceled checks or support for other forms of payment. Disbursements to reimburse the Awardee's general fund account shall be documented by a reimbursement schedule to be retained in the Awardee's records that lists the Pledged Deposit Account check number, date, and an explanation of amounts reimbursed for the Project.

Funds shall be disbursed only up to the amount approved for advance as indicated on the financial requirement statement.

Financial Requirement Statement (FRS)

To request advances the Awardee must submit to RUS Form 481, *Financial Requirement Statement*, a description of the advances desired, and other related information to the transactions as required by RUS.

The Awardee shall request funds in the first advance of award funds to pay any eligible pre-application expenses. This amount cannot exceed the amount approved in the ReConnect Program award budget.

The FRS is used by RUS and the Awardee to record and control transactions in the Pledged Deposit Account. Approved contracts and other items are shown on the FRS under "Approved Purposes." Funds are approved for advance as follows:

A. Construction

(1) *Construction and Equipment Contracts*: Ninety percent (Ninety-five percent for Outside Plant Contract) of the contract amount approved by RUS with the final ten percent (five percent for Outside Plant Contract) approved upon approval of RUS Form 756, *Contract Closeout Certification*.

(2) *Small-Scale Construction:* The total amount shown on RUS Form 771a as determined by RUS for approved award purposes.

(3) *Rights-of-way, Make-ready, Permits*: Amount requested must be supported by

appropriate documentation, such as invoices, contracts, etc. Funds requested for compensation for acquiring rights-of-way are not eligible for financing.

B. Engineering

(1) *Engineering Services Contracts*: Ninety percent of the contract amount approved by RUS. The final ten percent shall be approved upon RUS approval of RUS Form 506, *Statement of Engineering Fees – Telecommunications.*

(2) *In-house engineering*: Ninety percent of the approved amount based on the In-house Engineering Proposal. The amount requested on the FRS must be supported by timesheets.

(3) *Architectural Services Contracts:* Ninety percent of the contract amount approved by RUS. The final ten percent shall be approved upon RUS approval of RUS Form 284, *Final Statement of Cost for Architectural Services*.

(4) *All other professional services contracts:* Ninety percent of the contract amount approved by RUS with the remaining amount approved upon RUS approval of the closeout documents.

C. Operating Equipment

Support Assets: Amount requested must be supported by copies of invoices.

D. General

Pre-application expenses: The final itemized invoice(s) from the person or firm for eligible pre-application expenses. The invoice(s) must clearly state the date and description of the services that were rendered.

E. Acquisitions

Amount requested must be supported by final itemized costs and cannot exceed the approved amount in the ReConnect Program award budget.

Funds other than award funds that are deposited in the Pledged Deposit Account are reported as a credit under total disbursements. Disbursements of these funds are subject to the same RUS approvals as award funds.

The Awardee shall request advances as needed to meet its obligations promptly. Generally, RUS does not approve an advance requested more than 60 days before the obligation is payable.

Funds should be disbursed for the item for which they were advanced. If the Awardee needs to pay an invoice for which funds have not been advanced, and disbursement of advanced funds for another item has been delayed, the latter funds may be disbursed to pay the invoice for up to the amount approved for advance for that item on the FRS. The Awardee shall make entries on the next FRS showing the changes under "Total Advances to Date" and shall explain the changes in writing before RUS will process the next FRS.

The FRS shall be certified by an authorized official of the Awardee who name and signature appears on RUS Form 675, *Certificate of Authority*. RUS will not process the FRS if it is signed by an individual whose name is not included on this form.

The documentation required for the FRS transactions are the deposit slip, the cancelled deposit account checks and the supporting invoices or reimbursement schedules. These shall be kept for in the Awardee's files for periodic audits by RUS.

Temporary Excess Award Funds

When unanticipated events delay the Awardee's disbursement of award funds from the Pledged Deposit Account, the funds may be used for other approved purposes or must remain in the account. If funds are disbursed for other approved purposes, then these amounts have to be clearly reflected on the FRS. If the account is an interest bearing account, all interest earned must remain in the deposit account and cannot be disbursed without RUS approval.

Method of Advancing Funds

The first or subsequent advances may be conditioned on the satisfaction of certain requirements stated in the Awardee's award contract.

All advances shall be made electronically using the Automatic Clearing House (ACH).

Addendum to ReConnect Program Construction Procedures

Depreciation Rates

Code	Group	Letter	Type	Rate (%)
1000	1. Network & Access Equipment	a.	Switching Equipment	9.37
1001	1. Network & Access Equipment	b.	Routing Equipment	9.37
1002	1. Network & Access Equipment	c.	Transport Equipment	9.37
1003	1. Network & Access Equipment	d.	Access Equipment	9.37
1004	1. Network & Access Equipment	e.	Video Equipment	10.00
1005	1. Network & Access Equipment	f.	Power Equipment	10.00
1006	1. Network & Access Equipment	g.	Satellite Equipment	10.00
1007	1. Network & Access Equipment	h.	Other (specify)	
2000	2. Outside Plant	a.	Copper Cable - Aerial	6.00
2001	2. Outside Plant	b.	Copper Cable - Buried	5.15
2002	2. Outside Plant	c.	Copper Cable - Underground	5.00
2003	2. Outside Plant	d.	Coaxial Cable - Aerial	6.00
2004	2. Outside Plant	e.	Coaxial Cable - Buried	5.15
2005	2. Outside Plant	f.	Coaxial Cable - Underground	5.00
2006	2. Outside Plant	g.	Fiber Cable - Aerial	5.10
2007	2. Outside Plant	h.	Fiber - Buried	5.00
2008	2. Outside Plant	i.	Fiber - Underground Cable	5.00
2009	2. Outside Plant	j.	Fiber - Submarine Cable	5.00
2010	2. Outside Plant	k.	Conduit Systems	4.00
2011	2. Outside Plant	l.	Ducts (Vacant)	5.00
2012	2. Outside Plant	m.	Drops	5.00
2013	2. Outside Plant	n.	Cabinets/underground vaults	5.00
2014	2. Outside Plant	o.	Poles	5.00
2015	2. Outside Plant	p.	Make-ready	5.00
2016	2. Outside Plant	q.	Other (specify)	
3000	3. Buildings	a.	New Construction	3.30
3001	3. Buildings	b.	Pre-Fab Huts	5.00
3002	3. Buildings	c.	Improvements	6.67
3003	3. Buildings	d.	Other (specify)	

Code	Group	Letter	Type	Rate (%)
4001	4. Towers	a.	Guyed Towers	5.00
4002	4. Towers	b.	Lattice Towers	5.00
4003	4. Towers	c.	Monopole/Self-Supporting Tower	5.00
4004	4. Towers	d.	Wood poles	5.00
4005	4. Towers	e.	Improvements	5.00
4006	4. Towers	f.	Other (specify)	
5000	5. Customer Premises Equipment	a.	Video Set Top Boxes	20.00
5001	5. Customer Premises Equipment	b.	Modems and Routers	20.00
5002	5. Customer Premises Equipment	c.	Inside Wiring	10.00
5003	5. Customer Premises Equipment	d.	Multi-Terminal Adapter (VoIP)	20.00
5004	5. Customer Premises Equipment	e.	Smart Meters	20.00
5005	5. Customer Premises Equipment	f.	Other (specify)	
6000	6. Support Assets	a.	Construction Vehicles	12.00
6001	6. Support Assets	b.	Construction Equipment	12.00
6002	6. Support Assets	c.	Motor Vehicles	16.50
6003	6. Support Assets	d.	Special Purpose Vehicles	12.00
6004	6. Support Assets	e.	Office Equipment	10.00
6005	6. Support Assets	f.	Office Furniture	10.00
6006	6. Support Assets	g.	Billing System	10.00
6007	6. Support Assets	h.	Test Equipment	10.00
6008	6. Support Assets	i.	Portable Generators	10.00
6009	6. Support Assets	j.	Tools	10.00
6010	6. Support Assets	k.	Other (specify)	

ATTACHMENT 3

MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

THE RESTATED MORTGAGE WILL BE PROVIDED IN THE FINAL CLOSING PACKAGE



Report of Independent Auditors
and Financial Statements

Public Service Telephone Company, Inc.

September 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Public Service Telephone Company, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Public Service Telephone Company, Inc., which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Service Telephone Company, Inc. as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of Public Service Telephone Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Public Service Telephone Company, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Service Telephone Company, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
January 25, 2023

Financial Statements

Public Service Telephone Company, Inc.
Balance Sheets
September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,258,881	$ 1,411,425
Investment in certificates of deposit and money market funds	1,673,119	1,665,613
Telecommunications receivables, less allowance for doubtful accounts of $45,490 for 2022 and 2021	1,277,882	755,778
Receivable from affiliates	4,693,504	2,625,498
Other accounts receivable	148,350	526,961
Material and supplies	2,255,824	1,743,112
Other current assets	125,036	227,639
Total current assets	12,432,596	8,956,026
NONCURRENT ASSETS		
Investment in nonaffiliates	139,465	128,747
Receivable from affiliate	10,789,185	10,789,185
Cash surrender value of life insurance policies	3,725,003	3,562,224
Total noncurrent assets	14,653,653	14,480,156
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant under construction	10,872,451	2,216,836
Telecommunications plant in service	125,892,914	124,187,404
Telecommunications plant held for future use	22,225	22,225
Nonregulated plant in service	211,940	211,940
	136,999,530	126,638,405
Less accumulated depreciation	101,441,567	101,826,873
Property, plant, and equipment, net	35,557,963	24,811,532
Total assets	$ 62,644,212	$ 48,247,714

See accompanying notes.

Public Service Telephone Company, Inc.
Balance Sheets
September 30, 2022 and 2021

	2022	2021
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 888,529	$ 862,262
Accounts payable, general	2,024,678	777,392
Accounts payable, affiliates	5,782,204	3,894,993
Advance billing and customer deposits	13,350	57,888
Other accrued taxes	246,313	267,910
Other current liabilities	280,887	321,425
Total current liabilities	9,235,961	6,181,870
LONG-TERM DEBT, less current maturities	5,728,590	6,601,237
DEFERRED INCOME TAXES	3,382,684	1,645,666
Total liabilities	18,347,235	14,428,773
STOCKHOLDER'S EQUITY		
Common stock, $100 par value, 1,000 shares authorized, issued, and outstanding	100,000	100,000
Additional paid-in capital	10,294,865	294,865
Retained earnings	33,902,112	33,424,076
Total stockholder's equity	44,296,977	33,818,941
Total liabilities and stockholder's equity	$ 62,644,212	$ 48,247,714

See accompanying notes.

Public Service Telephone Company, Inc.
Statements of Income
Years Ended September 30, 2022 and 2021

	2022	2021
OPERATING REVENUE		
Wireline	$ 14,685,474	$ 13,361,152
Miscellaneous	621,955	654,911
Total operating revenue	15,307,429	14,016,063
OPERATING EXPENSES		
Plant specific	4,367,216	4,135,434
Plant nonspecific	1,936,259	1,997,953
Depreciation and amortization	3,090,800	3,339,081
Customer operations	898,994	851,892
Corporate operations	2,392,732	2,103,779
Other operating taxes	332,661	385,431
Total operating expenses	13,018,662	12,813,570
Operating margins	2,288,767	1,202,493
OTHER NONOPERATING INCOME (EXPENSE)		
Interest and dividend income	25,010	11,615
Allowance for funds used during construction	189,883	123,334
Interest expense	(399,989)	(211,829)
Other	3,465	(148,609)
Total other nonoperating expense	(181,631)	(225,489)
Net income before taxes	2,107,136	977,004
Income tax expense	(329,100)	(74,136)
Net income	$ 1,778,036	$ 902,868

See accompanying notes.

Public Service Telephone Company, Inc.
Statements of Stockholders' Equity
Years Ended September 30, 2022 and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, September 30, 2020	$ 100,000	$ 294,865	$ 33,721,208	$ 34,116,073
Dividends	-	-	(1,200,000)	(1,200,000)
Net income	-	-	902,868	902,868
Balance, September 30, 2021	100,000	294,865	33,424,076	33,818,941
Dividends	-	-	(1,300,000)	(1,300,000)
Contributions	-	10,000,000	-	10,000,000
Net income	-	-	1,778,036	1,778,036
Balance, September 30, 2022	$ 100,000	$ 10,294,865	$ 33,902,112	$ 44,296,977

See accompanying notes.

Public Service Telephone Company, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,778,036	$ 902,868
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	3,090,800	3,339,081
Noncash patronage dividends	(10,718)	(4,988)
Deferred income taxes	1,737,018	136,463
Increase in cash surrender value of life insurance	(162,779)	(116,928)
Loan forgiveness	-	(795,253)
Changes in assets and liabilities		
Accounts receivable	(143,493)	673,297
Other current assets	102,603	44,122
Accounts payable	1,247,286	284,021
Advance billing and customer deposits	(44,538)	3,025
Accrued taxes	(21,597)	4,069
Other current liabilities	(40,538)	(69,567)
Net cash from operating activities	7,532,080	4,400,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in certificates of deposit and money market funds	(7,506)	(1,543)
Materials and supplies	(512,712)	48,259
Purchases of property, plant, and equipment	(13,837,231)	(4,839,422)
Net cash from investing activities	(14,357,449)	(4,792,706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(846,380)	(838,300)
Advances from (payments to) affiliates	(180,795)	(86,554)
Capital contribution	10,000,000	-
Dividends paid	(1,300,000)	(1,200,000)
Net cash from financing activities	7,672,825	(2,124,854)
NET CHANGE IN CASH AND CASH EQUIVALENTS	847,456	(2,517,350)
CASH AND CASH EQUIVALENTS, beginning of year	1,411,425	3,928,775
CASH AND CASH EQUIVALENTS, end of year	$ 2,258,881	$ 1,411,425

See accompanying notes.

Public Service Telephone Company, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	$ 399,989	$ 215,062
Less AFUDC	(189,883)	(123,334)
Net cash paid for interest	$ 210,106	$ 91,728

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Public Service Telephone Company, Inc. (Company), is located in Reynolds, Georgia, and provides telephone service in seven exchanges located in central Georgia. The Company is a wholly owned subsidiary of Public Service Communications, Inc. (Parent Company), a holding company.

New accounting standards – The Company will adopt the FASB Accounting Standard Update (ASU) No. 2016.02, *Leases* (Topic 842), effective October 1, 2022. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional disclosures. The Company is in the process of estimating the impact on its financial Statements.

Basis of presentation – The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense, deferred income tax expense, and interstate access and universal support revenues.

Cash equivalents – For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments in certificates of deposit and money market funds –Certificates of deposit are purchased at face value with maturities of one year. There is no material difference between the cost of these investments and their fair market value.

Concentration of risk – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of $250,000.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers and other exchange carriers are due 30 days after issuance of the subscriber bill. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Company management believes it has established adequate reserves for any risk associated with these receivables.

Material and supplies – Material and supplies consist of construction materials, fuel, and other equipment, which are valued at the lower of average cost or net realizable value.

Investment in non-affiliates – Investments consist primarily of assigned patronage from other cooperatives and nonmarketable stock of telephone industry corporations stated at cost, as the investments do not have readily determinable fair values.

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment are capitalized. The cost of maintenance and repairs is charged to operating expenses. The Company records income as an allowance for funds used during construction and capitalizes as a cost of construction the cost of financing large construction projects spanning a period greater than two months. The Company uses a weighted-average interest rate based on total Company long-term debt.

In accordance with composite group depreciation methodology, when a portion of the Company's regulated depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Income tax status – The Parent Company files consolidated federal and state income tax returns, which include the Company. The Company has reflected current and deferred income taxes as calculated on a separate return basis with adjustments for net operating losses utilized on a consolidated basis. The Company's portion of income taxes payable or receivable are included in the affiliate receivable and/or payable accounts.

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for deductible temporary differences, and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of September 30, 2022 and 2021, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Revenue recognition – The Company provides local telephone and network access to end user and enterprise customers within its geographic footprint. The majority of the Company's end user customer revenue is based on month-to-month contracts.

The Company recognizes revenue for services as it provides the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided, i.e., when the Company satisfies its performance obligation.

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation. The standalone selling price is the price charged to similar customers for the individual services or equipment.

Local telephone revenue is recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) are generally billed as a per-minute charge.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end; therefore, the related revenues are recorded on the books based on an estimate of the Company's costs, NECA pools earnings, and other assumptions related to information utilized in the preparation of the Company's cost study. The studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. Recorded revenues did not require material adjustments in 2022 and 2021, related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2022 and 2021 recorded revenues will require significant adjustments in future years.

The Company's universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for Connect America Fund Broadband Loop Support (CAF-BLS), Connect America Fund Intercarrier Compensation (CAF-ICC), High Cost Loop Support (HCLS), and other miscellaneous programs. HCLS and CAF BLS are based on the Company's relative level of operating expense and plant investment. Support from the CAF ICC is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base is reduced by 5% each year in determining CAF ICC support. Georgia Universal Service support is allocated to eligible telecommunications carriers to offset the cost of providing service.

Regulation – The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Georgia Public Service Commission. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including intrastate terminating access rates.

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.

- Universal service support revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC. The state fund is administered by the Georgia Public Service Commission.

Other sources of revenues are not rate regulated and include equipment sales, networking services, directory, rents, and other incidental services.

Nonregulated plant is directly attributable to nonregulated services. All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

In 2022 and 2021, the Company received $6,887,392 and $5,858,164, or 45% and 42%, respectively, of its revenue from the Federal Universal Service Fund. The Company also received $2,765,546 and $1,356,323, or 18% and 10%, respectively, of its revenue from the State Universal Service Fund during the years ended September 30, 2022 and 2021, respectively.

Advertising expenses – The Company expenses advertising costs as incurred. Advertising expenses were $138,720 and $116,799, for the years ended September 30, 2022 and 2021, respectively.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. The specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued. The Company has evaluated subsequent events through January 25, 2023, which is the date the financial statements are available to be issued.

Note 2 – Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation, consist of the following at September 30:

	Depreciable Life	Plant Account	Accumulated Depreciation	2022 Net Balance	2021 Net Balance
Regulated					
General support assets	5–22 years	$ 14,333,020	$ 13,516,852	$ 816,168	$ 798,326
Central office assets	7–13 years	15,803,168	15,437,119	366,049	594,029
Cable and wire facilities	11–50 years	95,756,726	72,259,155	23,497,571	21,195,618
Plant held for future use	20 years	22,225	16,501	5,724	6,723
Plant under construction	n/a	10,872,451	-	10,872,451	2,216,836
		136,787,590	101,229,627	35,557,963	24,811,532
Nonregulated					
Other	8 years	211,940	211,940	-	-
		$ 136,999,530	$ 101,441,567	$ 35,557,963	$ 24,811,532

Note 3 – Long-Term Debt

Long-term debt is as follows as of September 30:

	Interest Rates	Maturity Date	2022	2021
Rural Utilities Services (RUS)	4.72% - 6.53%	2024 - 2030	$ 6,758,171	$ 7,604,776
Cushion of credit			(141,052)	(141,277)
			6,617,119	7,463,499
Less current maturities			(888,529)	(862,262)
			$ 5,728,590	$ 6,601,237

All assets of the Company are pledged as security for the long-term debt with RUS. The terms of the mortgage agreements contain restrictions requiring the maintenance of defined ratios for times interest earned, debt service coverage, and limitation on additional debt and dividend distributions.

The Company has invested in a cushion of credit instrument made available by RUS. These deposits can only be used as future principal and interest payments. The Company cannot access these funds and considers these deposits advance payments on its outstanding debt.

In May 2020, the Company was granted a loan from Georgia Community Bank in the amount of $792,019 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan and accrued interest of $795,253 were forgiven on December 23, 2020. The forgiveness was recorded as a reduction to operating expenses and interest expense.

Maturities of long-term debt obligations for the five years following September 30, 2022, are as follows:

2023	$ 888,529
2024	880,731
2025	764,672
2026	808,130
2027	854,083
Thereafter	2,420,974
	$ 6,617,119

The Company has unadvanced loan funds of $16,096,000 available from RUS. The Company drew down $677,805 in November 2022.

Note 4 – Income Taxes

Components of the provision for income tax expense are as follows for the years ended September 30:

	2022	2021
Current		
Federal	$ 1,329,628	$ 18,740
Federal benefit of PPP forgiveness	-	(166,323)
State	78,290	85,256
Deferred		
Federal and state	(1,737,018)	136,463
Net provision for income tax expense	$ (329,100)	$ 74,136

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effect of nondeductible items, state income taxes, tax-exempt items, and prior year over or under accruals.

The Company has federal and state income taxes receivable from affiliates of $1,407,919 and income taxes payable of $29,392 as of September 30, 2022 and 2021, respectively.

The components of the net deferred tax liability recorded in the accompanying balance sheets at September 30 are:

	2022	2021
Deferred tax assets		
Employee benefits	$ 892,582	$ 1,254,483
Bad debt reserve	11,618	11,618
Prepaid expenses	24,207	14,787
Accrued liability	71,765	82,119
Net operating loss carryforward	-	708,274
	1,000,172	2,071,281
Deferred tax liabilities		
Property, plant, and equipment differences	(4,382,856)	(3,716,947)
Net deferred tax liability	$ (3,382,684)	$ (1,645,666)

The Company's share of consolidated federal and state net operating losses were entirely utilized in current year.

Note 5 – Operating Revenue

Wireline revenues consist of the following at September 30:

	2022	2021
Wireline		
Customer	$ 1,977,614	$ 2,211,132
Intercarrier		
Interstate	2,711,629	3,577,630
Intrastate	343,292	357,903
Universal service support	9,652,939	7,214,487
Total wireline	$ 14,685,474	$ 13,361,152

- Customer revenues include end user charges, such as the Subscriber Line Charge (SLC), Federal Universal Service Charge (FUSC), and Access Recovery Charge (ARC).
- Universal service support includes the amounts received from the Universal Service Fund for HCLS, CAF, and state funds.
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue.

The following table provides disaggregation of revenue from contracts with customers:

	September 30, 2022		
	Total	Revenue from Contracts with Customers	Other Revenue
Wireline	$ 14,685,474	$ 4,689,243	$ 9,996,231
Miscellaneous	621,955	(623)	622,578
Total revenue	$ 15,307,429	$ 4,688,620	$10,618,809

	September 30, 2021		
	Total	Revenue from Contracts with Customers	Other Revenue
Wireline	$ 13,361,152	$ 5,803,476	$ 7,557,676
Miscellaneous	654,911	21,979	632,932
Total revenue	$ 14,016,063	$ 5,825,455	$ 8,190,608

Wireline revenue includes revenues received from interstate access settlements and federal and state universal service programs, which are not considered revenue from contracts with customers and are specifically scoped out of ASC 606.

Other miscellaneous revenue includes revenues from use of the Company's equipment and billing and collection revenues. Lease revenues are specifically scoped out of ASC 606.

The majority of the Company's revenue is from monthly recurring services and is recognized over time as customers receive the services. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered. Revenue recognized at a point in time is insignificant.

The Company does not incur material customer acquisition costs or contract fulfillment costs associated with is contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360 *Property, Plant, and Equipment*.

Note 6 – Employee Benefit Plans

The Company participates in a noncontributory defined benefit pension plan (Plan), which is sponsored by the Parent Company. The Plan covers substantially all of the Company's employees including those of certain affiliates. Benefits are based primarily on years of service and the employee's average compensation over the last five years of credited service. The Company's funding policy is to contribute annually an actuarially determined amount consistent with applicable federal income tax regulations. These payments are made by the Company to the Parent Company through the intercompany accounts. Contributions were $2,500,000 and $650,000 as of September 30, 2022 and 2021, respectively. Contributions are intended to provide for benefits attributable to service to date.

The Company also participates in a term life and health insurance benefit plan for retired employees, sponsored by the Parent Company. Substantially all employees become eligible if they reach normal retirement age and have 30 years of service while still working for the Company. The Company's policy is to contribute annually, for the postretirement life and health benefits, an actuarially determined amount consistent with applicable federal income tax regulations. These benefits are provided through an insurance company whose premiums are paid fully by the postretirement medical and life insurance Voluntary Employees Beneficiary Association plan.

Savings and retirement plan (Savings Plan) – The Company participates in the Savings Plan of the National Telephone Cooperative Association and its members. Employees age 18 or older are eligible to participate six months after their date of hire and to elect to defer a percentage of his/her salary. The Company matches 100% of employee contributions, up to 1% of employees' salaries, which amounted to $23,591 and $28,938 for the years ended September 30, 2022 and 2021, respectively.

Note 7 – Related-Party Transactions

The Company and its affiliates participated in various related party transactions that are explained below. The services are charged at tariff rates or rates that approximate cost.

The following is a summary of services provided by the Parent Company and its affiliates to the Company:

	2022	2021
General administration	$ 2,574,885	$ 2,806,474
Rents	102,750	101,400
	$ 2,677,635	$ 2,907,874

The following is a summary of services provided by the Company to its affiliates:

	2022	2021
General administration	$ 1,380,135	$ 1,307,473
Broadband network services	1,809,706	1,539,856
Rents	392,434	694,997
	$ 3,582,275	$ 3,542,326

The balance sheets include the following amounts from affiliates at September 30:

	2022	2021
Receivable from		
Public Service Communications	$ 12,542,342	$ 11,210,190
Public Service Data	1,028,021	696,041
Forsyth Cablevision	1,068,513	595,241
Flint Cable	633,801	661,776
Public Service Cellular	1,338	554
Public Service PCS	50	50
Public Service Wireless	208,500	250,669
Public Service Air	124	162
	$ 15,482,689	$ 13,414,683
Payable to		
Public Service Communications	$ 5,620,559	$ 3,841,904
Public Service Data	178,685	-
Public Service towers	(17,040)	53,089
	$ 5,782,204	$ 3,894,993

Note 8 – Lease Obligations

The Company leases equipment under cancellable and noncancelable operating lease agreements. Rental expense, including cancelable and month-to-month leases, for the years ended September 30, 2022 and 2021, was $657,353 and $781,515, respectively.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Public Service Telephone Company, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Service Telephone Company, Inc. (Company), which comprise the balance sheet as of September 30, 2022, and the statements of income, stockholder's equity, and cash flows for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Spokane, Washington
January 25, 2023

MOSSADAMS

Independent Auditors Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Telecommunications Borrowers and Grantees

The Board of Directors
Public Service Telephone Company, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Service Telephone Company, Inc. (Company), which comprise the balance sheet as of September 30, 2022, and the related statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023. In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of Public Service Telephone Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. No reports other than the reports referred to above and our exit memo related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Public Service Telephone Company, Inc. failed to comply with the terms, covenants, provisions, or conditions on its loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees,* §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Public Service Telephone Company, Inc.'s accounting and records to indicate that the Company did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval for the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

- Maintain adequate control over materials and supplies;
- Prepare accurate and timely financial and operating reports;
- Obtain written RUS approval to enter into any contract, agreement, or lease with an affiliate;
- Disclose material related-party transactions in the financial statements, in accordance with requirements for related parties in accounting principles generally accepted in the United States of America;
- Comply with the requirements for the detailed schedule of investments.

This report is intended solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and regulatory requirements for telecommunications borrowers and grantees based on the requirements of 7 CFR Part 1773. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Spokane, Washington
January 25, 2023

MOSSADAMS

RUS ReConnect Program

GA 1706-A72

Executive Summary

Public Service Telephone Company (PSTC) has been awarded approval for a loan from the U.S. government through its Rural Utilities Service ReConnect Program. The loan will be in the amount of $36,492,568.00 with an interest rate of 2% to be paid back over a 22-year period. The purpose of the loan is to construct a broadband infrastructure project to serve rural areas in middle Georgia where at least 90% of the households are without sufficient access to broadband. The loan will allow for over 410 miles of buried fiber optic cable to be laid through Crawford, Macon, Marion, Monroe, Talbot, and Taylor Counties in central and west central Georgia. The funding for this Project is necessary for rural economic development. Thus, pursuant to federal regulations, the loan is subject to the completion of all necessary environmental procedures required by federal law. PSTC may not, and will not, engage in any work on the Project until it receives written notice from RUS that all environmental procedures are completed.