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SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT, 19____, made by and among CASCAD E UTILITIES, INC. _____ (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Oregon _____, UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called "REA"), and RURAL TELEPHONE BANK (hereinafter called the "Bank"), a corporation existing under the laws of the Government (the Government and Bank being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, the Mortgagor has heretofore borrowed funds from the Government pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq., hereinafter called the "Act"), and pursuant to a loan contract or amending loan contract identified in the tenth recital hereof (hereinafter called the "Instruments Recital") by and between the Mortgagor and the Government (said loan contract, as it may have been amended prior to the date of the Telephone Loan Contract Amendment referred to below, being hereinafter called the "Prior REA Loan Agreement") and has duly authorized and executed, and delivered to the Government, certain mortgage notes all payable to the order of the Government, in installments, of which the mortgage notes (hereinafter collectively called the "Outstanding REA Notes") identified in the Instruments Recital are now outstanding and held by the Government; and

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

WHEREAS, the Mortgagor, the Government and the Bank desire to add the Bank as a secured party under the REA Mortgage and further desire to amend, supplement and consolidate the REA Mortgage; and

WHEREAS, under the provisions of the Act and other applicable law, the Administrator of REA is authorized to amend, supplement and consolidate the REA Mortgage as herein provided; and

WHEREAS, the changes in the REA Mortgage which the parties thereto and hereto desire now to effect make advisable the consolidating and restating of each of the instruments constituting the REA Mortgage in its entirety;

NOW, THEREFORE, this Supplemental Mortgage and Security Agreement

WITNESSETH:

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

Form - Orig. Common REA - Tel. Bank Mtg. 7-6831

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Project Designation: Oregon 522-K5 Estacada

NO. _____

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

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

WHEREAS, if the Instruments Recital identifies a "Concurrent REA Note", the Mortgagor has determined at this time to borrow funds also from the Government pursuant to the Act and the Consolidated Loan Agreement, and has accordingly duly authorized and executed, and delivered to the Government, its mortgage note so identified (and hereinafter called the "Concurrent REA Note"); and

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

WHEREAS, the instruments referred to in the preceding recitals, the Maximum Debt Limit referred to in Article I, Section 1 hereof, the subdivision or subdivisions, of Article II hereof, made applicable by this recital, and certain data referred to in Article II, Section 15 hereof are as follows:

- 2 -

Form - Orig. Common REA - Tel. Bank Mtg.

2/72

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INSTRUMENTS RECITAL

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

"Prior REA Loan Agreement" (exclusive of amendments) dated as of December 21, 1955

"Telephone Loan Contract Amendment", dated as of February 22, 1973

"Outstanding REA Notes":

Twelve ----- (12 ---) certain notes, in the aggregate principal amount of \$ 4,183,000 -----, all of which will mature on or before July 19, 2006 -----, -----.

"REA Mortgage":	<u>Instrument</u>	<u>Date</u>	<u>Trustee, if any</u>
1. Mortgage		February 14, 1956	
2. Supplemental Mortgage		July 20, 1961	
3. Supplemental Mortgage		December 18, 1962	
4. Supplemental Mortgage		January 13, 1964	
5. Supplemental Mortgage		June 4, 1968	
6. Mortgage		March 24, 1970	

"Bank Note"

	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>
1. of even date herewith		\$1,141,250	8%	35 years after date thereof
2. of even date herewith		\$145,000	8%	35 years after date thereof

"Concurrent REA Note:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>
N.A.			

2. "Maximum Debt Limit" for purposes of Article I, Section 1 hereof shall be \$25,000,000

3. The following subdivision(s) of Article II hereof is(are) hereby made applicable:

Section 4(b)

4. The percentage referred to in Section 15(a)(1) and Section 15(b) of Article II hereof is hereby established as ten ----- percentum (10 --- %). The date referred to in Section 15(a)(3) of Article II hereof is hereby established as December 31, 19 61.

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Form - Orig. Common REA - Tel. Bank Mtg.

2/72

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

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

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

NOW, THEREFORE, THIS MORTGAGE WITNESSETH that, in order to secure the payment of the principal of and interest on the notes, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in this Mortgage and the Consolidated Loan Agreement and to declare the terms and conditions upon which the notes are to be secured, the Mortgagor, in consideration of the premises, has executed and delivered this Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees, and their respective assigns, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

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

PROPERTY SCHEDULE

(a) The Existing Facilities are located in the following Counties:
Clackamas, Hood River, Jefferson, Marion, Multnomah and Wasco, in the
State of Oregon

(b) The property referred to in the last line of paragraph I of the
Granting clause includes the following described real estate:

1. A certain tract of land described in a certain deed, dated January 4, 1956, by Harold G. Burkholder and Leona F. Burkholder, husband and wife as grantors to the Mortgagor, as grantee, and recorded on May 31, 1956 in the Office of the Clerk of Multnomah County, in the State of Oregon, in Deed Book 1786, on page 600.
2. A certain tract of land described in a certain deed, dated July 3, 1956, by William D. Guldenzopf and Maurine H. Guldenzopf, husband and wife as grantors to the Mortgagor, as grantee, and recorded on August 2, 1956 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 514, on page 461.
3. A certain tract of land described in a certain deed, dated March 12, 1958, by Floyd W. Day and Neva G. Day, husband and wife as grantors to the Mortgagor, as grantee, and recorded on March 17, 1958 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 537, on page 473.
4. A certain tract of land described in a certain deed, dated July 25, 1964, by Beatrice Harris and Edna Scales, unmarried widows as grantors to the Mortgagor, as grantee, and recorded on July 30, 1964 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 644, on page 12.
5. A certain tract of land described in a certain deed, dated September 2, 1964, by William F. Miller and Doris K. Miller, husband and wife as grantors to the Mortgagor, as grantee, and recorded on September 4, 1964 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 645, on page 825.
6. A certain tract of land described in a certain deed, dated August 20, 1965, by William F. Paterson and Delia A. Paterson, husband and wife as grantors to the Mortgagor, as grantee, and recorded on August 26, 1965 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 662, on page 64.
7. A certain tract of land described in a certain deed, dated August 30, 1965, by William D. Guldenzopf and Maurine H. Guldenzopf, husband and wife as grantors to the Mortgagor, as grantee, and recorded on August 30, 1965 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 662, on page 204.

- 4 -

8. A certain tract of land described in a certain deed, dated April 28, 1966, by Jean E. Smith and Howard L. Smith, her husband as grantors to the Mortgagor, as grantee, and recorded on April 29, 1966 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 672, on page 856.
9. A certain tract of land described in a certain deed, dated December 31, 1966, by Sella Ann Hatfield, administratrix of the estate of Janet R. Wineberg, deceased as grantors to the Mortgagor, as grantee, and recorded on January 20, 1967 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 684, on page 684.
10. A certain tract of land described in a certain deed, dated January 17, 1968, by William Jack Lewis and Mildred Lovella Lewis, husband and wife as grantors to the Mortgagor, as grantee, and recorded on January 19, 1968 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 68, on page 1210.
11. A certain tract of land described in a certain deed, dated January 15, 1970, by Earl Odle and Ida Odle, husband and wife as grantors to the Mortgagor, as grantee, and recorded on January 19, 1970 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 70, on page 1132.
12. A certain tract of land described in a certain deed, dated March 17, 1970, by Floyd W. Day and Neva G. Day, husband and wife, and Duane L. Day and June C. Day, husband and wife as grantors to the Mortgagor, as grantee, and recorded on March 24, 1970 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 70, on page 5466.
13. A certain tract of land described in a certain deed, dated October 14, 1971, by Roberta J. Akre and Ardyce L. Kluge as grantors to the Mortgagor, as grantee, and recorded on October 15, 1971 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 71, on page 29561.
14. A certain tract of land described in a certain deed, dated May 24, 1972, by James R. Baker and Ardis C. Baker, husband and wife as grantors to the Mortgagor, as grantee, and recorded on June 1, 1972 in the Office of the Clerk of Multnomah County, in the State of Oregon, in Deed Book 876, on page 1199.
15. A certain tract of land described in a certain deed, dated September 29, 1972, by Helen G. Byrne, a single person as grantors to the Mortgagor, as grantee, and recorded on October 4, 1972 in the Office of the Clerk of Multnomah County, in the State of Oregon, in Deed Book 886, on page 156.
16. A certain tract of land described in a certain deed, dated October 16, 1972 by Myrtle Bodley as grantors to the Mortgagor, as grantee, and recorded on October 24, 1972 in the Office of the Clerk of Clackamas County, in the State of Oregon, in Deed Book 72, on page 32446.

II

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

III

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

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation relating to the Mortgaged Property together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor;

V

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

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

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

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

ARTICLE I

ADDITIONAL NOTES

SECTION 1. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional REA Notes to evidence loans made 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 by the Government to such third party or parties pursuant to the Act, and (2) execute and deliver to the Bank one or more Additional Bank Notes to evidence loans made by the Bank to the Mortgagor pursuant to the Act, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Bank created by a loan or loans theretofore made by the Bank to such third party or parties pursuant to the Act. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any note or notes at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding note or notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the outstanding principal balances owing on the notes shall not at any one time exceed the amount identified in the Instruments Recital as the Maximum Debt Limit, and no note shall mature more than fifty (50) years after the date hereof. Additional Notes, including refunding, renewal and substitute notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof. As used in this Mortgage, the term "directors" includes trustees.

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

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

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

SECTION 1. The Mortgagor is duly authorized under its articles of incorporation and by-laws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Bank Note and the Outstanding REA Notes and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Bank Note and the Outstanding REA Notes and this Mortgage has been duly and effectively taken; and the Bank Note and the Outstanding REA Notes and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms. If the Instruments Recital identifies a Concurrent REA Note, the covenants in the next preceding sentence shall also apply to the Concurrent REA Note.

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

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

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

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

(b) If this subsection is made applicable by the Instruments Recital, then nothing herein contained shall prevent any such reorganization, consolidation or merger provided that the lien and security of this Mortgage and the rights or powers of the Mortgagees and the noteholders hereunder shall not thereby be impaired or adversely affected, and provided that upon such reorganization, consolidation or merger, the due and punctual payment of the principal of and interest on the notes according to their tenor and the due and punctual performance of all covenants and conditions of this Mortgage shall be assumed by the corporation formed by such reorganization, consolidation or merger, and the lien of this Mortgage shall remain a superior lien upon the property owned by the Mortgagor at the time of such reorganization, consolidation or merger and upon any improvements or additions to such property, either prior to or subsequent to such reorganization, consolidation or merger.

(c) The Mortgagor may, however, without obtaining the approval of the holder or holders of any of the notes at the time outstanding, at any time or from time to time so long as the Mortgagor is not in default hereunder, sell or otherwise dispose of, free from the lien hereof, any of its

property which is neither necessary to nor useful for the operation of the Mortgagor's business, or which has become obsolete, worn out or damaged or otherwise unsuitable for the purposes of the Mortgagor; provided, however, that the Mortgagor shall: (1) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the REA Notes and the Bank Notes in the proportions which the aggregate principal balances then owing on the REA Notes and the aggregate principal balances then owing on the Bank Notes, respectively, bear to the aggregate principal balances then owing on the REA Notes and the Bank Notes, collectively, and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such receipt; or (2) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the REA Notes and the Bank Notes in the proportions and in the manner provided for in (1) above; or (3) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority REA noteholders and the majority Bank noteholders shall specify in such restricted bank accounts as such holder or holders shall designate, and shall use the same only for such additions to or improvements of the Mortgaged Property and on such terms and conditions as such holder or holders shall specify.

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

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

SECTION 7. (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the following classes and amounts of insurance: (1) fidelity bonds covering each officer and employee of the Mortgagor in not less than the following amounts, based on the estimated annual gross revenues (including gross toll collected) of the Mortgaged Property:

<u>Annual Gross Revenue</u>				<u>Amount of Coverage</u>
From	Less than		\$200,000	\$ 10,000
	\$200,001	to	400,000	20,000
	400,001	to	600,000	40,000
	600,001	to	800,000	60,000
	800,001	to	1,000,000	80,000
		over	1,000,000	100,000

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 per cent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation insurance covering all employees of the Mortgagor, in such amounts as may be required by law, or if the Mortgagor or any of its employees are not subject to the workmen's compensation laws of the State or States in which the

Mortgagor conducts its operations, then its workmen's compensation policy shall provide voluntary compensation coverage to the same extent as though the Mortgagor and such employees were subject to such laws; and including occupational disease liability coverage, and "additional medical" coverage of not less than \$10,000 in States where full medical coverage is not required by law; (3) public liability and property damage liability insurance, covering ownership liability, and all operations of the Mortgagor, with limits for bodily injury or death of not less than \$100,000 for one person and \$300,000 for each accident, and with limits for property damage of not less than \$50,000 for each accident and \$100,000 aggregate for the policy period; (4) liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the Mortgagor's business, whether owned, non-owned or hired by the Mortgagor, with bodily injury limits of not less than \$100,000 for one person and \$300,000 for each accident, and with property damage limits of \$25,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$100,000 per person and \$300,000 for each accident; (5) comprehensive, or separate fire, theft and windstorm insurance covering loss of or damage to all owned motor vehicles, trailers, and aircraft of the Mortgagor, having a unit value in excess of \$1,000, in an amount not less than the actual cash value of the property insured; and (6) fire and extended coverage insurance, designating the Government and the Bank as mortgagees in the policy, on each building, each building and its contents, and materials, supplies, poles and crossarms, owned by the Mortgagor, having a value at any one location in excess of \$5,000, or in excess of one percent of the total plant value, whichever is larger, and in an amount not less than 80 percent of the current cost to replace the property new, less actual depreciation.

The Mortgagor will also, from time to time, increase or supplement the classes and amounts of insurance specified above to the extent required to conform to the accepted practice of the telephone industry for companies of the size and character of the Mortgagor. The Mortgagor will, upon request of the majority REA noteholders or the majority Bank noteholders submit to the noteholder or noteholders designated in such request a schedule of its insurance in effect on the date specified in such request. If the Mortgagor shall at any time fail or refuse to take out or maintain insurance or to make changes in respect thereof upon appropriate request by such noteholder or noteholders, such noteholder or noteholders may take out such insurance on behalf and in the name of the Mortgagor, and the Mortgagor will pay the cost thereof.

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

(c) Sums recovered under any fidelity bond by the Mortgagor for a loss of funds advanced under the notes or recovered by a Mortgagee for any loss under such bond shall, unless otherwise directed by the Mortgagees, be applied to the prepayment of the notes, pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such installments thereof as may be designated by the respective noteholders at the time of any such prepayment), or to construct or acquire facilities approved by the Mortgagees, which will become part of the Mortgaged Property.

(d) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities, including standard REA endorsements and riders used by the insurance industry to provide coverage for REA borrowers.

...has caused this mortgage
to be duly recorded in the public records of the County of ... State of ...
and the same to be duly acknowledged by the officers thereof and the corporate
seal to be hereunto affixed and the same to be duly acknowledged by the officers thereof daily
authorized, to be duly recorded in the public records of the County of ... State of ...
to be duly recorded in the public records of the County of ... State of ...
to be duly recorded in the public records of the County of ... State of ...

CASCADE UTILITIES, INC.

(Seal)

by Walter W. Way
President

Attest: Walter W. Way
Secretary

Executed by the ...
in the presence of:

Shirley ...
Trygve H. ...
Witnesses

UNITED STATES OF AMERICA, and
RURAL TELEPHONE BANK, respectively

by as
Administrator
of
Rural Electrification Administration, and as
Governor
of
Rural Telephone Bank

(Seal)

Attest: Joseph H. ...
Assistant Secretary

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

... ..
Mary J. ...
Witnesses

POOR QUALITY ORIGINAL

STATE OF OREGON

UTAH) SS

COUNTY OF WASHINGTON

Notary Public of STATE OF UTAH, 1977, before me
personally appeared Flora M. Day, the undersigned officers,

and
say that they are the president and secretary, respectively, of Cascade
Utilities, Inc. -----

affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed by them in behalf of said corporation by authority of its board of directors; and they acknowledged said instrument to be its voluntary act and deed. Before me:

~~Notary~~ Public

My commission expires

Aug 28, 1974

UNITED STATES OF AMERICA

) SS

David A. Hammel, Administrator of the Rural Electrification Administration, an agency of United States of America, and Governor of Rural Tele-

Governor of Rural Telephone

Bank, a corporation, and acknowledged that pursuant to delegation of authority duly given and evidenced by law and presently in effect, he executed the foregoing instrument for the purposes therein contained as his voluntary act and deed, by signing the name of United States of America by himself as said Administrator of the Rural Electrification Administration.

signing the name of United States of America by himself as said Administrator of the Rural Electrification Administration, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

instrument is the corporate seal of said corporation and that said instrument was signed and sealed by him in behalf of said corporation by authority of its board of directors; and he acknowledged said instrument to be its voluntary act and deed. Before me:

Notary Public

My commission expires

7/31/73

7-6831

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SECOND MORTGAGE

THIS SECOND MORTGAGE made this 25th day of October 1973 between CASCADE UTILITIES, INC., an Oregon corporation having its principal office and place of business in Estacada, Clackamas County, Oregon (hereinafter called the "Company"), and STROMBERG-CARLSON CREDIT CORP., a New York corporation having its principal office and place of business at No. 100 Carlson Road, in the City of Rochester, County of Monroe, New York (hereinafter called "Stromberg").

RECITALS

1. On May 29, 1956, June 10, 1959, March 31, 1961, June 22, 1966 and October 5, 1966 Columbia Telephone Company of Oregon, an Oregon corporation (hereinafter called "Columbia"), and one of General Dynamics Corporation or Stromberg-Carlson Corporation (hereinafter singly or collectively called "Lenders") entered into loan agreements (the "Columbia Loan Agreements") in connection with certain loans referred to as loans numbered 1, 2, 3, 4 and 5 (the "Columbia Loans"), whereby Columbia has borrowed moneys from Lenders.

In order to secure payment of all amounts then or thereafter owing under the Columbia Loan Agreements, Columbia executed and delivered to Lenders mortgages and supplemental mortgages (the "Columbia Mortgages") as follows:

- Loan #1. Mortgage to General Dynamics Corporation dated May 29, 1956, recorded July 2, 1956 in book 1824 of Multnomah County at page 510 and on the same day cross-indexed in the records of chattel mortgages. First Supplemental Mortgage to General Dynamics Corporation dated August 1, 1957, recorded August 16, 1957 in book 1902 of Multnomah County at page 470 and on the same day cross-indexed in the records of chattel mortgages.
- Loan #2 Mortgage to General Dynamics Corporation dated June 10, 1959, recorded June 15, 1959 in book 2029 of Multnomah County at page 451 and cross-indexed in records of chattel mortgages; recorded September 30, 1959 in book 508 of Clackamas County at page 281 and cross-indexed in records of chattel mortgages. First Supplemental Mortgage to General Dynamics Corporation dated July 16, 1960, recorded July 28, 1960 in book 522 of Clackamas County at page 472 and cross-indexed in records of

CASCADE UTILITIES, INC.

chattel mortgages; recorded August 4, 1960 in book 2094 of Multnomah County at page 19 and cross-indexed in records of chattel mortgages.

- Loan #3 Mortgage to General Dynamics Corporation dated March 31, 1961, recorded April 7, 1961 in book 2129 of Multnomah County at page 377 and cross-indexed in records of chattel mortgages; recorded April 21, 1961 in book 53 of Clackamas County at page 522 and cross-indexed in records of chattel mortgages. First Supplemental Mortgage to General Dynamics Corporation dated October 10, 1962, recorded October 18, 1962 in book 2232 of Multnomah County at page 657 and cross-indexed in records of chattel mortgages; recorded October 22, 1962 in book 562 of Clackamas County at page 442 and cross-indexed in records of chattel mortgages.
- Loan #4 Mortgage to General Dynamics Corporation dated June 22, 1966, recorded June 24, 1966 in book 511 of Multnomah County at page 412 and filed under UCC #D11701 on June 29, 1966; recorded June 24, 1966 in book 636 of Clackamas County at page 206; filed with the Secretary of State of Oregon under UCC #A84547 on June 29, 1966.
- Loan #5 Mortgage to Stromberg-Carlson Corporation dated October 5, 1966, recorded October 11, 1966 in book 530 of Multnomah County at page 213 and filed under UCC #D17956 on October 6, 1966; recorded October 11, 1966 in book 641 of Clackamas County at page 218; filed with the Secretary of State of Oregon under UCC #A91359 on October 10, 1966.

Each of the Columbia Mortgages and the indebtedness secured thereby is now owned and held by Stromberg.

Pursuant to merger agreement Columbia and the Company entered into a statutory merger under the laws of the State of Oregon, effective June 1, 1972. The Company was the surviving corporation and it assumed all obligations of Columbia by operation of law.

2. On February 7, 1967 and March 26, 1968 the Company and Lenders entered into loan agreements (the "Cascade Loan Agreements") in connection with certain loans referred to as loans numbered 1 and 2 (the "Cascade Loans"), whereby the Company has borrowed moneys from Lenders.

In order to secure payment of all amounts then or thereafter owing under the Cascade Loan Agreements the Company executed and delivered to Lenders mortgages (the "Cascade Mortgages") as follows:

- Loan #1 Mortgage to Stromberg-Carlson Corporation dated February 7, 1967, recorded February 14, 1967 in book 35 of Jefferson County at page 626; recorded on the same day in Wasco County under microfilm #67-0215(26) and filed under UCC

EXHIBIT A E.E.P.

#D 135 on the same day; recorded on February 23, 1967 in volume 22 of Wheeler County at page 302; filed with the Secretary of State of Oregon under UCC #A98679 on February 9, 1967.

Loan #2 Mortgage to Stromberg-Carlson Corporation dated March 28, 1968, recorded April 9, 1968 in Wasco County under microfilm #68-0534 and filed under UCC #E-257 on April 18, 1968; recorded April 11, 1968 in book 37 of Jefferson County at page 559; recorded on the same day in volume 22 of Wheeler County at page 428; filed with the Secretary of State of Oregon under UCC #B27368 on April 22, 1968.

Each of the Cascade Mortgages and the indebtedness secured thereby is now owned and held by Stromberg.

3. The properties of the Company not covered by the Columbia Mortgages and the Cascade Mortgages are subject to the following mortgages to United States of America (the "REA Mortgages"):

Mortgage dated as of February 14, 1956
Supplemental mortgage dated July 20, 1961
Supplemental mortgage dated December 18, 1962
Supplemental mortgage dated January 13, 1964
Supplemental mortgage dated June 4, 1968
Mortgage dated March 24, 1970

All of the REA Mortgages have been recorded in the offices of the clerks of Clackamas, Hood River, Jefferson, Marion, Multnomah and Wasco Counties, Oregon, and the mortgage dated as of March 24, 1970 has been filed in the office of the Secretary of State of Oregon.

The Company has requested Stromberg to subordinate the liens of the Columbia Mortgages and the Cascade Mortgages given to secure indebtedness arising out of the Columbia Loans and the Cascade Loans respectively, to the liens of the REA Mortgages. In consideration therefor the Company has agreed to give Stromberg this Second Mortgage on all of its properties not heretofore mortgaged to Stromberg by the Columbia Mortgages and the Cascade Mortgages to secure payment of all obligations and indebtedness arising out of the Columbia Loan Agreements and the Cascade Loan Agreements, together with any and all other amounts now or hereafter owing by the Company to Stromberg.

WITNESSES

MORTGAGE

Now, therefore, in order to secure the payment of (1) all amounts now or hereafter owing under the Columbia Loan Agreements, the promissory notes issued pursuant thereto and all obligations assumed by the Company under the Columbia Mortgages, (2) all amounts now or hereafter owing under the Cascade Loan Agreements, the promissory notes issued pursuant thereto and under the Cascade Mortgages, and (3) any and all other amounts which may now be or hereafter become owing by the Company to Stromberg, and in consideration of the making and delivery by Stromberg to the Company of a certain Subordination Agreement contemporaneously herewith in favor of the United States of America, the Company hereby grants, bargains, sells, conveys, transfers, assigns, pledges, sets over and warrants to Stromberg, its successors and assigns, all its properties, rights, privileges, franchises and interests of every kind, whether now owned or hereafter acquired (except as otherwise herein expressly provided), including particularly, but without in any way limiting the generality of the above, the following (the "Mortgaged Property"):

A. All and singular the properties of the Company located in and furnishing telephone service in, about and adjacent to the counties of Clackamas, Jefferson, Multnomah, Wasco, Hood River and Wheeler, Oregon, hereby confirming the Columbia Mortgages and the Cascade Mortgages and inclusion of all properties covered by said mortgages, further including but without limitation, all lands, buildings, plants, systems, works, improvements, structures, fixtures, appliances, machinery, tools, implements, office furniture, telephone and telegraph lines, switchboards, wires, cables, poles, conductors, subways, conduits, stations, substations, equipment (central office, subscribers' stations and general), instruments, house wiring connections, apparatus, fittings and equipment of every kind and nature whatsoever, and any and all interests therein and all rights of way,

WITNESSED AND SIGNED

franchises, ordinances, privileges, immunities, consents, permissions, leases and other rights, privileges, contracts, agreements and any and all interests therein, now owned or at any time hereafter acquired by the Company and used, held for use or in any way pertaining to the systems and properties hereinabove referred to and any additions thereto and extensions thereof..

B. All the real estate, leases, rights and franchises described in Exhibit I annexed hereto and made a part hereof, together with all and singular the tenements, hereditaments and appurtenances belonging to the aforesaid property, rights and franchises or any part thereof with the reversions, remainders, tolls, revenues, rents, earnings, issues, income, profits and benefits arising or to arise out of or to be received or had of and from the property hereby mortgaged or intended so to be and all the estate, right, title, interest and claim, at law or in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part thereof.

C. Also all other real estate and personal property or interest therein now owned or which may hereafter be acquired by the Company, and all rights, privileges, franchises, easements, licenses, ordinances, grants, rights of way and permits, howsoever acquired or conferred, and whether now owned or hereafter acquired, together with all rents, issues and profits thereof and all contracts, leases, claims, demands, choses in action, contract rights and all other property of any and every kind, nature and description, real, personal and mixed, wheresoever situated and not hereinbefore specified or referred to and the reversions, remainders, rents, issues and profits, if any thereof.

Saving and Excepting, However, from the lien of this Second Mortgage (i) all cash, (ii) accounts receivable, (iii) current inventories of materials and supplies and (iv) motor vehicles,

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provided, however, that the property and rights so expressly excepted and excluded shall (to the extent permitted by law) cease to be so excepted and excluded in the event that either Stromberg or a receiver shall enter upon and take possession of the Mortgaged property in the manner provided herein by reason of a default hereunder.

To have and to hold all the property hereby mortgaged and conveyed or intended so to be under this Second Mortgage unto Stromberg, forever:

Provided, however, that if the Company shall pay all amounts, payment of which are secured hereby, at the times and in the manner all such amounts are payable, then these presents and the estate hereby created shall cease, determine and become void.

The Company, its successors and assigns, covenants and agrees with Stromberg as follows:

1. The Company has succeeded to and has assumed all of the obligations of Columbia under the Columbia Loan Agreements and the Columbia Mortgages and hereby confirms all of the rights of Stromberg thereunder as owner and holder of said mortgages.

2. To pay when due all amounts secured hereby, consisting of (1) all amounts now or hereafter owing under the Columbia Loan Agreements, the promissory notes issued pursuant thereto and all obligations assumed by the Company under the Columbia Mortgages, (2) all amounts now or hereafter owing under the Cascade Loan Agreements, the promissory notes issued pursuant thereto and under the Cascade Mortgages, and (3) any and all other amounts which may now be or hereafter become owing by the Company to Stromberg.

3. To perform and observe each and every term, covenant and condition contained herein and in all loan agreements and mortgages the payment and performance of which is secured by this Second Mortgage.

WITNESSED AND SIGNED

STATE OF ^{UTAH}~~OREGON~~)
County of ^{WASHINGTON}~~Clackamas~~) ss.

On this 25th day of October 1973 before me personally appeared FLOYD W. DAY and NEVA G. DAY, who, being duly sworn, did say that they are the President and Secretary, respectively, of CASCADE UTILITIES, INC. and that said instrument was signed on behalf of said corporation by authority of its board of directors; and they acknowledged said instrument to be its voluntary act and deed.

J. Ralph Attk.
Notary Public for ~~Oregon~~ ^{UTAH}.
My commission expires: Aug 28, 1974

EXHIBIT I

The following-described real property located in Clackamas County, Oregon:

- 1) Lots 4, 5, 6, 7, 8 and 9, Block 1, Terrace Addition.
- 2) Lots 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 5, City of Estacada.
- 3) Lot 1; Lot 2 and the south 10 feet of Lot 3; the north 40 feet of Lot 3; all in Block 11, Estacada.
- 4) Lots 1, 2, 3, and 4, Block 12, Estacada.
- 5) A tract of land situated in the J. Stephenson DLC, in Section 32, Township 3 South, Range 4 East of the W.M., described as follows:

Beginning at the point of intersection of the north line of said Stephenson DLC with the centerline of the W. A. Bard Road, as traveled and constructed, said point bears south 88°27'40" east 1597.88 feet from the northwest corner of said Stephenson DLC and being the true point of beginning of the tract herein to be described; thence from the above-described true point of beginning south 57°23'10" east along the centerline of said W. A. Bard Road as traveled 375.34 feet to an angle point; thence south 1°36'20" west 536.25 feet; thence south 10°21'20" east 79.60 feet to the north line of the Portland General Electric Company's 100-foot right-of-way easement; thence north 88°44'40" west along said north line of the right-of-way easement 315.22 feet; thence north 809.74 feet to the true point of beginning.

- 6) A tract of land situated in the west one half of the J.S. Stephenson DLC in Section 32, Township 3 South, Range 4 East of the W.M., more particularly described as follows:

Commencing at the northeast corner of said west one half of the J. Stephenson DLC; thence south 01°41'45" west along the east line of said legal subdivision, a distance of 787.04 feet to the north line of the Portland General Electric Company's 100-foot right-of-way easement recorded October 25, 1957 in book 532, page 398, deed of records and the point of beginning of the tract herein to be described; thence north 88°28'14" west along said north line a distance of 318.79 feet to the west line of that land conveyed to Estacada Telephone and Telegraph Company recorded September 4, 1964 in book 645, page 825, deed of records; thence south 0°00'40" east along the extension of said west line a distance of 23.94 feet to a point in the north line of the Portland General Electric Company's 100-foot right-of-way easement as constructed; thence south 88°44'25" east along said north line as constructed a distance of 318.08 feet to a point on the east line of said west one half of the J. Stephenson DLC; thence north 1°41'45" east along said east line a distance of 22.44 feet to the point of beginning. Containing 0.16 of an acre, more or less net

EXCEPTING THEREFROM the portions thereof lying within the boundaries of public roads.

- 7) A part of the John P. Glover DLC in Section 30, Township 2 South, Range 4 East of the W.M., more particularly described as follows:

CLACKAMAS COUNTY, OREGON