

CREDIT AGREEMENT

among

FAIRPOINT COMMUNICATIONS, INC.,

VARIOUS LENDING INSTITUTIONS,

BANK OF AMERICA, N.A.,
as SYNDICATION AGENT,

COBANK, ACB
and
GENERAL ELECTRIC CAPITAL CORPORATION,
as CO-DOCUMENTATION AGENTS,

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as ADMINISTRATIVE AGENT

Dated as of February 8, 2005

DEUTSCHE BANK SECURITIES, INC.
and
BANC OF AMERICA SECURITIES LLC,
as JOINT LEAD ARRANGERS,

and

DEUTSCHE BANK SECURITIES, INC.,
BANC OF AMERICA SECURITIES LLC,
GOLDMAN SACHS CREDIT PARTNERS, L.P.,

and

MORGAN STANLEY SENIOR FUNDING, INC.,
as JOINT BOOK RUNNING MANAGERS

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6.16 Interest Rate Protection. No later than the 90th day after the Initial Borrowing Date, the Borrower shall enter into, and for a minimum period of two years thereafter maintain, Interest Rate Agreements establishing a fixed or maximum interest rate acceptable to the Administrative Agent for an aggregate notional amount equal to at least 50% of the initial aggregate principal amount of the Initial B Term Loans incurred on the Initial Borrowing Date.

6.17 Maintenance of Company Separateness. (a) The Borrower will, and will cause each of its Subsidiaries and Unrestricted Subsidiaries to, satisfy customary Company formalities, including, as applicable, the holding of regular board of directors' and shareholders' meetings or action by directors or shareholders without a meeting and the maintenance of Company offices and records. Neither the Borrower nor any of its Subsidiaries shall make any payment to a creditor of any Unrestricted Subsidiary in respect of any liability of any Unrestricted Subsidiary, and no bank account of any Unrestricted Subsidiary shall be commingled with any bank account of the Borrower or any of its Subsidiaries. Any financial statements distributed to any creditors of any Unrestricted Subsidiary shall clearly establish or indicate the Company separateness of such Unrestricted Subsidiary from the Borrower and its Subsidiaries.

(b) The Borrower shall not permit any cash of any Non-Pledge Party Subsidiary, on the one hand, and any Pledge Party, on the other hand, to be commingled in any bank account.

SECTION 7. Negative Covenants. The Borrower hereby covenants and agrees that until the Commitments have terminated, no Notes or Letters of Credit are outstanding and the Loans, together with interest, Fees and all other Obligations (other than any indemnities described in Section 11.13 which are not then owing) incurred hereunder, are paid in full:

7.01 Changes in Business. (a) The Borrower will not permit at any time the business activities taken as a whole conducted by the Borrower, its Subsidiaries and its Unrestricted Subsidiaries to be materially different from the business activities taken as a whole (including incidental activities) conducted by the Borrower and its Subsidiaries on the Initial Borrowing Date and businesses reasonably related thereto (the "Business").

(b) Notwithstanding the foregoing, no 2d-Tier Holdco will engage in any business or own any significant assets (other than its ownership of (x) equity interests of Subsidiaries existing on the date hereof or permitted to be created, established or acquired pursuant to the terms of this Agreement and (y) intercompany obligations owed to it and permitted to be extended by it pursuant to Section 7.06(c)) or have any liabilities (other than (x) those liabilities for which it is responsible under this Agreement and the other Credit Documents to which it is a party and (y) intercompany debt permitted to be incurred by it pursuant to Section 7.06(c)); provided that any 2d-Tier Holdco may engage in those activities and incur related liabilities that are incidental to (x) the maintenance of its corporate existence in compliance with applicable law, (y) legal, tax and accounting matters in connection with any of the foregoing activities and

(z) the entering into, and performing its obligations under, this Agreement and the other Credit Documents to which it is a party.

7.02 Consolidation, Merger, Sale or Purchase of Assets, etc. The Borrower will not, and will not permit any Subsidiary to, wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise dispose of all or any part of its property or assets (other than inventory or obsolete equipment or excess equipment no longer needed in the conduct of its business in the ordinary course of business) or purchase, lease or otherwise acquire all or any part of the property or assets of any Person (other than purchases or other acquisitions of inventory, leases, materials and equipment in the ordinary course of business) or agree to do any of the foregoing at any future time without a contingency relating to obtaining any required approval hereunder, except that the following shall be permitted:

- (a) (i) any Subsidiary may be merged or consolidated with or into, or be liquidated into, the Borrower or a Subsidiary Guarantor (so long as the Borrower or such Subsidiary Guarantor is the surviving corporation), or all or any part of its business, properties and assets may be conveyed, sold or transferred to the Borrower or any Subsidiary Guarantor, and (ii) any Subsidiary that is not a Subsidiary Guarantor may be merged or consolidated with or into, or convey, sell or transfer its assets to, another Subsidiary that is not a Subsidiary Guarantor, provided that if the stock or other equity interests of either such Person were pledged pursuant to the Pledge Agreement the stock or other equity interests of the surviving entity or the transferee entity, as the case may be, shall also be pledged pursuant to the Pledge Agreement; provided, further, that no such merger or consolidation otherwise permitted by this clause (a) between a Pledged Subsidiary and Non-Pledged Subsidiary, and no such conveyance, sale or transfer by a Pledged Subsidiary to a Non-Pledged Subsidiary, shall be permitted unless, after giving effect thereto, the Pro Forma EBITDA Test is satisfied;
- (b) capital expenditures to the extent within the limitations set forth in Section 7.05;
- (c) the investments, acquisitions and transfers or dispositions of properties, shares and assets permitted pursuant to Section 7.06;
- (d) each of the Borrower and any Subsidiary may lease (as lessee) real or personal property in the ordinary course of business (so long as such lease does not create a Capitalized Lease Obligation not otherwise permitted by Section 7.04(c));
- (e) licenses or sublicenses by the Borrower and its Subsidiaries of intellectual property in the ordinary course of business, provided, that such licenses or sublicenses shall not interfere with the business of the Borrower or any Subsidiary;
- (f) (i) Excluded Asset Sales and (ii) additional sales or dispositions of assets to the extent that the aggregate Net Cash Proceeds received from all such sales and dispositions permitted by this clause (f)(ii) after the Initial Borrowing Date shall not exceed \$4,000,000 in any fiscal year of the Borrower, provided that (x) each such sale or

disposition pursuant to this clause (f) shall be in an amount at least equal to the fair market value thereof and for proceeds consisting of at least 85% cash and (y) the Net Cash Proceeds of any such sale are reinvested and/or applied as a mandatory repayment or commitment reduction to the extent required by Section 3.02(A)(b) or Section 2.03(d) or (f), as the case may be, **provided, further**, that the sale or disposition of the capital stock or other equity interests of any Subsidiary of the Borrower pursuant to this clause (f) shall be prohibited unless it is for all of the outstanding capital stock or other equity interests of such Subsidiary owned by the Borrower and its Subsidiaries;

(g) Permitted Acquisitions may be consummated in accordance with the requirements of Section 6.10;

(h) leases and subleases permitted under Section 7.03(d) and (g); and

(i) Permitted Swap Transactions.

7.03 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrower or any such Subsidiary whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to the Borrower or any of its Subsidiaries) or assign any right to receive income, except:

(a) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrower) have been established in accordance with GAAP;

(b) Liens in respect of property or assets of the Borrower or any of its Subsidiaries imposed by law which were incurred in the ordinary course of business, such as carriers', warehousemen's and mechanics' Liens, statutory landlord's Liens, and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any of its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(c) Liens created by or pursuant to this Agreement or the other Credit Documents;

(d) Liens created pursuant to (x) Capital Leases in respect of Capitalized Lease Obligations permitted by Section 7.04(c) and (y) Capital Leases securing Permitted MJD Capital Debt;

(e) Liens arising from judgments, decrees or attachments and Liens securing appeal bonds arising from judgments, in each case in circumstances not constituting an Event of Default under Section 8.09;

(f) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money);

(g) leases or subleases granted to others not interfering in any material respect with the business of the Borrower or any of its Subsidiaries;

(h) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(i) Liens arising from precautionary UCC financing statement filings regarding operating leases entered into by the Borrower or any of its Subsidiaries in the ordinary course of business and statutory and common law landlords' liens under leases to which the Borrower or any of its Subsidiaries is a party;

(j) purchase money Liens securing payables arising from the purchase by the Borrower or any Subsidiary Guarantor of any equipment or goods in the normal course of business, provided that such payables shall not constitute Indebtedness;

(k) any interest or title of a lessor under any lease permitted by this Agreement;

(l) Liens in existence on, and which are to continue in effect after, the Effective Date which are listed, and the property subject thereto described in, Annex V, plus extensions and renewals of such Liens, provided that (x) the aggregate principal amount of the Indebtedness, if any, secured by such Liens does not increase from that amount outstanding at the time of any such extension or renewal and (y) any such extension or renewal does not encumber any additional assets or properties of the Borrower or any of its Subsidiaries;

(m) Liens arising pursuant to purchase money mortgages or security interests securing Indebtedness representing the purchase price (or financing of the purchase price within 90 days after the respective purchase) of assets acquired by the Borrower or any Subsidiary after the Initial Borrowing Date, provided that (i) any such Liens attach only to the assets so acquired, (ii) the Indebtedness secured by any such Lien does not exceed 100%, nor is less than 70%, of the lesser of the fair market value or purchase price of the property being purchased at the time of the incurrence of such Indebtedness and (iii) the Indebtedness secured by such Liens is permitted by Section 7.04(e);

(n) Liens on property or assets acquired pursuant to a Permitted Acquisition, or on property or assets of a Person in existence at the time such Person is acquired pursuant to a Permitted Acquisition, in each case securing Permitted Acquired Debt, provided that (i) such Liens do not attach to the capital stock or other equity interests of any Subsidiary of the Borrower and (ii) such Liens existed prior to, and were not incurred in contemplation of, such Permitted Acquisition and do not attach to any other asset of the Borrower or any of its Subsidiaries; and

(o) Liens on property or assets of a Person in existence at the time such Person is acquired pursuant to an Investment permitted under Section 7.06(l), in each case securing Indebtedness permitted under Section 7.04, provided that (i) such Liens do not attach to the capital stock or other equity interests of any Subsidiary of the Borrower (other than any capital stock or other equity interests not held by the Borrower or any of its Subsidiaries) and (ii) such Liens existed prior to, and were not incurred in contemplation of, such Investment and do not attach to any other asset of the Borrower or any of its Subsidiaries.

7.04 Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the other Credit Documents;

(b) intercompany Indebtedness permitted by Section 7.06(c);

(c) Capitalized Lease Obligations initially incurred after the Initial Borrowing Date, provided that the aggregate Capitalized Lease Obligations (exclusive of Permitted MJD Capital Debt) outstanding at any time under all Capital Leases incurred in reliance on this clause (c) after Initial Borrowing Date, when added to the aggregate outstanding amount of Indebtedness incurred in reliance on Section 7.04(e), shall not exceed \$30,000,000 at any time;

(d) Indebtedness of the Borrower under Interest Rate Agreements entered into to protect it against fluctuations in interest rates in respect of Indebtedness otherwise permitted under this Agreement, so long as the entering into of such Interest Rate Agreements are bona fide hedging activities and are not for speculative purposes;

(e) Indebtedness incurred pursuant to purchase money mortgages permitted by Section 7.03(m); provided that the aggregate outstanding amount of Indebtedness incurred in reliance on this clause (e), when added to the aggregate outstanding amount of all Capitalized Lease Obligations incurred in reliance on Section 7.04(c), shall not exceed \$30,000,000 at any time;

(f) (i) unsecured Indebtedness of the Borrower incurred under the Existing 2010 Senior Subordinated Notes and the Existing 2010 Senior Subordinated Notes Indenture, and of the Subsidiary Guarantors under subordinated guarantees of the obligations of the Borrower under the Existing 2010 Senior Subordinated Notes Documents, in an aggregate principal amount not to exceed \$20,000,000 (less the amount of any

repayments of principal thereof after the Initial Borrowing Date), (ii) unsecured Indebtedness of the Borrower incurred under the Existing 2010 Senior Notes and the Existing 2010 Senior Notes Indenture, and of the Subsidiary Guarantors under guarantees of the obligations of the Borrower under the Existing 2010 Senior Notes Documents, in an aggregate principal amount not to exceed \$2,100,000 (less the amount of any repayments of principal thereof after the Initial Borrowing Date) and (iii) at any time prior to the Redemption Date, unsecured Indebtedness of the Borrower incurred under the Existing 2008 Senior Subordinated Notes and the Existing 2008 Senior Subordinated Notes Indenture, in an aggregate principal amount not to exceed \$22,500,000 (less the amount of any repayments of principal thereof after the Initial Borrowing Date);

(g) Indebtedness (the “Scheduled Existing Indebtedness”) in existence on, and which is to continue in effect after, the Effective Date (excluding Intercompany Debt) and which is listed on Annex VI hereto, without giving effect to any subsequent extension, renewal or refinancing thereof, except as permitted pursuant to Section 7.04(1);

(h) Indebtedness of the Borrower or any of its Subsidiaries which may be deemed to exist in connection with agreements providing for indemnification, purchase price adjustments and similar obligations in connection with Permitted Acquisitions or sales of assets permitted by this Agreement (so long as any such obligations are those of the Person making the respective acquisition or sale, and are not guaranteed by any other Person);

(i) Permitted Acquired Debt;

(j) unsecured subordinated Indebtedness of the Borrower, and subordinated guarantees thereof by the Subsidiary Guarantors (so long as same remain Subsidiary Guarantors), under the Permitted Senior Subordinated Notes and the other Permitted Senior Subordinated Notes Documents, so long as (i) all such Indebtedness is incurred in accordance with the requirements of the definition of Permitted Senior Subordinated Notes, (ii) no Default or Event of Default then exists or would result therefrom, (iii) 100% of the Net Cash Proceeds therefrom are (x) applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Section 3.02(A)(c), 2.03(d) or 2.03(f), as the case may be, (y) used to effect a Permitted Acquisition in accordance with the requirements of Section 6.10 and/or (z) concurrently used by the Borrower (I) to make a voluntary prepayment of RF Loans pursuant to, and in accordance with the requirements of, Section 3.01 and/or (II) to redeem and/or refinance Permitted Senior Unsecured Notes and/or Permitted Junior Capital, in each case in an aggregate principal amount or with an aggregate liquidation preference, as applicable, equal to the aggregate principal amount or liquidation preference, as applicable, of RF Loans, Permitted Senior Unsecured Notes and/or Permitted Junior Capital, as the case may be, actually incurred or issued by the Borrower to finance a Permitted Acquisition or Permitted Acquisitions (and pay related accrued interest and dividends thereon, if any) in the 364-day period prior to such issuance of Permitted Senior Subordinated Notes, (iv) calculations are made by the Borrower demonstrating compliance, on a Pro Forma Basis, with the covenants contained in Sections 7.11 and 7.12 for the Calculation Period most recently ended prior to the date of the respective issuance of Permitted Senior

Subordinated Notes, and (v) the Borrower shall have furnished to the Administrative Agent a certificate from an Authorized Officer certifying as to compliance with the requirements of preceding clauses (i), (ii), (iii) and (iv) and containing the calculations required by preceding clause (iv);

(k) Permitted MJD Capital Debt;

(l) Permitted Refinancing Indebtedness, so long as no Default or Event of Default is in existence at the time of the incurrence thereof and immediately after giving effect thereto;

(m) Indebtedness of the Borrower consisting of Permitted Letters of Credit and reimbursement obligations with respect thereto, so long as the aggregate outstanding stated amounts of all such letters of credit and reimbursement obligations do not exceed \$7,500,000 at any time;

(n) unsecured Indebtedness of the Borrower incurred under the Permitted Senior Unsecured Notes and the other Permitted Senior Unsecured Notes Documents, and of the Subsidiary Guarantors under guarantees of the obligations of the Borrower under the Permitted Senior Unsecured Notes Documents, so long as (i) all such Indebtedness is incurred in accordance with the requirements of the definition of Permitted Senior Unsecured Notes, (ii) no Default or Event of Default then exists or would result therefrom, (iii) 100% of the Net Cash Proceeds therefrom (except to the extent of any portion thereof applied to make a concurrent prepayment of B Term Loans pursuant to, and in accordance with the requirements of, Section 3.01) are (x) applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Section 3.02(A)(c), 2.03(d) or 2.03(f), as the case may be, (y) used to effect a Permitted Acquisition in accordance with the requirements of Section 6.10 and/or (z) concurrently used by the Borrower (I) to make a voluntary prepayment of RF Loans pursuant to, and in accordance with the requirements of, Section 3.01 and/or (II) to redeem and/or refinance Permitted Senior Unsecured Notes and/or Permitted Junior Capital, in each case in an aggregate principal amount or with an aggregate liquidation preference, as applicable, equal to the aggregate principal amount or liquidation preference, as applicable, of RF Loans, Permitted Senior Unsecured Notes and/or Permitted Junior Capital, as the case may be, actually incurred or issued by the Borrower to finance a Permitted Acquisition or Permitted Acquisitions (and pay related accrued interest and dividends thereon, if any) in the 364-day period prior to such issuance of Permitted Senior Unsecured Notes, (iv) calculations are made by the Borrower demonstrating compliance, on a Pro Forma Basis, with the covenants contained in Sections 7.11 and 7.12 for the Calculation Period most recently ended prior to the date of the respective issuance of Permitted Senior Unsecured Notes, and (v) the Borrower shall have furnished to the Administrative Agent a certificate from an Authorized Officer certifying as to compliance with the requirements of preceding clauses (i), (ii), (iii) and (iv) and containing the calculations required by preceding clause (iv);

(o) Additional Permitted Subordinated Debt, so long as (i) no Default or Event of Default then exists or would result from the incurrence or issuance thereof, (ii)

100% of the Net Cash Proceeds therefrom are (x) applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Section 3.02(A)(c), 2.03(d) or 2.03(f), as the case may be, (y) used to effect a Permitted Acquisition in accordance with the requirements of Section 6.10 and/or (z) concurrently used by the Borrower (I) to make a voluntary prepayment of RF Loans pursuant to, and in accordance with the requirements of, Section 3.01 and/or (II) to redeem and/or refinance Permitted Senior Unsecured Notes and/or Permitted Junior Capital, in each case in an aggregate principal amount or with an aggregate liquidation preference, as applicable, equal to the aggregate principal amount or liquidation preference, as applicable, of RF Loans, Permitted Senior Unsecured Notes and/or Permitted Junior Capital, as the case may be, actually incurred or issued by the Borrower to finance a Permitted Acquisition or Permitted Acquisitions (and pay related accrued interest and dividends thereon, if any) in the 364-day period prior to such issuance of Additional Permitted Subordinated Debt, (iii) calculations are made by the Borrower demonstrating compliance, on a **Pro Forma** Basis, with the covenants contained in Sections 7.11 and 7.12 for the Calculation Period most recently ended prior to the date of such incurrence or issuance of Additional Permitted Subordinated Debt, and (iv) the Borrower shall have furnished to the Administrative Agent a certificate from an Authorized Officer certifying as to compliance with the requirements of preceding clauses (i), (ii) and (iii) and containing the calculations required by preceding clause (iii); provided however, that Additional Permitted Subordinated Debt issued as in kind regularly scheduled interest payments on theretofore outstanding Additional Permitted Subordinated Debt shall not be subject to the requirements specified in preceding clauses (i) through (iv); and

(p) additional unsecured Indebtedness of the Borrower and the Subsidiary Guarantors not to exceed an aggregate outstanding principal amount of \$10.0 million at any time.

7.05 Capital Expenditures. (a) The Borrower will not, and will not permit any of its Subsidiaries to, incur Consolidated Capital Expenditures, provided that the Borrower and its Subsidiaries may make Consolidated Capital Expenditures not to exceed in the aggregate in any fiscal year of the Borrower an amount equal to 37.5% of Adjusted Consolidated EBITDA for such fiscal year.

(b) In the event that the maximum amount which is permitted to be expended in respect of Consolidated Capital Expenditures during any fiscal year of the Borrower pursuant to Section 7.05(a) is not fully expended during such fiscal year, the maximum amount which may be expended during the immediately succeeding fiscal year of the Borrower pursuant to Section 7.05(a) shall be increased by such unutilized amount.

7.06 Advances, Investments and Loans. The Borrower will not, and will not permit any of its Subsidiaries to, lend money or credit or make advances to any Person (other than Excluded Intercompany Payables), or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to any Person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract (each of the foregoing an "Investment" and, collectively, "Investments"), except:

- (a) the Borrower or any Subsidiary may invest in cash and Cash Equivalents;
- (b) the Borrower and any Subsidiary may acquire and hold receivables owing to them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms and/or reasonable extensions thereof;
- (c) the Borrower and its Qualified Subsidiaries may make intercompany loans and advances between and among one another (collectively, "Intercompany Loans"), provided that (i) each such Intercompany Loan shall be evidenced by an Intercompany Note which, if held by a Pledge Party, shall be pledged to the Collateral Agent as, and to the extent required by, the Pledge Agreement, (ii) each Intercompany Loan made pursuant to this clause (c) shall be subject to subordination as, and to the extent required by, the Intercompany Subordination Agreement (giving effect to exceptions required by applicable law or regulation as contemplated thereby) and (iii) any Intercompany Loan made pursuant to this clause (c) shall cease to be permitted hereunder if the obligor or obligee thereunder ceases to be the Borrower or a Qualified Subsidiary as contemplated above;
- (d) loans and advances to officers, directors and employees in the ordinary course of business (x) for relocation purposes and/or the purchase from the Borrower of the capital stock (or options or warrants relating thereto) of the Borrower and (y) otherwise in an aggregate principal amount not to exceed \$1.0 million at any time outstanding shall be permitted;
- (e) the Borrower and each Subsidiary may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;
- (f) Interest Rate Agreements entered in compliance with Section 7.04(d) shall be permitted;
- (g) Investments in existence on the Effective Date and listed on Annex VII (excluding Intercompany Debt), without giving effect to any additions thereto or replacements thereof, shall be permitted;
- (h) the Borrower and each Qualified Subsidiary may make capital contributions (including by way of the capitalization of an Intercompany Loan) (i) to any of their respective Subsidiaries, to the extent a Subsidiary Guarantor and (ii) to any Qualified Subsidiary that is not a Subsidiary Guarantor, so long as, in the case of this subclause (ii), (x) no Default or Event of Default has occurred and is continuing at the time of the respective contribution and (y) in the case of any contribution to a Qualified Subsidiary of the type referred to in clause (iii) of the definition thereof, the Pro Forma EBITDA Test is satisfied;

(i) the Borrower and its Subsidiaries may (x) establish and/or create Subsidiaries in accordance with the provisions of Section 7.07 and (y) make Investments therein as otherwise provided in this Section 7.06;

(j) Permitted Acquisitions may be consummated in accordance with the requirements of Section 6.10;

(k) the Borrower and its Subsidiaries may acquire and hold investments consisting of non-cash consideration received from sales of assets effected in accordance with the requirements of Section 7.02(f);

(l) so long as no Default or Event of Default exists or would exist immediately after giving effect to the respective Investment, the Borrower and its Qualified Subsidiaries shall be permitted to make Investments in (x) any Restricted Investment Entity on any date in an amount (in the case of a non-cash Investment, taking the fair market value of the asset so invested (as determined in good faith by senior management of the Borrower)) not to exceed the Available Basket Amount on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment) and (y) any Unrestricted Subsidiary on any date in an amount (in the case of a non-cash Investment, taking the fair market value of the asset so invested (as determined in good faith by senior management of the Borrower)) not to exceed the Available Basket Sub-Limit on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment), provided that in no event shall the aggregate amount of Investments made in Restricted Investment Entities and Unrestricted Subsidiaries in reliance on this Section 7.06(l) the equity interests of which are not pledged pursuant to the Pledge Agreement (for such purpose, determined without giving effect to any write-downs or write-offs thereof and, in the case of a non-cash Investment, taking the fair market value of the asset so invested (as determined in good faith by senior management of the Borrower)) exceed \$45,000,000.

(m) the Borrower and its Subsidiaries may from time to time make additional Investments in an amount (in the case of a non-cash Investment, taking the fair market value of the asset so invested (as determined in good faith by the Board of Directors of the Borrower)) not to exceed the amount of Cumulative Distributable Cash at such time (determined as of the date of the making of such Investment, after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment), so long as (i) no Default or Event of Default is then in existence or would exist immediately after giving effect thereto, (ii) no Dividend Suspension Period is then in effect, (iii) the Minimum Liquidity Condition is satisfied at such time (before and after giving effect to the respective Investment) and (iv) the Borrower shall have delivered an officer's certificate on the date of the proposed Investment certifying that the Cumulative Distributable Cash on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Investment) exceeds the aggregate amount of the proposed Investment; and

(n) so long as no Default or Event of Default then exists or would exist immediately after giving effect to the respective Investment, the Borrower and its

Subsidiaries may make Investments not otherwise permitted by clauses (a) through (m) of this Section 7.06 in an aggregate amount not to exceed \$15,000,000 (determined without regard to any write-downs or write-offs thereof), net of cash payments of principal in the case of loans and cash equity returns (whether as a distribution, dividend or redemption) or a return in the form of an asset distribution (based on the fair market value of the distributed asset as determined in good faith by senior management of the Borrower) in the case of equity investments.

7.07 Limitation on Creation of Subsidiaries. (a) Except as otherwise specifically provided in immediately succeeding clause (b), the Borrower will not, and will not permit any Subsidiary to, establish, create or acquire any Subsidiary; provided that the Borrower and its Subsidiaries shall be permitted to establish, create or acquire Wholly-Owned Subsidiaries (or 90%-Owned Subsidiaries in the case of Telcos or Carrier Services Companies), so long as (i) 100% of the capital stock or other equity interests of such new Subsidiary (if a Parent Company) or at least 90% of the capital stock or other equity interests of such new Subsidiary (if a Telco or a Carrier Services Company) is pledged pursuant to the Pledge Agreement (provided that the stock or other equity interests of any new Telco or Carrier Services Company acquired or created pursuant to a Permitted Acquisition shall not have to be pledged if, after giving effect to the acquisition or creation thereof, the Pro Forma EBITDA Test is satisfied) and the certificates representing such stock or other equity interests, together with transfer powers duly executed in blank, are delivered to the Collateral Agent, (ii) such new Subsidiary executes a counterpart of the Intercompany Subordination Agreement, the Subsidiary Guaranty (in the case of a new 1st-Tier Subsidiary) and the Pledge Agreement (in the case of a new Parent Company), in each case on the same basis (and to the same extent) as such Subsidiary would have executed such Credit Documents if it were a Credit Party on the Initial Borrowing Date, and (iii) such new Subsidiary takes all action in connection therewith as would otherwise have been required to be taken pursuant to Section 4 if such new Subsidiary had been a Credit Party on the Initial Borrowing Date.

(b) In addition to Subsidiaries of the Borrower created pursuant to preceding clause (a), the Borrower and its Subsidiaries may establish, acquire or create, and make Investments in, Non-Wholly Owned Subsidiaries after the Initial Borrowing Date as a result of Permitted Acquisitions (subject to the limitations contained in the definition thereof) and Investments expressly permitted to be made pursuant to Section 7.06, provided that (i) all of the capital stock or other equity interests of each such Non-Wholly Owned Subsidiary shall be pledged by any Pledge Party which owns same as, and to the extent, required by the Pledge Agreement, (ii) such new Subsidiary executes a counterpart of the Intercompany Subordination Agreement and (iii) in the case of (x) a proposed Permitted Acquisition of an Acquired Person (other than a Telco or Carrier Services Company) or non-equity assets to be effected by a Qualified Subsidiary (directly or through a Subsidiary of such Qualified Subsidiary) in circumstances where the capital stock or other equity interests of the Acquired Person acquired pursuant to such Permitted Acquisition are not to be pledged under the Pledge Agreement or the assets so acquired pursuant to such Permitted Acquisition are not held by a Person which is (or will concurrently become) a Pledged Subsidiary or (y) the creation or acquisition of a new Telco or Carrier Services Company pursuant to a Permitted Acquisition in circumstances where the capital stock or other equity interests of such Telco or Carrier Services Company is (or are) not to be pledged under the Pledge Agreement, the Pro Forma EBITDA Test is satisfied.

7.08 Modifications. The Borrower will not, and will not permit any of its Subsidiaries to:

(a) amend or modify (or permit the amendment or modification of) any provisions of any Permitted Acquired Debt, any Scheduled Existing Indebtedness, any Existing 2008 Senior Subordinated Notes Document, any Existing 2010 Senior Subordinated Notes Document, any Existing 2010 Senior Notes Document and, on and after the execution, delivery and/or incurrence thereof, any Permitted Senior Unsecured Notes Document, any Permitted Senior Subordinated Notes Document and any agreements or instruments relating to any other Permitted Junior Capital or any other Permitted Refinancing Indebtedness, in any such case other than amendments or modifications that are not in any way adverse to the interests of the Lenders; provided that in no event shall any amendment to the foregoing (i) increase the applicable interest rate, (ii) shorten the maturity date from that theretofore in effect, (iii) modify or change any subordination provisions contained therein or (iv) make any covenant more restrictive than previously existed thereunder; and/or

(b) amend, modify or change in any manner adverse to the interests of the Lenders the organizational documents (including by-laws) of any Pledge Party (including, without limitation, by the filing or modification of any certificate or articles of designation, other than any certificate of designation relating to Disqualified Preferred Stock or Qualified Preferred Stock issued as permitted herein), any agreement entered into by the Borrower with respect to its capital stock, or enter into any new agreement in any manner adverse to the interests of the Lenders with respect to the capital stock of the Borrower (in each case other than an agreement governing Disqualified Preferred Stock or Qualified Preferred Stock issued as permitted herein).

7.09 Restricted Payments, Etc. (a) The Borrower will not, and will not permit any of its Subsidiaries to, make any Restricted Payment, except that:

(i) (x) any Subsidiary of the Borrower may pay Dividends to the Borrower or any Wholly-Owned Subsidiary of the Borrower (including by way of conversion of intercompany payables) and (y) any Non-Wholly-Owned Subsidiary of the Borrower may pay cash Dividends to its shareholders generally, so long as the Borrower or its respective Subsidiary which owns the equity interest in the Subsidiary paying such Dividends receives at least its proportionate share thereof (based upon its relative holding of the equity interests in the Subsidiary paying such Dividends and taking into account the relative preferences, if any, of the various classes of equity interests of such Subsidiary);

(ii) the Borrower may redeem or repurchase shares of Borrower Common Stock (or options, warrants and/or appreciation rights in respect thereof) from shareholders, officers, employees, consultants and directors (or their estates) upon the death, permanent disability, retirement or termination of employment of any such Person or otherwise in accordance with any shareholder agreement, stock option plan or any employee stock ownership plan, provided that (x) no Default or Event of Default is then in existence or would arise therefrom and (y) the aggregate amount of all cash paid in

respect of all such shares, options, warrants and rights so redeemed or repurchased in any calendar year, does not exceed \$2,000,000;

(iii) the Borrower may declare and pay Dividends to the holders of Borrower Common Stock (including by way of the repurchase of outstanding shares of Borrower Common Stock) in an amount not to exceed the amount of Cumulative Distributable Cash at such time (determined as of the date of the payment of such Dividends); provided that no such Dividend shall be made (w) if a Default or Event of Default is then in existence or would exist immediately after giving effect thereto, (x) if a Dividend Suspension Period is then in effect, (y) if the Minimum Liquidity Condition is not satisfied at such time (before and after giving effect to the respective Dividend) and (z) the Borrower shall have delivered an officer's certificate on the date of the proposed Dividend certifying that the Cumulative Distributable Cash on such date (after giving effect to all prior and contemporaneous adjustments thereto, except as a result of such Dividend) exceeds the aggregate amount of the proposed Dividend;

(iv) subject to the subordination provisions of the respective indenture governing the respective issuance of Permitted Senior Subordinated Notes and so long as no Default or Event of Default then exists or would result therefrom, the Borrower may pay regularly scheduled interest on each issuance of Permitted Senior Subordinated Notes as and when due in accordance with the terms of the Permitted Senior Subordinated Notes Documents;

(v) subject to the subordination provisions of the respective agreements governing the respective issuance of Additional Permitted Subordinated Debt and so long as no Default or Event of Default then exists or would result therefrom, the Borrower may pay regularly scheduled interest on each issuance of Additional Permitted Subordinated Debt through the issuance of Additional Permitted Subordinated Debt (but not in cash) as and when due in accordance with the terms of the instruments and agreements governing the respective Additional Permitted Subordinated Debt;

(vi) the Existing 2008 Senior Subordinated Notes Redemption may be consummated as contemplated by Section 6.13(b);

(vii) Existing 2010 Senior Notes and Existing 2010 Senior Subordinated Notes not repurchased in connection with the Tender Offer and Consent Solicitation therefor may from time to time be redeemed in accordance with the terms of the respective indenture therefor and/or repurchased on the open-market, so long as (I) the aggregate amount of cash expended by the Borrower to effect such repurchases or redemptions shall not exceed the sum of (A) the principal amount of the Indebtedness so repurchased or redeemed plus (B) the amount of accrued but unpaid interest on the Indebtedness so repurchased or redeemed through the respective date of repurchase or redemption plus (C) any required premium payable in connection with such repurchase or redemption, (II) no Default or Event of Default then exists or would result therefrom (or, in the case of any redemption of Existing 2010 Senior Notes and/or Existing 2010 Senior Subordinated Notes pursuant to the respective indenture therefor, no Default or Event of Default under Section 8.01 or 8.05 then exists or would result therefrom), (III) all such Existing 2010

Senior Notes and/or any Existing 2010 Senior Subordinated Notes, as the case may be, so repurchased or redeemed are promptly cancelled by the purchaser thereof and (IV) at the time of any delivery of an irrevocable notice of redemption pursuant to the indenture governing the Existing 2010 Senior Notes or the Existing 2010 Senior Subordinated Notes, no Default or Event of Default then exists;

(viii) Indebtedness may be refinanced with the proceeds of Permitted Refinancing Indebtedness in accordance with the requirements of the definition thereof, so long as no Default or Event of Default is in existence at the time of the incurrence of such Permitted Refinancing Indebtedness and immediately after giving effect thereto;

(ix) the Permitted Senior Subordinated Notes may be exchanged for Permitted Exchange Senior Subordinated Notes in accordance with the requirements of the respective definitions thereof and the relevant provisions of this Agreement;

(x) the Permitted Senior Unsecured Notes may be exchanged for Permitted Exchange Senior Unsecured Notes in accordance with the requirements of the respective definitions thereof and the relevant provisions of this Agreement;

(xi) the Transaction shall be permitted to be consummated in accordance with the relevant requirements of this Agreement;

(xii) the Borrower and its Subsidiaries may make payments with respect to Intercompany Debt, so long as the respective payment is permitted to be made in accordance with the terms of the Intercompany Subordination Agreement (giving effect to the exceptions required by applicable regulatory law as contemplated thereby);

(xiii) so long as no Default or Event of Default exists or would result therefrom, the Borrower may pay regularly accruing Dividends on its Disqualified Preferred Stock issued pursuant to Section 7.13(d) in cash and/or through the issuance of additional shares of Disqualified Preferred Stock in accordance with the terms of the documentation governing the same;

(xiv) the Borrower may pay regularly accruing Dividends with respect to Qualified Preferred Stock through the issuance of additional shares of Qualified Preferred Stock (but not in cash) in accordance with the terms of the documentation governing the same;

(xv) the Borrower may redeem shares of Qualified Preferred Stock or Disqualified Preferred Stock or repurchase or refinance any Permitted Senior Unsecured Notes, Permitted Senior Subordinated Notes or Additional Permitted Subordinated Debt with the proceeds of any issuance of Permitted Senior Unsecured Notes or Permitted Junior Capital not required to be applied to repay B Term Loans as a result of the application of clause (v) of the proviso in Section 3.02(A)(c);

(xvi) so long as (x) no Default or Event of Default then exists or would exist immediately after giving effect thereto and (y) the Minimum Liquidity Condition is satisfied at such time, the Borrower may, within 70 days following the last day of the first

fiscal quarter of the Borrower ended after the Initial Borrowing Date, make a one-time payment of cash Dividends on then outstanding shares of Borrower Common Stock of \$0.22543 per share of Borrower Common Stock (which based on the number of outstanding shares of Borrower Common Stock as of the Initial Borrowing Date equates to approximately \$777,000);

(xvii) the Borrower may redeem or repurchase shares of Sunflower Telephone Company, Inc. held by third-party investors, so long as (x) no Default or Event of Default then exists or would exist immediately after giving effect thereto and (y) the aggregate amount of all cash paid in respect of all redemptions and/or repurchases pursuant to this clause (xvii) does not exceed \$250,000; and

(xviii) the Borrower may redeem or repurchase warrants to purchase shares of STE held by third-party investors, so long as (x) no Default or Event of Default then exists or would exist immediately after giving effect thereto and (y) the aggregate amount of all cash paid in respect of all such redemptions and/or repurchases pursuant to this clause (xviii) does not exceed \$250,000.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist (other than as a result of a requirement of law) any encumbrance or restriction which prohibits or otherwise restricts (A) the ability of any Subsidiary to (a) pay dividends or make other distributions or pay any Indebtedness owed to the Borrower or any Subsidiary, (b) make loans or advances to the Borrower or any Subsidiary, (c) transfer any of its properties or assets to the Borrower or any Subsidiary or (B) the ability of any Subsidiary to create, incur, assume or suffer to exist any Lien upon its property or assets to secure the Obligations, other than (for purposes of clauses (A) and (B)) prohibitions or restrictions existing under or by reason of: (i) this Agreement and the other Credit Documents; (ii) applicable law; (iii) customary non-assignment provisions entered into in the ordinary course of business and consistent with past practices; (iv) any restriction or encumbrance with respect to a Subsidiary imposed pursuant to an agreement which has been entered into for the sale or disposition of all or substantially all of the capital stock or assets of such Subsidiary, so long as such sale or disposition is permitted under this Agreement; (v) Liens permitted under Sections 7.03(d), (m) and/or (n) and any documents or instruments governing the terms of any Indebtedness or other obligations secured by any such Liens, provided that such prohibitions or restrictions apply only to the assets subject to such Liens; (vi) any agreement or instrument governing Permitted Acquired Debt, to the extent such restriction or encumbrance (x) is not applicable to any Person or the properties or assets of any Person (other than the Person or the properties or assets of the Person acquired pursuant to the respective Permitted Acquisition) and (y) was not created (or made more restrictive) in connection with or in anticipation of the respective Permitted Acquisition; (vii) restrictions applicable to any Non-Wholly Owned Subsidiary existing at the time of the acquisition thereof as a result of an Investment pursuant to Section 7.06 or a Permitted Acquisition effected in accordance with Section 6.10; provided that the restrictions applicable to such joint venture are not made more burdensome, from the perspective of the Borrower and its Subsidiaries, than those as in effect immediately before giving effect to the consummation of the respective Investment or Permitted Acquisition; (viii) on and after the execution and delivery thereof, the Permitted Senior Unsecured Notes Documents; (ix) on and after the execution and delivery thereof, the Permitted Senior

Subordinated Notes Documents; and (x) on and after the execution and delivery thereof, any agreements or instruments relating to any Additional Permitted Subordinated Debt.

7.10 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction or series of transactions after the Effective Date whether or not in the ordinary course of business, with any of its Affiliates or Unrestricted Subsidiaries other than on terms and conditions substantially as favorable to the Borrower or such Subsidiary as would be obtainable by the Borrower or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate, provided that the foregoing restrictions shall not apply to (i) transactions solely among Pledge Parties and their 90%-Owned Subsidiaries, (ii) employment arrangements entered into in the ordinary course of business with officers of the Borrower and its Subsidiaries, (iii) customary fees paid to members of the Board of Directors of the Borrower and of its Subsidiaries, (iv) arrangements with directors, officers and employees not otherwise prohibited by this Agreement, (v) payment of customary legal fees and expenses to Paul, Hastings, Janofsky & Walker LLP, (vi) Restricted Payments made by the Borrower to the extent permitted by Section 7.09(a), (vii) the Transaction and (viii) the transactions set forth on Annex VIII hereto.

7.11 Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio for any Test Period ending on the last day of any fiscal quarter of the Borrower to be less than 3.00:1.00 (or, at any time on and after the issuance of any Permitted Senior Subordinated Notes pursuant to Section 7.04(j), 2.50:1.00).

7.12 Leverage Ratio. The Borrower will not permit the Leverage Ratio determined as at the end of any fiscal quarter of the Borrower to exceed 5.25:1.00.

7.13 Limitation On Issuance of Equity Interests. (a) The Borrower will not, and will not permit any of its Subsidiaries to, issue (i) any Preferred Stock or any options, warrants or rights to purchase Preferred Stock (other than Preferred Stock issued in accordance with Section 7.13(c) or (d) below) or (ii) any redeemable common equity interests unless, in either case, the issuance thereof is, and all terms thereof are, satisfactory to the Required Lenders in their sole discretion.

(b) The Borrower will not permit any of its Subsidiaries, directly or indirectly, to issue any shares of such Subsidiary's capital stock, securities or other equity interests (or warrants, rights or options to acquire shares or other equity interests), except (i) for replacements of then outstanding shares of capital stock or other equity interests, (ii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of the Borrower and its Subsidiaries taken as a whole in any class of the capital stock or other equity interests of such Subsidiary, (iii) Subsidiaries formed after the Effective Date pursuant to Section 7.07 may issue capital stock or other equity interests in accordance with the requirements of Section 7.07 and (iv) to qualify directors to the extent required by applicable law.

(c) The Borrower may issue Qualified Preferred Stock (x) in payment of regularly accruing dividends on theretofore outstanding shares of Qualified Preferred Stock as contemplated by Section 7.09(a)(xiv) and (y) with respect to each other issue of Qualified

Preferred Stock, so long as the Borrower receives reasonably equivalent consideration therefor (as determined in good faith by the Borrower).

(d) The Borrower may issue Disqualified Preferred Stock, so long as (i) no Default or Event of Default then exists or would result from the issuance thereof, (ii) 100% of the Net Cash Proceeds therefrom are (x) applied as a mandatory repayment and/or commitment reduction in accordance with the requirements of Section 3.02(A)(c), 2.03(d) or 2.03(f), as the case may be, (y) used to effect a Permitted Acquisition in accordance with the requirements of Section 6.10 and/or (z) concurrently used by the Borrower (I) to make a voluntary prepayment of RF Loans pursuant to, and in accordance with the requirements of, Section 3.01 and/or (II) to redeem and/or refinance Permitted Senior Unsecured Notes and/or Permitted Junior Capital, in each case in an aggregate principal amount or liquidation preference, as applicable, equal to the aggregate principal amount or liquidation preference, as applicable, of RF Loans, Permitted Senior Unsecured Notes and/or Permitted Junior Capital, as the case may be, actually incurred or issued by the Borrower to finance a Permitted Acquisition or Permitted Acquisitions (and pay related accrued interest and dividends thereon, if any) in the 364-day period prior to such issuance of Disqualified Preferred Stock, (iii) calculations are made by the Borrower demonstrating compliance, on a Pro Forma Basis, with the covenants contained in Sections 7.11 and 7.12 for the Calculation Period most recently ended prior to the date of such issuance of Disqualified Preferred Stock and (iv) the Borrower shall have furnished to the Administrative Agent a certificate from an Authorized Officer certifying as to compliance with the requirements of preceding clauses (i), (ii) and (iii) and containing the calculations required by preceding clause (iii).

7.14 Designated Senior Debt. The Borrower shall not designate any Indebtedness (other than the Obligations) as "Designated Senior Debt" or "Designated Guarantor Senior Debt" for purposes of any Existing 2008 Subordinated Notes Document, any Existing 2010 Subordinated Notes Document and, on and after the execution, delivery and/or incurrence thereof, any Permitted Senior Subordinated Notes Document and any agreements or instruments relating to any Additional Permitted Subordinated Debt or any Permitted Refinancing Indebtedness in respect thereof.

SECTION 8. Events of Default. Upon the occurrence of any of the following specified events (each, an "Event of Default"):

8.01 Payments. The Borrower shall (i) default in the payment when due of any principal of the Loans or (ii) default, and such default shall continue for five or more Business Days, in the payment when due of any interest on the Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

8.02 Representations, etc. Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

8.03 Covenants. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in Section 6.05, 6.09, 6.10, 6.13,

ERISA §3(2) PENSION PLANS SUBJECT TO TITLE IV

ACTIVE PLANS

1. None

MULTIEMPLOYER PLANS PREVIOUSLY CONTRIBUTED TO

1. Marianna and Scenery Hill Telephone Company previously contributed to the National Telephone Cooperative Association Defined Benefit Plan during the period between September 2001 (when Borrower acquired the stock of this Subsidiary) to December 31, 2002. During this period, these contributions were for amounts which were a very small percentage of this plan's total participants and total assets and contributions. Since 2002, Borrower has not received and does not anticipate any request or demand that it contribute additional amounts following its withdrawal in 2002.

**TERMINATED OR MERGED PLANS
NO ASSETS REMAIN**

1. Retirement Plan of Utilities, Inc and Associated Employers for Standish Telephone Company and China Telephone Company
 2. Retirement Plan of Utilities, Inc. and Associated Employers for Telephone Service Co.
 3. STE/NE Acquisition Corp. Pension Plan for Vermont Employees of Transferred GTE Operations
 4. Retirement Plan for Employees of the Ellensburg Telephone Company
 5. Chautauqua and Erie Telephone Corporation Management Pension Plan
 6. Chautauqua and Erie Telephone Corporation Union Pension Plan
 7. Taconic Telephone Corp Union Employee Defined Benefit Plan
 8. Retirement Plan of Utilities, Inc and Associated Employers for Utilities, Inc.
 9. Taconic Telephone Corp. Management Employee Defined Benefit Plan
 10. St. Joe Communications, Inc. Salaried Employees Pension Plan
 11. St. Joe Communications, Inc. Hourly Employees Pension Plan
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