

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as amended and/or restated from time-to-time this "Agreement") is entered into as of this 28th day of December, 2007 (the "Closing Date"), between **Manti Telephone Company**, a Utah corporation, (the "Debtor") and **Mud Lake Telephone Cooperative Association, Inc.**, an Idaho corporation, and its successors and assigns (the "Secured Party").

R E C I T A L S:

WHEREAS, Debtor and Secured Party are parties to a Joint Bidding And Partitioning Agreement, dated November 30, 2007 (the "Bidding Agreement"), governing Debtor's participation in auctions ("Auctions No. 73 and 76") to be held by the Federal Communications Commission ("FCC") for wireless spectrum licenses in the 700 Mhz Band ("700 MHz Band"), and

WHEREAS, Debtor is planning to participate in FCC Auctions No. 73 and 76 and to bid for certain 700 MHz Band Licenses which are described in Attachment A of the Bidding Agreement (the "Target Licenses"); and

WHEREAS, Debtor has executed and delivered to Secured Party a Promissory Note of even date herewith in the principal amount of **\$7,303** payable to Secured Party (the "Note") to fund a portion of the up-front payment for Auctions No. 73 and 76, as required under Section 6(a) of the Bidding Agreement; and

WHEREAS, it is a condition to the Note that Debtor grants Secured Party and other Lenders a security interest in their respective proportionate shares of the refund of the up-front payment to secure repayment of all Obligations (as hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants hereinafter set forth, the parties hereby agree as follows:

1. **Grant of Security Interest.** The Debtor hereby assigns, pledges and grants to the Secured Party a continuing security interest in the Secured Party's proportionate share of the refund of the up-front payment made to the FCC in the event the Debtor fails to obtain any of the Target Licenses, (the "Collateral").

2. **Security for Obligations.**

(a) This Agreement secures the payment and performance of all indebtedness, liabilities and obligations of any kind, pertaining to the up-front payment by the Debtor to the Secured Party (whether directly as principal or maker or indirectly as guarantor, surety, endorser or otherwise), now or hereafter existing, due or to become due, howsoever incurred, arising or evidenced, whether of principal or payment or performance, and all obligations of the Debtor now or hereafter existing under this Agreement (all such obligations of the Debtor being collectively referred to as the "Obligations").

(b) Notwithstanding anything in the Bidding Agreement, this Agreement, the Note, or any other document, agreement or instrument executed in connection therewith to the contrary, the sole recourse and remedy accruing to Secured Party, in the event of default in the payment of the Note or default in compliance with the terms and provisions of the Bidding Agreement or this Agreement, shall be the right of Secured Party to foreclose Secured Party's security interest in the Collateral, described in this Agreement, in order to pay and discharge any amount of the principal, interest or other charges due thereon. In no event shall Debtor be personally liable for any principal, interest or other charges due thereon nor, except as expressly provided herein, shall any of Debtor's property (other than the Collateral) whether real or personal, tangible or intangible, be subject to attachment, sale or other disposition to pay and discharge any amount of the principal, interest or other charges due under the Bidding Agreement, this Agreement or the Note, it being the understanding that all obligations of Debtor under the Bidding Agreement, this Agreement and the Note shall be non-recourse as to Debtor.

3. **Debtor Remains Liable.** Notwithstanding anything herein to the contrary, Debtor shall remain the holder of the Secured Party's proportionate share of the up-front payment, which constitutes the Collateral.

4. **Representations and Warranties.** The Debtor represents and warrants as follows:

(a) The chief place of business and chief executive office of the Debtor and the office where such Debtor keeps its records concerning the Collateral and all originals of all documents which evidence the Collateral, is at the address of such Debtor shown on the signature page hereto;

(b) Except for the security interest created hereby, Debtor owns the Collateral free and clear of any lien, security interest charge or encumbrance. No effective financing statement or other instrument similar in effect covering all or any part of the Debtor's right, title or interest in the Collateral is on file in any recording office;

(c) This Agreement creates a valid security interest in the Collateral, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been or will be duly taken; and

(d) Except with respect to the exercise of creditor's rights upon occurrence of an Event of Default, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or other person is required either (i) for the assignment and security interest granted hereby or for the execution, delivery or performance of this Agreement by the Debtor or (ii) for the perfection of or the exercise by the Secured Party of its rights and remedies hereunder, except UCC financing statements on Form UCC-1 which have been previously made or are being made in connection with this Agreement. A State of Utah UCC-1 Financing Statement that has been completed by the Debtor is attached hereto as Exhibit A.

5. **Further Assurances.**

(a) The Debtor agrees from time to time, at Debtor's and Secured Party's joint expense, to promptly execute and deliver all further instruments and documents, and take

all further action, that may be reasonably necessary or desirable or that the Secured Party may request in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

(b) The Debtor hereby authorizes the Secured Party to file one or more financing or continuation statements and amendments thereto, relative to all or any part of the Collateral without the signature of the Debtor where permitted by law.

(c) The Debtor will furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

6. **Transfers and Other Liens.** Except as expressly contemplated by the Bidding Agreement, the Debtor shall not:

(a) Sell, transfer (by operation of law or otherwise) or otherwise dispose of any of the Collateral; or

(b) Create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral to secure the debt of any person or entity, except for the security interest created by this Agreement.

7. **Other Covenants.**

(a) Without the prior written consent of the Secured Party, the Debtor will not change the location of its chief executive office, its principal place of business, or the Collateral or any part thereof; provided, however, the Debtor may, upon not less than thirty (30) days prior written notice to the Secured Party, relocate its chief executive office to any location in Utah or to any other jurisdiction in the United States in which the Uniform Commercial Code, as from time to time amended or revised, is then in effect (Utah and each such other jurisdiction being hereinafter called a "Permitted Jurisdiction");

(b) In addition to any other notices required pursuant to this Agreement, the Debtor will promptly advise the Secured Party in reasonable detail (i) of the assertion or imposition of any claim, lien, security interest or other encumbrance against any or all of the Collateral; (ii) of any material adverse change in the composition of the Collateral; (iii) concerning the commencement of or any material development in any investigation of Debtor, or any administrative or judicial proceeding against Debtor, by any governmental authority if such investigation or proceeding may result in the imposition of any lien against the Collateral or any part thereof; and (iv) concerning any other event reasonably likely to have a material adverse effect on the aggregate value of the Collateral and/or on the perfection and/or priority of the Secured Party's security interest in the Collateral;

(c) The Debtor shall perform fully all obligations imposed upon it by the Bidding Agreement and the Collateral, and the Debtor will not terminate, rescind or amend such contracts or agreements, nor terminate, rescind, amend, or waive any provision of such contracts or agreements relating to the Debtor's right to collect proceeds thereof or any other rights to compensation as in effect on the date hereof, and

(d) Debtor shall not permit any of the Collateral to be subject to a security interest, lien or encumbrance.

8. **Secured Party Appointed Attorney-in-Fact.** The Debtor hereby irrevocably appoints Secured Party as the Debtor's attorney-in-fact, with full authority in the place and stead of the Debtor, Secured Party or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with Section 5(a) of this Agreement; and

(c) to file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Collateral.

9. **Secured Party May Perform.** If Debtor fails to perform any agreement contained herein, the Secured Party may upon notice to Debtor, itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Debtor.

10. **The Secured Party's Duties.** The powers conferred on the Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Debtor acknowledges that all rights and powers granted to the Secured Party under this Agreement may be exercised by an agent for the benefit of the Secured Party.

11. **Necessary Approvals.** The Debtor and the Secured Party each hereby covenants that it has obtained the requisite approval of its Board of Directors to enter into this Agreement and related Note.

12. **Events of Default.** The term “Event of Default,” whenever used in this Agreement, shall mean:

(a) **Payments.** Debtor fails to make payment when due of any installment of principal on the Note if Debtor remains delinquent for more than ten (10) business days; or

(b) **Representations and Warranties.** Any representation or warranty made by Debtor in the Note or this Security Agreement proves to have been incorrect in any material respect as of the date thereof; or any representation, statement, certificate or data furnished or made by Debtor in the Note or this Security Agreement proves to have been untrue in any material respect as of the date as of which the facts therein set forth were stated or certified; or

(c) **Covenants and Agreements.** Except as otherwise set forth in this section, the Debtor materially breaches any of the covenants or agreements contained in this Agreement or the Note; or

(d) **Involuntary Bankruptcy or Receivership Proceedings.** If a receiver, custodian, liquidator, or trustee of Debtor or of any of its property is appointed by the order or decree of any court or agency or supervisory authority having jurisdiction; or an order is entered adjudicating Debtor or its Owners as bankrupt or insolvent; or any of the property of Debtor or its Owners is sequestered by court order; or a petition is filed against Debtor or its Owners under any state or federal bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation, or receivership law of any jurisdiction, whether now or hereafter in effect; or

(e) **Voluntary Bankruptcy.** If Debtor or its Owners take(s) affirmative steps to prepare to file, or files, a petition in voluntary bankruptcy or to seek relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(f) **Discontinuance of Business, Etc.** Debtor discontinues its usual business.

13. **Remedies.** If any Event of Default shall have occurred and be continuing:

(a) The Secured Party may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available, all the rights and remedies of a Secured Party on default under the Uniform Commercial Code (the “Code”) (whether or not the Code applies to the affected Collateral) and also may (i) require the Debtor to, and the Debtor hereby agrees at its expense and upon request of the Secured Party forthwith, to assemble all or part of the Collateral as directed by the Secured Party and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Secured Party’s offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem

commercially reasonable. The Debtor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by the Secured Party in respect of any collection, or other realization upon all or any part of the Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Secured Party pursuant to Section 13) in whole or in part by the Secured Party against, all or any part of the Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full of all the Obligations shall be paid over to the Debtor or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Secured Party may notify, in the name of Debtor, the payor of Debtor to make payments arising under the Collateral directly to the Secured Party or to such other address as may be specified by the Secured Party, which payment may be endorsed, assigned or made payable to the Secured Party by the Secured Party acting as the true and lawful attorney-in-fact of such Debtor, and may collect directly from any payor of the Debtor thereon all amounts due on account of the Collateral. Upon and after notification to any payor of Debtor from the Secured Party (whether or not any notification has been given as provided above), the Debtor:

(i) shall hold any proceeds and collections of any of the Collateral in trust for the Secured Party, and shall not commingle such proceeds or collections with any other funds of Debtor; and

(ii) shall deliver each of the following duly endorsed, assigned or otherwise made payable to the Secured Party: (A) all such proceeds to the Secured Party immediately upon the receipt thereof by the Debtor, in the identical form received; and (B) all security or collateral for, guaranties of, letters of credit trade and bankers' acceptances and similar letters and instruments in respect of, any of the Collateral.

14. Indemnity and Expenses.

(a) Debtor agrees to indemnify the Secured Party from and against any and all claims, losses and liabilities arising out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Secured Party's gross negligence or willful misconduct.

(b) Debtor will upon demand pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Secured Party may incur in connection with (i) the exercise or enforcement of any of the rights hereunder or (ii) the failure by the Debtor to perform or observe any of the provisions hereof.

15. **Amendments, Etc.** No amendment or waiver of any provision of this Agreement nor consent to any departure by Debtor herefrom shall in any event be effective unless the same shall be in writing and signed by the Secured Party and Debtor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No release of any amount of Collateral shall be effective unless the same shall be in writing and signed by the Secured Party and the Debtor owning such Collateral, and then such release shall be effective only in the specific instance and for the specific purpose for which given.

16. **Addresses for Notices.** All notices and other communications provided for hereunder shall be in writing and mailed, telecopied, or delivered to the appropriate party hereto, addressed to it as stated on the signature page herein, or at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this section. All such notices and other communications shall, when mailed, telecopied, or telegraphed, respectively, be effective when deposited in the mails, confirmed received by telecopy, respectively, addressed as aforesaid.

17. **Continuing Security Interest; Transfer of Note; Conflicting Security Interests.** This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full of the Obligations, (b) be binding upon the Debtor, its successors, transferees and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Secured Party may assign or otherwise transfer the Note (or any substitute or replacement therefor) to any other person or entity with or without notice, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise. Upon payment in full of the Obligations, this Agreement and the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Debtor. Upon any such termination, the Secured Party will, at the Debtor's expense, deliver UCC termination statements and execute and deliver to the Debtor such documents as the Debtor shall reasonably request to evidence such termination. To the extent that there exist conflicting security interests in the Collateral that suggest a different priority than provided in this Agreement, this Agreement shall prevail.

18. **Marshaling.** The Secured Party shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Debtor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by

which any of the Obligations is secured or guaranteed, the Debtor hereby waiving the benefits of all such laws.

19. **No Waiver.** No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof nor constitute the basis for any defense at law or at equity, nor shall any single or partial exercise by the Secured Party of any right remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Secured Party or the future holders of any of the Obligations or allowed to any of them by law or other agreement or any other document evidencing security therefor, shall be cumulative and not exclusive of any other, and, subject to the provisions of this Agreement, may be exercised by the Secured Party or the future holders of any of the Obligations from time to time.

20. **Counterparts.** This Agreement may be executed in any number of counterparts and by each party on separate counterparts, each of which shall be an original but all of which shall constitute one instrument.

21. **Governing Law; Terms.** This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of Utah. Unless otherwise defined herein, or mandated by the preceding sentence, terms used in Article 9A of the Code in the State of Utah are used herein as therein defined.

22. **Consent to Jurisdiction.** Debtor agrees that any suit, action or proceeding with respect to this Agreement may be brought in any Utah or United States Federal court sitting in Utah and by execution and delivery of this Agreement the Debtor irrevocably submits to the non-exclusive jurisdiction of such court for that purpose. Debtor irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit action or proceeding brought in such court and any claim that any such suit action or proceeding brought in such a court has been brought in an inconvenient forum. Debtor agrees that a final judgment in any such suit, action or proceeding brought in such a court, after all appropriate appeals, shall be conclusive and binding upon it.

23. DEBTOR AND SECURED PARTY HEREBY IRREVOCABLY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY COURT AND IN ANY ACTION OR PROCEEDING OF ANY TYPE IN WHICH ANY DEBTOR OR THE SECURED PARTY, OR ANY OF THEIR RESPECTIVE SUCCESSORS OR ASSIGNS IS A PARTY, AS TO ALL MATTERS AND THINGS ARISING DIRECTLY OR INDIRECTLY OUT OF THIS AGREEMENT.

24. **Severability.** The parties intend every provision of this Agreement to be severable. If any provision of this Agreement is held to be illegal, invalid, or unenforceable for any reason, the parties intend that a court enforce the provision to the maximum extent permissible so as to effect the intent of the parties (including the enforcement of the remaining provisions). If necessary to effect the intent of the parties, the parties will negotiate in good faith

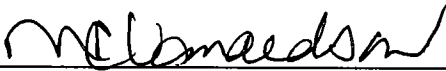
to amend this Agreement to replace the unenforceable provision with an enforceable provision that reflects the original intent of the parties.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the Closing Date.

Corporate Seal

Secured Party:

**MUD LAKE TELEPHONE COOPERATIVE
ASSOCIATION, INC.**
an Idaho corporation

By: 

Name: Mike Leonardson
Title: General Manager
Address: 59 West Main Street
Dubois, Idaho 83423

Corporate Seal

Debtor:

MANTI TELEPHONE COMPANY

By: _____

Name: Paul Cox
Title: President
Address: 40 West Union
Manti, Utah 84642

to amend this Agreement to replace the unenforceable provision with an enforceable provision that reflects the original intent of the parties.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the Closing Date.

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**MUD LAKE TELEPHONE COOPERATIVE
ASSOCIATION, INC.**
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By: _____

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Title: General Manager
Address: 59 West Main Street
Dubois, Idaho 83423

Corporate Seal

Debtor:

MANTI TELEPHONE COMPANY

By:  _____

Name: Paul Cox
Title: President
Address: 40 West Union
Manti, Utah 84642

EXHIBIT A

STATE OF IDAHO FINANCING STATEMENT – UCC 1

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Stanley K. Stoll
Blackburn & Stoll, LC
257 East 200 South, Suite 800
Salt Lake City, UT 84111

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME Manti Telephone Company				
OR	1b. INDIVIDUAL'S LAST NAME			
1c. MAILING ADDRESS 40 West Union		CITY Manti	STATE UT	POSTAL CODE 84642
1d. SEE INSTRUCTIONS 87-0151050	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Corporation	1f. JURISDICTION OF ORGANIZATION Utah	1g. ORGANIZATIONAL ID #, if any 551745-0142 <input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S LAST NAME			
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
2d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME Mud Lake Telephone Cooperative				
OR	3b. INDIVIDUAL'S LAST NAME			
3c. MAILING ADDRESS 165 West Main		CITY Dubois	STATE ID	POSTAL CODE 83423

4. This FINANCING STATEMENT covers the following collateral:

Proportionate share of any refund of upfront payment made to the Federal Communications Commission ("FCC") in connection with the FCC's Auctions Nos. 73 and 76.

5. ALTERNATIVE DESIGNATION (if applicable):	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional)	All Debtors	Debtor 1	Debtor 2		

8. OPTIONAL FILER REFERENCE DATA