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File With
REA Bulletin 415-1

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
RD-GD-1960-01

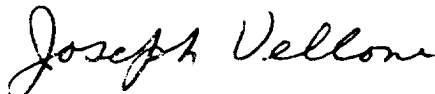
October 25, 1977

SUBJECT: Provisions for the Inclusion of Rural Telephone
Bank in REA Bulletin 415-1, Sale of Property
by Telephone Borrowers

The following revisions have resulted from the necessity to accommodate the attached sample documents covered in REA Bulletin 415-1, Sale of Property by Telephone Borrowers for specific inclusion of the Rural Telephone Bank. The attached instruction Number (8) will be added to Page 2 of the Instructions for Attorney Preparing a Release of Lien contained in REA Bulletin 415-1, Sale of Property by Telephone Borrowers. The attached Exhibits A, B, C, and D will replace the existing Exhibits A, B, C, and D now attached to Bulletin 415-1.

The policies and instructions specified in REA Bulletin 415-1 will apply to both REA and RTB borrowers. All mention of REA and the Government in the Bulletin, except as specifically provided in the attached documents and instruction shall be deemed to cover the Rural Telephone Bank except in the case of Paragraph IV, A 2 and 3.

Special attention is directed to REA Bulletin 320-12, Notes, Interest Computation, Payments and Loan Account Statements. Special payment on RTB loans and loans guaranteed by REA for the Federal Financing Bank (REA holds the lien on these loans) ordinarily would not be the most advantageous course for the borrower as there are usually prepayment penalties attached to FFB and RTB loans as explained in the bulletin.



JOSEPH VELLONE
Acting Administrator

Attachments

The following instruction should be added to the seven presently included in the REA Bulletin 415-1 in the section headed - Instructions for Attorney Preparing a Release of Lien.

- (8) In the attached Exhibits A, B, C and D where an asterisk (*) appears after references to the Government and in the margins indicating the appropriate line of each exhibit, insert a textually consistent reference to the Rural Telephone Bank if the borrower has outstanding executed security instruments in favor of both the REA and the Rural Telephone Bank ("RTB"). In those cases where RTB but no REA security instruments are outstanding, substitute a reference to the Rural Telephone Bank in place of the reference to the Government.

Initial references to the RTB should state "Rural Telephone Bank, a corporation existing under the laws of the United States of America (hereinafter called the "Bank")."

The following are illustrative of forms of execution in the circumstances as noted:

- (1) REA security instruments outstanding:

UNITED STATES OF AMERICA

by

Administrator of the Rural
Electrification Administration

- (2) REA and RTB security instruments outstanding:

UNITED STATES OF AMERICA and
RURAL TELEPHONE BANK, respectively

by

Administrator of the Rural Electrification
Administration and Governor of the Rural
Telephone Bank

Bulletin 415-1
Instruction for Attorney
Preparing a Release of Lien
Page 3
Instruction (8)

(3) RTB security instruments outstanding:

RURAL TELEPHONE BANK

by

Governor of the Rural Telephone Bank

References to both the Administrator of REA and the Governor of RTB may be set forth in a single acknowledgement in appropriate cases.

EXHIBIT A (For Use Where Property Secured Only By Mortgages)

PARTIAL RELEASE, dated as of _____, made by the UNITED STATES OF AMERICA (hereinafter called the "Government*"), to _____ (hereinafter called the "Corporation"). WHEREAS, the Corporation, to evidence loans made by the Government* to the Corporation pursuant to the Rural Electrification Act of 1936, as amended, has executed certain mortgage notes (hereinafter collectively called the "Notes"), all payable to the order of the Government,* and WHEREAS, the Corporation, to secure the Notes, has executed and delivered the following instruments to the Government* (hereinafter collectively called the "Security Instruments"):

Instrument Dated as of
(Here list all mortgages and supplemental mortgages securing REA* loans); and

WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and

WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Government* at the time of the delivery of these presents, the receipt whereof is hereby acknowledged, the Government* does (do) hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Government* may have acquired by or through the Security Instruments, or any of them, in and to the following described property, and does hereby quitclaim said property unto the Corporation, its successors and assigns forever:

(Add exact legal description of property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, it successors and assigns forever, free, clear and discharged of and from any and all liens and claims of the Government* under and by virtue of any or all the Security Instruments.

THIS RELEASE is made by the Government* and accepted by the Corporation on the express condition that it shall not in any way affect or impair the liens and security of the Security Instruments, or any of them, upon other premises and properties now subject thereto and not expressly released hereby. This release is made and accepted without covenant or warranty, express or implied, at law or in equity, and without recourse to the Government*, in any event or in any contingency.

IN WITNESS WHEREOF, the Government* has caused this instrument to be duly executed in its (their) behalf, all as of the day and year first above written.

UNITED STATES OF AMERICA*
by _____
(title) _____
For the Administrator of the
Rural Electrification Administration*

ACKNOWLEDGEMENT

DISTRICT OF COLUMBIA) SS.

ON THIS _____ day of _____, 19____
before me, a Notary Public, duly qualified, commissioned and acting,
personally appeared _____, to me well
known to be the Administrator of the Rural Electrification Administration
of the United States of America* and acknowledged that he, as such
authorized officer being authorized to do so, did execute the foregoing
Partial Release for the purposes therein contained. *

IN WITNESS WHEREOF, I have thereunto set my hand and official
seal.

Notary Public

My Commission Expires

EXHIBIT B (For Use Where Property Secured Only By Deeds of Trust)

PARTIAL RELEASE, dated as of _____, made by the
(hereinafter called the "Trustee"), as trustee, to
(hereinafter called the "Corporation").

WHEREAS, the Corporation, to evidence loans made pursuant to the Rural Electrification Act of 1936, as amended, has executed certain mortgage notes (hereinafter collectively called the "Notes"), all payable to the order of United States of America (hereinafter called the "Government*"); and *

WHEREAS, the Corporation, to secure the Notes, has executed and delivered the following instruments to the Trustee (hereinafter collectively called the "Security Instruments"):

Instrument Dated as of
(Here list all deeds of trust and supplemental indentures securing REA* loans); and *

WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and

WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Trustee at the time of the delivery of these presents, the receipt whereof is hereby acknowledged, the Trustee does hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Trustee may have acquired by or through the Security Instruments, or any of them, in and to the following described property, and does hereby quitclaim said property unto the Corporation, its successors and assigns forever:

(Add exact legal description of the property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, its successors and assigns forever, free, clear and discharged of and from any and all liens and claims of the Trustee under and by virtue of any or all of the Security Instruments.

THIS RELEASE is made by the Trustee, consented to by the Government*, * and accepted by the Corporation on the express condition that it shall not in any way affect or impair the liens and security of the Security Instruments, or any of them, upon other premises and properties now subject thereto and not expressly released hereby. This release is made and accepted without covenant or warranty express or implied, at law or in equity, and without recourse to the Trustee or the Government*, in any event or in any contingency. *

IN WITNESS WHEREOF, the Trustee has executed this instrument, and the Government* as holder of all of the Notes, has caused this instrument to be duly executed in token of its consent to the execution thereof by the *

Trustee, all as of the day and year first above written.

(Seal)		by (Insert name of Trustee)	
Attest:	_____	(title) _____	
(title)	_____	UNITED STATES OF AMERICA*	*
		by _____	
		(title(s)) _____	
		For the Administrator of the	
		<u>Rural Electrification Administration*</u>	*

(Add form of acknowledgement for Trustee)

ACKNOWLEDGEMENT

DISTRICT OF COLUMBIA) SS.

ON THIS _____ day of _____, 19__
before me, a Notary Public, duly qualified, commissioned and acting,
personally appeared _____, to me well
known to be the Administrator of the Rural Electrification Administration
of the United States of America* and acknowledged that he, as such
authorized officer being authorized to do so, did execute the foregoing
Partial Release for the purposes therein contained. *

IN WITNESS WHEREOF, I have thereunto set my hand and official seal.

Notary Public

My Commission Expires

EXHIBIT C

(For Use Where Property Secured by Both Mortgages and Deeds of Trust)

PARTIAL RELEASE, dated as of _____, made by the
(hereinafter called the "Trustee"), as trustee, and the UNITED
STATES OF AMERICA (hereinafter called the "Government*"), to
(hereinafter called the "Corporation").

WHEREAS, the Corporation, to evidence loans made by the Government*
to the Corporation pursuant to the Rural Electrification Act of 1936, as
amended, has executed certain mortgage notes (hereinafter collectively
called the "Notes"), all payable to the order of the Government*; and

WHEREAS, the Corporation, to secure the Notes, has executed and
delivered the following instruments (hereinafter collectively called the
"Security Instruments") to the Trustee or the Government*, as the case
may be:

<u>Instrument</u>	<u>Dated as of</u>
(Here list all deeds of trust, supplemental indentures, mortgages and supplemental mortgages securing REA* loans); and	
WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and	
WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;	
NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Trustee, and the sum of one dollar in hand paid by the Corporation to the Government*, at the time of the delivery of these presents, the receipt whereof is hereby acknowledged by the Trustee and the Government*, the Trustee and Government* do hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Trustee and the Government*, or either of them, may have acquired by or through the Security Instruments, or any of them, in and to the following described property, and do hereby quitclaim the property unto the Corporation, its successors and assigns forever:	

(Add exact legal description of property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, its successors
and assigns forever, free, clear and discharged of and from any and all liens
and claims of the Trustee and the Government* under and by virtue of any or
all of the Security Instruments.

THIS RELEASE is made by the Trustee, made and consented to by the
Government*, and accepted by the Corporation on the express condition that it
shall not in any way affect or impair the liens and security of the Security
Instruments, or any of them, upon premises and properties now subject thereto
and not expressly released hereby. This release is made and accepted without
covenant or warranty, express or implied, at law or in equity, and without
recourse to the Trustee or the Government*, in any event or in any contin-
gency.

IN WITNESS WHEREOF, the Trustee has executed this instrument, and the Government* has caused this instrument to be duly executed in its own behalf and, as holder of all of the Notes, in token of its consent to the execution thereof by the Trustee, all as of the day and year first above written. *

(Seal
Attest: _____ (title) _____
(title) _____

by (Insert name of Trustee) _____

UNITED STATES OF AMERICA* *

by
(title(s)) _____

For the Administrator of the
Rural Electrification Administration* *

(Add form of acknowledgement for Trustee)

ACKNOWLEDGEMENT

DISTRICT OF COLUMBIA) SS.

ON THIS _____ day of _____, 19____
before me, a Notary Public, duly qualified, commissioned and acting,
personally appeared _____, to me well
known to be the Administrator of the Rural Electrification Administration
of the United States of America* and acknowledged that he, as such authorized *
officer being authorized to do so, did execute the foregoing Partial Release
for the purposes therein contained.

IN WITNESS WHEREOF, I have thereunto set my hand and official
seal.

Notary Public

My Commission Expires

EXHIBIT D

(For Use Where Uniform Commercial Code Provision Applies)

The following form of paragraph inserted just before the "In Witness Whereof" paragraph of the proper form of Partial Release, should be used where the Partial Release also covers personal property described in a filed financing statement. The Partial Release could then be used for required filing under the Uniform Commercial Code, as well as for recordation in real property records.

From the collateral described in the financing statement bearing File No. _____, filed in the office of _____, and the financing statement bearing File No. _____, filed in the office of _____, (1) the Government*, address of which is Rural Electrification Administration, Washington, D.C. 20250, (2) as the Secured Party(s) in such financing statement, releases the property described above. The Corporation is the Debtor, as shown in said financing statement, and its address is _____.

- (1) The pertinent filing offices (such as the applicable county recording office and the office of the Secretary of State) and the respective filing numbers. *
- (2) Where a deed of trust rather than a mortgage has been previously filed as a financing statement, the Trustee should be inserted as the Secured Party, and its address should appear in the place of the Government* and its address. *

File with REA
Bul. 115-1 (Electric)
Bul. 415-1 (Telephone)

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 15, 1966

To : REA Electric and Telephone Borrowers
From : Administrator
Subject: Revision of Procedure for Partial Releases
of the Government's Lien

The procedure for preparing partial releases of the Government's lien in connection with the sale of mortgaged property by borrowers is being revised to expedite the handling of such requests to REA.

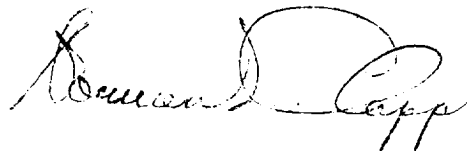
Under the revised procedure, borrowers are responsible for preparing and furnishing the partial releases to be executed by REA. The partial release should be prepared by the borrower's attorney or by the attorney for the purchaser of the property. It will be the responsibility of such attorney and the borrower to assure the accuracy and legal effectiveness of a proposed release.

The effect of this change is to require that all requests to REA for partial release of lien include the release to be executed. Where a sale of property requires REA approval in accordance with REA Bulletin 115-1 (Electric): 415-1 (Telephone) and a release of lien is necessary, the release of lien in appropriate form should accompany REA Form 369, Request for Approval to Sell Property (Electric), or REA Form 793, Request for Release of Lien and/or Approval of Sale (Telephone).

To assist the borrower's or purchaser's attorney in preparing the required release so that it will serve its intended purpose and be satisfactory for execution by REA, instructions and recommended forms are attached.

Attachments:

Instructions for Attorney
Suggested Forms of Release of Lien



Instructions for Attorney Preparing a Release of Lien

Suggested Form of Partial Release -

For guidance and assistance to attorneys preparing partial releases of lien for execution by REA, there are attached the following forms to fit particular circumstances. The appropriate form shall be selected in each case.

- Exhibit A - Form of Partial Release for use where the lien of one or more mortgages is involved.
- Exhibit B - Form of Partial Release for use where the lien of one or more deeds of trust is involved.
- Exhibit C - Form of Partial Release for use where the lien of one or more mortgages and the lien of one or more deeds of trust are involved.
- Exhibit D - A provision for use in releasing personal property from a financing statement filed under the Uniform Commercial Code.

Preparation of the Release -

In utilizing the appropriate form of partial release, it is important that consideration be given to the following matters:

- (1) There should be inserted a proper, exact legal description of the property to be released. This description should correspond to the description contained in the instrument conveying the borrower's property to the grantee.
- (2) All mortgages, deeds of trust, and supplements thereto securing REA loans should be listed in the form. It is important that underlying security instruments be included, as well as current security instruments, since all REA mortgages and deeds of trust contain after-acquired property clauses and thus cover all property of the borrower theretofore and thereafter acquired. Security documents have generally been filed for record in all counties in which property of the borrower is located; the underlying security instruments are generally described in the "Whereas" clauses of the most recent mortgage or deed of trust.
- (3) The attorney should determine whether it is necessary or advisable for him to add, for each of the security instruments listed in the release, the recordation data relating to the particular county in which the property to be released is located.

- (4) An adequate number of copies of the partial release, for recordation and for the records of the borrower the purchaser, and the trustee (if any), should be prepared for execution by REA. In addition, please furnish one copy for REA records.
- (5) Where a successor trustee has been appointed to succeed a trustee named in a deed of trust, a "Whereas" clause of the release should refer to this fact and to the recorded evidence of such appointment. Where a trustee corporation named in a deed of trust has merged with another institution, or has changed its name, a "Whereas" clause in the release should explain the variance in names between the named trustee and the trustee executing the partial release.
- (6) If a partial release of lien has recently been prepared and executed by REA for the borrower, a review of this partial release will be helpful to the attorney in preparing the proposed new release. Any additional security instruments or supplements that may have been executed by the borrower subsequent to the earlier release should, of course also be listed in the new release.
- (7) In order that REA may be in a position to execute the proposed release the release must include the specific provision in the attached Exhibits A, B and C to the effect that the release will not affect or impair the Government's liens on other properties of the borrower not expressly released, and that the release is made without warranties and without recourse.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

August 31, 1960*

REA BULLETIN 415-1

SUBJECT: Sale of Property by Telephone Borrowers

- I. Purpose: To set forth REA requirements with respect to the sale, lease or transfer of any of the property subject to the lien of the Government's mortgage securing a telephone loan.
- II. General:
- A. Sales Not Requiring REA Action: A telephone borrower may sell or otherwise dispose of property subject to the Government's lien without REA approval or a formal release of lien, only if:
1. The borrower is not in default under the mortgage; and
 2. The property to be disposed of is no longer necessary to, nor useful in, the operation of its business, or has become obsolete, worn out, damaged or otherwise unsuitable for use; and
 3. A formal release from the Government's lien is not required by the purchaser; and
 4. The proceeds of the sale, lease, or transfer will be applied as set forth in paragraph IV below.
- B. Sales Requiring REA Action: If a formal release of lien is necessary (generally purchasers request a formal release if real estate is involved), or REA approval is required because the transaction does not meet all of the conditions set forth in paragraph II-A, the borrower should request and obtain a release of lien or REA approval before disposing of the property.

*Revision of April 10, 1953, edition of Bulletin 415-1 to introduce a new form (REA Form 793) for use in setting forth the information required in support of a request for a release of lien or for approval of a sale.

1. The borrower's request to REA should contain or enclose all the information outlined in the attached REA Form 793, including two certified copies of the resolution adopted by the directors, stockholders, or members authorizing the sale (when such authorization is required by law or by the borrower's articles of incorporation or bylaws).
2. Upon receipt of all necessary information, REA will review the proposed transaction and notify the borrower of its action on the request.
3. When the borrower has received the requested release of lien or approval of the sale, it will complete the transaction and dispose of the proceeds in the manner approved by REA.

III. Conditions of Sale:

- A. Sales to Non-REA Borrowers: Sales to non-REA borrowers shall be for cash except when specific REA approval is obtained for the extension of credit (or the leasing of the property) to the purchaser. Such approval will be given only when it appears that the extension of credit is necessary to effect a sale at a fair price. In such cases, the Government's lien will not be released until the entire sales price, including any interest charges, has been accounted for as set forth in paragraph IV below.
- B. Sales to Other REA Borrowers: Sales to other REA borrowers shall be:
 1. In consideration of assumption by the purchaser of a portion of the seller's indebtedness to the Government equal to the sale price, or
 2. For cash if the purchaser uses funds other than REA loan funds or if the use of loan funds for the particular purpose has been approved by the Administrator as necessary for the improvement, furnishing or extension of telephone service in rural areas.

IV. Disposition of Proceeds:

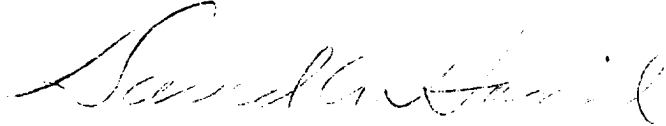
- A. The proceeds from the sale of property (whether or not the sale required REA approval), less out-of-pocket expenses incident to the sale, shall be applied immediately upon receipt:
1. As a deposit in the "Trustee, REA Construction Fund Account" for specific additions or improvements to the system as approved by REA; or
 2. As a special payment on the REA loan in addition to the scheduled payments. (This special payment will normally be applied against the last remaining payments on the note designated by the borrower or the most recent note unless the note has not reached its basis date, in which case, the special payment will reduce the quarterly payments to be scheduled on the note); or
 3. To replace the property by, or substitute therefor, other property of the same kind and nature which shall be subject to the lien of the mortgage, applying any proceeds not needed for the replacement as a special payment on the REA loan or as a deposit in the "Trustee, REA Construction Fund Account."
- B. If the borrower desires to apply the proceeds in any other manner, it must request and obtain REA approval of the proposed application of funds, furnishing all the information required for a release of lien or approval of a sale and establishing that (1) loan funds were not originally used to purchase the property, and (2) its adjusted net worth before the sale exceeds 10% of its adjusted assets as such terms are defined in Bulletin 321-2 by more than the amount of the estimated net proceeds.
- C. When the proceeds are deposited in the "Trustee, REA Construction Fund Account," the borrower shall record the deposit on its next Financial Requirement Statement in the manner set forth in the instructions printed on the statement.

V. Records:

The borrower shall retain complete records of all transactions in connection with sales of property. These records shall be available for review by authorized REA personnel.

Bulletin 415-1
Page 4

This REA Bulletin supersedes REA Bulletin 415-1, dated April 10, 1953, and all other material in conflict with its provisions.



Administrator

Attachment:
REA Form 793

Index:

PROPERTY:
Sales and Transfers

MORTGAGE:
Partial Release of Lien

SALE OF PROPERTY:
REA Requirements