VIRGINIA 511
BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
Years ended December 31, 2008 and 2007

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buggs Island Telephone Cooperative and Subsidiary
Bracey, Virginia

We have audited the accompanying consolidated balance sheets of Buggs Island Telephone Cooperative (a Virginia corporation) and subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of operations, members' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buggs Island Telephone Cooperative and subsidiary as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 14, 2009, on our consideration of Buggs Island Telephone Cooperative and subsidiary's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Kiesling Associates LLP

West Des Moines, Iowa
August 14, 2009

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007

ASSETS		2008		2007
CURRENT ASSETS				
Cash and cash equivalents	$	166,648	$	894,285
Accounts receivable:				
Due from customers				
Less allowance of $- and $11,455, respectively		122,316		343,942
Interexchange carriers				
Less allowance of $- and $29,328, respectively		89,247		238,455
Other		58,732		9,772
Notes receivable		-		5,987
Materials and supplies at average cost		102,350		114,175
Inventory at average cost		39,783		18,865
Prepayments		70,097		72,092
		649,173		1,697,573
OTHER NONCURRENT ASSETS				
Investment in Virginia Independent Telephone Alliance, LLC		81,830		81,830
Investment in lenders		2,000		2,000
Notes receivable, less current portion		-		7,416
Deferred charges		-		37,654
Other noncurrent assets		10,000		10,000
Intangibles		886,654		-
		980,484		138,900
PROPERTY, PLANT AND EQUIPMENT				
Telephone plant in service		14,682,359		13,259,440
Nonregulated telephone plant in service		205,594		205,594
		14,887,953		13,465,034
Less accumulated depreciation		9,632,794		8,487,580
		5,255,159		4,977,454
Plant under construction		563,840		382,280
		5,818,999		5,359,734
TOTAL ASSETS	$	7,448,656	$	7,196,207

The accompanying notes are an integral part of these consolidated financial statements.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007

LIABILITIES AND MEMBERS' EQUITY	2008	2007
CURRENT LIABILITIES		
Current portion of long-term debt	$ 249,143	$ 248,079
Accounts payable	249,730	240,377
Advance billing and payments	-	170,676
Customer deposits	29,610	26,845
Accrued taxes	194	132
Other	259,634	40,044
	788,311	726,153
LONG-TERM DEBT, less current portion	3,542,849	2,861,599
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS		
Accrued post-retirement benefits	1,738,547	1,659,118
Asset retirement obligations	63,385	61,003
Other deferred credits	58,129	59,672
	1,860,061	1,779,793
MEMBERS' EQUITY		
Patronage capital assigned	3,374,594	3,415,363
Patronage capital assignable	(1,442,494)	(845,016)
Accumulated Other Comprehensive Income:		
Unrecognized liability on post-employment benefits	(674,665)	(741,685)
	1,257,435	1,828,662
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,448,656	$ 7,196,207

The accompanying notes are an integral part of these consolidated financial statements.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Local network services	$ 923,791	$ 974,249
Network access services	2,010,226	2,176,848
Long distance services	455,561	520,273
Internet services	810,194	615,087
Nonregulated revenues	106,952	80,882
Miscellaneous revenue	160,784	112,921
	4,467,508	4,480,260
OPERATING EXPENSES		
Plant specific operations	711,136	694,938
Plant nonspecific operations	248,351	376,732
Cost of long distance services	213,666	234,173
Cost of internet services	595,817	529,038
Cost of nonregulated services	372,322	201,611
Depreciation and accretion	1,147,598	1,040,048
Customer operations	592,604	536,376
Corporate operations	970,095	847,691
General taxes	37,183	36,423
	4,888,772	4,497,030
OPERATING LOSS	(421,264)	(16,770)
OTHER INCOME (EXPENSE)		
Interest and dividend income	2,704	10,810
Interest expense	(193,056)	(155,079)
Allowance for funds used during construction	22,063	14,403
Other, net	(7,925)	(6,250)
	(176,214)	(136,116)
NET LOSS	$ (597,478)	$ (152,886)

The accompanying notes are an integral part of these consolidated financial statements.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years ended December 31, 2008 and 2007

	Patronage Capital Assigned	Patronage Capital Assignable	Accumulated Other Comprehensive Income	Total Members' Equity	Annual Comprehensive Income
Balance at December 31, 2006	$ 3,452,050	$ (692,130)	$ -	$ 2,759,920	
Net loss	-	(152,886)	-	(152,886)	$ (152,886)
Retirement of patronage capital	(36,687)	-	-	(36,687)	
Unrealized loss on post-employment benefits	-	-	(741,685)	(741,685)	(741,685)
Balance at December 31, 2007	3,415,363	(845,016)	(741,685)	1,828,662	$ (894,571)
Net loss	-	(597,478)	-	(597,478)	$ (597,478)
Retirement of patronage capital	(40,769)	-	-	(40,769)	
Amortization of unrecognized liability on post-employment benefits	-	-	67,020	67,020	67,020
Balance at December 31, 2008	$ 3,374,594	$(1,442,494)	$ (674,665)	$ 1,257,435	$ (530,458)

The accompanying notes are an integral part of these consolidated financial statements.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (597,478)	$ (152,886)
Adjustments to reconcile net loss		
to net cash provided by operating activities:		
Depreciation and accretion	1,147,598	1,040,048
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	321,874	(80,297)
Materials and inventories	(9,093)	(28,663)
Prepayments	1,995	6,502
Deferred charges	37,654	-
Increase (Decrease) in:		
Accounts payable	(75,284)	4,296
Accrued taxes	62	(10,793)
Accrued post-retirement benefits	146,449	149,964
Other	(131,890)	273
Net cash provided by operating activities	841,887	928,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,337,818)	(646,958)
Purchase of intangibles	(886,654)	-
Issuance of notes receivable	-	(16,388)
Collections of notes receivable	13,403	55,409
Net cash used in investing activities	(2,211,069)	(607,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowing	930,500	-
Repayment of long-term debt	(248,186)	(273,921)
Patronage capital retired	(40,769)	(36,687)
Net cash provided by (used in) financing activities	641,545	(310,608)
Net Increase (Decrease) in Cash and Cash Equivalents	(727,637)	9,899
Cash and Cash Equivalents at Beginning of Year	894,285	884,386
Cash and Cash Equivalents at End of Year	$ 166,648	$ 894,285

The accompanying notes are an integral part of these consolidated financial statements.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Buggs Island Telephone Cooperative and subsidiary (herein referred to as "the Company") are providers of telecommunications exchange and local access, long distance, internet and telecommunication equipment in a service area located in Bracey, Virginia and surrounding rural areas.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company Buggs Island Telephone and its 100%-owned subsidiary, BIT, LLC. All material intercompany transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected.

Inventory

Inventory is stated at the lower of cost or market with cost determined by the average cost method.

Investments

Nonmarketable equity investments are stated at cost.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangibles

Intangible assets deemed to have indefinite lives are stated at the lower of cost or fair value. These assets are subject to periodic impairment tests. Intangible assets with definite lives are amortized.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, employee benefits and interest incurred during the construction period.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property. These estimates are subject to change in the near term.

Renewals and betterments of units of property are charged to plant in service. When plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are included in plant specific operations expense.

Repairs of other property, as well as renewals of minor items, are charged to plant specific operations expense. A gain or loss is recognized when other property is sold or retired.

Asset Retirement Obligations

Generally accepted accounting principles require entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Income Taxes

The parent company (the Company) is organized under the cooperative laws of the State of Virginia. The Company has obtained an exemption from federal income taxes under code section 501(c)12. With respect to cooperative operations, the financial statements reflect no provision or liability for income taxes.

BIT, LLC, the subsidiary, is not recognized separately for tax purposes by the taxing authorities and, therefore, it is combined with Buggs Island Telephone Cooperative in its tax filing.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service and internet revenues are recognized over the period a subscriber is connected to the network.

Network access and long distance service revenues are derived from charges for access to the Company's local exchange network. For the second half of the year ended December 31, 2008, the interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. For the first half of the year ended December 31, 2008 and for the year ended December 31, 2007, the interstate portion of access revenues was based on an average schedule company settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed on individual company tariff access charge structure based on expense and plant investment of the Company as approved by the state regulatory authority. The tariffs developed from these formulas are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Revenues from system sales and services are derived from the sale, installation, and servicing of communications systems. Customer contracts of sales and installations are recognized using the completed-contract method which recognizes income when the contract is substantially complete. Rental revenues are recognized over the rental period. Credit is granted to customers, substantially all of whom are located in Bracey, Virginia.

Patronage Capital

Revenues in excess of costs and expenses are assigned to patrons on a patronage basis in accordance with the Company's bylaws and are represented by patronage capital.

Reclassifications

Certain reclassifications have been made to the 2007 consolidated financial statements to conform with the 2008 presentation.

NOTE 2. INVESTMENTS

The Company owns a 3.4% interest in the Virginia Independent Telephone Alliance, L.C. (VITAL). VITAL was established in 1993 as a joint venture by independent telephone companies in Virginia for the purpose of providing and selling SS7 network services. This investment is appropriately accounted for using the cost method, and the $81,830 represents the capital the Company has contributed in the form of cash. Management assesses this investment annually and has determined that its value has not been impaired.

NOTE 3. NOTES RECEIVABLE

Notes receivable consist of:

	2008	2007
Computers note receivable	$ -	$ 13,403
Less current portion	-	5,987
	$ -	$ 7,416

In 2006, the Company began selling computers to broadband internet subscribers. The Company allows for the customers to pay for the computers over a 24 month period with no interest.

NOTE 4. INTANGIBLES

Intangible assets at December 31 consist of the following:

	2008 Gross Amount	2007 Gross Amount
Unamortized Intangibles		
700 MHz wireless spectrum	$ 886,654	$ -

The Company annually assesses its recorded balance of indefinite lived intangible assets for impairment. As a result, the Company determined no impairment needed to be recorded for the year ended December 31, 2008.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

	2008	2007
Telephone plant in service:		
Land	$ 390,402	$ 35,364
Buildings	574,433	574,433
Furniture and office equipment	891,920	479,608
Vehicles and work equipment	545,574	440,400
Switching equipment	5,651,913	5,370,519
Outside plant	6,552,954	6,283,953
Organization	1,758	1,758
Leasehold improvements	73,405	73,405
Subtotal	14,682,359	13,259,440
Nonregulated telephone plant in service:		
Paystations	165,086	165,086
Other	40,508	40,508
Subtotal	205,594	205,594
Total property, plant and equipment	$ 14,887,953	$ 13,465,034

Depreciation on depreciable property resulted in composite rates of 8.22% and 7.96% for 2008 and 2007, respectively.

NOTE 6. ASSET RETIREMENT OBLIGATION

The Company has determined that asset retirement obligations exist as there is a legal obligation to remove switching equipment at the time the Company discontinues its use. The Company's cost to remove these assets is accrued over the life of the assets. Accordingly, the Company has recorded a liability of $63,385 and $61,003 on December 31, 2008 and 2007, respectively. The expense in 2008 and 2007 for the accretion and depreciation related to asset retirement obligations is $5,882 and $9,551, respectively.

NOTE 7. LONG-TERM DEBT

Long-term debt consists of:

	2008	2007
RDUP mortgage notes - 2%	$ -	$ 1,400
RDUP mortgage notes - 5%	345,133	417,974
FFB mortgage notes - 4.222%	319,569	341,953
FFB mortgage notes - 4.363%	109,172	116,750
FFB mortgage notes - 4.478%	257,620	275,372
FFB mortgage notes - 4.530%	588,246	628,649
FFB mortgage notes - 4.544%	836,631	894,043
FFB mortgage notes - 5.043%	291,659	311,045
FFB mortgage notes - 5.251%	114,953	122,492
First Citizens Bank land loan - 5.70%	179,009	-
RTFC line of credit	750,000	-
Total long-term debt	3,791,992	3,109,678
Less current portion	249,143	248,079
	$ 3,542,849	$ 2,861,599

The annual requirements for principal payments on long-term debt for the next five years are as follows:

2009	$ 249,143
2010	180,281
2011	240,961
2012	291,928
2013	266,510

Substantially all assets of the Company are pledged as security for the long-term debt under certain loan agreements with the Rural Development Utilities Programs (RDUP) and the Federal Financing Bank (FFB). The RDUP mortgage notes are to be repaid in equal quarterly installments covering principal and interest beginning three years after date of issue and expiring by 2015. The FFB mortgage notes are to be repaid in equal quarterly installments covering principal and interest beginning the first quarter after advancement of funds and expiring by 2019.

The mortgage to the United States of America, underlying the RDUP and FFB notes, contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock or investment in affiliated companies except as might be specifically authorized in writing in advance by the RDUP and FFB noteholders. The Company has reported to the RUS and FFB that it has failed to comply with the Times Interest Earned Ratio (TIER) required to be in compliance with the RUS and FFB loan agreements. The Company requested and received a waiver from RUS regarding compliance with the TIER requirement.

NOTE 7. LONG-TERM DEBT (Continued)

In 2008, the Company obtained a line-of-credit loan for $750,000 from the Rural Telephone Finance Cooperative (RTFC). The interest on the line-of-credit is to be repaid in quarterly installments beginning the first quarter after the initial advancement.

The security and loan agreements underlying the RTFC notes contain certain restrictions on distributions to stockholders, investment in, or loans to others and payment of management fees or an increase in management fees. The Company is restricted from making any distributions, except as might be specifically authorized in writing in advance by the RTFC noteholders.

Cash paid for interest, net of amounts capitalized, for 2008 and 2007 totaled $170,993 and $174,976, respectively.

Unadvanced funds at December 31, 2008 and 2007 for long-term notes and lines of credit total $2,608,300 and $2,608,300, respectively.

Under the provisions of the loan contract, advances of loan funds shall be deposited in a special construction account and held in trust for the government until disbursed. The loan contract restricts disbursements to such expenditures as RDUP may authorize. All payments from the trust accounts are subject to RDUP approval.

NOTE 8. DEFINED BENEFIT PENSION PLAN

The Company has a noncontributory, defined benefit pension plan covering most employees. The multi-employer retirement programs are with the National Telephone Cooperative Association (NTCA) and have been approved by the Internal Revenue Service. Pension costs expensed and capitalized for December 31, 2008 and 2007 were $110,875 and $136,418, respectively. The Company makes annual contributions to the plan equal to amounts accrued for pension expense.

NOTE 9. POST-RETIREMENT BENEFIT PLAN

The Company has a benefit plan for retirees that provides hospitalization insurance benefits that are provided by the payment of 60% of insurance premiums on behalf of eligible retirees. The plan anticipates that benefits offered under the plan will be adjusted periodically in accordance with the changes adopted for the active employees.

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 requires an employer that sponsors defined benefit plans to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date, and to include enhanced disclosures about the plan. The Company adopted the recognition and disclosure provisions of SFAS No. 158 for the year ending December 31, 2007.

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 9. POST-RETIREMENT BENEFITS (Continued)

The Company uses a December 31 measurement date for its plans.

The following table sets forth information about the benefit plan for the year ended December 31:

	2008	2007
Change in benefit obligations:		
Benefit obligations at beginning of year	$ 1,659,118	$ 1,515,290
Service cost	71,980	105,367
Interest cost	60,403	88,420
Benefits paid	(52,954)	(49,959)
Benefit obligations at end of year	1,738,547	1,659,118
Change in plan assets:		
Fair value of plan assets at beginning of year	-	-
Employer contributions	52,954	49,959
Benefits paid	(52,954)	(49,959)
Fair value of plan assets at end of year	-	-
Net amount recognized	$ 1,738,547	$ 1,659,118

	2008	2007
Amounts recognized in accumulated other comprehensive income:		
Actuarial loss, net	$ 629,841	$ 661,231
Prior service cost	44,824	80,454
Total	$ 674,665	$ 741,685

Estimated amounts to be amortized from Accumulated Other Comprehensive Income during 2009 fiscal year:	
Actuarial loss, net	$ 31,390
Prior service cost	35,630
Total	$ 67,020

	2008	2007
Weighted-average assumption:		
Discount rate	5.75 %	5.75 %
Medical cost trend rate	9.00 %	9.00 %
Assumed rate of increase in compensation levels	6.00 %	6.00 %

NOTE 9. POST-RETIREMENT BENEFITS (Continued)

The medical inflation rate assumption used is a series of annual inflation rates. The initial inflation rate of 9.0% is anticipated to decline over the next 4 years as other sectors of the U.S. economy compete for the resources currently being consumed by health care. The medical inflation rate is assumed to decline gradually until it reaches a level of 5.0% per year. One measure of credibility of a set of assumptions is the projected relationship between the medical care and non-medical care sectors of the economy.

The annual requirements for employer contributions for the next five years are as follows:

2009	$	57,720
2010		62,626
2011		67,636
2012		72,709
2013		77,800

NOTE 10. CONCENTRATIONS OF CREDIT RISK

The Company grants credit to local service customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

The Company received 45% of its 2008 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the Telecommunications Act of 1996, the manner in which access revenues and Universal Service Funds are determined is currently being modified by regulatory bodies.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 11. PENDING LITIGATION

A former employee has brought action against Buggs Island Telephone Cooperative in the state Circuit Court for Mecklenburg County, Virginia. The Plaintiff is seeking $500,000 in compensatory damages, including lost wages, lost retirement benefits and non-economic damages, and $200,000 in punitive damages. Management feels that it is unlikely the Plaintiff will receive damages equal to the amount disclosed.

NOTE 12. PURCHASE COMMITMENTS

The Company has entered into purchase commitments totaling $354,382 for plant to be placed into service during 2009.

NOTE 13. NONCASH INVESTING ACTIVITIES

Noncash investing activities included $280,053 and $13,390 during the years ended December 31, 2008 and 2007, respectively, relating to plant and equipment additions placed in service or under construction during 2008 and 2007, respectively, which are reflected in accounts payable and other liabilities at year end.

NOTE 14. SUBSEQUENT EVENTS

In February 2009 the Company obtained a line-of-credit loan for $2,000,000 from Citizens Community Bank. In connection with plant additions, the Company has drawn down $1,337,720 of this loan.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Buggs Island Telephone Cooperative and Subsidiary
Bracey, Virginia

Our report on our audits of the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary, for 2008 and 2007, appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating supplementary information, appearing on pages 19 through 21, is presented as required by the United States Department of Agriculture, Rural Development Utilities Programs. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

West Des Moines, Iowa
August 14, 2009

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATING BALANCE SHEET
December 31, 2008

ASSETS

	Buggs Island Telephone	BIT, LLC	Intercompany Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 166,648	$ -	$ -	$ 166,648
Accounts receivable:				
Due from customers	122,316	-	-	122,316
Interexchange carriers	89,247	-	-	89,247
Affiliates	66,763	-	(66,763)	-
Other	58,732	-	-	58,732
Materials and supplies at average cost	102,350	-	-	102,350
Inventory at average cost	39,783	-	-	39,783
Prepayments	70,097	-	-	70,097
	715,936	-	(66,763)	649,173
OTHER NONCURRENT ASSETS				
Investment in Virginia Independent Telephone Alliance, LLC	81,830	-	-	81,830
Investment in lenders	2,000	-	-	2,000
Other noncurrent assets	10,000	-	-	10,000
Intangibles	886,654	-	-	886,654
	980,484	-	-	980,484
PROPERTY, PLANT AND EQUIPMENT				
Telephone plant in service	14,682,359	-	-	14,682,359
Nonregulated telephone plant in service	205,594	-	-	205,594
	14,887,953	-	-	14,887,953
Less accumulated depreciation	9,632,794	-	-	9,632,794
	5,255,159	-	-	5,255,159
Plant under construction	563,840	-	-	563,840
	5,818,999	-	-	5,818,999
TOTAL ASSETS	$ 7,515,419	$ -	$ (66,763)	$ 7,448,656

See Independent Auditors' Report on Supplementary Information

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATING BALANCE SHEET
December 31, 2008

LIABILITIES AND MEMBERS' EQUITY

	Buggs Island Telephone	BIT, LLC	Intercompany Eliminations	Consolidated
CURRENT LIABILITIES				
Current portion of long-term debt	$ 249,143	$ -	$ -	$ 249,143
Accounts payable:				
Affiliates	-	66,763	(66,763)	-
Accounts payable	249,730	-	-	249,730
Customer deposits	29,610	-	-	29,610
Accrued taxes	194	-	-	194
Other	259,634	-	-	259,634
	788,311	66,763	(66,763)	788,311
LONG-TERM DEBT, less current portion	3,542,849	-	-	3,542,849
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS				
Accrued post-retirement benefits	1,738,547	-	-	1,738,547
Asset retirement obligations	63,385	-	-	63,385
Other deferred credits	58,129	-	-	58,129
	1,860,061	-	-	1,860,061
MEMBERS' EQUITY				
Patronage capital assigned	3,441,357	-	(66,763)	3,374,594
Patronage capital assignable	(1,442,494)	(66,763)	66,763	(1,442,494)
Accumulated Other Comprehensive Income: Unrecognized liability on post-employment benefits	(674,665)	-	-	(674,665)
	1,324,198	(66,763)	-	1,257,435
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 7,515,419	$ -	$ (66,763)	$ 7,448,656

See Independent Auditors' Report on Supplementary Information

BUGGS ISLAND TELEPHONE COOPERATIVE
BRACEY, VIRGINIA

CONSOLIDATING STATEMENT OF OPERATIONS
Year ended December 31, 2008

	Buggs Island Telephone	BIT, LLC	Intercompany Eliminations	Consolidated
OPERATING REVENUES				
Local network services	$ 923,791	$ -	$ -	$ 923,791
Network access services	2,010,226	-	-	2,010,226
Long distance services	455,561	-	-	455,561
Internet services	810,194	-	-	810,194
Nonregulated revenues	106,952	-	-	106,952
Miscellaneous revenue	160,784	-	-	160,784
	4,467,508	-	-	4,467,508
OPERATING EXPENSES				
Plant specific operations	711,136	-	-	711,136
Plant nonspecific operations	248,351	-	-	248,351
Cost of long distance services	213,666	-	-	213,666
Cost of internet services	595,817	-	-	595,817
Cost of nonregulated services	372,322	-	-	372,322
Depreciation and accretion	1,147,598	-	-	1,147,598
Customer operations	592,604	-	-	592,604
Corporate operations	970,095	-	-	970,095
General taxes	37,183	-	-	37,183
	4,888,772	-	-	4,888,772
OPERATING LOSS	(421,264)	-	-	(421,264)
OTHER INCOME (EXPENSE)				
Interest and dividend income	2,704	-	-	2,704
Interest expense	(193,056)	-	-	(193,056)
Allowance for funds used during construction	22,063	-	-	22,063
Other, net	(7,925)	-	-	(7,925)
	(176,214)	-	-	(176,214)
NET LOSS	$ (597,478)	$ -	$ -	$ (597,478)

See Independent Auditors' Report on Supplementary Information

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Buggs Island Telephone Cooperative and Subsidiary
Bracey, Virginia

We have audited the accompanying consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary as of and for the year ended December 31, 2008, and have issued our report thereon dated August 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Buggs Island Telephone Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- **Comment:** The Company has limited resources and personnel that restricts its ability to implement effective controls in certain areas and as a result has:

  -Utilized accounting assistance from another party to draft its financials statements and assist with preparation of certain normal closing entries.

  Management's Response: The Company reviews and approves the results of these activities and believes this approach provides a cost effective solution in light of their limited resources.

- **Comment:** Because of the limited resources and personnel:

  -Segregation of duties among employees is difficult to implement causing employees to perform certain duties which are incompatible.

  -The Company is limited in their ability to have a formal internal control and information technology system. A formal risk assessment and monitoring system may not be practical from a cost benefit standpoint.

  Management's Response: Management believes complete segregation of duties and a formal risk assessment and monitoring system may not be practical from a cost benefit standpoint.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies to be significant deficiencies which constitute material weaknesses:

- **Comment:** Because of the limited resources and personnel:

  -Segregation of duties among employees is difficult to implement causing employees to perform certain duties which are incompatible.

  Management's Response: The Company reviews and approves the results of these activities and believes this approach provides a cost effective solution in light of their limited resources.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buggs Island Telephone Cooperative and subsidiary's consolidated financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, board of directors, management, and the Rural Development Utilities Programs, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Kiesling Associates LLP

West Des Moines, Iowa
August 14, 2009

To the Board of Directors
Buggs Island Telephone Cooperative and Subsidiary
Bracey, Virginia

We have audited the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary for the year ended December 31, 2008, and have issued our report thereon dated August 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and 7 CFR 1773, Policy on Audits of Rural Utilities Service (RDUP) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In planning and performing our audit of the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary for the year ended December 31, 2008, we considered their internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. A significant deficiency involves a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

We noted certain matters involving the internal control over financial reporting and its operation that we have reported to the board of directors of Buggs Island Telephone Cooperative and subsidiary in a separate letter dated August 14, 2009.

7 CFR 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RDUP loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the consolidated financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RDUP loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RDUP loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RDUP loan and security instrument provisions set forth in 7 CFR 1773.33(e)(2), related party transactions and investments.

In addition, our audit of the consolidated financial statements also included, where applicable, the procedures specified in 7 CFR 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RDUP loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our independent auditors' report and our independent auditors' report on internal control over financial reporting and on compliance and other matters, both dated August 14, 2009) have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RDUP loan and security instrument provisions, and other additional matters, as required by 7 CFR 1773.33, are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters, other than those discussed in our report on internal control over financial reporting and on compliance and other matters dated August 14, 2009, regarding Buggs Island Telephone Cooperative and subsidiary's internal control over financial reporting and its operation that we consider to be a material weakness, as previously defined, with respect to:

- The accounting procedures and records.
- The process for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement and maintenance or other expense accounts.
- The materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC RDUP LOAN AND SECURITY INSTRUMENT PROVISIONS

At your request, we have performed, where applicable, the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts and grant agreements. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate for the year ended December 31, 2008, of Buggs Island Telephone Cooperative and subsidiary:
  - Obtained and read a schedule of new written contracts, agreements or leases entered into

COMMENTS ON COMPLIANCE WITH SPECIFIC RDUP LOAN AND SECURITY INSTRUMENT PROVISIONS (Continued)

during the year between the borrower and an affiliate as defined in 7 CFR 1773.33(e)(2)(i).

- Read board of directors' minutes to ascertain whether board-approved written contracts are included in the schedule.
- Noted the existence of written RDUP approval of each contract listed by the borrower.

- Procedure performed with respect to the requirement to submit RDUP Operating Report to the RDUP as addressed in 7 CFR 1773.33(e)(2)(ii):
  - Agreed amounts reported in RDUP Operating Report to Buggs Island Telephone Cooperative's records.

The results of our tests indicate that, with respect to the items tested, Buggs Island Telephone Cooperative and subsidiary complied, except as noted below, in all material respects, with the specific RDUP loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RDUP to enter into any contract, agreement or lease with an affiliate as defined in 7 CFR 1773.33(e)(2)(i).
- The borrower has represented its RDUP Operating Report has been submitted to the RDUP. The Operating Report, "Financial and Statistical Report," as of December 31, 2008, is in agreement with the Buggs Island Telephone Cooperative's audited records in all material respects.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary, nothing came to our attention that caused us to believe that Buggs Island Telephone Cooperative and subsidiary failed to comply with respect to:

- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2).
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4).
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds from the sale or lease of plant, material or scrap addressed at 7 CFR 1773.33(c)(5).
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standard No. 57, "Related Party Transactions," for the year ended December 31, 2008, in the consolidated financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(f).
- The detailed schedule of investments.

DETAILED SCHEDULE OF INVESTMENTS

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The detailed schedule of investments in subsidiary and affiliated companies required by 7 CFR 1773.33(i) is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic consolidated financial statements taken as a whole.

BUGGS ISLAND TELEPHONE COOPERATIVE AND SUBSIDIARY
SCHEDULE OF SUBSIDIARY AND AFFILIATE INVESTMENTS
December 31, 2008 and 2007

Entity Name	BIT, LLC	Virginia Independent Telephone Alliance
Principal Business	Inactive	Shared advanced signaling services
Ownership Percentage	100%	3%
Accounting Method	Consolidated	Cost
Year ended December 31, 2007		
Original Investment	$ -	$ 30,600
Investment advances		
Prior years	66,763	51,230
Earnings (losses)		
Prior years	(100)	-
Book value of investment December 31, 2007	66,663	81,830
Book value of investment December 31, 2008	$ 66,663	$ 81,830

This report is intended solely for the information and use of the audit committee, board of directors, management, the Rural Development Utilities Programs and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Kiesling Associates LLP

West Des Moines, Iowa
August 14, 2009

This board of director's letter is prepared to communicate those matters which are required to be communicated to your board of directors in accordance with Professional Standard (SAS 114) and the RDUP policy on audits of RDUP borrowers-7 CFR 1773.20(b).

While this letter should be provided to your board of directors, the RDUP does not require a copy of this letter. 7 CFR 1773.21 (b) requires that the borrower furnish RDUP with three (3) copies of the auditors' report, report on compliance and on internal controls over financial reporting, and RDUP management letter.

The borrowers should send the audit package to the following:

Mr. Kenneth M. Ackerman
Assistant Administrator
Program Accounting and Regulatory Analysis
Rural Development Utilities Programs
Stop 1523
1400 Independence Avenue, SW
Washington, DC 20250-1523

Should you, or any of your directors, need any further information regarding this communication, we would be happy to respond.

* * * * * * *

To the Board of Directors
Buggs Island Telephone Cooperative and Subsidiary
Bracey, Virginia

We have audited the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary, as of and for the year ended December 31, 2008, and have issued our report thereon dated August 14, 2009.

Professional standards and the Rural Development Utilities Programs'(RDUP) Policy on Audits of RDUP Borrowers (7 CFR 1773.20) require the auditor to communicate certain matters to the board of directors. In addition to meeting the RDUP's requirements, the following comments regarding our responsibilities and results of our audit of the consolidated financial statements of Buggs Island Telephone Cooperative and subsidiary for the year ended December 31, 2008, will assist you in overseeing the financial reporting and disclosure process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility as described by professional standards and stated in our engagement letter, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Buggs Island Telephone Cooperative and subsidiary. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. We are also responsible for communicating matters required by law, regulation, agreement or other requirements applicable to the engagement to you.

Other Client Information Presented with the Consolidated Financial Statements

Our responsibility with respect to the supplementary information included with the consolidated financial statements is as described in our report thereon dated August 14, 2009.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies.

The significant accounting policies of the Company are described in footnotes to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2008.

There were no transactions entered into by the Company during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the finanical statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

The only sensitive accounting estimates included in the consolidated financial statements for the year ended December 31, 2008, relate to the estimate for service lives of property, plant and equipment and valuation for postretirement benefits.. As part of our audit, we compared the Company's depreciation rates to average rates used within the telecommunications industry. We have also discussed with management the Company's long-range plant replacement plans and have determined the current depreciation rates to be consistent with those plans.We have also compared the reporting of postretirement benefit accruals to information provided by the Company's actuary.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit that individually or in the aggregate were of such significance that reference to the subject matter would have been made in our reports.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditor. However, these communications occurred in the normal course of our professional relationship and to our knowledge our responses were not a condition to our retention.

This letter is intended solely for the information and use of the board of directors and management of the Company and is not intended to be and should not be used by anyone other than these specified parties.

Kiesling Associates LLP

West Des Moines, Iowa
August 14, 2009

F. Technology Strategy

29. System Design:

Buggs Island Telephone Cooperative (BIT) is a non-profit independent local exchange carrier (ILEC) that serves the southern parts of Mecklenburg and Brunswick counties in Virginia. The company currently operates a standards-based telecommunications network that provides wireline voice and data services to [redacted] of its serving area. BIT currently serves 4100 voice customers, 1100 internet customers and passes 6000 homes with its wireline network facilities.

BIT's current network utilizes remote all fiber fed DSLAMs that provide internet and voice services using the popular ADSL standard. This equipment was manufactured and provided by leading telecommunication equipment providers [redacted]. Switching is provided by a Siemens EWSD in tandem with a [redacted] to provide IP soft-switch capabilities to BIT's voice network.

Residential and business subscribers are offered data packages ranging from 1.5 Mbps to 4 Mbps with customized packages being created when requested. In addition to DSL based internet services, BIT offers local voice and long distance services. The network currently contains [redacted] remote systems that provide voice and data services within a 3-mile radius. Each system has [redacted] of battery backup and an onsite propane generator that can keep the site in continuous operation for up to [redacted] during power outages.

BIT engineered its network by taking into account the rapid changing environment of the telecommunications industry. To allow for this dynamic atmosphere a soft switch was installed to facilitate the transition to an all IP network. The core network was engineered to be flexible, scalable and easily upgraded to handle additional traffic. By utilizing TCP/IP standards and working with equipment manufactures, BIT has built a network that is capable of handling legacy SONET and ATM traffic while also being able to manage newer IP based technologies.

The Cooperative currently interconnects with Embarq, and the Mid-Atlantic Broadband Cooperative (MBC), which is a regional fiber network, based in Southside and Southwest Virginia. MBC's network is built over the same area that BIT is currently licensed for in the 700 MHz spectrum. MBC also provides BIT with its transport access the regional ISP's GCR in South Boston Virginia, and Neonova Networks in Raleigh North Carolina for internet bandwidth. Embarq provides BIT with extended area services (EAS) and access to the local tandem offices in Richmond for call termination to the Public Switched Telephone Network (PSTN).

BIT recently participated in the FCC's auction 73 in March 2008 and was successful in acquiring 12 MHz of 700 MHz spectrum in fifteen counties in Virginia. The spectrum is in the B Block and consists of two paired 6MHz blocks of spectrum. BIT plans to use this spectrum to build an advanced, [redacted] standards based, broadband voice and data network within the licensed territory. If funded this will be one of the largest 700 MHz fixed [redacted] networks in the United States. The 700 MHz spectrum will be vital in reaching the unserved and under-served areas that have been traditionally overlooked by the larger service providers due to the high cost to provide the rural areas with high speed internet service. The propagation characteristics of the 700 MHz spectrum permits it to penetrate trees and buildings far better than traditional wireless signals used for broadband services. BIT has also registered to receive a nationwide license in the [redacted] wireless band. The [redacted] spectrum allows higher bandwidths to be delivered to businesses and enterprises that require access to more bandwidth then traditional residential and small business customers demand. This spectrum will be deployed to provide business and industrial parks last mile coverage at highly affordable rates.

The serving area topology for the proposed network consists of a variety of topologies. The main topology is comprised of small rolling hills with concentrations of densely wooded areas. The coastal topologies present a more flat and open environment with fewer trees and vegetation. Some small mountainous terrain is located in the northern region of the service area, which is compensated for by installing a base station on one of the mountains in the area. There are two large towns, two cities, and several small towns spread throughout the territory with greater then 75% of the total population residing in the rural area of the counties.

BIT has partnered with [redacted] America's leading 700 MHz system integrator, and [redacted] the worlds [redacted] with [redacted] share, to build a 700 MHz and [redacted] wireless broadband voice and data network. This network will cover fifteen counties located in three cellular market areas in Southside Virginia. The [redacted] standard allows for the highest possible bandwidth in wireless data/voice transmission. The spectral efficiency and receive levels of WiMax equipment will allow BIT to provide wireless service meeting and exceeding the FCC definition of "broadband".

The proposed BIT wireless network consists of the following components:

1. **Core Network** – Allows for aggregation of all the data traffic to be transported and routed from the wireless base station to the internet. Backhauls subscriber traffic directly from each wireless base station to BIT's upstream internet bandwidth providers. This network contains the core routers, DNS servers, mail servers, transport equipment, switches, OSS billing, VoIP providers, and network management devices.
2. **Wireless Base Station** – Provides the "last mile" access to the customer by transmitting and receiving wireless signals from the base station to the customer premise and then relaying the traffic into the core network via high speed fiber or microwave transport. BIT intends to use the [redacted] for its wireless base station infrastructure. BIT has engineered its current network to place base stations every [redacted] to ensure maximum coverage and penetration.
3. **Customer Premise Equipment** – Installed at the customer home to receive and transmit customer data requests to and from the wireless base station. Customer premise equipment consists of an [redacted], which is connected [redacted]
4. **Backhaul/Transport Network** – BIT intends to use two methods to backhaul traffic from the wireless base station to the core network. [redacted] will backhaul all wireless traffic by allowing BIT to lease [redacted] transport facilities. By utilizing [redacted] network BIT will have access to sufficient bandwidth to successfully operate the wireless network. BIT is currently interconnected with [redacted] and has agreements in place to purchase additional leased facilities. The second method for backhaul access is to use [redacted] GHz microwave radios to backhaul traffic where currently fiber transport does not exist.

The advantages of the proposed BIT wireless network are:

1. **The propagation characteristics of the 700 MHz spectrum are well documented and demonstrate the spectrum's ability to travel long distances and penetrate through** [redacted]**.** The spectrum is ideally suited to providing access to last mile broadband services in a rural market. By utilizing all IP based standards and best network

management practices ensure every subscriber has equal access to the network and receives the amount of bandwidth they subscribe to.

2. **Oversubscription ratio of [redacted] and backhaul using all fiber and high speed microwave technologies.** The oversubscription ratio is set as a limit within the wireless base station and cannot exceed [redacted] which allows each home and business passed to receive high service reliability as a result of a low oversubscription of the network.
3. **The largest advantage to the deployment of this network is the cost effectiveness of building this solution compared to an equivalent wire line solution.** A wire-line or other wireless solution that covers the same territory would be several million dollars more and would be strained to meet the required build-out timeframe outlined in the Broadband Stimulus NOFA.
4. **The migration path for the 700 MHz spectrum is clearly in development under the popular LTE standard.** This standard offers speeds in excess of [redacted]Mbps and is currently being developed for major deployments in the United States. LTE is the clear migration and upgrade path for this wireless network. BIT intends to follow the LTE migration path as soon as the ecosystem has been fully tested and the current proposed network reaches its end of life. LTE will allow for the addition of traditional video services and mobile cellular services to be offered to customers due to the increased capacity and bandwidth that the LTE ecosystem is incorporating into the formalized standard.
5. **The ability for BIT to offer speeds of up to [redacted] Mbps for rural residential and business customers and up to [redacted]Mbps for business and industrial parks in addition to voice services shows the flexibility of the proposed network design.** The cost effectiveness of the system, which allows one base station to cover up to a [redacted], allows a smaller number of sites to be deployed to cover a much larger geographic area. Comparatively speaking it would take twice as many base stations in the 2500 MHz spectrum to cover the same area as one 700 MHz site. Additional capacity for subscribers can be gained by adding base stations to the region or adding sectors to existing base stations.

The proposed wireless network BIT intends to build provides the same security and reliability as a wire line based ADSL system. This network does not suffer from rain fade, or other atmospheric conditions that impede satellite based internet services. The network is engineered on a [redacted] station to ensure maximum coverage and capacity to the serving area. Subscribers who live in low valleys, or heavily forested areas may encounter difficulty receiving a wireless signal. The current engineering of [redacted] station is very conservative based on the capabilities of the spectrum. However, if a subscriber does receive the lowest modulation or weakest signal, they will still have up to 1.5 Mbps of throughput, which exceeds the definition of broadband set forth by the FCC. To compensate for customers who may need additional help receiving a signal due to terrain limiting factors, BIT has access to higher gain antennas and small micro-cell base stations that can provide customers with internet service in difficult geographic areas.

BIT will be seeking Federal Stimulus assistance to help cover the capital expenditures of the additional core network infrastructure, wireless base station infrastructure, and customer premise equipment. No ineligible expenses are a part of the request for stimulus funds. BIT intends to meet the requirements of the [redacted] match and will be requesting [redacted]of the total project cost to be funded by a loan with [redacted] from RUS and [redacted] from a [redacted]. The remaining [redacted] of the project cost will be requested as grant funding.

G. Project Milestones and Completion Factors – Other

38. Organizational Readiness:

BIT is an existing (ILEC) provider of telephone and internet services in Virginia and currently operates a traditional wire line network in parts of Mecklenburg and Brunswick Counties. As a result, BIT is fully operational with the billing support and customer care systems needed to provide the proposed services. BIT is currently deploying the same wireless technology in an adjacent market, population of [redacted], where Recovery Act funds are not being requested. The completion of the BIT funded network by September 2009 will provide the additional network management and provisioning capabilities needed to manage the wireless network to be deployed in the proposed BIP/BTOP service area addressed in this application.

Administrative support, customer service, network operations and internet back office capabilities through [redacted] are currently in place and will be expanded as the network is deployed and additional subscribers are brought online. Additional IT capabilities will be installed as needed to handle increased service order levels and to provide subscribers online account management features. BIT is already fully interconnected with its backhaul provider [redacted] [redacted] [redacted] and currently has tower agreements, equipment purchase orders, and VOIP service agreements ready to execute once the funding is received.

[redacted], BIT's partner, currently supports approximately [redacted] rural telecommunications carriers totaling over [redacted] subscribers from Alaska to Florida Their current infrastructure and multiple redundant power and broadband connections to the Internet were first established in early 2000 and are up and running without interruption. Since that time the company has continued to invest in their telecommunications grade network-operating center to provide cutting edge managed IP services for rural telecommunications, municipal organizations, and cable companies. [redacted] management and IT systems bring the strength of tier 1 carrier grade investments, with the focus, pricing, availability, and expertise necessary to cost effectively serve the unique requirements of tier two and tier three carriers targeted for funding by the Broadband Stimulus bill. Their current proven infrastructure is now capable of scaling to serve the entire 15-county service area. In addition to the cost efficiencies that we expect to recognize and pass to our end subscribers, [redacted] has also proven that this model profitably scales. Throughout their business lifetime, they have seamlessly converted in excess of [redacted] subscribers to their platform without service interruption or failure.

BIT has proactively approached several local internet service providers to determine interest in being potential wholesale resellers of the proposed wireless network. The response has been overwhelmingly positive and will provide a current subscriber base within the proposed service area that will immediately migrate to the new wireless network. This wholesale open access arrangement provides BIT with a highly capable sales force in place and ready to install, service, and maintain customer accounts.

The deployment plan will include the addition of three strategically placed customer care centers in the service areas. The customer care centers will provide locations for customers to sign up for new services, pay bills, and handle day to day transactions with BIT. Furthermore, the customer care centers will house a sales force responsible for business development and cultivating new customers. This sales force will be employed by BIT and brought online as the network is deployed throughout the area. By developing both a wholesale and retail sales force, BIT will ensure that customers receive excellent customer service while meeting forecasted subscriber projections.

Management has studied and identified the requirements and organizational capabilities required for successful implementation of the proposed wireless project. These requirements include recruiting and training a capable workforce, implementing the necessary policies and procedures that are specific to this project's implementation, i.e. enhancing existing retail and wholesale agreements while ensuring compliance with all Federal, State, and Local laws. These organizational capabilities are currently in place but will need to be adapted or modified to address specific needs that are related to the deployment of the proposed wireless broadband network.

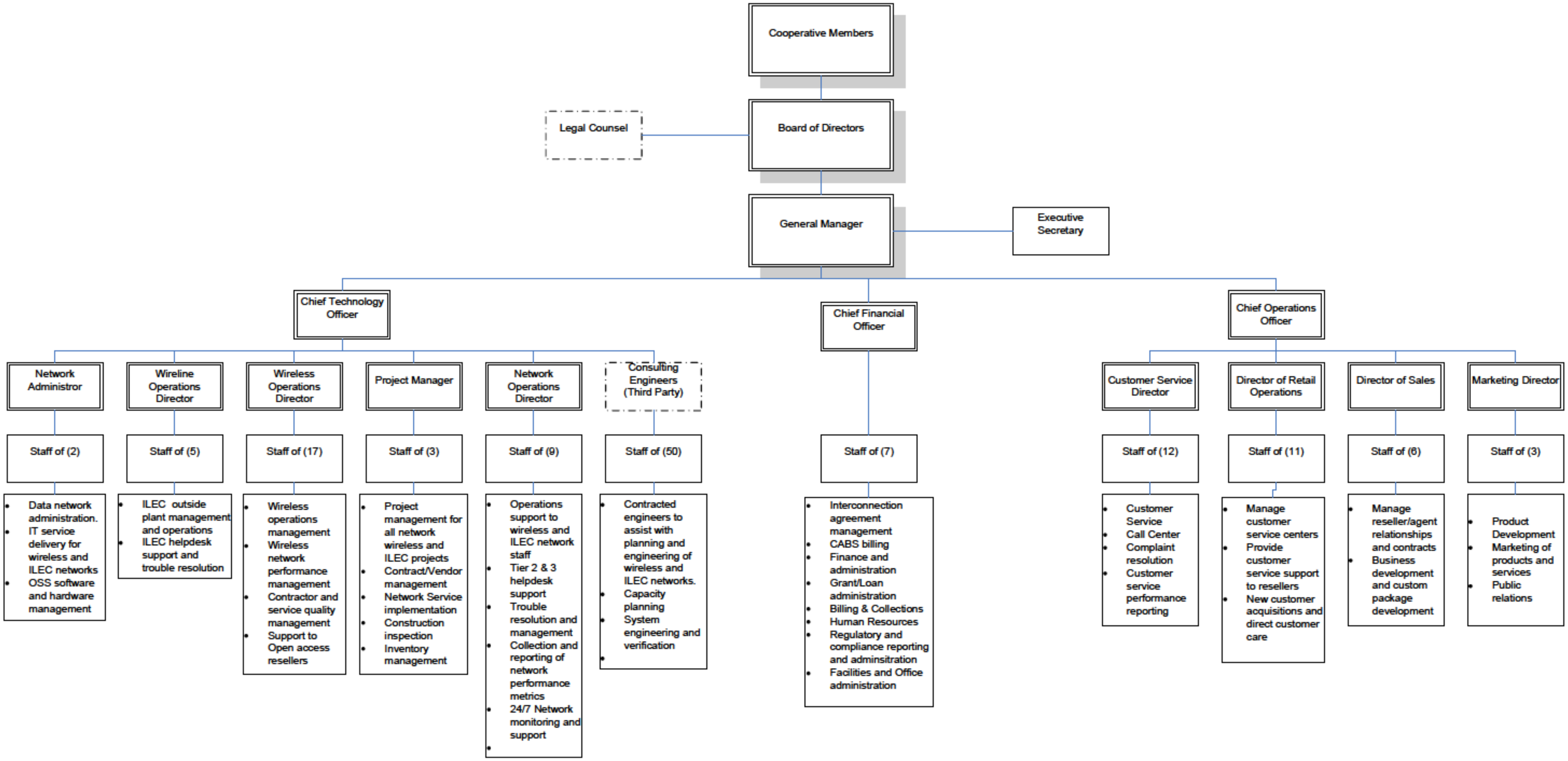
BIT has an action plan in place to prepare for the implementation of this project as follows:

1) Recruiting the additional personnel needed to meet the projected demand for services is paramount to the success of the overall project. To recruit and train the additional workforce required, BIT has partnered with Southside Virginia Community College to develop a customized training program. This program will provide a local pool of qualified applicants with the skills and education necessary to meet BIT's personnel needs.

2) Policies and procedures must be in place for the install of customer premise equipment, network facilities, acceptance testing, and overall network quality. To comply with this condition, contractors will be required to comply with all Federal, State, and Local laws that directly govern the work they are performing for BIT. Customer and wholesale agreements will be implemented to provide a full understanding of BIT's terms and conditions in addition to detailing proper protocol for dispute resolution.

3) A detailed project plan has also been developed and milestones have been included with the BIP/BTOP joint stimulus application. A detailed scope of work will be created and approved by management for each new system that is installed or upgrade that is implemented. Payment arrangements are determined before any contract is awarded and BIT fully complies with all federal, state and local laws regarding non-discrimination and unfair business practices. The project plan has been certified by a professional engineer licensed in the state of Virginia and meets all of the requirements as set forth by both RUS and NTIA for sustainable last mile broadband access.

BIT is ready to fully implement broadband services throughout the proposed service area. The organizational capabilities in place are easily expandable and upgradeable to comply with the network deployment plan. Qualified strategic partners are in place and prepared to move forward with the project once funding has been awarded.



Cooperative Members
Board of Directors
Legal Counsel
General Manager
Executive Secretary
Chief Technology Officer
Chief Financial Officer
Chief Operations Officer
Network Administror
Wireline Operations Director
Wireless Operations Director
Project Manager
Network Operations Director
Consulting Engineers (Third Party)
Customer Service Director
Director of Retail Operations
Director of Sales
Marketing Director
Staff of (2)
Staff of (5)
Staff of (17)
Staff of (3)
Staff of (9)
Staff of (50)
Staff of (7)
Staff of (12)
Staff of (11)
Staff of (6)
Staff of (3)
Data network administration. IT service delivery for wireless and ILEC networks OSS software and hardware management
ILEC outside plant management and operations ILEC helpdesk support and trouble resolution
Wireless operations management Wireless network performance management Contractor and service quality management Support to Open access resellers
Project management for all network wireless and ILEC projects Contract/Vendor management Network Service implementation Construction inspection Inventory management
Operations support to wireless and ILEC network staff Tier 2 & 3 helpdesk support Trouble resolution and management Collection and reporting of network performance metrics 24/7 Network monitoring and support
Contracted engineers to assist with planning and engineering of wireless and ILEC networks. Capacity planning System engineering and verification
Interconnection agreement management CABS billing Finance and administration Grant/Loan administration Billing & Collections Human Resources Regulatory and compliance reporting and adminsitration Facilities and Office administration
Customer Service Call Center Complaint resolution Customer service performance reporting
Manage customer service centers Provide customer service support to resellers New customer acquisitions and direct customer care
Manage reseller/agent relationships and contracts Business development and custom package development
Product Development Marketing of products and services Public relations

DETAIL OF PROJECT COSTS

PLEASE COMPLETE THE TABLE BELOW FOR THE DIFFERENT CATEGORIES OF EQUIPMENT THAT WILL BE REQUIRED FOR COMPLETING THE PROJECT. EACH CATEGORY SHOULD BE BROKEN DOWN TO THE APPROPRIATE LEVEL FOR IDENTIFYING UNIT COST

SERVICE AREA or COMMON NETWORK FACILITIES:		**Eligibility (Yes/No)**	**Unit Cost**	**No. of Units**	**Total Cost**	**Support of Reasonableness**
NETWORK & ACCESS EQUIPMENT						
Switching						
Routing	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
	[redacted]		[redacted]	[redacted]	[redacted]	
	[redacted]		[redacted]	[redacted]	[redacted]	
Transport	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
	[redacted]		[redacted]	[redacted]	[redacted]	
Access	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
	[redacted]		[redacted]	[redacted]	[redacted]	
Other	[redacted]	Yes	[redacted]	[redacted]	[redacted]	Quotes Received
OUTSIDE PLANT						
Cables						
Conduits						
Ducts						
Poles						
Towers						
Repeaters						

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
NETWORK & ACCESS EQUIPMENT						
Other						
BUILDINGS						
New Construction						
Pre-Fab Huts						
Improvements & Renovation						
Other						
CUSTOMER PREMISE EQUIPMENT						
Modems	[redacted]	Yes	[redacted]			Quotes
Set Top Boxes						
Inside Wiring						
Other						
BILLING SUPPORT AND OPERATIONS SUPPORT SYSTEMS						
Billing Support Systems						
Customer Care Systems						
Other Support	[redacted]	Yes	[redacted]			Quotes
		Yes				Quotes

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OPERATING EQUIPMENT						
Vehicles						
Office Equipment/ Furniture						
Other						
PROFESSIONAL SERVICES						
Engineering Design	[redacted]	Yes	[redacted]			Quotes Received
Project Management						
Consulting						
Other	[redacted]	Yes	[redacted]			Quotes Received
TESTING						
Network Elements						
IT System Elements						
User Devices						
Test Generators						
Lab Furnishings						
Servers/ Computers						

DETAIL OF PROJECT COSTS

SERVICE AREA or COMMON NETWORK FACILITIES:		Eligibility (Yes/No)	Unit Cost	No. of Units	Total Cost	Support of Reasonableness
OTHER UPFRONT COSTS						
Site Preparation						
Other	[redacted]	Yes	[redacted]			Accounting & Engineering

5. Proposed Service Offerings

<u>26. Cost per Household (BTOP only):</u> For last mile projects, taking into account the total cost of the proposed project, estimate the cost per household (provide supporting data for the proposed pricing)

The cost of the total project as outlined in the bottom row of the budget table in Question #45 is [redacted] The total homes passed outlined below and located in the service area details is [redacted].

The total cost per household for this project is [redacted]

<u>Service Area:</u>

Service Area	**Population**	**Households**
Amelia	[redacted]	[redacted]
Brunswick	[redacted]	[redacted]
Buckingham	[redacted]	[redacted]
Charlotte	[redacted]	[redacted]
Cumberland	[redacted]	[redacted]
Greensville	[redacted]	[redacted]
Halifax	[redacted]	[redacted]
Isle of Wight	[redacted]	[redacted]
Lunenburg	[redacted]	[redacted]
Mecklenburg	[redacted]	[redacted]
Nottoway	[redacted]	[redacted]
Prince Edward	[redacted]	[redacted]
Southampton	[redacted]	[redacted]
Surry	[redacted]	[redacted]
Sussex	[redacted]	[redacted]
Total	[redacted]	[redacted]

E. Proposed Service Offerings – Cost Effectiveness and Affordability

<u>27. Affordability:</u>

BIT proposes to offer broadband services at prices equal to, or lower than, existing service costs. This is supported by **Attachment C – Competitor Table (Last Mile)** and **Attachment A – Proposed Broadband Service Offerings.** Currently, only residents, businesses, and community anchor institutions that live and operate within a moderately populated area, i.e. towns, have access to broadband services. This accounts for less than [redacted] of the total households in the proposed service areas (reference **13. Proposed Service Area Maps** and supporting household documentation for details). The majority of those who live and operate outside these served areas are relegated to expensive satellite internet services or dial up. BIT has developed several tiers of service that are affordable. BIT intends to offer reasonable prices and a variety of choices to residents, businesses and community anchor institutions regardless of where they are located in BIT's service area.

Affordability and cost effectiveness is achieved by developing strategic partnerships with organizations that bring value to BIT's subscribers and sustainability to the project. BIT will strategically partner with [redacted] in Raleigh, North Carolina, and the [redacted] in Southside Virginia to take advantage of the cost savings these organizations provide BIT in deploying its broadband network. The savings achieved by forming strategic partnerships with these organizations result in the decrease of the monthly subscriber rates charged to customers. This savings further enhances affordability to both BIT and the subscriber.

[redacted] will provide BIT with back office and Internet Protocol Support, subscriber management services, internet application development and customer helpdesk support. By utilizing hosted ISP offerings, over a 5-year period, a far greater return on investment with a break-even point within the first two months of operation will be realized, as compared to an in-house system. This allows for a more competitive price point to the end subscriber. Return on investment calculations as high as 500% are realized by leveraging BIT's broadband provider's hosted solution verses an in-house system, thus generating valuable and sustainable working capital on a consistent basis.

[redacted] will provide highly affordable bandwidth and fiber facilities to transport BIT's network traffic across the proposed 15-county service areas. [redacted] will provide backhaul and transport facilities that already interconnect with BIT and provide the same reliability and redundancy of Tier 1 carrier networks. Since [redacted] fiber network construction was funded by grant dollars, the cost of backhaul is lower than comparable backhaul leased from other providers, thus additional cost savings and affordability.

SOUTHSIDE PLANNING DISTRICT COMMISSION

200 South Mecklenburg Avenue, P.O.Box 150 • South Hill, Virginia 23970 • (434) 447-7101

August 10, 2009

Mr. Mickey Sims
General Manager
Buggs Island Telephone
100 Nellie Jones Road
Bracey, VA 23919

Dear Mr. Sims:

Southside Planning District Commission is pleased to enter into a partnership relationship with Buggs Island Telephone Cooperative. Our organization has been working to identify solutions to the broadband deficiencies throughout the region since 2005. Our organization received grant funding from the Department of Housing and Community Development and U.S. Department of Agriculture (RBEG funding) to conduct a feasibility study for regional telecommunications implementation. Since September 2006, we have been pursuing grant-funding avenues but have been unsuccessful. Once we learned that Buggs Island had purchased the 700 MHz for 15 rural, southside counties, we were confident that by working together, Southside Virginia, would be brought into the telecommunications age. Southside PDC is pleased to assist with both the RUS and NTIA applications for funding by providing GIS services, data collection and partial grant writing services. In addition, Southside PDC will provide grant administration services including Davis-Bacon, public procurement and federal reporting and drawdown procedures. Currently, the PDC is administering 31 federal and state grants for a variety of local governments in the region.

We look forward to working closely with Buggs Island Telephone on this project and assure you that it will be top priority for this office.

Sincerely,

Joyce I. French

Joyce I. French
Executive Director

Southside Virginia Community College
Lake County Advance Knowledge Center
118 East Danville Street, South Hill, VA 23970
434-955-2252 Fax: 434-955-2254

Mr. Mickey Sims
General Manager
Buggs Island Telephone
100 Nellie Jones Road
Bracey, VA 23919

Dear Mr. Sims:

Southside Virginia Community College has a service area of 4,200 square miles - the largest community college service area in Virginia. We are housed on two campuses; Keysville and Alberta, Virginia; and offer 50 off-campus sites, including all of the high schools in our 10-county area.

We are eager to partner with BIT to create a career certificate in telecommunications technology. We realize that this program will allow BIT to recruit and train the workforce necessary to successfully implement their (adjective) wireless broadband initiative. We understand that BIT will hire up to 80 new employees to deploy and install broadband services across 15 rural counties in Southside Virginia. We are pleased that BIT will dedicate staff and open its network facilities to SVCC in order to provide hands on, realistic experience for individuals interested in obtaining the skills needed for telecommunications employment.

In addition to our training partnership, I am delighted to learn that BIT will be able to provide SVCC's campuses and remote facilities with internet and transparent LAN services to allow each campus to be connected via a secure private network. Broadband accessibility has long been a barrier to education in our region. Your program will be very beneficial to our high school duel enrollment students (those earning college credits while in high school) as well as our students at other off campus sites. Internet connectivity is critical for research papers and reports, as well as general data collection. Most of our rural students **do not** have access to internet at home and must connect while at school, which often overloads our systems. Your initiative will be very beneficial to providing the enhanced technology that is so needed in our area.

We look forward to the implementation of this dynamic project.

Sincerely,

John J. Cavan

John J. Cavan
President

CMH

Community Memorial Healthcenter

MIS Department

To: Mr. Mickey Simms, Buggs Island Telephone

From: Mark Clemmons, Information Systems Director

Date: August 20, 2009

Re: Need for Broadband Services in Southside Virginia

Mr. Simms,

It has come to my attention that Buggs Island Telephone is working to bring widespread broadband access to our hospital's service area. With the many new health-related technologies available to the provider and patient, as well as Healthcare Reform concentration on the EMR (Electronic Medical Record), broadband availability is *critical* to having the connectivity needed to meet the needs of the patient. Progress in areas such as Telemedicine, remote vitals monitoring, RHIO patient records access, Home Health, and Hospice not only take medical technology to the bedside but to the home. In some instances even a heart attack can be averted through remote defibrillation. Health knowledge resources are also becoming widespread and beneficial but often require Internet access.

Also, Scott Burnette, President of CMH has agreed to make our educational theater available to BIT for training purposes. BIT may bring in small, rural medical clinic personnel and offer training on wireless broadband - how to use it and the advantages it offers. These clinics will be instructed in how to scan and transmit documents to hospitals, other clinics or doctors in a secure and safe manner.

Please know that I fully support your efforts concerning broadband availability. CMH's service area is greatly underserved when considering the communications infrastructure required to meet the goals of Healthcare Reform and the nation.

Regards,

Mark Clemmons

Information Systems Director

Community Memorial Healthcenter

Community Memorial Healthcenter
125 Buena Vista Circle
South Hill, VA 23970
434-447-3151