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Federal Communications Commission
Office of the Secretary

Smithville™

October 16, 2008

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Chairman Kevin J. Martin
Commissioner Jonathan S. Adelstein
Commissioner Robert M. McDowell
Commissioner Michael J. Copps
Commissioner Debra Taylor Tate

CC Dockets 01-92, 96-45
WC Dockets 06-122, 05-337

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman and Commissioners,

I am Darby McCarty, Chairman and CEO of Smithville Telephone Company. Smithville Telephone Company is one of Indiana's oldest and largest independent telephone companies in Indiana, founded in 1922. We serve many of the most sparsely populated counties in Indiana and pride ourselves on providing state-of-the-art telecommunications services to these areas. Currently over 95% of our customers have access to DSL speeds up to 3 Mbps.

Attached to this letter is a news release from April of this year describing my plans to invest $90 million over the next 36 months to install Fiber-To-The-Home ("FTTH") to 29,000 residences and businesses in rural central and southern Indiana. That $90 million investment equates to over $3,100 per customer location. By the end of 2008, we will have already invested $10 million towards that effort. I am sending you this letter because of information I received today that the FCC is going to propose comprehensive universal service and intercarrier compensation reform that likely would reduce and significantly delay this investment and the benefits it would bring to the rural areas of Indiana we serve.

Smithville Telephone Company's FTTH plans were developed anticipating USF support would continue pursuant to the current rules and formulas. Without that support, I cannot afford to make the investment as quickly, plus I would have to reduce the total investment significantly. Consequently, some areas Smithville serves would have to be removed from the FTTH schedule completely and others delayed years later than currently planned.

I realize the reform proposal has not been made public yet, but I feel strongly enough about the importance of what Smithville is doing for its customers and for the economic development of these areas that I felt compelled to write you today to ask you to take into account situations like my company faces and not impose arbitrary freezes, additional fees and one-size-fits-all regulations. Instead we need actions from the FCC that will incent the kind of investment Smithville is making. Many of the customers and communities we serve have no other viable alternatives for the services we offer and the economic development we can foster.

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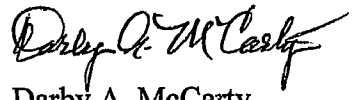
I understand that universal service and intercarrier compensation needs reform and when I see your full proposal, I will review it carefully and provide more detailed input on the impact the proposal would have on us and make recommendations for improvements.

In the meantime, I ask that you keep companies like mine in mind as you continue to work on this reform. If you have any questions or would like to discuss what we are doing here in Indiana, please feel free to call me.

Sincerely,



Darby A. McCarty
President and CEO

Smithville™

FOR RELEASE – 11 a.m. April 7, 2008

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Smithville to invest $90 million for rural technology growth, bring 21st Century fiber technology platform to Indiana residents

ELLETTSVILLE, Ind. (April 7, 2008) –Rural communities have rarely been first on the list to receive technology upgrades of any kind. Indiana's rural communities are no different, struggling today to upgrade to a broadband system that can support sustained economic development and a higher quality of life. According to Darby A. McCarty, president and CEO of Smithville, rural residents and businesses in the south-central part of Indiana can soon boast about a new development that is not yet widely available, even in urban settings. This region is about to receive data, voice and video at the speed of light through cutting-edge technology that brings fiber-optic broadband directly into the home.

Smithville, Indiana's largest privately held telecommunications company, will invest $90 million over the next 36 months to build an entirely new communications platform that will bring real fiber-based broadband to 29,000 customers in 17 counties in the south-central and southern part of the state, including Hendricks County in the Greater Indianapolis area and rural areas around Kokomo.

"Smithville's $90 million investment and commitment to bringing cutting-edge technology to rural Indiana will not only impact their customers directly, but will help to advance the economy of the region as a whole," said Lt. Governor Becky Skillman. "Smithville's efforts to bring true high-speed broadband to these communities will help them become more competitive in the 21st Century economy and advance technology in rural Indiana."

"As a native of southern Indiana, I know firsthand what this means to the region," the Lt. Governor continued. "We are proud to have a Hoosier-owned company directly helping Hoosiers in rural areas."

Called Fiber-to-the-Home (FTTH), Smithville's all-new technology platform will give customers the ability to access the Internet, telecom, and eventually video services at a speed much faster than currently available to most residential customers anywhere—rural, urban, big telco, or

small telco. Using light waves to carry digital signals, Smithville's new FTTH system will transmit data approaching the speed of light—about 186,000 miles per second—with upload and download speeds averaging up to 100 mbps (megabits per second).

"The new Smithville fiber-optic system will bring a whole host of new services to our customers, but as important, it will help Indiana rural business compete on a global scale," said Ms. McCarty. "From bandwidth-hungry modeling software to large creative art files, the new Smithville fiber system will be able to handle the Hoosier workload from a rural setting."

Smithville's new FTTH service will set a new standard of digital communication with the complete rebuild of its existing system. When complete, none of Smithville's customers will use existing copper or hybrid (copper, fiber or coaxial cable) systems which possess significant limitations and cannot achieve the higher speeds available only with fiber-based systems.

"Bringing fiber-based high-speed connectivity to Hoosiers living and working in rural areas is critical for Indiana's long-term success," said James L. Jay, president and CEO of TechPoint, Indiana's initiative focused on growth of the state's technology sector. "This is another positive development for Indiana's rural technology infrastructure and will most certainly aid economic development. Our collective hats are off to Smithville for continuing to invest in Indiana."

Smithville plans to acquire funding for a portion of the $90 million fiber rebuild through a federal loan program from the United States Department of Agriculture (USDA). The Rural Utilities Services (RUS) Division of USDA has provided long-term loans to a number of communications companies upgrading services to rural areas, including major rural areas in the southeast United States.

So how fast is Smithville's new fiber-to-the-home platform? For example: A movie purchased and downloaded on a DSL connection might take as long as two or three hours to complete. The time required to download that same movie might be cut in half with a cable modem. But with Smithville's fiber-based connection, the same movie could be downloaded in seconds.

Smithville plans to roll out a whole new suite of services with its rebuild, including extended data and consumer video packages.

About Smithville *– Led by chairman and CEO Darby A. McCarty since 2003, Smithville is one of Indiana's oldest and largest independent communication companies, with its telephone division founded in 1922. A long-time champion of southern Indiana customers and a proven early adopter of state-of-the-art communication services, Smithville began converting its operations to a digital platform in the 1980s. In 2003, the company created a new commercial division, Smithville Digital, which serves up a fiber-based technology portfolio of physical and electronic services providing high-speed, reliable and secure broadband access and industrial data transport for Hoosier businesses statewide. For more information, please visit www.smithville.net.*