

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

| | | |
|--|---|--|
| 1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration | 2. Award Identification Number NT10BIX5570085 | 3. DUNS Number 878195239 |
|--|---|--|

| |
|--|
| 4. Recipient Organization Vermont Telephone Company, Inc. 354 River Street, Springfield, VT 05156-2242 |
|--|

| | |
|--|---|
| 5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2011 | 6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No |
|--|---|

7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

| | |
|---|--|
| 7a. Typed or Printed Name and Title of Certifying Official Justin Robinson President | 7c. Telephone (area code, number and extension) 8028857708 |
| | 7d. Email Address jmrobins@vermontel.com |

| | |
|---|--|
| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-22-2011 |
|---|--|

| |
|--|
| |
|--|

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).

During this quarter we completed efforts to resolve and eliminate overlap between our project and two other NTIA-funded projects and have received approval on our Overlap Special Award Condition and our Reprogram/Rebudget request that was required as a result of the overlap resolution. During Q2 2011 the project also successfully submitted an updated EA and received a FONSI resulting in a release of funds. During this quarter we also released an RFP for the engineering and project management services which was completed and awarded to a firm. An RFP was also released for the DWDM optical equipment and will be completed in early Q3 2011. During the process of finalizing our project and reprogram and rebudget we received valuable support from the State of Vermont and the chief of Connect VT, Karen Marshall.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|-----|--|------------------|---|
| 2a. | Overall Project | 3 | All of the projects SAC's have been satisfied and release of funds has been granted. We can now accelerate the project to meet future project milestones. |
| 2b. | Environmental Assessment | 100 | Enviromental Assement has been complete and a FONSI issued |
| 2c. | Network Design | 2 | The engineering firm has been selected and is mobilizing the resources to accelerate the process of network design to meet future milestones. |
| 2d. | Rights of Way | 2 | No Variance |
| 2e. | Construction Permits and Other Approvals | 2 | No Variance |
| 2f. | Site Preparation | 0 | No Variance |
| 2g. | Equipment Procurement | 1 | During this quarter we have issued an RFP for our DWDM optical network. During the next quarter the selection of a vendor can be complete and equipment can be ordered. In our Q1 PPR we had |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 0 | No Variance |
| 2i. | Equipment Deployment | 1 | The equipment deployment will be an element of the respective RFP's released during this quarter. Our prevoius PPR reported 7% completion. This percentage has been reduced as our budget has increased for equipment and we have submitted our updated baseline. |
| 2j. | Network Testing | 1 | No Variance |
| 2k. | Other (please specify): Vehicles | 50 | VTel purchased two broadband vehicles. |

3. To the extent not covered above, please describe any challenges or issues faced during this past quarter in achieving planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).

With the resolution of overlap and reallocation of funds resolved,we can now focus on working with our recently selected engineering firm to accelerate the process of network design, rights of way and construction permits and other approvals. The process of selecting a vendor and getting those resources for the project in place that has been one of the challenges faced during this quarter. The process of identifying overlap, removing it, and reprogram/rebudget of the project has put our project behind the original baseline; however due to the reduction in project scope, which removed approximately 50% of the new miles to be constructed we do not see a significant risk to the completion of the project within the allotted time line. In addition to the reductions in the project scope a substantial amount of the budget is allocated to electronics which will be deployed within the fall of 2011. This expenditure will get us close to the 67% completion required in year 2 of the project.

4. Please report the following information regarding network build progress. Write "0" in the Total column and "N/A" in the Narrative column if your project does not include this activity. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (600 words or less).

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|-----------|-------|---|
| | | |

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|---|
| New network miles deployed | 0 | No Variance from updated baseline. |
| New network miles leased | 0 | No Variance from updated baseline. |
| Existing network miles upgraded | 0 | No Variance from updated baseline. |
| Existing network miles leased | 0 | No Variance from updated baseline. |
| Number of miles of new fiber (aerial or underground) | 0 | No Variance from updated baseline. |
| Number of new wireless links | 0 | No Variance from updated baseline. |
| Number of new towers | 0 | No Variance from updated baseline. |
| Number of new and/or upgraded interconnection points | 0 | No Variance from updated baseline. |

For questions 5 and 6 please include information relating to agreements that you are negotiating or have entered into, or that your sub recipient, contractor or subcontractor is negotiating or entered into.

5a. If applicable, please provide the following information with regard to agreements with broadband wholesalers and/or last mile providers as a result of your project.

| Indicators | |
|---|---|
| Number of signed agreements with broadband wholesalers or last mile providers | 0 |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 0 |
| Average term of signed agreements (in quarters) | 0 |

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers: We have 7 existing agreements with broadband wholesale and last mile providers whose connection will be upgraded as a result of this project once the core optical network is installed. These customers are shown in the quarterly indicators of the baseline. The connections to these wholesale and last mile providers are expected to be upgraded in the 4th quarter of this year. At that point they will be shown as receiving upgraded service.

5c. What wholesale services are being provided by this project? Please describe below. As an attachment to this report, please provide pricing plans (in \$ per month) associated with each wholesale service provided by your product (100 words or less). Wholesale services description:

No new wholesale services have yet been provided by this project.

5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).

We have not designated a third party to operate all or a portion of our network.

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|--|-------|--|
| Broadband Wholesalers or Last Mile Providers | Providers with signed agreements receiving new access | 0 | No variance with updated baseline |
| | Providers with signed agreements receiving improved access | 0 | We have 7 existing agreements with broadband wholesale and last mile providers whose connection will be upgraded as a result of this project once the core optical network is installed. These customers are shown in the quarterly indicators of the baseline. The connections to these wholesale and last mile providers are |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|---|---|-------|--|
| | | | expected to be upgraded in the 4th quarter of this year. At that point they will be shown as receiving upgraded service. |
| | Providers with signed agreements receiving access to dark fiber | 0 | No variance with updated baseline |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | For Broadband Wholesalers and Last Mile Providers, transport and Internet bandwidth are sold on a per-Megabit basis. Capacity is available from 1Mbps/Second to 10Gbps/Second. Higher speeds may also be available; however are provided on a individual case basis, where available. |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | VTBell has 47 existing customers that were listed under the proposed CAI's. These customers connections will be upgraded with the network funded by NTIA which is in process. |
| | Subscribers receiving new access | 0 | No variance with updated baseline |
| | Subscribers receiving improved access | 0 | No variance with updated baseline |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | Community Anchor institutions may also buy capacity on a per-Megabit/second basis; however we expect most of them will take advantage of one of our two tier pricing models. The first is 25Megabit/second of Internet capacity, burstable to 1000Megabit/second, including off site data storage. The second is 100Megabit/second of Internet capacity, burstable to 1000Megabit/second. Both packages include offsite data storage and savings on GigE "spoke" connections to nearby facilities. |
| Residential / Households | Entities passed | 0 | N/A |
| | Total subscribers served | 0 | N/A |
| | Subscribers receiving new access | 0 | N/A |
| | Subscribers receiving improved access | 0 | N/A |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A |
| Businesses | Entities passed | 0 | N/A |
| | Total subscribers served | 0 | N/A |
| | Subscribers receiving new access | 0 | N/A |
| | Subscribers receiving improved access | 0 | N/A |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A |

7. Please describe any special offerings you may provide (600 words or less).
 With all \$1,400 and \$2,500 packages we include off site data storage, access to Internet2 and access to a state wide WAN connection.

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).
 N/A

9. Community Anchor Institutions:
 Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions)

connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure (300 words or less).

| Institution Name | Service Area (town or county) | Type of Anchor Institution (as defined in your baseline) | Are you also the broadband service provider for this institution? (Yes / No) | Narrative description of how anchor institutions are using BTOP-funded infrastructure |
|------------------|-------------------------------|--|--|---|
| 0 | 0 | 0 | 0 | 0 |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
 During the next quarter we plan to have selected a DWDM vendor. We will have begun the purchase and installation of the DWDM network to provide our 47 existing customers with upgraded services utilizing the NTIA Funds.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Planned Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the next reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|---|--------------------------|--|
| 2a. | Overall Project | 6 | No variance with updated baseline. |
| 2b. | Environmental Assessment | 100 | Our environmental assessment has been complete. |
| 2c. | Network Design | 60 | A firm is currently in the field working on the network design. |
| 2d. | Rights of Way | 10 | No variance with updated baseline. |
| 2e. | Construction Permits and Other Approvals | 10 | No variance with updated baseline. |
| 2f. | Site Preparation | 10 | No variance with updated baseline. |
| 2g. | Equipment Procurement | 55 | No variance with updated baseline. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 0 | No variance with updated baseline. |
| 2i. | Equipment Deployment | 1 | No variance with updated baseline. |
| 2j. | Network Testing | 1 | No variance with updated baseline. |
| 2k. | Other (please specify): Vehicles | 50 | VTel purchased two broadband vehicles. |

3. Please describe any challenges or issues anticipated during the next quarter that may impact planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).
 During the next quarter we will be aggressively working to get rights of way and construction permits and other approvals submitted. Any delay in obtaining these approvals will push out construction forecast in the coming quarters.

Infrastructure Budget Execution Details

Activity Based Expenditures (Infrastructure)

1. Please provide details below on your total budget, cumulative actual expenditures (for the period ending the current quarter), and cumulative anticipated expenditures (for the period ending next quarter) for each line item, including detailed disbursements of both matching funds and federal funds from project inception through end of this quarter (actual) or next quarter (anticipated). Actual and anticipated figures should be reported cumulatively from award inception to the end of the applicable reporting quarter.

| Budget for Entire Project | | | | Actuals from Project Inception through End of Current Reporting Period | | | Anticipated Actuals from Project Inception through End of Next Reporting Period | | |
|--|-------------------|-----------------------|----------------------|--|----------------|---------------|---|----------------|---------------|
| Cost Classification | Total Cost (plan) | Matching Funds (plan) | Federal Funds (plan) | Total Cost | Matching Funds | Federal Funds | Total Costs | Matching Funds | Federal Funds |
| a. Administrative and legal expenses | \$100,000 | \$30,000 | \$70,000 | \$35,522 | \$10,657 | \$24,865 | \$45,522 | \$13,657 | \$31,865 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$105,370 | \$31,611 | \$73,759 | \$118,232 | \$35,469 | \$82,762 | \$448,366 | \$134,510 | \$313,856 |
| e. Other architectural and engineering fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| f. Project inspection fees | \$80,000 | \$24,000 | \$56,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| g. Site work | \$2,433,470 | \$730,041 | \$1,703,429 | \$59,529 | \$17,859 | \$41,671 | \$196,010 | \$58,803 | \$137,207 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$3,650,203 | \$1,095,061 | \$2,555,142 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| j. Equipment | \$6,400,083 | \$1,920,025 | \$4,480,058 | \$79,990 | \$23,997 | \$55,993 | \$79,990 | \$23,997 | \$55,993 |
| k. Miscellaneous | \$92,000 | \$27,600 | \$64,400 | \$46,433 | \$13,930 | \$32,503 | \$46,433 | \$27,600 | \$64,400 |
| l. SUBTOTAL (add a through k) | \$12,861,126 | \$3,858,338 | \$9,002,788 | \$339,706 | \$101,912 | \$237,794 | \$816,321 | \$258,567 | \$603,321 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$12,861,126 | \$3,858,338 | \$9,002,788 | \$339,706 | \$101,912 | \$237,794 | \$816,321 | \$258,567 | \$603,321 |

2. Program Income: Please provide the program income you listed in your application budget and actuals to date through the end of the reporting period.

| | |
|---|--------------------------------|
| a. Application Budget Program Income: \$0 | b. Program Income to Date: \$0 |
|---|--------------------------------|