

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

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| 1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration | 2. Award Identification Number NT10BIX5570093 | 3. DUNS Number 175409010 |
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| 4. Recipient Organization Citizens' Telephone Co-operative 220 Parkway Ln S, Floyd, VA 24091-4170 |
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| 5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2011 | 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.

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| 7a. Typed or Printed Name and Title of Certifying Official Chris Bond | 7c. Telephone (area code, number and extension) X |
| | 7d. Email Address chrisbond@citizens.coop |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 02-10-2012 |
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Project Indicators (This Quarter)

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

The proposed 186 mile fiber project was divided into 4 separate construction contracts. Three of the construction contracts have been awarded as follows:

- Contract I Nichols Construction, LLC 102 miles 180 days
- Contract II Lambert's Cable Splicing Co, LLC 70 miles 130 days
- Contract III Lambert's Cable Splicing Co, LLC 11 miles 90 days

Due to the difficulty of obtaining the fiber optic cable needed to start construction on the overall project. Contract I and II saw limited activity during the 6th quarter. As reported in the previous PPR, Citizens was successful in obtaining enough fiber cable to proceed with construction on Contract III. Construction work on Contract III started in mid 5th quarter and continued through the 6th quarter.

Fiber Construction Progress:

Contract I: Preliminary construction activities began on October 12, 2011 with placement of aerial make ready and strand placement. 7 miles of strand had been placed by the end of the quarter. The contractor started a directional bore crew on November 28, 2011 and has completed 18 bores by the end of the quarter. The contractor received shipments of the fiber cable on December 1st and 2nd. The contractor plans to start construction on January 9, 2012 with two buried placement crews, one aerial crew, and two bore crews.

Contract II: Preliminary construction activities began on December 14, 2011 with two directional bore crews. 7 bores had been completed by the end of the quarter. The contractor received fiber cable on December 30, 2011. The contractor plans to start fiber construction on January 9, 2012 with one buried crew, one aerial crew, and two bore crews.

Contract III: Fiber construction continued throughout the 6th quarter in the Town of Blacksburg. Approximately 1 mile of fiber construction was remaining to be completed at the end of the 5th quarter. The contractor completed site work for the telecommunication huts at Christiansburg and Pulaski. The Christiansburg hut was set in place and had power turned on by December 31, 2011. The Pulaski hut is scheduled to be set the 2nd week in January 2012. Construction and splicing on Contract III is scheduled to be complete by January 13, 2012 and testing, cleanup, and final inventory completed by the end of January. Service drops had been installed to 7 CAI's by the end of the 6th quarter and 1 service had been turned on.

Citizens completed negotiations for the Pulaski hut site with the County of Pulaski and the agreement was signed at the end of December 2011.

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 | 13 | Citizens originally projected having 39% of the project complete by the end of the 6th quarter. The total delay in obtaining fiber cable was nearly 6 months from the time orders were placed in June 2011 |
| 2b. | Environmental Assessment | 100 | No Variance |
| 2c. | Network Design | 100 | No Variance |
| 2d. | Rights of Way | 99 | Citizens had anticipated having 100% of the identified private rights of way needed for the project completed by the end of the 6th quarter. One additional right of way for Falling Branch Industrial Park in Christiansburg is still outstanding. Citizens is negotiating with the one landowner and plans to have the issue resolved by the middle of February, 2012. |
| 2e. | Construction Permits and Other Approvals | 99 | Citizens had anticipated having 100% of the permits and agreements completed by the end of the 6th quarter. The construction permit for the City of Radford is currently in the signing stage and should not cause any delays in the construction process. |
| 2f. | Site Preparation | 90 | Citizens had projected having 50% of the site work completed for the two telecommunication huts proposed in the project. The contractor expedited this work in order to beat the winter season. The Pulaski site |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|--|---------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | has a small amount of cleanup work remaining to be completed at the end of the quarter. |
| | 2g. Equipment Procurement | 95 | Citizens worked together with Mid-Atlantic Broadband Cooperative and the Virginia Tech Foundation in order to procure equipment on a large order at a bulk rate for a larger discount. Due to coordinating this bulk order between 4 BTOP projects, we were able to procure the majority of our equipment sooner than originally anticipated. The order was placed in the 5th quarter and received in the 6th quarter. |
| | 2h. Network Build (all components - owned, leased, IRU, etc) | 8 | Delay in the final approval of the Environmental Assessment and long lead times in obtaining fiber cable and other materials have impacted the timing of construction. |
| | 2i. Equipment Deployment | 0 | No Variance |
| | 2j. Network Testing | 0 | No Variance |
| | 2k. Other (please specify): N/A | 0 | No Variance |

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).

Obtaining the various permits and agreements with the cities, towns, and counties that the proposed project spans through has been difficult and time consuming due to the unique procedures and process that each locality has. The permit process that the Town of Blacksburg requires made scheduling and keeping the work crews organized and moving ahead very difficult. The Blacksburg permit process often causes the crew to wait before they can proceed to the next work location because the next permit has not been approved yet. Joint use proposals and make ready work continues to be slow and difficult to get the pole owner and other utility attachments to complete their make ready work.

The long lead time for obtaining the fiber optic cable needed for the project has caused Contract I and Contract II to be delayed until the first or second week in January 2012. The delay caused the contractors to have to reschedule their crews to other projects or find fill in work until the contract work could start.

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) |
|-------------------------------------------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New network miles deployed | 11 | Citizens had anticipated approximately 71 miles complete by the end of quarter 6. Due to the unavailable fiber cable, construction on Contract I and Contract II will not start until January 9, 2012. Construction work on Contract III was near complete by the end of the quarter. |
| New network miles leased | 0 | No Variance |
| Existing network miles upgraded | 0 | No Variance |
| Existing network miles leased | 0 | No Variance |
| Number of miles of new fiber (aerial or underground) | 11 | Citizens had anticipated approximately 71 miles complete by the end of quarter 6. Due to the unavailable fiber cable, construction on Contract I and Contract II will not start until January 9, 2012. Construction work on Contract III was near complete by the end of the quarter. |
| Number of new wireless links | 0 | No Variance |
| Number of new towers | 0 | No Variance |
| Number of new and/or upgraded interconnection points | 1 | No Variance |

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:
N/A

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:
N/A

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 third party operates (600 words or less).
N/A

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 |
| | Providers with signed agreements receiving improved access | 0 | No Variance |
| | Providers with signed agreements receiving access to dark fiber | 0 | No Variance |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No Variance |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 1 | Subscriber was turned up ahead of schedule due to customer contract obligation which was not part of the original project plan. |
| | Subscribers receiving new access | 0 | No Variance |
| | Subscribers receiving improved access | 1 | Subscriber was turned up ahead of schedule due to customer contract obligation which was not part of the original project plan. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 1 | 1 Gb - 1 Subscriber |
| Residential / Households | Entities passed | 0 | No Variance |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|-----------------|-------------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------------------------------|
| | Total subscribers served | 0 | No Variance |
| | Subscribers receiving new access | 0 | No Variance |
| | Subscribers receiving improved access | 0 | No Variance |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No Variance |
| Businesses | Entities passed | 0 | No Variance |
| | Total subscribers served | 0 | No Variance |
| | Subscribers receiving new access | 0 | No Variance |
| | Subscribers receiving improved access | 0 | No Variance |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No Variance |

7. Please describe any special offerings you may provide (600 words or less).
No Variance

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 |
|------------------------|-------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prices Fork Elementary | Montgomery | School (K-12) | Yes | CAI is using BTOP-funded infrastructure for internet/transport usage, SOL testing, data backup, distance learning, video classroom, accessing video library server, video conferencing, adult learning, video surveillance, and the "no child left behind" program. |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
Citizens will have all right of way agreements in place by mid-February, 2012. Joint use make ready will be complete in Roanoke county by American Electric Power and Verizon by the end of February, 2012.

Contract I
Nichols Construction, LLC will officially start contract work on January 9, 2012. The contractor will start with two buried crews, one aerial crew, and two bore crews. The crews will start in the Town of Wytheville and Wythe County with the underground construction. The contractor plans on starting a third and fourth buried crew by February and anticipates having approximately 16 miles of fiber installed by the end of the 7th quarter.

Contract II

Lambert's Cable Splicing Co., LLC will officially start contract work on January 9, 2012. The contractor plans to start with two bore crews and one aerial crew and start two buried crews by the third week of January. One buried crew, aerial crew, and one bore crew will begin working and installing fiber in the Town of Christiansburg and Montgomery County. The second buried crew and bore crew will begin work in Botetourt County. The contract plans to start a third buried crew around the first of March, 2012 and anticipates having approximately 15 miles of fiber installed by the end of the 7th quarter.

Contract III

Lambert's Cable Splicing Co. LLC will complete fiber installation by January 13, 2012. Splicing, testing, and cleanup will be completed on Contract III by January 31, 2012. The Pulaski telecommunication hut will be installed by mid-January and site work complete by the end of January.

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 | 26 | Citizens had anticipated having approximately 89 miles (47%) of aerial and buried fiber construction complete by the end of quarter 7. Start of construction has been delayed due to the unavailability of fiber optic cable. Starting construction on Contract I and Contract II has been delayed approximately 23 weeks by the end of the 6th quarter. Citizens, Thompson&Litton, and the contractors are exploring options on how to increase production and bring the milestones in line with the original projections. |
| 2b. | Environmental Assessment | 100 | No Variance |
| 2c. | Network Design | 100 | No Variance |
| 2d. | Rights of Way | 100 | No Variance |
| 2e. | Construction Permits and Other Approvals | 100 | No Variance |
| 2f. | Site Preparation | 100 | Citizens had projected having 50% of the site work completed for the two telecommunication huts proposed in the project. The contractor expedited this work in order to beat the winter season. The Pulaski site has a small amount of cleanup work remaining to be completed at the end of the quarter. |
| 2g. | Equipment Procurement | 95 | Citizens worked together with Mid-Atlantic Broadband Cooperative and the Virginia Tech Foundation in order to procure equipment on a large order at a bulk rate for a larger discount. Due to coordinating this bulk order between 4 BTOP projects, we were able to procure the majority of our equipment sooner than originally anticipated. The order was placed in the 5th quarter and received in the 6th quarter. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 23 | Citizens had anticipated having 47% of the network construction completed by the end of the 7th quarter. Construction has been impacted by the long lead time in obtaining fiber cable and other materials. Citizens had anticipated having 38% of the network construction completed by the end of the 6th quarter. Construction will be impacted by the long lead time in obtaining fiber cable and other materials. |
| 2i. | Equipment Deployment | 0 | No Variance |
| 2j. | Network Testing | 0 | No Variance |
| 2k. | Other (please specify): N/A | 0 | No Variance |

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).

Due to the delays in getting the fiber optic cable required to construct the fiber network project, Citizens, Thompson&Litton, and the contractors are exploring options on how to increase production and get the milestones in line with those projected in the original projections. Another factor that may impact the construction process in the 7th quarter is the winter season. Having to start construction in winter can slow progress. Normally underground construction is difficult due to wet, frozen, snow, and cold conditions. The original milestones had reflected and accounted for less construction progress for the winter months compared with much more progress being accounted for in the summer months which also have longer daylight working hours. The contractors are prepared to bring in additional crews if the winter weather conditions allow construction to continue which will help bring the milestones closer to the original projections.

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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$160,000 | \$32,000 | \$128,000 | \$230,131 | \$46,026 | \$184,105 | \$234,513 | \$46,902 | \$187,611 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$491,739 | \$491,739 | \$0 | \$120,693 | \$120,693 | \$0 | \$148,352 | \$148,352 | \$0 |
| e. Other architectural and engineering fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| f. Project inspection fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| g. Site work | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$9,819,064 | \$1,581,304 | \$8,237,760 | \$660,657 | \$132,131 | \$528,526 | \$1,774,255 | \$354,851 | \$1,419,404 |
| j. Equipment | \$1,090,000 | \$218,000 | \$872,000 | \$452,153 | \$90,431 | \$361,722 | \$871,548 | \$174,310 | \$697,238 |
| k. Miscellaneous | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| l. SUBTOTAL (add a through k) | \$11,560,803 | \$2,323,043 | \$9,237,760 | \$1,463,634 | \$389,281 | \$1,074,353 | \$3,028,668 | \$724,415 | \$2,304,253 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$11,560,803 | \$2,323,043 | \$9,237,760 | \$1,463,634 | \$389,281 | \$1,074,353 | \$3,028,668 | \$724,415 | \$2,304,253 |

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: \$2,583,000 | b. Program Income to Date: \$1,000 |
|---------------------------------------------------|------------------------------------|