

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

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|--|--|---|
| <p>1. Federal Agency and Organizational Element to Which Report is Submitted</p> <p>Department of Commerce, National Telecommunications and Information Administration</p> | <p>2. Award Identification Number</p> <p>NT10BIX5570093</p> | <p>3. DUNS Number</p> <p>175409010</p> |
| <p>4. Recipient Organization</p> <p>Citizens' Telephone Co-operative 220 Parkway Ln S, Floyd, VA 24091-4170</p> | | |
| <p>5. Current Reporting Period End Date (MM/DD/YYYY)</p> <p>06-30-2011</p> | <p>6. Is this the last Report of the Award Period?</p> <p><input type="radio"/> Yes <input checked="" type="radio"/> No</p> | |
| <p>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.</p> | | |
| <p>7a. Typed or Printed Name and Title of Certifying Official</p> <p>Chris Bond</p> | <p>7c. Telephone (area code, number and extension)</p> <p>X</p> | |
| | <p>7d. Email Address</p> <p>chrisbond@citizens.coop</p> | |
| <p>7b. Signature of Certifying Official</p> <p>Submitted Electronically</p> | <p>7e. Date Report Submitted (MM/DD/YYYY):</p> <p>08-10-2011</p> | |

Project Indicators (This Quarter)

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

Correspondence continued through the 4th quarter with the various environmental agencies, NRVPCD, Citizens, and the NTIA Environmental Compliance Team on completing the Environmental Assessment (EA) for the 186 mile broadband project. Citizens received verbal notification on June 30, 2011 that the assessment had completed the final approval and that the FONSI would be issued in a few days. The only outstanding issue in the EA process is final response from two or three of the TPO's. All of these agencies have been contacted by Citizens, NRVPCD, and NTIA.

Citizens (CTC) and Thompson & Litton, Inc. (T&L) engineering staff completed field engineering design and staking on the proposed project routes on April 15, 2011. CTC and T&L decided to split the 186 mile project into 4 separate smaller construction contracts to help expedite the process and to attract a wider range of contractors. Three bid packages were sent out through the Citizens web site on April 27, 2011 for Contract I, II, and III. Contract IV will be sent out later in the fall. Bids were due on May 12, 2011 and six contractors submitted bids by the 4:00 pm deadline. CTC and T&L evaluated the bids and selected the low bidders on May 17, 2011. The winning bidders were notified by phone on May 17, 2011 of their successful bid. Notice of Award letters were sent to the winning contractors on May 27, 2011 which included authorization to the contractor to proceed with ordering fiber cable for the project. The Outside Plant Construction Contract for Contract III was signed with Lambert's Cable Splicing on June 21, 2011 and Contract II was signed with Lambert's Cable Splicing on July 5, 2011. Contract I is currently in the signing process with Nichols Construction Company.

The Joint Permit Application (JPA) with Virginia Marine Resources Commission (VMRC), Department of Environmental Quality (DEQ), and the Army Corp of Engineers to cover stream/river and wetland crossing was approved by the three agencies. A public hearing was scheduled on Tuesday, May 24, 2011 at Newport News, Virginia for the Commission to hear final comments and continue with the final approval process. Citizens received notification that the JPA was approved in mid June and that the final permit documents will be mailed by early July for signing and fee processing.

Citizens has completed specifications for the two telecommunication shelters that are proposed for the project. Citizens completed negotiations with VFP, Inc. to manufacture the shelters and will place purchase orders by mid July.

The Activity Agreements with Norfolk and Southern Railroad were completed on June 1, 2011. These Agreements are for all 15 proposed railroad crossing that are required in the project.

The Memorandum of Understanding Agreement (MOU) with the Virginia Department of Transportation (VDOT) was completed with a new amendment to cover the 186 mile proposed BTOP project. The Amendment was signed on May 14, 2011. VDOT issued the Project Land Use Permit for the Salem District on May 18, 2011 and issued the Project permit for the Bristol District on June 3, 2011.

Joint use agreements and joint use make ready is on going with American Electric Power, Verizon, and City of Radford Electric. The City of Salem Electric has completed all make ready on their portion of the proposed route.

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 | 5 | Due to the delay in having it's FONSI issued, Citizens Telephone has covered the cost of the project through June 30, 2011. No federal funds have been expended through the 2nd Quarter of 2011. |
| 2b. | Environmental Assessment | 100 | No Variance |
| 2c. | Network Design | 100 | No Variance |
| 2d. | Rights of Way | 95 | Citizens had anticipated having 100% of the identified private rights of way to be secured by the end of the 4th quarter. All have been completed with the exception of the right of way for the Falling Branch Industrial Park which is still being negotiated with Montgomery County, Virginia. An additional right of way has been identified in Pulaski County with the Town of Pulaski. This agreement has been negotiated with the town and is currently waiting signature from the town and will be completed by early August, 2011. |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|-----|--|------------------|---|
| 2e. | Construction Permits and Other Approvals | 95 | Citizens had anticipated having 100% of all locality permits and agreements completed by the end of the 4th quarter. The Town of Blacksburg does not issue a project permit for construction in the town limits. The excavation permits and lane closure permits will be issued on a weekly basis requiring daily notification, so the permit process with the Town of Blacksburg will be ongoing during the construction phase. The right of way agreement with the Town of Pulaski has been completed and is waiting signature from the town by the 1st week of August. |
| 2f. | Site Preparation | 50 | No Variance |
| 2g. | Equipment Procurement | 13 | No Variance |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 0 | No Variance |
| 2i. | Equipment Deployment | 0 | No Variance |
| 2j. | Network Testing | 0 | No Variance |
| 2k. | Other (please specify): | 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).

Working with the Towns and localities in obtaining work permits and agreements has been difficult and slow at times due to each locality having their own unique process and procedures. Some of the localities require public hearings or public notices to be scheduled for review of the agreements and then scheduled for approval by town councils or board of supervisors at their meeting which can mean waiting 1 – 2 months depending on timing.

The long lead time on obtaining fiber (25 – 30 weeks) is making it difficult to schedule construction start dates with the contractors. The fiber manufacturers are unwilling to give ship dates for delivery at this time. The lead time for other materials is starting to extend also, which may add delays or slow progress along with the fiber situation.

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 | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| New network miles leased | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Existing network miles upgraded | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Existing network miles leased | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Number of miles of new fiber (aerial or underground) | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Number of new wireless links | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Number of new towers | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Number of new and/or upgraded interconnection points | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |

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 |

| Indicators | | | |
|---|---|-------|---|
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | | 0 | |
| Average term of signed agreements (in quarters) | | 0 | |
| <p>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-Waiting on FONSI to begin construction; issued on 6/30/11</p> | | | |
| <p>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-Waiting on FONSI to begin construction; issued on 6/30/11</p> | | | |
| <p>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). N/A-Waiting on FONSI to begin construction; issued on 6/30/11</p> | | | |
| <p>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).</p> | | | |
| 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 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Providers with signed agreements receiving improved access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Providers with signed agreements receiving access to dark fiber | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Subscribers receiving new access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Subscribers receiving improved access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Residential / Households | Entities passed | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Total subscribers served | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Subscribers receiving new access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|-----------------|---|-------|---|
| | Subscribers receiving improved access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| Businesses | Entities passed | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Total subscribers served | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Subscribers receiving new access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Subscribers receiving improved access | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |

7. Please describe any special offerings you may provide (600 words or less).

N/A-Waiting on FONSI to begin construction; issued on 6/30/11

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 |
|------------------|-------------------------------|--|--|---|
| N/A | N/A | N/A | N/A | N/A-Waiting on FONSI to begin construction; issued on 6/30/11 |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).

All locality work permits, rights of way agreements, and joint use arrangements will be completed by August 31, 2011.

Citizens will research the fiber market and explore options to obtain fiber cable in order to start portions of the project sooner than waiting on the existing 25 – 30 week fiber lead times advertised. Any new fiber options that are considered will meet current design specifications and strand count size. Citizens plans on starting Construction on Contract III with Lambert's Cable Splicing, LLC by July 25, 2011. This contract will include installation of the two telecommunication huts and installing fiber in the Town of Blacksburg and constructing fiber to schools in the Town of Blacksburg, Town of Christiansburg, and Montgomery County. Citizens plans to have approximately 3.5 miles of fiber construction complete on contract III by the end of the 1st quarter, year 2.

Citizen will schedule start dates for contract I (Nichols Construction, LLC) and contract II (Lambert's Cable Splicing, LLC) as soon as ship dates for the fiber cable are known or fiber can be obtained from other sources. The anticipated start date for contract I & II is expected to be the first week of September, 2011.

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 | 23 | No Variance |
| 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 | 50 | No Variance |
| 2g. | Equipment Procurement | 90 | 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. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 5 | Construction will be impacted by the long lead time in obtaining fiber and possibly 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).

Construction start dates are going to be impacted by the current long lead time in getting fiber optic cable and other materials. Fiber manufacturers are reluctant to give ship dates on fiber delivery which makes it very difficult to start any of the construction process. This puts Citizens, Thompson & Litton, Inc., and the Contractors in a difficult position because all the firms have organized and arranged their schedules and personnel to meet the previously anticipated milestone timelines. CTC and T&L will be reviewing all options to try to stay as close to the original milestone timelines as possible. There are options to do some of the construction process that can be done without having the fiber cable. Some of the work that can be done is directional boring, conduit/handhole placement, setting new poles, setting down guys and anchors, and hanging strand on aerial cable routes.

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 | \$0 | \$0 | \$0 | \$223,130 | \$44,626 | \$178,504 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$491,739 | \$491,739 | \$0 | \$74,767 | \$74,767 | \$0 | \$101,880 | \$101,880 | \$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 | \$0 | \$0 | \$0 | \$635,984 | \$127,197 | \$508,787 |
| j. Equipment | \$1,090,000 | \$218,000 | \$872,000 | \$0 | \$0 | \$0 | \$900,000 | \$180,000 | \$720,000 |
| 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 | \$74,767 | \$74,767 | \$0 | \$1,860,994 | \$453,703 | \$1,407,291 |
| 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 | \$74,767 | \$74,767 | \$0 | \$1,860,994 | \$453,703 | \$1,407,291 |

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: \$0