

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 NT10BIX5570050 | 3. DUNS Number 831414755 |
| 4. Recipient Organization Zito Media Communications II, LLC 106 Steerbrook Road, Coudersport, PA 16915-8440 | | |
| 5. Current Reporting Period End Date (MM/DD/YYYY) 03-31-2012 | 6. Is this the last Report of the Award Period? <div style="text-align: center;"> <input type="radio"/> Yes <input checked="" type="radio"/> No </div> | |
| 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 Colin Higgin Vice President | 7c. Telephone (area code, number and extension) 8142609588 | 7d. Email Address colin.higgin@zitomedia.com |
| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 05-15-2012 | |
| Empty space for additional information or comments | | |

| Project Indicators (This Quarter) | | | |
|--|---|-------------------------|---|
| <p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>Zito continued construction in Northwest Pennsylvania. Zito continued informational brochure mailings to potential anchor institutions and hub locations. Zito has increased the workforce on the project as it progresses out of congested urban areas. There are now multiple construction crews increasing the construction production. In addition, Zito's commercial division increased meetings and out reach activities with various entities such as chamber of commerces. Zito received the rest of the fiber for the project thus removing the potential of the project being delayed due to lack of fiber.</p> | | | |
| <p>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).</p> | | | |
| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
| 2a. | Overall Project | 76 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress was hampered by inconsistent make ready completion. As Zito's construction crews get out of the urban areas construction pace will increase. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2b. | Environmental Assessment | 100 | No Variance from Baseline Report |
| 2c. | Network Design | 100 | No Variance from Baseline Report |
| 2d. | Rights of Way | 100 | Percentage is based off of rights of way expenditures from budget. |
| 2e. | Construction Permits and Other Approvals | 0 | No Variance from Baseline Report |
| 2f. | Site Preparation | 90 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. In addition, the negative variance is due to the inconsistent make ready completion hampering complete stretches of fiber from being completed. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2g. | Equipment Procurement | 67 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Percentage based off of expenditures from the equipment budget line item. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 30 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress was hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2i. | Equipment Deployment | 25 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress was hampered by inconsistent make ready completion. Majority of network electronics have not been installed as network build is not active due to incomplete make ready. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2j. | Network Testing | 3 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Only a small portion of the network is currently active. The negative variance is due to inconsistent make ready completion that hampers complete stretches of fiber from being constructed. |
| 2k. | Other (please specify): | 0 | No Variance from Baseline Report |
| <p>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).</p> <p>A continuing challenge has been receiving invoices from utility companies for make ready costs and objecting to those invoices if they are unreasonable. In addition to not receiving the invoices in a timely manner, certain utility companies are not completing make ready</p> | | | |

work in a timely manner. Zito has also been slightly delayed by overlashing another BTOP project's fiber along areas of our project. Zito has an agreement with the KINBER project to dual lash cable in certain areas in Pennsylvania. Although there is no additional cost incurred the additional cable has slightly delayed work crews. Zito believes at this time the additional cable will not affect the completion of the project. Lastly, in areas that make ready was supposedly completed construction crews discovered stretches that make ready was not completed. These areas hampered construction crews from completing full stretches of fiber and slowing the pace of construction.

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 | 112 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to make ready invoicing and make ready work. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| New network miles leased | 20 | The 20 miles are under an IRU agreement between Zito and One Community in Ohio. |
| Existing network miles upgraded | 0 | No Variance from Baseline Report |
| Existing network miles leased | 0 | No Variance from Baseline Report |
| Number of miles of new fiber (aerial or underground) | 112 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, Zito's construction progress was hampered by inconsistent make ready completion. The mileage is based off of Zito's fiber purchase, IRU agreement and newly constructed fiber. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| Number of new wireless links | 0 | No Variance from Baseline Report |
| Number of new towers | 0 | No Variance from Baseline Report |
| Number of new and/or upgraded interconnection points | 1 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito has established the interconnection point in Erie, PA. Other points are established just not connected to the network due to construction delays. Zito expects the project network build to be complete by the end of the September 2012 quarter. |

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 | 2 |
| 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:
 No agreements have been signed in the past quarter. There are preliminary talks with providers, but no signed agreements. As the project expands into other markets negotiations will increase.

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:

See Service Offerings Attachment

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).
None

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 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. In addition, the negative variance is due to the inconsistent make ready completion hampering complete stretches of fiber from being completed. |
| | Providers with signed agreements receiving improved access | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. In addition, the negative variance is due to the inconsistent make ready completion hampering complete stretches of fiber from being completed. |
| | Providers with signed agreements receiving access to dark fiber | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. In addition, the negative variance is due to the inconsistent make ready completion hampering complete stretches of fiber from being completed. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | See Service Offerings Attachment |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 2 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to continual make ready issues with utility companies. The fiber purchase and IRU are not currently active fiber nor does it directly connect to any CAls. This metric will increase as construction progresses and marketing efforts establish agreements with CAls. |
| | Subscribers receiving new access | 0 | No Variance from Baseline |
| | Subscribers receiving improved access | 2 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to continual make ready issues with utility companies. The fiber purchase and IRU are not currently active fiber nor does it directly connect to any CAls. This metric will increase as construction progresses and marketing efforts establish agreements with CAls. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | See Service Offerings Attachment |
| Residential / Households | Entities passed | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Due to the slow progress of construction due to continual make ready delays Zito has not connected to the northeast Ohio last mile areas. As construction reaches northeast Ohio this metric will increase due to the fiber build passing these entities in our last mile areas. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Total subscribers served | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Due to the slow progress of construction due to continual make ready delays Zito has not connected to the northeast Ohio last mile areas. As construction reaches northeast Ohio this metric will increase due to the fiber build passing these entities in our last mile areas. Zito expects the project network build to be complete by the end of the September 2012 quarter. |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|-----------------|---|-------|---|
| | Subscribers receiving new access | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Due to the slow progress of construction due to continual make ready delays Zito has not connected to the northeast Ohio last mile areas. As construction reaches northeast Ohio this metric will increase due to the fiber build passing these entities in our last mile areas. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Subscribers receiving improved access | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Due to the slow progress of construction due to continual make ready delays Zito has not connected to the northeast Ohio last mile areas. As construction reaches northeast Ohio this metric will increase due to the fiber build passing these entities in our last mile areas. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | See Service Offerings Attachment |
| Businesses | Entities passed | 1,857 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to continual make ready issues with utility companies. Construction In the next quarter Zito expects this metric to increase as make ready delays lessen allowing more construction crews to be used. Due to the delays most of the fiber constructed is not currently active as a result of the inconsistent make ready completed. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Total subscribers served | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to continual make ready issues with utility companies. Construction In the next quarter Zito expects this metric to increase as make ready delays lessen allowing more construction crews to be used. Due to the delays most of the fiber constructed is not currently active. Zito's commercial division is actively negotiating with numerous businesses along the project path. As construction progresses and the fiber becomes active this metric will increase. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Subscribers receiving new access | 0 | No Variance from Baseline |
| | Subscribers receiving improved access | 0 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Construction has been delayed due to continual make ready issues with utility companies. Construction In the next quarter Zito expects this metric to increase as make ready delays lessen allowing more construction crews to be used. Due to the delays most of the fiber constructed is not currently active. Zito's commercial division is actively negotiating with numerous businesses along the project path. As construction progresses and the fiber becomes active this metric will increase. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | See Service Offerings Attachment |

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

See Service Offerings Attachment

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 |
|----------------------|-------------------------------|--|--|---|
| UPMC Hamot | Erie, PA | Medical and Healthcare Providers | Yes | Zito is providing a 100Mb connection from Erie to multiple end points. |
| Health South of Erie | Erie, PA | Medical and Healthcare Providers | Yes | Zito is providing a 100Mb connection. |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
 Zito expects to increase its construction crews as construction extends out of the congested urban areas of Northwest Pennsylvania. Zito will continue to negotiate with critical anchor institutions, business and last mile providers. These metrics should increase as the construction reaches more of these entities. Zito expects to construct 100 miles in the quarter bringing the new mileage 212 miles. In the third quarter of 2012 Zito expects to be constructing 60 miles of fiber a month finishing the majority of the build by the end of the September 2012 quarter. Zito expects to connect 10-12 CAIs by the end of the quarter. The reduced number is a result of construction delays that disrupt the continuity of the network. Zito's commercial sales team is actively negotiating with institutions. Zito should have signed agreements with multiple CAIs, but they won't be connected to the network by the end of the quarter. Zito expects to have zero signed agreements with broadband wholesaler/last mile providers.

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 | 87 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2b. | Environmental Assessment | 100 | No Variance from Baseline |
| 2c. | Network Design | 100 | No Variance from Baseline |
| 2d. | Rights of Way | 100 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. |
| 2e. | Construction Permits and Other Approvals | 0 | No Variance from Baseline |
| 2f. | Site Preparation | 98 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2g. | Equipment Procurement | 84 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 70 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|-------------------------|--------------------------|---|
| 2i. | Equipment Deployment | 60 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2j. | Network Testing | 45 | Negative variance due to fact that we received the grant at the end of quarter one on March 26, 2010. Zito's construction progress has been hampered by inconsistent make ready completion. Zito expects the project network build to be complete by the end of the September 2012 quarter. |
| 2k. | Other (please specify): | 0 | No Variance from Baseline |

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).

The continuing challenge is having utility companies finish make ready work to allow construction crews to increase production. If portions of make ready are not completed portions of the fiber build would not be active, thus, not allowing services to be provided to businesses and anchor institutions. Zito will continue to monitor the situation and apply as much pressure as possible to alleviate the situation. Although Zito has been hampered by make ready the problem is slowly alleviating. Zito does not expect the make ready delay to the ultimate completion of the project within the allotted time frame. We do not believe NTIA assistance is required with this challenge.

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. | \$3,762,000 | \$752,400 | \$3,009,600 | \$3,798,592 | \$759,718 | \$3,038,874 | \$3,798,592 | \$759,718 | \$3,038,874 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| e. Other architectural and engineering fees | \$229,003 | \$45,801 | \$183,202 | \$229,074 | \$45,815 | \$183,259 | \$229,074 | \$45,815 | \$183,259 |
| f. Project inspection fees | \$102,600 | \$20,520 | \$82,080 | \$102,600 | \$20,520 | \$82,080 | \$102,600 | \$20,520 | \$82,080 |
| 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 | \$1,663,723 | \$332,745 | \$1,330,978 | \$453,136 | \$90,627 | \$362,509 | \$950,000 | \$190,000 | \$760,000 |
| j. Equipment | \$1,913,804 | \$382,761 | \$1,531,043 | \$1,273,302 | \$254,661 | \$1,018,641 | \$1,600,000 | \$320,000 | \$1,280,000 |
| k. Miscellaneous | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| l. SUBTOTAL (add a through k) | \$7,671,130 | \$1,534,227 | \$6,136,903 | \$5,856,704 | \$1,171,341 | \$4,685,363 | \$6,680,266 | \$1,336,053 | \$5,344,213 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$7,671,130 | \$1,534,227 | \$6,136,903 | \$5,856,704 | \$1,171,341 | \$4,685,363 | \$6,680,266 | \$1,336,053 | \$5,344,213 |

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