

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 NT10BIX5570076 | 3. DUNS Number 829946784 |
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| 4. Recipient Organization Vermont Telecommunications Authority One National Life Drive, Montpelier, VT 05602-3377 |
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| 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 |
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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 Jennine Poulin | 7c. Telephone (area code, number and extension) 802 828 17 |
| | 7d. Email Address jpoulin@telecomvt.org |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-16-2011 |
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Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Obtained a Finding of No Significant Impact and entered into Programmatic Agreement with Vermont SHPO and NTIA. Signed Master Services Agreement with Professional Services firm. Negotiated Statement of Work for Outside Plant Engineering. Statement of Work for Electronics is in negotiation. Statement of Work's are being prepared for RFP's to be released next quarter. Have designed surveyed 47% of poles, applied for and jointly surveyed 37% with pole owners, and requested make-ready work on 18%. Divided route into 22 zones to make project management easier. Initiated colocation conduit verification requests for four sites. Applied for colocation for three sites. Sub recipient hired a Project Accountant, Business Project Manager, and a second Project Engineer. Engaged services of law firm relative to obtaining any required land use permits. Continued network design to select electronics locations and to select optimal routes for Community Anchor Institutions (CAI) interconnection. Published first quarterly newsletter. Contacted representatives of all 340 CAI's. Interest has generally been positive, with over 80 CAI locations currently under contract. A substantial share of schools and libraries, while expressing interest in purchasing services, will still solicit proposals through competitive solicitation in order to assure their eligibility for e-rate support. Issued RFP for utilization of discounted GigE transport services by last-mile providers that will provide broadband services in underserved communities. The Chief of ConnectVermont helped draft and shepherd a bill through the Vermont legislature during Q1 and Q2 2011 that resulted in exemption of the project from state land use permit review and partial exemption from municipal zoning review. The Chief of ConnectVermont sits on the Board of the Vermont Telecommunications Authority and thereby plays an ongoing role in the oversight of the project at a high level. The percentage complete figures in this report represent the proportion of funds spent as a share of project budget. Bi-Monthly checkpoint conference calls with NTIA. Preparation and submission of reports.

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 | Work scheduled for this quarter was delayed by the timing of the release of the Finding of No Significant Impact. Nevertheless, we have made substantial progress in surveying and mapping and surveyed 47% of the estimated poles along our network route. With the release of the Finding of No Significant Impact and the engagement of professional engineering services we expect to make continued progress in surveying, make ready, network design and construction and estimate that we will reach the original target spend of 50% for our milestones by the end of the first quarter of 2012. Much of the spending on this project will be for construction and purchase of fiber optic cable. Work on network design will set the stage for further increases in spending in coming quarters, as the project moves into the construction phase. |
| 2b. | Environmental Assessment | 46 | EA work required for Finding of no Significant Impact is completed. Anticipate further work for route modifications as network routes are surveyed pursuant to the programmatic agreement. We believe our budget of \$100,000 for EA work will be spent over the life of the project. Possible additional expenditures include archeological consulting work and ER review of any project revisions. |
| 2c. | Network Design | 7 | Sovernet deferred engaging the design services of an engineering firm until this quarter since the design on which the firm could work could have been impacted by changes implemented to mitigate environmental impacts. With the release of the Finding of No Significant Impact this quarter, Sovernet Fiber Corp. selected an engineering firm that is very familiar with our project and has extensive experience with fiber build projects. We feel confident we will reach our original target spend rates by the end of the first quarter of 2012. |
| 2d. | Rights of Way | 0 | N/A |

| | 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 | 36 | Work was delayed pending the release of the Finding of no Significant Impact. With the Finding of no Significant Impact, we have made substantial progress this quarter and nearly reached our baseline goal of 40% complete by June 2011. |
| 2f. | Site Preparation | 7 | Site preparation is construction work which had to be delayed pending the release of the Finding of No Significant Impact. We made strong progress with this aspect of the project in the past quarter once the Finding of No Significant Impact was issued in April 2011. |
| 2g. | Equipment Procurement | 0 | N/A |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 0 | Network build was delayed pending the release of the Finding of No Significant Impact. As anticipated in our March 2011 Progress Performance Report, we did not spend in this area during the quarter ended June 2011. |
| 2i. | Equipment Deployment | 2 | Initiated colocation conduit verification requests for four sites; applied for colocation at three sites. |
| 2j. | Network Testing | 0 | N/A |
| 2k. | Other (please specify): | 0 | N/A |

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).

Overall progress on the project at the end of Q1-2011 trailed the original baseline target due to several related factors. First, the overlap issue (Special Award Condition #10) had to be resolved before the network route that would be reviewed in the Environmental Assessment could be determined. Although the NTIA issued a verbal description of its resolution of the overlap on 11/9/2010, it did not give the recipient formal notice that the project would proceed without modification until 4/29/2011 – 10 ½ months after award of the grant. Second, NTIA issued its Finding of No Significant Impact for the project roughly 5 months later than originally projected (5/10/2011 vs 1/02/2011), due primarily to required consultations with numerous state and federal agencies and protracted negotiation of a Programmatic Agreement among NTIA, the Vermont Division of Historic Preservation and the Vermont Telecommunications Authority. Third, the uncertain resolution of the overlap issue cast substantial uncertainty over the financial sustainability of the project. Accordingly, the sub recipient deferred engaging an engineering services contractor and starting detailed project engineering until NTIA’s resolution of the overlap issue consistent with its verbal guidance was reasonably certain. Once NTIA formally notified the recipient that the project could proceed without modification, the sub recipient moved ahead to enter a contract with the engineering contractor to prepare for construction. In an effort to recover time on the project schedule and despite not having a Finding of No Significant Impact or formal resolution of the overlap issue, the sub recipient retained an engineering firm to conduct detailed route selection and compile make-ready survey applications. Had the sub recipient not done this, the project would have been further behind the overall baseline target.

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 | Construction delayed due to delay in obtaining Finding of No Significant Impact. |
| New network miles leased | 0 | N/A |
| Existing network miles upgraded | 0 | N/A |
| Existing network miles leased | 0 | N/A |
| Number of miles of new fiber (aerial or underground) | 0 | Construction delayed due to delay in obtaining Finding of No Significant Impact. |
| Number of new wireless links | 0 | N/A |

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|---|
| Number of new towers | 0 | N/A |
| Number of new and/or upgraded interconnection points | 0 | N/A |

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:
The project is not yet providing services.

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).
Sovernet Fiber Corp., 5 Canal Street, Bellows Falls VT 05101
Subrecipient
Sovernet will operate the entire network when completed

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 | N/A |
| | Providers with signed agreements receiving improved access | 0 | N/A |
| | Providers with signed agreements receiving access to dark fiber | 0 | N/A |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | N/A |
| | Subscribers receiving new access | 0 | N/A |

| 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 |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | N/A |
| 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).

N/A

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 |
|-------------------|-------------------------------|--|--|---|
| None at this time | N/A | N/A | N/A | N/A |

Project Indicators (Next Quarter)

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

In the coming quarter we expect to develop plans and specifications and issue Request For Question's and Request For Proposals's for (1) fiber optic cable, (2) outside plant construction covering 13% of our route and (3) dense wavelength division multiplexing network equipment. We will continue surveying the poles on our route and request make-ready work from pole owners. We expect to

award a contract for fiber optic cable. We will also engage state and local government agencies on the permitting process. Our Baseline Performance Progress Report spending for the Next Quarter was anticipated to be \$4,709,000. Our current projection for the Next Quarter is \$2,609,000. The projection is lower principally because the start of construction was delayed until the Finding of No Significant Impact was release and Special Award condition 10 was lifted.

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 | 8 | Spending on work planned: continue core route surveying, additional make ready work; develop plans, specifications, Request For Questions's and Request For Proposal's for cable, Oust Side Plant construction, and Dense Wavelength Division Multiplexing network equipment. Much of the spending on this project will be for construction and purchase of fiber optic cable. Work on network design will set the stage for further increases in spending in coming quarters as the project moves into the construction phase. Please note that, consistent with NTIA guidance, the overall planned percent complete represents funds spent as a share of total project budget. |
| 2b. | Environmental Assessment | 50 | Our baseline projection stated 100% by the end of the next quarter. The projection is lower because the Finding of No Significant Impact was obtained at less than the cost budgeted. However, we may incur additional expense on the Environmental Assessment relative to archaeological work or route modifications. |
| 2c. | Network Design | 25 | Our baseline projection was 50% by the end of the next quarter. The projection is lower because network design was deferred pending issuance of the Finding of No Significant Impact and resolution of overlap issues that may have affected network design. Network design activities during the next quarter will include developing plans, specifications, RFQ's and RFP's for cable, outside plant construction and Dense Wave Division Multiplexing network equipment. |
| 2d. | Rights of Way | 0 | N/A |
| 2e. | Construction Permits and Other Approvals | 57 | Our projected spending for the next quarter is ahead of baseline plan. Continue to survey core route and apply for pole attachment licenses. |
| 2f. | Site Preparation | 28 | Our baseline projection was 50% by the end of the next quarter. The projection is lower because route selection was deferred pending of resolution of overlap issues that may have affected the location of sites in need of preparation. |
| 2g. | Equipment Procurement | 1 | Our baseline projection was 20% by the end of the next quarter. The projection is lower because we deferred the selection of an engineer firm pending issuance of the Finding of No Significant Impact and resolution of overlap issues. Dense Wavelength Division Multiplexing testing equipment was ordered in June and will be received in this quarter. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 0 | The baseline projection was 30%. The projection for the next quarter is lower because route selection, network design make-ready requests were deferred pending resolution of overlap issues and issuance of the Finding of No Signficiant Impact. Sovernet Fiber Corp. does not anticipate construction spending before September 30, 2011. However, we anticipate significant spending on construction in subsequent quarters as make-ready work is completed. |
| 2i. | Equipment Deployment | 15 | Sovernet Fiber Corp. anticipates additional spending in the next quarter on colocation augments and additional colocation applications. Our baseline projection for the next quarter was 0%. |
| 2j. | Network Testing | 0 | The baseline projection was 20%. The projection for the next quarter is lower because construction of the network was deferred pending resolution of overlap issues and issuance of the Finding of No Signficiant Impact. Testing will converge with our baseline projection in coming quarters as network is constructed and lit. |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|-------------------------|--------------------------|--|
| 2k. | Other (please specify): | 0 | N/A |

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).

Timely completion of a fiber optic cable plan, Request For Questions and Request For Proposals processes so (a) contract(s) can be awarded for fiber optic cable. Confirmation of utility easements for poles outside of public rights of way.

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 | \$1,956,141 | \$590,272 | \$1,365,869 | \$574,538 | \$176,702 | \$397,836 | \$643,190 | \$363,662 | \$279,528 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$1,151,500 | \$345,450 | \$806,050 | \$22,301 | \$6,690 | \$15,611 | \$213,831 | \$73,070 | \$140,761 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$3,017,040 | \$905,112 | \$2,111,928 | \$27,083 | \$8,125 | \$18,958 | \$62,082 | \$29,458 | \$32,625 |
| e. Other architectural and engineering fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| f. Project inspection fees | \$3,400,000 | \$1,020,000 | \$2,380,000 | \$249,389 | \$74,817 | \$174,572 | \$850,000 | \$354,756 | \$495,244 |
| 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 | \$30,720,083 | \$9,216,025 | \$21,504,058 | \$681,166 | \$274,350 | \$406,816 | \$2,088,220 | \$858,932 | \$1,229,287 |
| j. Equipment | \$7,522,996 | \$2,584,499 | \$4,938,497 | \$0 | \$0 | \$0 | \$70,550 | \$21,165 | \$49,385 |
| k. Miscellaneous | \$410,000 | \$123,000 | \$287,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| l. SUBTOTAL (add a through k) | \$48,177,760 | \$14,784,358 | \$33,393,402 | \$1,554,477 | \$540,684 | \$1,013,793 | \$3,927,873 | \$1,701,043 | \$2,226,830 |
| m. Contingencies | | | | | | | | | |
| n. TOTALS (sum of l and m) | \$48,177,760 | \$14,784,358 | \$33,393,402 | \$1,554,477 | \$540,684 | \$1,013,793 | \$3,927,873 | \$1,701,043 | \$2,226,830 |

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