

| 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 NT10BIX5570133 | 3. DUNS Number 961747875 |
| 4. Recipient Organization ION Newco Corp 80 State Street Suite 700, Albany, NY 12207-2543 | | |
| 5. Current Reporting Period End Date (MM/DD/YYYY) 03-31-2011 | 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. | | |
| 7a. Typed or Printed Name and Title of Certifying Official Michael Shuipis | 7c. Telephone (area code, number and extension) 5186894559 | |
| | | 7d. Email Address mshuipis@i-o-n.com |
| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 05-18-2011 | |
| | | |

| Project Indicators (This Quarter) | | | | | | | | | | | | | | | |
|---|---------------------------------|------------------|--|--|-----------|------------------|---|-----|------------------------|---|--|-----|---------------------------------|---|--|
| <p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>The major issue we faced during the quarter was to satisfy all of the various federal and state agencies involved in our Environmental Assessment requirements. ION Newco Corp. (ION) received its Findings of No Significant Impact (FONSI) for the Environmental work for the project. ION completed its wetland delineation for the Army Corp of Engineer for its projects 1 & 2 and has continued to get permits for the necessary work.</p> <p>ION increased the resources to continue to complete staking on the rest of the projects in our timetable. This continues to allow ION to initiate the necessary make ready work with pole owners. Which will also allow ION to complete the project on time and within the 3 year timeline.</p> <p>ION continues to work on each project according to our timeline, initiating RFQ/RFP (Request for Qualifications/Request for Proposals) for the construction and equipment for each project in a timely manner. ION continues to meet and market the availability of the network to prospective towns, anchor institutions, last mile providers, and government agencies in anticipation of the availability of the network. ION has had an overwhelming positive response to its marketing efforts with Community Anchor Institutions.</p> <p>The primary focus of our sub-recipient, the Development Authority of the North Country for the first quarter 2011, as it relates to the American Recovery and Reinvestment Act grant, was to begin construction of Segment 6. The milestones relative to that initiative include:</p> <ul style="list-style-type: none"> • All fiber cable for segment 6 has been received. • The bid for construction services for segment 6 was awarded. • Construction on a portion of segment 6 that was contracted to Northland Networks has begun. • Utility pole licensing with the power utility for a portion of segment 10 has begun. <p>In terms of Critical Anchor Institutions, the following milestones were achieved:</p> <ul style="list-style-type: none"> • State University of New York Institute of Technology is installed, tested, and is operational. • Begun negotiations with the New York Power Authority for an access and license agreement for access to their facility. • Negotiations with Alice Hyde Medical Center for central office space and service have begun. | | | | | | | | | | | | | | | |
| <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> <table border="1"> <thead> <tr> <th></th> <th>Milestone</th> <th>Percent Complete</th> <th>Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)</th> </tr> </thead> <tbody> <tr> <td>2a.</td> <td>Overall Project</td> <td>5</td> <td>Baseline = 8%; \$2,507,018 expended of \$4,008,953 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$48,673,735. Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Non-Federal matching funds have been fully utilized in the project.</td> </tr> <tr> <td>2b.</td> <td>Environmental Assessment</td> <td>0</td> <td>The original grant for the project was awarded in December, 2009. As a result of the entity change process, a new grant was assigned in September 2010 which necessitated a revised budget for the remaining amount of the grant expenditures. As required by the original grant Special Award Conditions, the Environmental Assessment (EA) work was budgeted as part of the original grant expenditures. Since the milestones are measured against dollars expended vs. budgeted, and all EA budgeted dollars were expended under the original grant, zero percent is reported here.</td> </tr> </tbody> </table> | | | | | 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 | Baseline = 8%; \$2,507,018 expended of \$4,008,953 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$48,673,735. Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Non-Federal matching funds have been fully utilized in the project. | 2b. | Environmental Assessment | 0 | The original grant for the project was awarded in December, 2009. As a result of the entity change process, a new grant was assigned in September 2010 which necessitated a revised budget for the remaining amount of the grant expenditures. As required by the original grant Special Award Conditions, the Environmental Assessment (EA) work was budgeted as part of the original grant expenditures. Since the milestones are measured against dollars expended vs. budgeted, and all EA budgeted dollars were expended under the original grant, zero percent is reported here. |
| | 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 | Baseline = 8%; \$2,507,018 expended of \$4,008,953 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$48,673,735. Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Non-Federal matching funds have been fully utilized in the project. | | | | | | | | | | | | |
| 2b. | Environmental Assessment | 0 | The original grant for the project was awarded in December, 2009. As a result of the entity change process, a new grant was assigned in September 2010 which necessitated a revised budget for the remaining amount of the grant expenditures. As required by the original grant Special Award Conditions, the Environmental Assessment (EA) work was budgeted as part of the original grant expenditures. Since the milestones are measured against dollars expended vs. budgeted, and all EA budgeted dollars were expended under the original grant, zero percent is reported here. | | | | | | | | | | | | |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|--|---|------------------|---|
| | 2c. Network Design | 49 | <p>Baseline = 100%; \$291,285 expended of \$596,031 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$596,031. According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process, some delays have been experienced in Network Design. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table.</p> <p>Note: Expenditures for Rights of Way and Construction Permits were erroneously charged to this category for our 4Q2010 report. They are charged to the proper categories for this report.</p> |
| | 2d. Rights of Way | 2 | <p>Baseline = 36%; \$11,233 expended of \$195,792 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$542,768. According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process, some delays have been experienced in Rights of Way. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table.</p> <p>Note: Expenditures for Rights of Way were erroneously charged to the Network Design category for our 4Q2010 report. They are charged to the proper categories for this report.</p> |
| | 2e. Construction Permits and Other Approvals | 27 | <p>Baseline = 35%; \$49,531 expended of \$63,203 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$180,923. Due to unanticipated delays in Environmental Assessment process, and our need to concentrate manpower resources in that process, some delays have been experienced in Construction Permits. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter.</p> <p>Note: Expenditures for Construction Permits were erroneously charged to the Network Design category for our 4Q2010 report. They are charged to the proper categories for this report.</p> |
| | 2f. Site Preparation | 0 | <p>Baseline = 1%; \$248 expended of \$24,000 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$1,995,501. Due to unanticipated delays in Environmental Assessment process, and our need to concentrate manpower resources in that process, some delays have been experienced in Site Preparation. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter.</p> |
| | 2g. Equipment Procurement | 4 | <p>Baseline = 10%; \$251,784 expended of \$558,700 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$5,598,140. Due to unanticipated delays in Environmental Assessment process, and our need to concentrate manpower resources in that process, some delays have been experienced in Equipment Procurement. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter.</p> |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|-----|--|------------------|--|
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 5 | Baseline = 6%; \$1,725,356 expended of \$2,372,975 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$37,980,932. Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. |
| 2i. | Equipment Deployment | 0 | Baseline = 0%; No variance. Total budget (Federal and matching funds) is \$374,500. |
| 2j. | Network Testing | 0 | Baseline = 0%; No variance. Total budget (Federal and matching funds) is \$374,500. |
| 2k. | Other (please specify): Grant Administration | 17 | Baseline = 19%; \$177,581 expended of \$198,251 budgeted through first quarter 2011. Total budget (Federal and matching funds) is \$1,030,440. Variance is not significant. We expect to catch up to budget during the next quarter. |

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).

We continues to work diligently through an issue that has recently come to our attention and which if not resolved could potentially hold up and/or cause a great financial burden for ION. ION intends to spend \$49M in New York state for broadband expansion mostly via the placement of fiber in the public right of way. ION is being told now that New York State Department of Transportation (NYSDOT) is requiring that it sign a Use and Occupancy (U&O) agreement and pay a fee for the use of that pubic Right of Way (ROW).

ION has previously installed fiber in the public right away via NYSDOT permits under Empire State Independent Network LLC which certifications and tariffs are now owned by ION HoldCo LLC. The construction of the original network by ION was completed without the need of a NYSDOT U&O agreement and the associated lease payments, but now the NYSDOT is insisting that we sign one.

We have been trying to work through this issue through the Governor's office, our attorney, and NYSTAR (New York State Foundation for Science, Technology and Innovation). We were told that there is a practice of not requiring a U&O agreement with the associated rent/lease payments for C Corporations or Transportation Corporations such as telephone companies like Frontier, Verizon or Windstream. We have pointed out to NYSDOT that ION has been certified by the New York State Public Service Commission (NYSPSC) as a telephone company and as a utility we currently operate under the control of the NYS PSC and they still want to require ION pay the fee and sign the agreement. This clearly can't be accurate because ION HoldCo LLC who acquired the assets, certifications and business agreements of Empire State Independent Network LLC has routinely been granted by the NYSDOT permits to place fiber optic cable in the public right away without the need for a Use and Occupancy agreement. ION is escalating this issue with New York State. The financial impact of the fees on the BTOP projects is being assessed.

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 | Baseline = 41; According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table. |
| New network miles leased | 0 | Baseline = 0; No variance. |
| Existing network miles upgraded | 0 | Baseline = 0; No variance. |

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|--|
| Existing network miles leased | 0 | Baseline = 33; According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table. |
| Number of miles of new fiber (aerial or underground) | 0 | Baseline = 74; According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table. |
| Number of new wireless links | 0 | N/A |
| Number of new towers | 0 | N/A |
| Number of new and/or upgraded interconnection points | 0 | Baseline = 5; According to the provisions of the Grant, we have been prohibited from beginning the physical construction of the fiber network until we completed our Environmental Assessment (EA) process and were issued a Finding of No Significant Impact (FONSI). Due to major complexities and unanticipated delays in the Environmental Assessment process, and our need to concentrate manpower resources in that process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010. We do not expect these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter. Two additional contractors have been employed to accelerate the staking of fiber routes in order that we can begin actual fiber construction as early as possible in order to catch up to our planned time table. |

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 | 1 |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 10 |
| Average term of signed agreements (in quarters) | 12 |

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
Paetec

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:

100 Megabit circuit

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).

ION's partner, in the application and a sub recipient in the grant, is DANC. DANC is the Development Authority for the North Country based in Watertown, NY which operates a solid waste management facility, water and wastewater facilities, an open access telecom network, and administers several business and housing loan programs. Contact person for this organization is Dave Wolf, General Manager, Telecommunications (315)-785-2593

DANC is responsible to construct and operate approximately 40% of the total Grant project.

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 | Baseline = 0 |
| | Providers with signed agreements receiving improved access | 1 | Baseline = 0; Even though no fiber routes have been completed to date, electronics purchased with BTOP funds have been installed that facilitate the improved access for this provider. |
| | Providers with signed agreements receiving access to dark fiber | 0 | Baseline = 0 |
| | Please identify the speed tiers that are available and the number of subscribers for each | 1 | 100 Megabit circuit |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | Baseline = 0 |
| | Subscribers receiving new access | 0 | Baseline = 0 |
| | Subscribers receiving improved access | 1 | Baseline = 0; The improved access provided to Paetec (see above) in turn provides improved access to the CAI. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | 100 Megabits |
| 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 | 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 for each | | |
| 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).

The priority for ION with this funding will be to seek out and work with governmental, educational, and healthcare entities that need service or that can offer services to support the vision of the American Reinvestment and Recovery Act. ION is working in close collaboration with Southern Tier West, Southern Tier Central, Southern Tier East, and other development agencies where job creation is central to their mission. ION will address the needs of public safety agencies and has met with agencies to address the need for reliable, affordable and secure capacity to meet the needs of these entities. ION may provide collocation and cross connection services to 3rd party providers requiring such services. ION may provide direct Internet backbone access to anchor institutions or 3rd party service providers to resell to their customers.

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 |
|------------------|-------------------------------|--|--|---|
| SUNY IT | Utica, NY | Other institutions of Higher Education | Yes | BTOP funded electronics provides for improved access to 100 Megabit circuit. |

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

ION has received the Finding of No Significant Impact (FONSI) in 1Q2011. ION has concentrated on getting the projects ready for the physical construction phase of the project. RFP's and RFQ's will continue to go out and be awarded to companies involved in this quarter. Pole attachment agreements and permits will continue to be focused on so construction can proceed accordingly. ION will continue to work on completing the network design and final plans for the remaining projects. This will include permitting, staking, and ordering fiber. ION will continue to work with all the federal and state agencies on revisiting the EA work as necessary. The 2Q2011 will see physical construction on the DANC portion of the project will begin construction of fiber network in April 2011 and ION intends to begin construction of its first projects (project 2 and 4b) in May of 2011. The only unresolved issue is the Department of Transportation (DOT) surcharge on ROW use. We have also been working through an issue related to procuring the necessary fiber cable on a timely basis since the Corning fiber supply has now been committed to the needs created by the Japan tsunami disaster. We are awaiting a Corning Cable response and have contacted another vendor, Optical Fiber Systems (OFS) to determine if they could be a viable alternative to Corning.

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 | 15 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2b. | Environmental Assessment | 0 | The original grant for the project was awarded in December, 2009. As a result of the entity change process, a new grant was assigned in September 2010 which necessitated a revised budget for the remaining amount of the grant expenditures. As required by the original grant Special Award Conditions, the Environmental Assessment (EA) work was budgeted as part of the original grant expenditures. Since the milestones are measured against dollars expended vs. budgeted, and all EA budgeted dollars were expended under the original grant, zero percent is reported here. |
| 2c. | Network Design | 100 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2d. | Rights of Way | 51 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2e. | Construction Permits and Other Approvals | 48 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2f. | Site Preparation | 4 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2g. | Equipment Procurement | 21 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 12 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2i. | Equipment Deployment | 11 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|---|---------------------------------|---|
| | | | expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2j. | Network Testing | 8 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |
| 2k. | Other (please specify): Grant Administration | 27 | Zero variance; Due to the unanticipated delays in the EA process we were not able to begin actual construction as we had originally planned in the summer and fall months of 2010 and early 2011. As a result, we have not been able to expend all of the funds as budgeted. Now that we have our FONSI, we expect to begin construction and to be able to catch up to our budgeted level of expenditures during the second quarter of 2011. Non-Federal matching funds will be fully available during the next quarter. |

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).

As stated above, we are now ready to start physical construction of the network. Prior to beginning actual construction, we must have the reels of fiber ordered and delivered. We are now being informed by our fiber cable vendor that they are experiencing delays in their manufacturing process, and delays in shipping fiber cable due to the earthquakes and tsunami in Japan. At this time we are unable to determine the effect this issue will have on our progress. We will continue to seek additional resources for the procurement of the necessary fiber, which will include going back to the other bidders in the RFP process. If necessary we will rebuild and adjust our timeline to continue on schedule.

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 | \$1,030,440 | \$206,088 | \$824,352 | \$177,581 | \$35,516 | \$142,065 | \$281,470 | \$56,294 | \$225,176 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$3,116,122 | \$623,224 | \$2,492,897 | \$585,004 | \$117,001 | \$468,003 | \$909,675 | \$181,935 | \$727,740 |
| 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 | \$1,157,001 | \$231,400 | \$925,601 | \$248 | \$50 | \$198 | \$86,554 | \$17,311 | \$69,244 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$37,772,032 | \$7,554,407 | \$30,217,626 | \$1,492,401 | \$298,480 | \$1,193,921 | \$4,833,642 | \$966,728 | \$3,866,913 |
| j. Equipment | \$5,598,140 | \$1,119,628 | \$4,478,512 | \$251,784 | \$50,357 | \$201,427 | \$1,187,300 | \$237,460 | \$949,840 |
| k. Miscellaneous | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| I. SUBTOTAL (add a through k) | \$48,673,735 | \$9,734,747 | \$38,938,988 | \$2,507,018 | \$501,404 | \$2,005,614 | \$7,298,641 | \$1,459,728 | \$5,838,913 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of I and m) | \$48,673,735 | \$9,734,747 | \$38,938,988 | \$2,507,018 | \$501,404 | \$2,005,614 | \$7,298,641 | \$1,459,728 | \$5,838,913 |

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