

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 NT10BIX5570108 | 3. DUNS Number 957995392 |
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4. Recipient Organization

Central Management Services, Illinois Department of 120 W Jefferson St, FL 2, Springfield, IL 62702-5103

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| 5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2011 | 6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No |
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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.

| | |
|--|---|
| 7a. Typed or Printed Name and Title of Certifying Official Lori Sorenson | 7c. Telephone (area code, number and extension) X |
| | 7d. Email Address lori.sorenson@illinois.gov |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 02-14-2012 |
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Project Indicators (This Quarter)

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

Overall the project is 12% complete. Total project expenditures are \$11,441,431 which includes \$9,034,421 in federal funds. These federal funds have supported a cumulative total of 110 full time equivalent jobs.

During this quarter Central Management Services (CMS) submitted a Post Award Modification for minor route changes to address restrictions of the FONSI near the Cahokia Mounds area and planned road construction. The route changes do not change the planned anchors and communities to be served. CMS is in the process of receiving approvals from the appropriate state and federal agencies.

Construction along the first network span started in November (90 mile span). As a result of the mild weather the contractor was able to install over 12,000 feet of conduit. Orders have been issued for two more network spans representing another 80 miles. CMS has selected vendors and is processing orders for four more spans representing 300 miles. Four vendors with multiple crews will be working simultaneously to install over 1,000 miles of new fiber over the next 6 to 9 months.

Staff are working to secure permits for the new construction. CMS has filed permits for 6 of 12 network spans. The majority of the fiber will be installed along Illinois Department of Transportation's (IDOT) controlled access right of way so staff are working closely with IDOT to ensure timely approval.

CMS continues to provide a monthly project update via email to community anchor institutions and interested organizations. The updates are also available on the Illinois Century Network website at http://www.illinois.net/IBOP/IBOP_EastCentral/Newsletters/IBOP_EC_Monthly_Update.html.

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 | 12 | Baseline target is 20%. Previous PPR set a target of 13%. The actual spend is \$11,441,431 which is \$1M shy of the previous PPR's projections. Invoices for engineering work completed and equipment purchased were received to close to the end of the quarter and were not processed by the cutoff date. Overall, the project is behind the baseline projections due to the unanticipated time needed for the Environmental Assessment. |
| 2b. | Environmental Assessment | 96 | Baseline target is 100%. Previous PPR set a target of 100% and reported 100% had been achieved. This past quarter we reallocated money to this budget item to cover future costs associated with an amendment to the Environmental Assessment for necessary route modifications. The budgeted amount increased from \$920,322 to \$984,627. Actual cumulative spend is \$947,983. |
| 2c. | Network Design | 54 | Baseline target is 70%. Previous PPR set a target of 68%. Activity that aligns with the Network Design milestone includes Detailed Network Design, Bidding Documents, and Bidding Phase work. In terms of actual activity, 100% of the Detailed Network Design, 87% of the Bidding Documents, and 41% of the Bidding Phase are complete as of December 31, 2011. |
| 2d. | Rights of Way | 25 | Baseline target is 100%. Previous PPR set a target of 24%. Actual cumulative spend is \$270,787 of the total budgeted \$1,076,929. The Environmental Assessment put CMS behind in applying for permits. Permits are also taking longer than originally anticipated. |
| 2e. | Construction Permits and Other Approvals | 0 | NA - CMS has no spend mapped to this milestone. These expenditures are included in 2h Network Build. |
| 2f. | Site Preparation | 8 | Baseline target is 36%. Previous PPR set a target of 7%. Actual cumulative spend is \$276,588 of \$3,457,000. Nearly half of this milestone category is for an in kind contribution of space for network equipment within the sub recipient's portion of the project. CMS originally anticipated that the sub recipient would have secured the |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|-----|---|------------------|--|
| | | | space at this point in the project; however, the sub is forecasting this activity for later this calendar year. |
| 2g. | Equipment Procurement | 44 | Baseline target is 26%. Previous PPR set a target of 45%. Actual cumulative spend is \$5,267,616 of \$11,911,943. An invoice for equipment was received to close to the end of the quarter and was not processed by the cutoff date. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 3 | Baseline target is 13%. Previous PPR set a target of 4%. Actual cumulative spend is \$2,250,293 of \$72,603,876. While construction activities started in November, the invoice was received to close to the end of the quarter and was not processed by the cutoff date. |
| 2i. | Equipment Deployment | 0 | Baseline target is 30%. Previous PPR set a target of 5%. CMS originally anticipated utilizing contractual services for equipment deployment. So far, we are primarily using in-house staff that are not billed to the project. We do anticipate using a limited amount of contractual services in the next quarter. The savings will be re-budgeted to another milestone category. |
| 2j. | Network Testing | 0 | NA - CMS has no spend mapped to this milestone. CMS is using existing staff not charged to project plus contractual resources reported in 2k Other. |
| 2k. | Other (please specify): Professional Services such as Project Management, Web Design, Project Engineer | 28 | Baseline target is 31%. Previous PPR set a target of 35%. Actual cumulative spend is \$462,304 of \$1,626,439. The sub recipient experienced delays in hiring staff which put them behind their projections. |

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).

The greatest challenge right now is permitting. The engineering firm is working diligently to complete the remaining permit applications and respond quickly to modification requests from the permitting authorities. Many of the rail roads have indemnification language in their agreements that must be changed through negotiations as the State of Illinois cannot indemnify another entity. The contractors are moving forward with construction in the areas where permits have been secured and will complete the remaining areas at a later date.

CMS is seeking NTIA's approval for a Post Award Modification. We would like to have approval before the end of the next quarter. This will allow the contractors to complete the route changes while they are still in the field working on the specific span.

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 target is 0. |
| New network miles leased | 307 | Baseline target is 268. CMS was able to secure fiber leases ahead of schedule. |
| Existing network miles upgraded | 0 | Baseline target is 0. |
| Existing network miles leased | 271 | Baseline target is 221. CMS was able to light existing leased fiber ahead of schedule. |
| Number of miles of new fiber (aerial or underground) | 0 | Baseline target is 0. |
| Number of new wireless links | 0 | Baseline target is 0. |
| Number of new towers | 0 | Baseline target is 0. |
| Number of new and/or upgraded interconnection points | 95 | Baseline target is 37. CMS was able to light existing leased fiber ahead of schedule. |

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 | 0 |
| Average term of signed agreements (in quarters) | 80 |

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

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:

Dark Fiber, Lambda/Wave Services, Ethernet Services ranging in speeds of 10 Mbps to 10 Gbps, and Internet 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).

NA

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 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Providers with signed agreements receiving improved access | 0 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Providers with signed agreements receiving access to dark fiber | 0 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | Dark Fiber, Lambda/Wave Services, Ethernet Services ranging in speeds of 10 Mbps to 10 Gbps, and Internet Services. |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 7 | The new leased fiber lit in 2011 positions these CAIs to connect at speeds up to 100 megabits. Since only a small portion of the network (80 of 2,000 miles) is operational, the new service offerings are not available. Once fully deployed, these CAIs will realize a significant increase in broadband speeds as they move from 3-5 megabits to 50-100 megabits. |
| | Subscribers receiving new access | 0 | Since only a small portion of the network (80 of 2,000 miles) is operational, the new service offerings are not available. |
| | Subscribers receiving improved access | 7 | Since only a small portion of the network (80 of 2,000 miles) is operational, the new service offerings are not available. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 4 | Dark Fiber, Lambda/Wave Services, Ethernet Services ranging in speeds of 10 Mbps to 10 Gbps, and Internet Services. |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--------------------------|---|--------|---|
| Residential / Households | Entities passed | 0 | NA - The project is a Comprehensive Community Infrastructure project with no last mile component. |
| | Total subscribers served | 0 | NA - The project is a Comprehensive Community Infrastructure project with no last mile component. |
| | Subscribers receiving new access | 0 | NA - The project is a Comprehensive Community Infrastructure project with no last mile component. |
| | Subscribers receiving improved access | 0 | NA - The project is a Comprehensive Community Infrastructure project with no last mile component. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | NA - The project is a Comprehensive Community Infrastructure project with no last mile component. |
| Businesses | Entities passed | 19,767 | This represents the businesses near the leased fiber that is operational. |
| | Total subscribers served | 0 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Subscribers receiving new access | 0 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Subscribers receiving improved access | 0 | Since only a small portion of the network is operational, there are no subscribers at this time. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 4 | Dark Fiber, Lambda/Wave Services, Ethernet Services ranging in speeds of 10 Mbps to 10 Gbps, and Internet Services. |

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

NA

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).

NA

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 |
|------------------------------------|-------------------------------|--|--|---|
| IL Dept. of Transportation | Madison County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| Illinois State Police | Madison County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| IL Dept. of Central Mgmt Services | Madison County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| IL Workers Compensation Commission | Sangamon County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| IL Dept. of Human Services | Sangamon County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| IL Dept. of Central Mgmt Services | Sangamon County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |
| IL State Board of Education | Sangamon County | Other Govt. | Yes | The site has been physically connected but has not migrated to the new service offerings. |

Project Indicators (Next Quarter)

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

The cumulative spend estimated for next quarter is \$18 million which is 19% of the total project spend. The baseline projected a cumulative spend of \$40 million or 42% of the total project. \$20 of the \$22 million shortfall is from the network build milestone. The Environmental Assessment delayed the start of construction by two quarters.

We anticipate that by the end of the quarter we will have completed construction bidding, issued orders to contractors, and started construction on all 12 network spans. Construction for each network span is expected to last 6 to 9 months with construction substantially complete in Q4-2012. We anticipate that some construction activities will carry over into the first half of 2013 as we complete road/rail crossings postponed due to permit delays and minor route changes due to restrictions in the FONSI.

To date, the construction contractors have provided fiber and conduit materials as part of their bid. Staff have been working with the engineering firm and the contractors to prepare a bulk fiber order to expedite delivery for the network spans not yet awarded to a contractor. The fiber order will be submitted by the end of the next quarter.

We will continue to focus our attention on submitting permits for the remaining 6 network spans and securing the remaining permits. Staff are working closely with the Illinois Department of Transportation to complete the numerous permits that fall within their jurisdiction.

CMS is also working to finalize additional fiber leases. Three lease agreements are in contract negotiations and we anticipate issuing bids for another four by the end of the quarter.

Key Performance Indicators for next quarter include:

- New Network Miles Deployed - 15 miles of conduit
- New Network Miles Leased - 354
- Total CAls Connected - 7
- Signed Agreements with Wholesalers and/or Last Mile Providers - 1

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 | 19 | Baseline target is 42%. The difference is primarily due to the unanticipated time to complete the Environmental Assessment. See details below. |
| 2b. | Environmental Assessment | 96 | Baseline target is 100%. This past quarter we reallocated money to this budget item to cover future costs associated with an amendment to the Environmental Assessment for necessary route modifications. The budgeted amount increased from \$920,322 to \$984,627. |
| 2c. | Network Design | 85 | Baseline target is 100%. In working with our sub recipient, we have identified they will be a little behind schedule. We anticipate completing all design activities by the end of next quarter. Because of the billing cycle we project about \$700,000 will not be paid until the following quarter resulting in a 15% shortfall of the baseline. |
| 2d. | Rights of Way | 38 | Baseline target is 100%. Due to the longer than anticipated time for the Environmental Assessment process, permits and rights of way activities are behind what was targeted in the baseline. Permits and rights of way requests have been requested or approved for 56% of the new construction miles. Right of Way fees are primarily charged by the rail roads. The final costs will likely be less than the budgeted amount. |
| 2e. | Construction Permits and Other Approvals | 0 | NA - CMS has no spend mapped to this milestone. These expenditures are included in 2h Network Build. |
| 2f. | Site Preparation | 9 | Baseline target is 61%. Nearly half of this milestone category is for an in kind contribution of space for network equipment within the sub recipient's portion of the project. CMS originally anticipated this space would be secured and booked to the project at this point in the project; however, in working with the sub we're forecasting this activity will occur in Q2-2012. |
| 2g. | Equipment Procurement | 68 | Baseline target is 46%. CMS is ahead of schedule in lighting leased fiber. We have purchased most of the optical equipment and have deployed it to the network node sites. This approach enables a quicker turn-up of leased and built |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|--|--------------------------|--|
| | | | fiber. We have also used in house staff instead of contractors which has resulting in a cost savings that will be reinvested in the project. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 6 | Baseline target is 35%. Construction on the first network span started in November. While construction is starting later than anticipated in the baseline we are forecasting completion in Q4-2012 which would be ahead of schedule. We have condensed the construction schedule by utilizing 4 vendors with multiple crews working simultaneously on the 12 network spans. Most, if not all, network spans will be under construction by the end of the next quarter. |
| 2i. | Equipment Deployment | 5 | Baseline target is 40%. CMS originally anticipated utilizing contractual services for equipment deployment. So far, we are using in-house staff that are not billed to the project. We are forecasting a savings of \$500,000 of the \$1,050,000 budgeted to this milestone. The savings will be re-budgeted to another milestone category. |
| 2j. | Network Testing | 0 | NA - CMS has no spend mapped to this milestone. CMS is using existing staff not charged to the project plus contractual resources reported in 2k Other. |
| 2k. | Other (please specify): Professional Services such as Project Management, Web Design, Project Engineer | 33 | Baseline target is 40%. The majority of the funds budgeted to this milestone are for contractual resources. The shortfall is due to delays on boarding resources earlier in the project. |

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).

Weather, permits and materials are the three factors that have the greatest potential to impact projections for next quarter. We anticipate that some construction activities will continue during the next quarter but recognize that progress will likely be slower in January and February. The engineering firm and staff are focusing closely on the permits knowing that we want most permits secured during the next quarter. To date construction contractors are purchasing fiber as they are selected to build a network span. CMS is in the process of placing a bulk fiber order to speed up delivery of materials for the construction that hasn't yet started.

The projected match proportionality remains at 80% federal and 20% local while the overall project target is 64% federal and 36% local. The approved project detailed budget identifies \$31M of \$34.4M local match applied to the construction activities. Construction activities are just beginning in Q4 with expenditures anticipated to be reflected in the Q1-2012 report. The local match proportionality will increase as construction activities progress. CMS will submit a match proportionality waiver following submission of the quarterly and annual progress reports.

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 | \$2,451,362 | \$222,637 | \$2,228,725 | \$692,477 | \$179,372 | \$513,105 | \$902,890 | \$189,872 | \$713,018 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$1,862,000 | \$1,512,000 | \$350,000 | \$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 | \$5,173,002 | \$0 | \$5,173,002 | \$2,894,189 | \$0 | \$2,894,189 | \$4,041,636 | \$0 | \$4,041,636 |
| e. Other architectural and engineering fees | \$600,000 | \$0 | \$600,000 | \$0 | \$0 | \$0 | \$51,864 | \$0 | \$51,864 |
| f. Project inspection fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| g. Site work | \$1,050,000 | \$0 | \$1,050,000 | \$276,588 | \$0 | \$276,588 | \$308,725 | \$0 | \$308,725 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$64,182,920 | \$30,249,603 | \$33,933,317 | \$22,655 | \$0 | \$22,655 | \$2,250,899 | \$2,250,899 | \$0 |
| j. Equipment | \$11,911,943 | \$538,950 | \$11,372,993 | \$5,267,616 | \$0 | \$5,267,616 | \$8,098,096 | \$7,535 | \$8,090,561 |
| k. Miscellaneous | \$9,150,801 | \$1,963,556 | \$7,187,245 | \$2,287,906 | \$2,227,638 | \$60,268 | \$2,289,964 | \$2,227,638 | \$62,326 |
| l. SUBTOTAL (add a through k) | \$96,382,028 | \$34,486,746 | \$61,895,282 | \$11,441,431 | \$2,407,010 | \$9,034,421 | \$17,944,074 | \$4,675,944 | \$13,268,130 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$96,382,028 | \$34,486,746 | \$61,895,282 | \$11,441,431 | \$2,407,010 | \$9,034,421 | \$17,944,074 | \$4,675,944 | \$13,268,130 |

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: \$538,950

b. Program Income to Date: \$207,510