

RECIPIENT NAME: ION Newco Corp
AWARD NUMBER: NT10BIX5570133
DATE: 11/28/2011

OMB CONTROL NUMBER: 0660-0037
EXPIRATION DATE: 12/31/2013

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) 09-30-2011	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): 11-28-2011	

Project Indicators (This Quarter)

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

During the third quarter, ION completed the following significant project accomplishments:

ION has increased labor resources dedicated towards completion of staking on the remaining projects. This allows ION to initiate the necessary make ready work with pole owners and to complete the project on time and within the three year timeline.

ION continues to work on each project according to the timetable, 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 future network availability to prospective towns, anchor institutions, last mile providers, and government agencies. ION has had a positive response to its marketing efforts with Community Anchor Institutions (CAI).

The delivery of fiber optic cable continues. Laydown yards at three strategic sites in the state have been established for secure storage of the fiber prior to deployment.

The placement of support strand continues for Project 4b (Whitehall, NY to Rutland VT).

An Award Action Request was submitted to add an additional subrecipient to participate in the construction of Project 4a (Crown Point New York to Burlington Vermont.)

ION has chosen ADVA Optical as their vendor for DWDM electronics. Purchase orders have been placed.

ION has released Request for Proposals (RFP) for Ethernet electronics.

The primary accomplishments for the Development Authority of the North Country for 3Q2011:

Accomplishments relative to segment 6 include:

Fiber Cable Construction of segment 6 is now 100% complete.

All power equipment for segment 6 was ordered, shipped and installation has begun.

DWDM equipment for segment 6 was ordered.

All fiber cable was spliced, tested and accepted.

The IRU for strands to Griffiss Business and Technology Park were tested and accepted.

Cable was placed in front of the New York Power Authority (NYPA) location in Marcy for future installation on campus.

Accomplishments relative to segment 10 include:

Make Ready surveys were filed for the entire route and the make-ready survey process has proceeded well. This is now 80% complete.

Completed the wetlands delineation for the Army Corps of Engineers.

Received permits as follows; Adirondack Park Agency Jurisdictional Inquiry package, The Joint Application for Permit for the US Army Corp of Engineers and NYSDEC, and the preparation of a Temporary Revocable Permit for the NYSDEC.

Issued bids for fiber optic cable for segment 10.

Issued bids for Segment 10 underground construction.

Signed an access and license agreement for the Cranberry Lake Central Office.

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	17	Baseline = 22%; \$8,156,842 expended of \$10,679,972 budgeted through third 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.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
	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	Baseline = 100%; \$676,719 expended of \$596,031 budgeted through third quarter 2011. Total budget (Federal and matching funds) is \$596,031. According to the provisions of the Grant, we were 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. 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.
	2d. Rights of Way	3	Baseline =100%; \$18,795 expended of \$542,768 budgeted through third 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. 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.
	2e. Construction Permits and Other Approvals	67	Baseline = 100%; \$121,209 expended of \$180,923 budgeted through third 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 actual construction. In order to avoid future delays we have accelerated some up front activities such as Permitting for upcoming projects. 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.
	2f. Site Preparation	0	Baseline = 17%; \$248 expended of \$328,833 budgeted through third 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

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			these delays to affect the overall timetable for our projects and we expect to catch up to our budget during the next quarter.
2g.	Equipment Procurement	7	Baseline = 24%; \$381,335 expended of \$1,315,100 budgeted through third 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.
2h.	Network Build (all components - owned, leased, IRU, etc)	17	Baseline = 19%; \$6,629,020 expended of \$7,251,961 budgeted through third 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 = 17%; \$0 expended of \$62,667 budgeted through third quarter 2011. Total budget (Federal and matching funds) is \$374,500. 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.
2j.	Network Testing	0	Baseline = 10%; \$0 expended of \$37,000 budgeted through third quarter 2011. Total budget (Federal and matching funds) is \$374,500. 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.
2k.	Other (please specify): Grant Administration	32	Baseline = 35%; \$329,516 expended of \$364,689 budgeted through third 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).

During the third quarter ION faced the following challenges and issues:

- ION was challenged by the suggestion that part of the project build overlapped with the proposed build of another federally funded project in the northern portion of New York state. A solution to the problem has been submitted to our program officer and is being reviewed. It is anticipate that the issue is not significant.
- During the quarter ION continued to experience long delays by Verizon in performing necessary make ready alterations to Verizon poles. In many instances the agreed upon date for work to be completed has passed with no work being started. We are continuing to meet with Verizon representatives to urge them to meet agreed upon work timetables. We are also exploring legal paths to a solution.
- ION is receiving notices from its fiber optic cable provider, Corning, and other potential providers that setting firm future delivery dates is problematic. The stated reason is both global production and demand pressures resulting from the disasters in Japan. Delays in the receipt of fiber could impact unfavorably on meeting the three-year timetable for completion of the grant build. ION is working closely with Corning and other providers to gain firm delivery dates.

During the third quarter Development Authority of the North Country (DANC) faced the following challenges and issues:

Although DANC bid the fiber cable for segment 10, none of the respondents that can provide cable that meets the "Buy American" provision provided delivery dates. We have been told that cable may not ship until 3Q2012.

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	90	Baseline = 152; According to the provisions of the Grant, we were 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	5	Baseline = 0; Variance is immaterial.
Existing network miles upgraded	0	Baseline = 0; No variance.
Existing network miles leased	0	Baseline = 67; According to the provisions of the Grant, we were 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. The normal sequence of activities for projects such as ours is to enter into lease arrangements near the completion of any newly constructed portions of a build. With new construction delayed, lease contracts have also been delayed. 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)	90	Baseline = 219; According to the provisions of the Grant, we were 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

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new and/or upgraded interconnection points	2	Baseline = 6; According to the provisions of the Grant, we were 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: 150 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 the Development Authority for the North Country (DANC) 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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Providers with signed agreements receiving improved access	1	Baseline = 3; Even though no fiber routes have been completed to date to connect to this broadband wholesaler, electronics purchased with BTOP funds have been installed that facilitate the improved access for this provider. 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.
	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	150 Megabit circuit
Community Anchor Institutions (including Government institutions)	Total subscribers served	1	Baseline = 3; 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.
	Subscribers receiving new access	0	Baseline = 0; Service being provided to CAI above Baseline amount
	Subscribers receiving improved access	1	Baseline = 3; 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.
	Please identify the speed tiers that are available and the number or subscribers for each	1	150 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 subscribers for each	0	N/A
Businesses	Entities passed	0	N/A
	Total subscribers served	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 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
N/A	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).
 ION will concentrate on getting the remaining projects ready for the physical construction phase of the project. RFP's and RFQ's will continue to be reviewed and awarded to vendors and contractors. 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. Pole attachment agreements and permits will continue to be focused on so construction can proceed accordingly.

 ION will continue to work with all the federal and state agencies on monitoring the Environmental Assessment requirements as necessary.

 ION will select a vendor to supply Ethernet electronics.

 ION expects to host an event at one or more of the project sites to showcase the progress of the BTOP build.

 DANC anticipates completing the equipment install test and turn-up of segment 6. For the segment 10 build they anticipate completing all underground construction, completing the make ready surveys, and beginning the make-ready work. We also anticipate awarding the fiber cable bid.
 DANC expects for segment 8 to award the fiber cable bid and to begin the make-ready survey process. They also expect to have several access and license agreements in place for the Central offices.

 For combined ION and DANC, for the fourth quarter:
 Projected new network miles deployed - 75
 Projected new network miles leased - 0

Projected total CAI subscribers served (CAIs connected) - 2
 Projected number of signed agreements with broadband wholesalers or last mile providers - 3

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	30	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth 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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2d.	Rights of Way	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2e.	Construction Permits and Other Approvals	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2f.	Site Preparation	33	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2g.	Equipment Procurement	26	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2h.	Network Build (all components - owned, leased, IRU, etc.)	28	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2i.	Equipment Deployment	20	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2j.	Network Testing	20	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth quarter of 2011. Non-Federal matching funds will be fully available during the next quarter.
2k.	Other (please specify): Grant Administration	43	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 have begun construction and expect to be able to catch up to our budgeted level of expenditures during the fourth 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 have begun physical construction of the network. Prior to performing actual construction, we must both complete Make Ready work and 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. We anticipate that Verizon will continue to miss the deadlines for completing Make Ready work. 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

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	\$329,516	\$65,903	\$263,613	\$447,908	\$89,582	\$358,326
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	\$1,330,560	\$266,112	\$1,064,448	\$1,500,000	\$300,000	\$1,200,000
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	\$285,729	\$57,146	\$228,583
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$37,772,032	\$7,554,407	\$30,217,626	\$6,115,183	\$1,223,036	\$4,892,147	\$11,319,659	\$2,263,932	\$9,055,727
j. Equipment	\$5,598,140	\$1,119,628	\$4,478,512	\$381,335	\$76,267	\$305,068	\$1,454,960	\$290,992	\$1,163,968
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$48,673,735	\$9,734,747	\$38,938,988	\$8,156,842	\$1,631,368	\$6,525,474	\$15,008,256	\$3,001,652	\$12,006,604
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$48,673,735	\$9,734,747	\$38,938,988	\$8,156,842	\$1,631,368	\$6,525,474	\$15,008,256	\$3,001,652	\$12,006,604

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
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