

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information		
<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b> GOL	<b>2. Award Identification Number</b> NT10BIX5570133	<b>3a. DUNS Number</b> 961747875
		<b>3b. EIN</b> XXXXXXXXXXX
<b>4. Recipient Organization (Name and complete address including country, congressional district, and zip code)</b> ION Newco Corp 80 State Street Suite 700, Albany, NY 12207-2543		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b> 09-30-2010	<b>6. Is this the last Report of the Award Period?</b> <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Michael Shuipis	<b>7c. Telephone (area code, number and extension)</b>  5186894559	
	<b>7d. Email Address</b>  mshuipis@i-o-n.com	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  11-17-2010	

**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (150 words or less).**  
 There have been two main focuses for the third quarter for ION: First has been to work diligently on wrapping up the Environmental Assessment process. The EA has been a monumental task with the project encompassing three states and the jurisdiction of many entities that needed to sign off on the construction of the project. All of these entities have signed off in Q3 and just minor adjustments to the EA remained going into Q4. We now expect that early in Q4 the EA will be approved and the FONSI issued.  
 The second focus was completing the entity transfer, which completed as of 8/31/2010 transitioning the grant from ION HoldCo to ION NewCo.  
 ION continues to gear up to start construction on its first two projects, Project 2 and 4b. This gearing up has included continued work on RFQ/RFP for the construction of the projects, making ongoing applications with the necessary agencies to move forward, meeting with vendors and prospective contractors. Additionally there have been continuous meetings with anchor institutions, communication with politicians and community outreach through ION's newsletter.  
 The primary focus for the Development Authority of the North Country for Q32010, as it relates to the American Recovery and Reinvestment Act grant, was to engineer segment 6 of the project. The quarter saw many successes relative to that initiative. All GIS data for segment 6 has been captured and rendered. A quality assurance verification of the GIS data was also completed.

**2. Please provide the percent complete for the following key milestones in your project. Write "N/A" in the second 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 (100 words or less).**

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2a.	Overall Project	3	Consequent delay in Network Design and Rights of Way work. Actual construction of network will commence in Q4.
2b.	Environmental Assessment	100	Environmental Assessment work took far longer and consumed far more manpower than anticipated.
2c.	Network Design	43	We anticipated that the Network Design would be 41.25% complete through 2Q, and 100% complete by 3Q. Through 3Q our actual results for Network Design was 43.14% complete. We estimate to be at 100% complete by 1Q2011. We expect to dedicate an increased amount of outside consultant time to these efforts. This will be possible now that the Environmental Assessment work is complete, and those same resources can be dedicated to Network Design efforts.
2d.	Rights of Way	0	We have not yet completed Rights of Way work by the end of the 3Q. Work will begin in 4Q on these approvals. With the completion of the Environmental Assessment we will move toward this milestone quickly.
2e.	Construction Permits and Other Approvals	1	We have not yet completed work on Construction and Other Approvals. Work will begin in 4Q on construction permits and other approvals. With the completion of the Environmental Assessment we will move toward this milestone quickly.
2f.	Site Preparation	0	We anticipate Site Preparation work to begin 4Q of 2010 or 1Q of 2011. With the completion of the Environmental Assessment we will move toward this milestone quickly.
2g.	Equipment Procurement	0	With the completion of the Environmental Assessment we will move toward this milestone quickly.
2h.	Network Build (all components - owned, leased, IRU, etc)	1	With the completion of the Environmental Assessment we will move toward this milestone quickly.
2i.	Equipment Deployment	0	N/A
2j.	Network Testing	0	N/A

	2k. Other (please specify): Grant Administration	15	Due to the long delays in processing our of request for an Entity Transfer of our Grant, and for work on Environmental Assessment requirements, much of our outside consulting for administrative duties were delayed. Now that the Entity Transfer is final, and our Environmental Assessment report has been submitted, we are able to refocus our efforts to the actual construction phases and the administrative resources required for that effort. We expect the need for administrative support to still be at the levels budgeted, and that the 3Q shortfall is only the result of timing.
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**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 (150 words or less).**

ION Holdco decided early on in the grant process that for business reasons it needed to do an entity change. ION began this process in February 2010 and due to this grant truly being in its infancy stages, the processes needed to maneuver through this change were just not in place. This caused many false starts in getting through and finalizing an entity change. The entity change took until 8/31/2010 so that continued to hold us up in some regards to moving forward. Additionally, our EA has been challenging in that the project incorporates builds in 3 states. This was an ongoing focus in Q3 with many revisions being submitted to meet all requirements including recently established ones. While all of this certainly has not been easy, ION personnel has been diligent in trying to move this grant forward and thus none of these have caused a delay in the start of construction of the network. We expect to have a FONSI issued in Q4 and hope to still begin construction this year, though this will be tough with the season coming to a close.

**4. Please report the following information regarding network build progress. Write "N/A" in the second 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 (100 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	With the completion of the Environmental Assessment we will move toward this milestone quickly.
New network miles leased	0	N/A
Existing network miles upgraded	0	N/A
Existing network miles leased	0	N/A
Number of miles of new fiber (aerial or underground)	0	With the completion of the Environmental Assessment we will move toward this milestone quickly.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of interconnection points	0	With the completion of the Environmental Assessment we will move toward this milestone quickly.

**For questions 5 and 6 please include information relating to agreements that you are negotiating or have entered into, or that your subrecipient, contractor or subcontractor is negotiating or entered into.**

**5a. If applicable, please provide the following information with regard to agreements with broadband wholesalers and/or last mile providers as a result of your project.**

Indicators	
Number of signed agreements with broadband wholesalers or last mile providers	0
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	5
Average term of signed agreements	0

**5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements. Providers:**  
 N/A

**5c. What wholesale services are being provided by this project? Please describe below. As an attachment to this report, please provide pricing plans (in \$ per month) associated with each wholesale service provided by your product. Wholesale services description:**  
 DS-3, OC-3, OC-12, OC-48, 10Mb to 500Mb Ethernet services, GigE (1000Mb), 2.5Gb wave and 10Gb wave; provided as linear (point to point) and/or route protected circuits. (see attachment)

**5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a subrecipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this third party operates (150 words or less).**  
 N/A

**6. Please provide the data according to the type of subscriber. Write "N/A" 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 (100 words of 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	no variance
	Providers with signed agreements receiving improved access	0	no variance
	Providers with signed agreements receiving access to dark fiber	0	NA - we do not offer/provide this service
	Please identify the speed tiers that are available and the number of subscribers for each	0	20Mbps=0, 50Mbps=0, 100Mbps=0, 250Mbps=0, 500Mbps=0, 1Gbps=0, 2.5Gbps=0, 10Gbps=0, DS-3=0, OC-3=0, OC-12=0, OC-48=0
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	no variance
	Subscribers receiving new access	0	no variance
	Subscribers receiving improved access	0	no variance
	Please identify the speed tiers that are available and the number or subscribers for each	0	20Mbps=0, 50Mbps=0, 100Mbps=0, 250Mbps=0, 500Mbps=0, 1Gbps=0, 2.5Gbps=0, 10Gbps=0, DS-3=0, OC-3=0, OC-12=0, OC-48=0
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 (150 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 (150 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. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent calendar year. 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 (100 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
N/A	N/A	N/A	N/A	N/A
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 (150 words or less).**

ION is planning to receive final NEPA/EA approval in the near term, while awaiting this; ION will complete staking and network design, make further progress on rights of way and construction permits, complete review of network equipment and begin procurement. During the next quarter and after EA approval ION will begin construction on three of the 10 proposed segments of the awarded project. More work will be done involving the creation of contracts with 3rd party service providers and anchor institution in preparation of network utilization. Job creation will continue during the next quarter. With the entity change and the new timeline set for the project with that change, ION will not only be able to meet its milestone timeline it will quickly be ahead of the depicted progress on the original timeline.

**2. Please provide the percent complete for the following key milestones in your project. Write "N/A" in the second 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 (100 words or less).**

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	13	Zero variance
2b.	Environmental Assessment	100	Zero variance
2c.	Network Design	100	Zero variance
2d.	Rights of Way	30	Zero variance
2e.	Construction Permits and Other Approvals	25	Zero variance
2f.	Site Preparation	18	Zero variance
2g.	Equipment Procurement	14	Zero variance
2h.	Network Build (all components - owned, leased, IRU, etc.)	8	Zero variance
2i.	Equipment Deployment	10	Zero variance
2j.	Network Testing	9	Zero variance
2k.	Other (please specify): Grant Administration	72	Zero variance

**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 (150 words or less).**

2.7. The entity change was approved as of August 31 2010. This has required additional work in recreating all of the necessary steps for the new entity. This includes registration in ASAP and registering in all governing Websites. We will need to act very quickly and have strong technical assistance to move through these processes quickly and efficiently so it does not affect our time line. As mentioned above, this process has slowed the transfer of grant money, but we have made strides in working through this process and hope this will no longer be an issue. Another potential issue is the availability of quality cable constructors, as this is late in the build season and many of the firms have their crews in the field working already. We believe we will be able to overcome this obstacle.

**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
<b>a. Administrative and legal expenses</b>	\$1,030,440	\$206,088	\$824,352	\$31,813	\$6,363	\$25,450	\$115,032	\$23,006	\$92,026
<b>b. Land, structures, right-of-ways, appraisals, etc.</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>c. Relocation expenses and payments</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>d. Architectural and engineering fees</b>	\$3,116,122	\$623,224	\$2,492,897	\$64,216	\$12,843	\$51,373	\$294,167	\$58,833	\$235,333
<b>e. Other architectural and engineering fees</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>f. Project inspection fees</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>g. Site work</b>	\$1,157,001	\$231,400	\$925,601	\$0	\$0	\$0	\$4,907	\$981	\$3,926
<b>h. Demolition and removal</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>i. Construction</b>	\$37,772,032	\$7,554,407	\$30,217,626	\$215,145	\$43,029	\$172,116	\$491,448	\$98,291	\$393,158
<b>j. Equipment</b>	\$5,598,140	\$1,119,628	\$4,478,512	\$0	\$0	\$0	\$558,700	\$111,740	\$446,960
<b>k. Miscellaneous</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>l. SUBTOTAL (add a through k)</b>	\$48,673,735	\$9,734,747	\$38,938,988	\$311,174	\$62,235	\$248,939	\$1,464,254	\$292,851	\$1,171,403
<b>m. Contingencies</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$48,673,735	\$9,734,747	\$38,938,988	\$311,174	\$62,235	\$248,939	\$1,464,254	\$292,851	\$1,171,403

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.

<b>a. Application Budget Program Income: \$0</b>	<b>b. Program Income to Date: \$0</b>
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