

**QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS**

**General Information**

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570133	<b>3. DUNS Number</b>  961747875
<b>4. Recipient Organization</b>  ION Newco Corp 80 State Street Suite 700, Albany, NY 12207-2543		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  12-31-2010	<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>  02-10-2011	

**Project Indicators (This Quarter)**

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

Our first priority has been to work diligently on wrapping up the Environmental Assessment process (EA). 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.

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. As an attempt to mitigate the issue we increased the resources toward completing the staking of the first few projects in our timetable. That effort also allows us to initiate the necessary make ready work with pole owners. The staking and make ready must be completed before construction can begin. By accelerating those steps we hope to be able to take full advantage of the next spring build period.

We have continued work on RFQ/RFP (Request for Qualifications/Request for Proposal) for the construction and equipment for 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 Q42010, as it relates to the American Recovery and Reinvestment Act grant, was to finalize the engineering and begin construction preparation for Project 6. The quarter saw many successes relative to that initiative including:

- The final engineering and release of engineering drawings is 100% complete.
- The bid for purchasing fiber cable for Project 6 was released and awarded.
- The bid for construction services for Project 6 was released and will be awarded in shortly.
- All GIS data has been collected, audited, and finalized.
- We signed an agreement with a subsidiary of an incumbent ILEC to construct approximately 20 miles of network that runs through their territory. Work will begin as soon as the FONSI (Finding of No Significant Impact) is released.

In terms of Community Anchor Institutions (CAI), the following milestones were achieved:

- We signed an agreement with a subsidiary of an incumbent ILEC to lease fiber to the Griffiss Business and Technology Park.
- We have begun installing equipment at the State University of New York Institute of technology in anticipation of the fiber construction.

We are finalizing an agreement with our first CAI Alfred University to provide ION collocation services/presence to ION.

**2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).**

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2a.	Overall Project	3	Zero variance
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	61	Baseline 45%;physical construction delayed due to EA process. Redirected resources to Network Design as result to assure that we are ready without delay to begin actual construction as soon as weather permits.
2d.	Rights of Way	0	Baseline 15%; Delayed waiting for issuance of EA FONSI.
2e.	Construction Permits and Other Approvals	0	Baseline 11%; Delayed waiting for issuance of EA FONSI.
2f.	Site Preparation	0	Baseline 1%; Delayed waiting for issuance of EA FONSI.
2g.	Equipment Procurement	0	Baseline 10%; Delayed waiting for issuance of EA FONSI.

	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)	2	Baseline 1%; physical construction delayed waiting for issuance of EA FONSI. Increased pre-physical construction efforts on additional projects such as staking and preliminary make ready work.
2i.	Equipment Deployment	0	Zero variance
2j.	Network Testing	0	Zero variance
2k.	Other (please specify): Grant Administration	11	Zero variance

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 major issue we faced during the quarter was to satisfy all of the various federal and state agencies involved in our Environmental Assessment requirements.

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	Zero variance
New network miles leased	0	Zero variance
Existing network miles upgraded	0	Zero variance
Existing network miles leased	0	Zero variance
Number of miles of new fiber (aerial or underground)	0	Zero variance
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	Zero variance

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

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

Indicators	
Number of signed agreements with broadband wholesalers or last mile providers	0
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	0

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

5c. What wholesale services are being provided by this project? Please describe below. As an attachment to this report, please provide pricing plans (in \$ per month) associated with each wholesale service provided by your product (100 words or less). Wholesale services description: N/A

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).  
 N/A

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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
<b>Businesses</b>	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
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 is planning to receive final NEPA/EA approval in the 1Q2011. 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.

**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)

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	8	Zero variance
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
2d.	Rights of Way	36	Zero variance
2e.	Construction Permits and Other Approvals	35	Zero variance
2f.	Site Preparation	1	Zero variance
2g.	Equipment Procurement	10	Zero variance
2h.	Network Build (all components - owned, leased, IRU, etc.)	6	Zero variance
2i.	Equipment Deployment	0	Zero variance
2j.	Network Testing	0	Zero variance
2k.	Other (please specify): Grant Administration	19	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 (600 words or less).  
 None identified.

### 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	\$115,032	\$23,007	\$92,026	\$198,251	\$39,650	\$158,601
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	\$294,167	\$58,833	\$235,333	\$753,481	\$150,696	\$602,785
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	\$4,907	\$981	\$3,926	\$4,907	\$981	\$3,926
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$37,772,032	\$7,554,407	\$30,217,626	\$491,448	\$98,290	\$393,158	\$2,493,611	\$498,722	\$1,994,889
j. Equipment	\$5,598,140	\$1,119,628	\$4,478,512	\$558,700	\$111,740	\$446,960	\$558,700	\$111,740	\$446,960
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>l. SUBTOTAL (add a through k)</b>	<b>\$48,673,735</b>	<b>\$9,734,747</b>	<b>\$38,938,988</b>	<b>\$1,464,254</b>	<b>\$292,851</b>	<b>\$1,171,403</b>	<b>\$4,008,950</b>	<b>\$801,789</b>	<b>\$3,207,161</b>
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	<b>\$48,673,735</b>	<b>\$9,734,747</b>	<b>\$38,938,988</b>	<b>\$1,464,254</b>	<b>\$292,851</b>	<b>\$1,171,403</b>	<b>\$4,008,950</b>	<b>\$801,789</b>	<b>\$3,207,161</b>

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