

## FIRST PERFORMANCE PROGRESS REPORT First Quarter 2010



1. Recipient Organization (Name and complete address including zip code) ION HoldCo, LLC (ION NewCo, Corp) 80 State Street, 7 <sup>th</sup> Floor, Albany, NY 12201	2. Award Identification Number NT10BIX5570007
3. Performance Narrative (Q1) <i>Please describe your project activities and progress for the first quarter of 2010. This should include a description of federal expenditures to date, key milestones, the primary activities needed to accomplish those milestones, significant project accomplishments, and any delays or challenges. Please use the milestone categories provided in your baseline report (e.g., environmental assessment, design, rights of way) to structure your answer. (500 words or less)</i>  ION/DANC (project #2063) was awarded the BTOP Grant on December 15, 2009. Our progress to date includes:  After the ION award was announced, an internal decision was made to request an entity change for the grant award, mostly due to company obligations and our desire to meet the federal reporting, transparency and accounting responsibilities. We initiated a transfer of the Grant to a wholly-owned subsidiary corporation of ION HoldCo, LLC, known as ION NewCo, Corp. We have submitted all necessary documentation to complete this process.  While waiting for that transfer to happen, we continue to work through the necessary steps to meet our obligations under our grant award timeline. During the first quarter 2010 we continued to work with our engineers to meet the requirements of the National Environmental Policy Act, (NEPA) review and put together an extensive Environmental Impact Statement (EIS), including identification and impacts of primary and alternative fiber routes. We are completing the work for the Section 106 Review with State Historic Preservation Offices (SHPO), Fish & Wildlife, Army Corp of Engineers, Department of Conservation (DEC) and/or Department of Environmental Protection (DEP) and Tribal Land organizations in Pennsylvania, New York and Vermont. We will submit the Draft EIS under NEPA guidelines for the project to the Department of Commerce in May 2010 and will work diligently towards final NEPA approval. We anticipate final approval to be in June 2010.  We have already hired three project managers to help manage the construction of the approximately 1,300 middle mile fiber optic network. We have hired a full-time manager to administer the financial and reporting requirements of the Grant. We have five other ION/DANC employees working part-time on a daily basis on the project.  We have had interest from people who want to provide services to or through ION. There has also been a lot of activity revolving around leveraging ION's Round 1 network for projects that others intend to build or for utilizing the infrastructure for their own company needs. We have met with strategic institutions, who have reached out to us, for services and discussion around those services. Including but not limited to: SUNY Alfred, SUNY (State University of New York) Morrisville, Alfred University, Bassett Healthcare, and Otsego County Industrial Development Authority (I.D.A). We have also been working with VZ (Verizon) Wireless, ATT Mobility, Paetec and other service providers. ION representatives have also met or are meeting with National Grid, New York State Electric and Gas (NYSEG), Fairpoint, and VT (Vermont)Electric Company (VELCO) to work out details of the necessary agreements and permits with these entities.  In anticipation of the completion of the change in entity, we have not drawn down any Federal funds during the first quarter of 2010. All activities described above were paid for with ION Holdco LLC funds.  We continue to make good progress on all fronts and expect that once the entity change is approved and we get NEPA approval we can and will proceed with construction at an accelerated rate.	

4. Performance Projections (Q2)

Please describe your anticipated project activities and progress for the next quarter. This should include a description of federal expenditures, key milestones, the primary activities needed to accomplish those milestones, significant project accomplishments, and any potential delays or challenges you foresee. Please use the milestone categories provided in your baseline report (e.g., environmental assessment, design, rights of way) to structure your answer. (500 words or less)

ION's anticipated project activities for the next quarter (Q2) are:

We are providing the requested and necessary information to finalize the entity transfer of the award from ION HoldCo, LLC to ION NewCo, Corp. We will then move forward with normal grant administration and set ION NewCo, Corp. up in the Automated Standard Application for Payments (ASAP) system so that drawing down of grant funds can begin.

We will continue to work through the environmental process with the SHPO, Fish & Wildlife, Army Corp of Engineers, DEC/DEP and Tribal Land organizations in Pennsylvania, New York and Vermont. We will submit the Draft EIS under NEPA review to the Department of Commerce and work towards final NEPA approval. We will be applying for the first DEP/DEC/Army Corp of Engineers permit for our Project 7 to cross over the Delaware River and the Lackawaxen River from NY to PA and back again.

After NEPA approval, we will finalize the engineering of the projects, begin staking, and seek Rights of Way approval and necessary permitting. This will lead into the creation of a package of information that we can use for the solicitation of price quotations (RFP/RFQ processes) for the various work and equipment necessary to begin physical construction.

We will then hire our 5<sup>th</sup> full time person, a project manager who will be responsible for the extensive coordination work with our long list of anchor institutions to bring their connection to the ION network to fruition.

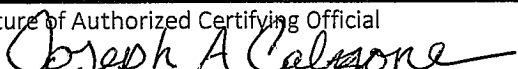
This project manager will continue the work supporting the needs and the relationships, that began even before the application was submitted, of the anchor institutions.

Significant accomplishments will be final NEPA approval and the completion of the entity transfer, as well as starting the staking and permitting work for the projects so construction can begin 3<sup>rd</sup> quarter 2010.

Potential delays or challenges right now primarily center around the NEPA approval and entity transfer of the award. Once those are completed, the process becomes more normal and standard construction issues or delay will be the next possible concern.

Assuming successful completion of the Environmental Assessment process and the change in entity mentioned above, we anticipate drawing down and disbursing between \$500,000 and \$750,000 in Federal funds during the second quarter of 2010.

5. 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.

5a. Typed or Printed Name and Title of Authorized Certifying Official	5c. Telephone (area code, number and extension) 518-689-4551
Joseph A Calzone, Vice President	5d. Email Address jcalzone@i-o-n.com
5b. Signature of Authorized Certifying Official 	5e. Date Report Submitted (Month, Day, Year) April 30, 2010

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