

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) 03-31-2013	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	
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7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 05-06-2013	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 92% of middle mile has been deployed across all projects, with new Community Anchor Institutions added on the ION network and Development Authority of the North Country (DANC) being added quickly.

Development Authority of the North Country (DANC) has installed fiber at 5 additional Community Anchor Institutions for a total of 37. DANC has also completed 80% of the alarm installation and commenced implementation of the network management platform we are using to manage the network.

DANC's segment 8 is primarily complete and is lit and operational. The final central office has been complete and we are now working across segment 8. Accomplishments relative to segment 10 include completing all central office builds.

Sovernet continues to make progress on their Burlington Vermont build with expectations of being totally complete by July.

ION continues construction on projects 1, 2, 3, 4b, 7 and 9, including make ready work; and the placement of fiber and electronics for these projects.

ION is negotiating with last mile providers and wholesalers in this quarter to provide services on the ION network to end users.

ION has submitted the necessary Award Action Requests for IRU lease agreements on projects 1, 3, 5a.

ION has continued its aggressive marketing strategy, marketing the future network availability to prospective towns, anchor institutions, last mile providers, and government agencies.

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	85	\$41,393,945 expended through first quarter 2013. Total budget (Federal and matching funds) is \$48,673,735. Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget.
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	\$1,715,332 expended through first quarter 2013. Total budget (Federal and matching funds) is \$1,715,332. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2d.	Rights of Way	100	\$24,093 expended through first quarter 2013. Total budget (Federal and matching funds) is \$24,093. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2e.	Construction Permits and Other Approvals	100	\$148,586 expended through first quarter 2013. Total budget (Federal and matching funds) is \$148,586. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2f.	Site Preparation	98	\$2,943,065 expended through first quarter 2013. Total budget (Federal and matching funds) is \$2,996,442. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2g.	Equipment Procurement	100	\$7,960,084 expended through first quarter 2013. Total budget (Federal and matching funds) is \$7,960,084. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2h.	Network Build (all components - owned, leased, IRU, etc)	79	\$26,906,131 expended through first quarter 2013. Total budget (Federal and matching funds) is \$34,019,486. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2i.	Equipment Deployment	100	\$785,918 expended through first quarter 2013. Total budget (Federal and matching funds) is \$785,918. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.
2j.	Network Testing	0	Network Testing costs included in Equipment Deployment.
2k.	Other (please specify): Grant Administration	89	\$910,736 expended through first quarter 2013. Total budget (Federal and matching funds) is \$1,023,794. Variance to original Baseline is not relevant due to the approval during the fourth quarter of a revised budget.

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 first quarter, ION continued to experience some delays due to make ready obligations not being met by a specific pole owner. Though the requirement is that the owner make necessary alterations on their poles, deadlines and agreed upon completion dates continue to go unmet. In most cases little make ready work has been started under these obligations and agreements. ION representatives have continued to communicate with the pole owner's representatives and use every means available, to urge the pole owner to work within the agreed upon work timetables. There will be some impact to the project timetables due to the continued make ready delays. Though, there will be no risk that the project will not be completed.

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	845	Baseline = 1,220; 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 by the end of the Grant period.
New network miles leased	0	Baseline = 0; Variance is immaterial.
Existing network miles upgraded	0	Baseline = 0; No variance.
Existing network miles leased	156	Baseline = 167; Variance is immaterial.

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of miles of new fiber (aerial or underground)	845	Baseline = 1,387; 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 one or two quarters. 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
Number of new and/or upgraded interconnection points	17	Baseline = 53; 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 one or two quarters. 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	22
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	32
Average term of signed agreements (in quarters)	8

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

Windstream/Paetec (3 agreements)
 AT&T
 Verizon Wireless (2 agreements)
 TechValleyCommunications
 Sprint
 ACTION
 Sovernet
 Level3
 Finger Lakes Technology Group
 Apogee
 Windstream/Paetec (2 add'l agreements)
 Sovernet/NYC
 L3 Jamestown
 Apogee/lthaca

ION
Westelcom
SLIC
Windstream (Ft Drum)

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 Mbps circuits
10 Mbps circuits
2.5 Gbps circuits

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. Sovernet Fiber Corp has been approved as a sub recipient to build and operate the portion of the network in the Burlington VT area.

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	6	Baseline = 0; Variance is immaterial.
	Providers with signed agreements receiving improved access	16	Baseline = 43; 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 baseline by the end of the Grant period.
	Providers with signed agreements receiving access to dark fiber	0	Baseline = 0; No variance
	Please identify the speed tiers that are available and the number of subscribers for each	3	1 at 2.5 Gbps circuit 19 at 10 Mbps circuit 2 at 150 Mbps circuit
Community Anchor Institutions (including Government institutions)	Total subscribers served	42	Baseline = 125; 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 baseline by the end of our Grant period.
	Subscribers receiving new access	0	Baseline = 0.
	Subscribers receiving improved access	42	Baseline = 125; 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 c3atch up to our baseline by the end of our Grant period.
	Please identify the speed tiers that are available and the number or subscribers for each	1	Average circuit is 300meg
Residential / Households	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
Businesses	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).
 Network policies statements can be found on both the ION and DANC websites.

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
ESF-Ranger School	Syracuse, NY	Other Government Facilities	No	Transport
Calcium School	Calcium, NY	K-12 Schools	Yes	Transport
Lewis County Community Services Board	Lewis County, NY	Medical and Healthcare Providers	No	Transport
Lewis County Mental Health	Lewis County, NY	Medical and Healthcare Providers	No	Transport
St. Lawrence County Community Services Board	St. Lawrence County, NY	Other Community Support Organizations	No	Transport

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
St. Lawrence Psychiatric Center	Ogdensburg, NY	Medical and Healthcare Providers	Yes	Transport
Bassett	Cooperstown, NY	Medical and Healthcare Providers	Yes	Transport

Project Indicators (Next Quarter)

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

Submission of AAR's will continue to happen in 2Q2013, this will help support a much needed shortened operational time frame for the identified segments, including 2,5b,7,9. After approval of these IRU leases, ION will be able to quickly move towards lighting up services to many of its projected CAI's, which will help lessen the impact of the continued make-ready delays ION experienced. This will also allow the redundancy and capacity increases needed for last mile providers as well as existing CAI's.

For 2Q2013 we expect to continue to add CAI's to the network, signing additional IRU agreements, and turning up network that is already in place.

For 2Q2013 DANC expects to complete the remaining Central Office work in the Elizabethtown and Potsdam Central Offices. We also anticipate connecting 38 additional CAI's to the network. DANC will finish any miscellaneous clean-up work on all construction. The majority of the new network management platform will be installed and tested.

Sovernet will continue to make progress on the Burlington Vermont segment with an expected completion date for that segment of late 2nd quarter 2013 or beginning of the 3rd quarter 2013.

After exceeding our expectations for miles deployed in the first quarter, ION, DANC, and Sovernet will continue to work towards the total number of network miles for the overall proposed project(s).

ION will continue to add to the number of broadband wholesalers and last mile provider's agreements.

Cummulative number of miles of fiber we plan to deploy by the end of the second quarter: 950 miles

Cummulative number of broadband wholesalers and last mile providers agreements we plan to have signed by the end of the second quarter: 23

Cummulative number of CAI agreements we plan to have signed by the end of the second quarter: 84

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	94	Variance to original Baseline is not relevant due to the approval during the forth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2b.	Environmental Assessment	0	Zero variance; Environmental Assessment activity was performed during the Grant in effect prior to the Entity Change.
2c.	Network Design	100	Variance to original Baseline is not relevant due to the approval during the forth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2d.	Rights of Way	100	Variance to original Baseline is not relevant due to the approval during the forth quarter 2012 of a revised budget. 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)
2e.	Construction Permits and Other Approvals	100	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2f.	Site Preparation	99	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2g.	Equipment Procurement	100	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2h.	Network Build (all components - owned, leased, IRU, etc.)	92	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2i.	Equipment Deployment	100	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. Non-Federal matching funds will be fully available during the next quarter.
2j.	Network Testing	0	Network Testing costs included in Equipment Deployment.
2k.	Other (please specify): Grant Administration	96	Variance to original Baseline is not relevant due to the approval during the fourth quarter 2012 of a revised budget. 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).

ION and its partners, DANC and Sovernet plan to continue with physical construction of the network on a timetable that meets our goal of completing the overall project within the three year term obligation of the grant.

Our biggest challenge continues to lie in the intention of a specific pole owner to meet their make ready obligations, as prior to performing any actual construction, we must have all make ready work complete. Although we continue to identify this as a challenge or concern, it has improved lately as ION has been working on an alternate plan to help alleviate the potential for this turning into a significant risk for the projects. The plan includes making temporary attachments on poles that we are waiting for make ready work to be completed on and by hiring alternate contractors to complete make ready work according to the original make ready agreements.

Based on ION's previous interactions with this pole owner and ongoing delays, we anticipate that the pole owner may very well continue to miss the deadlines for completing make ready work.

At this time we are unable to determine the full effect this issue will have on our progress, but we continue to monitor very closely and work on it with the necessary representatives. We feel at this time that there will be some impact to the project timetables due to the continued make ready delays, although, there will be little risk that the project cannot be completed.

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	\$1,023,794	\$204,759	\$819,035	\$910,736	\$182,147	\$728,589	\$978,571	\$195,714	\$782,857
b. Land, structures, right-of-ways, appraisals, etc.	\$24,093	\$4,819	\$19,274	\$24,093	\$4,819	\$19,274	\$24,093	\$4,819	\$19,274
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$3,370,766	\$674,153	\$2,696,613	\$3,072,536	\$614,507	\$2,458,029	\$3,251,474	\$650,294	\$2,601,180
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	\$2,996,442	\$599,288	\$2,397,154	\$2,758,475	\$551,695	\$2,206,780	\$2,901,255	\$580,251	\$2,321,004
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$32,512,638	\$6,502,528	\$26,010,111	\$26,163,620	\$5,232,724	\$20,930,896	\$29,973,031	\$5,994,606	\$23,978,425
j. Equipment	\$8,746,002	\$1,749,200	\$6,996,801	\$8,464,485	\$1,692,897	\$6,771,588	\$8,633,395	\$1,726,679	\$6,906,716
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	\$41,393,945	\$8,278,789	\$33,115,156	\$45,761,819	\$9,152,363	\$36,609,456
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	\$41,393,945	\$8,278,789	\$33,115,156	\$45,761,819	\$9,152,363	\$36,609,456

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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