



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
OFFICE OF ACQUISITION AND GRANTS

July 17, 2012

Mr. Scot Rourke
President and CEO
OneCommunity
800 W. St. Clair Avenue – 2nd Floor
Cleveland, OH 44113

Subject: Broadband Technology Opportunities Program (BTOP)
Grant Award No. NT10BIX5570067
One Community
Matching Share Commitment

Dear Mr. Rourke:

Thank you for taking the time to meet with the National Telecommunications and Information Administration (NTIA) on May 22, 2012. The purpose of this letter is to inform you of a Corrective Action Plan (CAP) that the National Oceanic and Atmospheric Administration (NOAA) Grants Office and NTIA request you to complete to ensure proper compliance with the terms and conditions of your award relative to the matching funds obligation. To protect taxpayer dollars, NOAA and NTIA must have confidence that OneCommunity can meet its current match obligation as required by the terms of the award.

Background

The project award agreement requires OneCommunity to provide a match of 35.99% of the total project budget. However, OneCommunity has indicated to NTIA that it is unable to meet its original match obligation due to the loss of several key match sources, including the Medina network and other network elements built prior to the issuance of the Finding of No Significant Impact (FONSI).

In discussing a proposed change to the project budget, OneCommunity has assured NTIA that a reduction in its matching contribution to 26-27% of the total project budget would have no impact on the project's activities and key project metrics (e.g., number of new miles, community anchor institution (CAI) connections, and interconnection points). However, NOAA and NTIA are greatly concerned that under OneCommunity's proposal, over 62% of the total matching funds would depend upon program income or other future revenue opportunities. In an attempt to alleviate concern about the uncertainty of this future revenue, BTOP Staff has had numerous discussions with your team.

On May 22, 2012, NTIA met with OneCommunity in an attempt to better gauge the amount and timing of these anticipated revenues, and review exhibits that would help confirm commitments from the various customers. At that meeting, you stated that the timing and amounts would need

to be updated. BTOP Staff asked you to provide updated information and third party evidence by June 8, and you indicated that your response would be comprehensive.

On June 14, 2012, NTIA received OneCommunity's responses to its requests from the May 22 meeting. After reviewing OneCommunity's responses, NTIA has identified two concerns that amplify its original concern and prevent it from recommending a reduction in OneCommunity's original match obligation at this time.

First, during the May 22 meeting, NTIA specifically asked OneCommunity to provide corroborating documents (*e.g.*, commitment letters, term sheets, memoranda of understanding, etc.) from potential third party revenue sources such as Fidelity, UPN, Verizon, and CFN. OneCommunity indicated at the meeting that it could provide such documentation, but your response of June 14, 2012, failed to include any such corroborating documents. Consequently, NTIA has a low level of confidence that OneCommunity can achieve its proposed revenue targets and deliver upon the proposed reduced matching commitment.

Second, based on the May 22 meeting, NTIA expected OneCommunity to seek a reduction in match to approximately 26%, but in the June 14 response, OneCommunity unexpectedly proposed to lower the cash-based amount to approximately 22.5%. This \$2.4 to \$3 million reduction in proposed match over such a short time period raises additional concerns about OneCommunity's financial stability and ability to provide the remaining proposed funds. Moreover, NTIA has concerns that the additional cash reduction will likely result in a reduction in the reach of the proposed project activities.

Corrective Action Plan

NOAA and NTIA request that no later than August 3, OneCommunity provide the following documentation:

- 1) Documentation that clearly demonstrates that OneCommunity is currently in serious discussion/negotiations with named customers about purchasing service and/or facilities from OneCommunity. This documentation can be in the form of a letter, letter of intent, term sheet, contract, etc. from the named customers (or partners) that intend to help you achieve program income or revenue sources to satisfy the cash amount as described in the May 22, 2012 meeting.
- 2) A detailed explanation of any impact on the proposed project activities as a result of OneCommunity further lowering its cash-based match. Please address such impacts to key metrics as new miles, CAI connections, points of interconnection, fiber capacity, etc. Also, please explain any sources of cost savings that may facilitate the reduction in cash match without a commensurate reduction in project activities.
- 3) A revised 424C, budget narrative, and detailed budget to correspond to the new proposed project budget.

Once this proposal is received and reviewed, as per the Federal Register Announcement the Assistant Secretary for NTIA will determine if a reduction in the match will be granted.

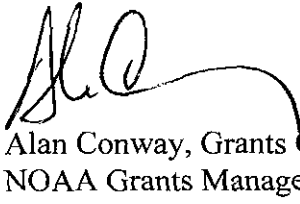
Please remember if your proposal is accepted and the reduction granted then failure to raise the needed program income by the end of the award period will result in a reduction of the federal share of the award.

Alternatively, you may submit a detailed proposal to lower the federal share of the award and reduce the project scope.

Failure to respond comprehensively and sufficiently by August 3, 2012 may result in additional adverse actions being taken including, but not limited to, suspension of the award and/or award termination.

Please contact your Federal Program Officer, Sandeep Taxali; at 202-482-1897 should you require further details about this request. Thank you for your cooperation and assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan Conway', with a long horizontal flourish extending to the right.

Alan Conway, Grants Officer
NOAA Grants Management Division

Cc: William Ball, NOAA
James Hay, OneCommunity
Raul Hernandez, NOAA
Larry Jenkins, NOAA
Douglas Kinkoph, NTIA
Sandeep Taxali, NTIA
Arlene Simpson Porter, NOAA