

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 NT10BIX5570035	3. DUNS Number 003428208
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4. Recipient Organization Hardy Telecommunications, Inc. 2255 Kimseys Run RD, Lost River, WV 26810-8317

5. Current Reporting Period End Date (MM/DD/YYYY) 03-31-2012	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No
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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 Sherry McCuller Managing Director	7c. Telephone (area code, number and extension) 8286759290
	7d. Email Address peregrine@hughes.net

7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 05-01-2012
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Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Backbone Ring Construction: Phases 1, 4, and 5 complete pending inspection and close-out. Historic preservation roadblock cleared for Phase 2. Rock trenching completed for Phase 3. Aerial construction completed for Phase 6; cable installation in progress. 90.5 miles of backbone ring fiber and 5.5 miles of conduit placed. As-builts in progress. 109 ROWs requested with 99 completed. All remote locations but two spliced. Optical Time Domain Reflectometer ("OTDR") testing in progress. Lasers for electronics received and installed except 80 kilometer optics still on order. Final engineering and splicing schematics for Community Anchor Institutions ("CAIs") underway. Material orders placed for CAIs. Eight CAI locations shovel tested to determine potential effects of buried construction on historic and cultural resources.

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	91	(9%) Variance. Historic preservation studies and surveys significantly delayed buried construction and ground-disturbing activities
2b.	Environmental Assessment	100	911% Variance. Historic preservation studies and surveys significantly delayed buried construction and materially increased project costs.
2c.	Network Design	100	40% Variance. Network reroutes or changes in deployment methods to avoid potential effects on historic sites; Network redesigned to leverage Hardy AnchorRing Middle Mile backbone network to provide fiber facilities for the Hardy OneNet Last Mile Fiber-to-the-Home ("FTTH") network funded by the Rural Utilities Service ("RUS") of the U.S. Dept. of Agriculture under the Broadband Initiatives Program ("BIP").
2d.	Rights of Way	12	(88)% Variance. The baseline included costs of land, structures, and appraisals in this category. Private rights of way acquisition costs were included in the Construction Permits and Other Approvals Category. The number of facilities required to transmit services decreased due to the use of long-range optics and availability of fiber-to-the-home in the BIP-funded Hardy OneNet network.
2e.	Construction Permits and Other Approvals	100	146% Variance. Sections of line were rerouted and/or redesigned as aerial placement to avoid potential effects to historic and cultural sites along the route. Private rights of way acquisition costs are included in this category.
2f.	Site Preparation	0	(100%) Variance. Site preparation costs covered by Recipient
2g.	Equipment Procurement	27	(73%) Variance. Baseline category included Equipment Deployment. Deployment expenditures have been included for consistency. Equipment deployed in 20 central offices and remote sites. Vendor negotiations produced significant savings on electronics. Use of long-range optics and availability of fiber-to-the-home in the BIP funded Hardy OneNet network reduced the requirement for electronics at all sites.
2h.	Network Build (all components - owned, leased, IRU, etc)	92	(8)% Variance. Delays in approval of Intercreditor Agreement and Environmental and Historic Preservation Assessments and Surveys prevented procurement of materials and commencement of construction prior to third quarter of 2011.
2i.	Equipment Deployment	0	(100)% Variance. Baseline forecast included equipment deployment in Equipment Procurement budget.
2j.	Network Testing	0	(100)% Variance. Same as above.
2k.	Other (please specify):	100	88% Variance. Utilization of multiple contractors and crews to overcome environmental and historic preservation delays to construction commencement. Delays prevented construction prior to third quarter of 2011.

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).

Environmental and historic preservation roadblocks have been cleared. The presence of underground rock and private easement acquisition issues delayed backbone ring construction, but not materially.

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	96	(17)% Variance. Delays in construction commencement as previously noted.
New network miles leased	0	N/A
Existing network miles upgraded	15	15 miles of connectivity to community anchor institutions and a portion of an upstream Internet route were contributed by Hardy to the project.
Existing network miles leased	0	N/A
Number of miles of new fiber (aerial or underground)	96	(17)% Variance. Same as Net network miles deployed.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	20	(4.8)% Variance. Delays in materials procurement and construction commencement due to Intercreditor Agreement, environmental and historic preservation assessments and shovel testing surveys prevented earlier completion of backbone ring interconnecting facilities.

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	1
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).
 No third party operator.

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	0	N/A
	Providers with signed agreements receiving improved access	0	N/A
	Providers with signed agreements receiving access to dark fiber	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
Community Anchor Institutions (including Government institutions)	Total subscribers served	10	(89)% Variance. Delays in commencement of construction as previously discussed. Transport service is available up to 1-GigE to seven school sites and three cellular towers. Final engineering and materials procurement for remaining CAIs underway.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	10	(89)% Variance. Same as above.
	Please identify the speed tiers that are available and the number or subscribers for each	5	Transmission speed tiers: 10-Mbps, 5 subscribers; 20-Mbps, 2 subscribers sharing service for a total of 10-Mbps each. 50-Mbps, 0 subscribers. 100-Mbps, 0 subscribers. 1-GigE, 0 subscribers. 3 cellular sites connected at up to 1-GigE per site, but carriers have not subscribed due to requirement to replace legacy equipment upstream.
Residential / Households	Entities passed	0	Middle Mile
	Total subscribers served	0	Middle Mile
	Subscribers receiving new access	0	Middle Mile
	Subscribers receiving improved access	0	Middle Mile
	Please identify the speed tiers that are available and the number of subscribers for each	0	Middle Mile
Businesses	Entities passed	0	Middle Mile
	Total subscribers served	0	Middle Mile
	Subscribers receiving new access	0	Middle Mile
	Subscribers receiving improved access	0	Middle Mile
	Please identify the speed tiers that are available and the number of subscribers for each	0	Middle Mile

7. Please describe any special offerings you may provide (600 words or less).

No special offerings are provided at this time.

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).

No changes over the last quarter.

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).

Completion of backbone ring construction, inspection, splicing, testing and as-builts. Completion of equipment and electronics installation. Completion of archaeological shovel testing and survey report for community anchor institution ("CAI") laterals. Approval by West Virginia State Historic Preservation Office and the National Telecommunications & Information Administration to commence buried deployment for CAI laterals. Placement of splice cases and splicing along the backbone ring for CAI laterals and drops. Procurement of CPE for CAIs ordering services. Installation of services for CAI subscribers.

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	100	0% Variance
2b.	Environmental Assessment	100	949% Variance. 911% Variance. Historic preservation studies and surveys significantly delayed buried construction and materially increased project costs.
2c.	Network Design	100	64% Variance. Network reroutes or changes in deployment methods to avoid potential effects on historic sites; Network redesigned to leverage Hardy AnchorRing Middle Mile backbone network to provide fiber facilities for the Hardy OneNet Last Mile Fiber-to-the-Home ("FTTH") network funded by the Rural Utilities Service ("RUS") of the U.S. Dept. of Agriculture under the Broadband Initiatives Program ("BIP").
2d.	Rights of Way	12	(88)% Variance. The baseline included costs of land, structures, and appraisals in this category. Private rights of way acquisition costs were included in the Construction Permits and Other Approvals Category. The number of facilities required to transmit services decreased due to the use of long-range optics and availability of fiber-to-the-home in the BIP-funded Hardy OneNet network.
2e.	Construction Permits and Other Approvals	100	157% Variance. Sections of line were rerouted and/or redesigned as aerial placement to avoid potential effects to historic and cultural sites along the route. Private rights of way acquisition costs are included in this category.
2f.	Site Preparation	0	(100)% Variance. Site preparation costs covered by Recipient.
2g.	Equipment Procurement	41	(59)% Variance. Baseline category included Equipment Deployment. Deployment expenditures have been included for consistency. Equipment deployed in 20 central offices and remote sites. Vendor negotiations produced significant savings on electronics. Use of long-range optics and availability of

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
			fiber-to-the-home in the BIP funded Hardy OneNet network reduced the requirement for electronics at all sites.
2h.	Network Build (all components - owned, leased, IRU, etc.)	94	(6)% Variance. Variance is due to negotiated savings in construction costs.
2i.	Equipment Deployment	0	N/A. Baseline forecast included equipment deployment in Equipment Procurement budget.
2j.	Network Testing	0	N/A. Same as above
2k.	Other (please specify): Inspection	100	143% Variance. Utilization of multiple contractors and crews to overcome environmental and historic preservation delays to construction commencement. Delays prevented construction prior to third quarter of 2011.

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).

No significant challenges are anticipated.

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	\$7,500	\$0	\$7,500	\$24,232	\$0	\$24,232	\$24,232	\$0	\$24,232
b. Land, structures, right-of-ways, appraisals, etc.	\$205,133	\$0	\$205,133	\$25,200	\$0	\$25,200	\$25,200	\$0	\$25,200
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$579,642	\$0	\$579,642	\$1,155,787	\$0	\$1,155,787	\$1,305,575	\$9,542	\$1,296,034
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$83,980	\$0	\$83,980	\$157,497	\$0	\$157,497	\$204,125	\$0	\$204,125
g. Site work	\$1,995	\$0	\$1,995	\$0	\$0	\$0	\$0	\$0	\$0
h. Demolition and removal	\$3,372	\$0	\$3,372	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$2,186,252	\$432,142	\$1,754,110	\$2,013,146	\$644,695	\$1,368,451	\$2,067,599	\$644,695	\$1,422,903
j. Equipment	\$947,990	\$381,962	\$566,028	\$259,097	\$169,409	\$89,688	\$389,133	\$159,867	\$229,266
k. Miscellaneous	\$0	\$0	\$0	\$5,416	\$0	\$5,416	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$4,015,864	\$814,104	\$3,201,760	\$3,640,375	\$814,104	\$2,826,271	\$4,015,864	\$814,104	\$3,201,760
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0			
n. TOTALS (sum of l and m)	\$4,015,864	\$814,104	\$3,201,760	\$3,640,375	\$814,104	\$2,826,271	\$4,015,864	\$814,104	\$3,201,760

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