## QUARTERLY PERFORMANCE  PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

**General Information**

| 1.  Federal Agency and Organizational Element to Which Report is Submitted | 2.  Award Identification Number | 3.  DUNS Number |
|---|---|---|
| Department of Commerce, National Telecommunications and Information Administration | NT10BIX5570119 | 933581456 |

**4.  Recipient Organization**

Horizon Telecom, Inc. 68 E Main Street, Chillicothe, OH 45601-2503

| 5.  Current Reporting Period End Date (MM/DD/YYYY) | 6.  Is this the last Report of the Award Period? |
|---|---|
| 03-31-2012 | ◯ **Yes**   ◉ **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 | 7c.  Telephone (area code, number and extension) |
|---|---|
| Chris A Glassburn<br><br>Exec GM, Strategy & Analytics | 7407728200 X8459<br><br>**7d.  Email Address**<br>chris.glassburn@horizontel.com |
| **7b.  Signature of Certifying Official**<br>Submitted Electronically | **7e.  Date Report Submitted (MM/DD/YYYY):**<br>05-18-2012 |

| **Project Indicators (This Quarter)** |
|---|

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

Our significant accomplishments this quarter were the increase of Points of Presence (POPs) accepted from four to eighteen. 477 miles of backbone has been completed thus far and along with fifteen miles of distribution fiber. 99 of 592 Community Anchor Institutions (CAIs), for almost seventeen percent, are under contract with fourteen of those receiving service. Permitting, while a struggle most of the quarter, made huge progress with the signing of an agreement late in the quarter with the a large utility provider who was blocking our progress.

**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 | 49 | Horizon is on schedule to reach the 67% point for expenditures during this quarter. Horizon is behind baseline projections because of delays caused by the Environmental Assessment, which was not part of the project plan submitted with the application. |
| 2b. | Environmental Assessment | 98 | Environmental Assessment continues as routes are finalized. |
| 2c. | Network Design | 87 | Network Design is ahead of construction. |
| 2d. | Rights of Way | 98 | Horizon's agreement with an electric provider has been very beneficial to the project. Horizon has overcome a hurdle with a different utility provider and the use of their poles. An agreement was signed late in the quarter which will allow progress on many fronts. |
| 2e. | Construction Permits and Other Approvals | 87 | Included in Network Design budget. |
| 2f. | Site Preparation | 87 | Included in Network Design budget. |
| 2g. | Equipment Procurement | 73 | Electronics have been delivered. Eighteen Points of Presence (POPs) have been accepted thus far. We are behind our projection from last quarter of 92% mostly because we are not paying the invoices until our auditor conducts a complete inventory of each POP. 18 of 21 POPs have been placed and 32 of 40 of electronics have been installed (some were placed in existing POPs). |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 41 | Construction lags behind projections due primarily to delays caused by the Finding of No Significant Impact (FONSI) and issues with permitting. Permitting made progress this quarter. |
| 2i. | Equipment Deployment | 30 | Eighteen Points of Presence (POPs) have been accepted, twenty-two are at various stages of deployment. We are behind our projection from last quarter of 45% primarily because we do not consider it complete until we have audited all equipment as existing and in proper place. |
| 2j. | Network Testing | 25 | Network Testing runs close behind Equipment Deployment. |
| 2k. | Other (please specify): n/a | 0 | n/a |

**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).**

Railroad permits are a struggle. Some companies ignore our requests completely while others move at a snail's pace. The big problem here is when an adjustment is needed, it starts their whole process over again. We are down to only one company not responding but that does not relieve the pace issue. With over 150 CAIs needing replacement, we have submitted an AAR with replacements. The first batch of replacements are for duplicate addresses (for example: two doctor's offices in the same building) and some no longer exist (for example: school consolidation, building closed).

**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** | 492 | Horizon is behind baseline projections due to delays caused by the Environmental Assessment, as it was not part of the project plan submitted with the application. Permitting struggles have also slowed our build rate. An agreement reached late in the quarter with the utility causing us the most headaches will allow construction to move forward in those areas. |
| **New network miles leased** | 0 | n/a |
| **Existing network miles upgraded** | 0 | n/a |
| **Existing network miles leased** | 0 | n/a |
| **Number of miles of new fiber (aerial or underground)** | 492 | With the agreement reached late in the quarter with a utility for connectivity to their poles will allow construction crews to be more active and cover more miles. |
| **Number of new wireless links** | 0 | n/a |
| **Number of new towers** | 0 | n/a |
| **Number of new and/or upgraded interconnection points** | 18 | We do not consider these to exist until we have audited all equipment and tested it. While we appear to be behind our baseline of 22, many more are in various stages of deployment. |

**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 | 6 |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 1 |
| Average term of signed agreements (in quarters) | 12 |

**5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:**
Country Connections, Hocking Internet, Intelliwave, JB Nets, New ERA Broadband, Southern Ohio Communications Services

**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:**
Horizon is offering wholesalers and last-mile providers speed tiers of 5 Megabytes per second (Mbps) to 10 Gigabytes per second (Gbps).

**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).**
None.

**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) |
|---|---|---|---|
| | | | |

| 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** | 2 | none |
| | **Providers with signed agreements receiving improved access** | 4 | none |
| | **Providers with signed agreements receiving access to dark fiber** | 0 | none |
| | **Please identify the speed tiers that are available and the number of subscribers for each** | 6 | Most Internet Service Providers (ISPs) have chosen the 100 Mbps level. |
| **Community Anchor Institutions (including Government institutions)** | **Total subscribers served** | 14 | While schools are willing to sign contracts in advance of the network being built or complete, most other Community Anchor Institutions are not. Horizon is behind baseline projections because of the delays caused by the Environmental Assessment. This was not part of the project plan submitted with the application. |
| | **Subscribers receiving new access** | 10 | Horizon is behind baseline projections because of the delays caused by the Environmental Assessment. This was not part of the project plan submitted with the application. |
| | **Subscribers receiving improved access** | 4 | Horizon is behind baseline projections because of the delays caused by the Environmental Assessment. This was not part of the project plan submitted with the application. |
| | **Please identify the speed tiers that are available and the number or subscribers for each** | 14 | Eleven of the above have chosen the 10 Mbps level. One has chosen the 50 Mbps level and two have chosen the 100 Mbps level. |
| **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 |
| **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).**
none

**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 |
|---|---|---|---|---|
| **Bill Theisen Industrial Park** | **Athens** | **Other Community Support Organizations** | **Yes** | **Unable to obtain broadband from current carrier, they were able to attract an international business.** |
| **Gateway Interchange Industrial Park** | **Ross** | **Other Community Support Organizations** | **Yes** | **Has allowed one business to connect to its main college campus.** |
| **SEOVEC** | **Athens** | **Schools (K-12)** | **Yes** | **Has allowed point to point connection to its member schools.** |
| **Southwestern Elementary** | **Gallia** | **Schools (K-12)** | **Yes** | **Has allowed connection to internet, access to information and services to support organization.** |

## Project Indicators  (Next Quarter)

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

Horizon expects to have a high percentage of the Points of Presence (POPs) finished or in the final stages by the end of the coming quarter with the remaining completing in the following six months. We expect to have twelve percent of our Community Anchor Institutions (CAIs) connected by the end of the quarter with twenty-five percent under contract. While we do expect to sign agreements with other wholesalers some time in the remainder of the year, we do not expect to sign them during this quarter.

**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 | 67 | With our major permitting issue out of the way, Horizon will make significant progress in the next six months. |
| 2b. | Environmental Assessment | 98 | Horizon continues the ongoing assessments in coordination with our engineering and environmental assessment consultants. |
| 2c. | Network Design | 98 | Design of the laterals will make significant progress during this term. |
| 2d. | Rights of Way | 98 | With our largest hurdle resolved most rights-of-way will be perfunctory. |
| 2e. | Construction Permits and Other Approvals | 98 | Included in Network Design. |
| 2f. | Site Preparation | 98 | Included in Network Design. |
| 2g. | Equipment Procurement | 90 | Horizon is only paying for electronics after they have been installed. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 60 | Horizon expects to have 700 miles of the backbone finished and 125 miles of laterals built. |
| 2i. | Equipment Deployment | 50 | Equipment Deployments roughly follows network build. |
| 2j. | Network Testing | 45 | Testing runs fairly concurrent with equipment deployment. |
| 2k. | Other (please specify): n/a | 0 | n/a |

**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).**

Horizon has concerns with the relationship with the Railroads and their permitting processes. Railroad permitting time-frames range from a couple of days to over one year. Minor changes can start the clock over.

## 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.

| Cost Classification | 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 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | $1,485,174 | $445,552 | $1,039,622 | $1,559,248 | $467,774 | $1,091,474 | $1,679,248 | $503,774 | $1,175,474 |
| b. Land, structures, right-of-ways, appraisals, etc. | $0 | $0 | $0 | $101,300 | $30,390 | $70,910 | $101,300 | $30,390 | $70,910 |
| c. Relocation expenses and payments | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| d. Architectural and engineering fees | $7,785,028 | $2,335,508 | $5,449,520 | $6,741,131 | $2,022,339 | $4,718,792 | $7,629,327 | $2,288,798 | $5,340,529 |
| 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 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| h. Demolition and removal | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| i. Construction | $66,228,948 | $19,868,684 | $46,360,264 | $27,413,608 | $8,224,082 | $19,189,526 | $40,064,491 | $12,019,347 | $28,045,144 |
| j. Equipment | $14,259,128 | $4,277,738 | $9,981,390 | $10,375,930 | $3,112,779 | $7,263,150 | $12,895,929 | $3,868,779 | $9,027,150 |
| k. Miscellaneous | $5,204,932 | $1,561,481 | $3,643,451 | $0 | $0 | $0 | $1,197,134 | $359,140 | $837,994 |
| l. SUBTOTAL (add a through k) | $94,963,210 | $28,488,963 | $66,474,247 | $46,191,217 | $13,857,364 | $32,333,852 | $63,567,429 | $19,070,228 | $44,497,201 |
| m. Contingencies | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| n. TOTALS (sum of l and m) | $94,963,210 | $28,488,963 | $66,474,247 | $46,191,217 | $13,857,364 | $32,333,852 | $63,567,429 | $19,070,228 | $44,497,201 |

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 |
|---|---|