

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) 03-31-2011	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): 05-20-2011
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Project Indicators (This Quarter)

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

An Intercreditor Agreement was approved by the National Telecommunications & Information Administration ("NTIA") and an existing lender in March 2011. This was a significant project accomplishment, allowing Hardy to seek reimbursement of project expenditures for the first time since award notification in March 2010. Project expenditures funded by Hardy through March 31, 2011 totaled \$1,020,681. Prior to approval of the Intercreditor Agreement, a reimbursement to Hardy would constitute a breach of loan covenants with respect to the lender's first security interest. In 1st quarter 2011, Hardy completed revisions to its Environmental Assessment of October, 2010 and provided an Archaeological report, as requested by NTIA. Hardy complied with a comprehensive document request relating to environmental compliance, project progress and expenditures required by the Grants Management Office. Upon receipt of the revised Environment Assessment from NTIA, the WV State Office of Historic Preservation ("SHPO") completed a Cultural & Historic Resources Review and notified NTIA that no further consultation was required for aerial deployment, although a Phase 1 archaeological survey of 9.3 miles of buried line was required, and adherence to best practice management for connection of broadband equipment to historic structures. Completion of the revised environmental assessment, archaeological report, and Historic & Cultural Resources review by WV SHPO were material undertakings with a crucial outcome. Successful completion and issuance of a Finding of No Significant Impact by NTIA would allow Hardy to commence procurement of materials and work required for aerial deployment. Project expenditures funded by Hardy from March, 2010 through March 31, 2011 totaled \$1,020,681, a variance of (44.0)% from the level forecasted in Hardy's Baseline plan for the same time period. Seventy-eight miles of the planned 117-mile network were forecasted for completion by March 31, 2011, but network deployment had not yet commenced. This variance is a direct result of delays in obtaining an approved Intercreditor Agreement, delays in NTIA's review of Hardy's environmental assessment submitted in October, 2010, completion of revisions and an archaeological report requested by NTIA in January, 2011, and completion of a Historic and Cultural Resources Review by WV State Office of Historic Preservation. As of March 31, 2011, a Finding of No Significant Impact had not yet been released by NTIA, precluding network materials procurement and deployment. The timeline for network completion has been delayed by approximately twelve months; however, barring any future delays beyond Hardy's control, the network can be completed within 36 months of award date as required by program rules. In addition to Hardy's work related to obtaining the aforementioned approvals, during the first quarter of 2011 Hardy submitted required reports, including a Recovery Act report, Quarterly & Annual Performance Progress Reports, and Quarterly & Annual Financial Reports. On March 28-29, NTIA conducted a site visit to review project documentation and assess project progress and compliance. The NTIA team assigned to the Hardy project advised that Hardy was the best prepared of any recipient visited by the team to date. In addition to this work, Hardy completed Outside Plant construction planning and engineering for 43 of a total of 117 miles of planned network. Outside Plant and Inside Plant materials sourcing was completed. Phase 1 and Phase 2 outside plant construction documents were prepared for release to utility contractor bidders, and Hardy researched and prepared the basis for a Davis-Bacon conformance request for submission to NTIA and the Department of Labor. Planning for entrances was completed for 20 Hardy remote facilities. Permitting packages were prepared for submission to the WV Dept. of Transportation. Hardy funded 6.6 jobs associated with this work in the first quarter of 2011.

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	25	-44% Variance. Delays in Intercreditor Agreement, Environmental Assessment review, and completion of Historic and Cultural Preservation Review prevented draw down of funds. Finding of No Significant Impact not yet released at 3/31/2011, precluding procurement of materials and commencement of deployment.
2b.	Environmental Assessment	100	+341% Variance. Cost of environmental assessment and archaeological services ran significantly over budget due to the high number of prehistoric and historic sites in Hardy County, WV
2c.	Network Design	47	-28% Variance. Resources reallocated to completion of environmental/archaeological assessments. Segments of the network were rerouted, and redesigned from buried cable to aerial placement, to avoid identified historic and cultural sites.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2d.	Rights of Way	12	-88% Variance. The baseline forecast included costs of land, structures and appraisals in the Right of Way budget category. Delays in Environmental Assessment review and completion of Historical and Cultural Preservation Review delayed purchases of land for building placement sites and required easements. Phase 1 archaeological survey and shovel testing required to discover artifacts in 9.3 mile buried section and land for building placement. Land purchases for building sites deferred.
2e.	Construction Permits and Other Approvals	63	-38% Variance. Delays in Environmental Assessment review and completion of Historical and Cultural Preservation review delayed permitting and other approvals. Sections of line were rerouted and redesigned as aerial placement to avoid historic and cultural sites along the route.
2f.	Site Preparation	0	-100% Variance. Land clearing and site preparation not allowable until completion of Phase 1 archaeological survey and shovel testing as required to discover artifacts. Notification of requirement by NTIA and WV Office of State Historic Preservation not received until 3/25/2011.
2g.	Equipment Procurement	14	-86% Variance. Delays in approval of Intercreditor Agreement and Environmental Assessment prevented procurement of electronics and equipment.
2h.	Network Build (all components - owned, leased, IRU, etc)	20	-46% Variance. Delays in approval of Intercreditor Agreement and Environmental Assessment prevented procurement of materials and commencement of construction. Hardy contributed existing network infrastructure and electronics deployed to Community Anchor Institutions, but no new deployment allowed until Finding of No Significant Impact released by NTIA. Finding not released as of 3/31/2011.
2i.	Equipment Deployment	0	Baseline forecast included equipment installation & testing in Equipment Procurement budget.
2j.	Network Testing	0	Same as above
2k.	Other (please specify): Inspection	0	-100% Variance. Finding of No Significant Impact not released by NTIA as of 3/31/2011, preventing network construction.

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).

On March 25, 2011, The WV State Historic Preservation Office concluded its review with no further consultation required for aerial deployment; however a Phase 1 archaeological survey and shovel testing to discover artifacts is required for a 9.3-mile buried section of line and building placement sites. Hardy's archaeological services provider has begun a review of rights of way as required for this section, with no artifacts found to date. If artifacts are discovered, it may delay deployment of buried sections of line; however those sections may be rerouted if necessary. The WV Environmental Agency's approval is required for a section of line to be placed in a flood control area. The Line can be rerouted in a 5-mile section to avoid the flood control area if necessary. Fiber-optic cable order fulfillment time has increased from 12 to 16 weeks due to worldwide demand for fiber and an overall decrease in global manufacturing capacity after earthquake and tsunami damage in Japan. While these issues have impacted deployment timelines, the expected completion date is within the timeframe allowable under program rules.

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)

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	0	78 miles of the planned 117-mile network were forecasted to be completed by March 31, 2011. Variance is a direct result of delays in obtaining approvals of an Intercreditor Agreement by NTIA and an existing lender, delays in NTIA's review of Hardy's environmental assessment submitted in October, 2010, completion of revisions and an archaeological report requested by NTIA in January, 2011, and completion of an Historic and Cultural Resources Review by WV State Office of Historic Preservation. As of March 31, 2011 a Finding of No Significant Impact had not been issued by NTIA, precluding materials procurement and deployment commencement. The timeline for deployment is approximately twelve months. Barring any future delays beyond Hardy's control, the network can be completed within 36 months of award date of February 28, 2010 as required by grant program rules.
New network miles leased	0	NA
Existing network miles upgraded	0	Same as above
Existing network miles leased	0	N/A
Number of miles of new fiber (aerial or underground)	0	Same as above
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	Same as above

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	0
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	0	Hardy forecasted 29 total subscribers by the end of Q1 2011, but network deployment had not yet begun. This variance is a direct result of delays in obtaining approvals of an Intercreditor Agreement by NTIA and an existing lender, delays in NTIA's review of Hardy's environmental assessment submitted in October, 2010, completion of revisions and an archaeological report requested by NTIA in January, 2011, and completion of an Historic and Cultural Resources Review by WV State Office of Historic Preservation. As of March 31, 2011 a Finding of No Significant Impact had not yet been issued by NTIA, precluding materials procurement and deployment commencement. The timeline for deployment is approximately twelve months. Barring any future delays beyond Hardy's control, the network can be completed within 36 months of award date of February 28, 2010 as required by program rules.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	Hardy forecasted 29 subscribers receiving improved access by end of Q1 2011, but network deployment had not yet commenced. This variance is a direct result of delays in obtaining approvals of an Intercreditor Agreement by NTIA and an existing lender, delays in NTIA's review of Hardy's environmental assessment submitted in October, 2010, completion of revisions and an archaeological report requested by NTIA in January, 2011, and completion of an Historic and Cultural Resources Review by the WV State Office of Historic Preservation. As of March 31, 2011 a Finding of No Significant Impact had not yet been issued by NTIA, precluding materials procurement and deployment commencement. The timeline for deployment is approximately twelve months. Barring any future delays beyond Hardy's control, the network can be completed within 36 months of award date of February 28, 2010 as required by grant program rules.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Network deployment not yet begun. Same as above.
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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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).

N/A

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
None	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).

Approval of Environmental Assessment and release of Finding of No Significant Impact by NTIA. Submission of request for reimbursement of expenditures and draw-down of funds. Completion of Phase 1 archaeological survey and shovel testing as required by NTIA and WV State Historic Preservation Office for a 9.3 mile buried section and building sites. Obtain WV Department of Transportation permitting approvals. WV State Environmental Agency approval for section of line in a flood control area, or an approximate 5-mile reroute to avoid area. Fiber-optic cable order placement for Phases 1 and 2 of construction. Bid documents release to Outside Plant Contractors and award(s). Execution of contract with major electronics vendor. Electronics ordered for nine remote facilities, installation and testing.

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	78	-9% Variance. Delays in Fiber-optic cable order fulfillment lead time. Phase 1 Archaeological Survey and shovel testing for 9.3-mile buried section and building placement site.
2b.	Environmental Assessment	100	466% Budget Variance. Environmental Assessment completed. Phase 1 Archaeological Survey and shovel testing charged to this account.
2c.	Network Design	73	-10% Variance. Results of Phase 1 Archeological Survey and shovel testing may impact network design.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2d.	Rights of Way	40	-60% Variance. Baseline forecast included costs of land, structures and appraisals in the Right of Way budget category. Phase 1 archaeological survey and shovel testing required to discover artifacts in 9.3 mile buried section and land for building placement.
2e.	Construction Permits and Other Approvals	97	N/A
2f.	Site Preparation	0	-100% Variance. Land clearing and site preparation not allowable until Phase 1 Archaeological Survey and shovel testing completed.
2g.	Equipment Procurement	60	-40% Variance. Finding of No Significant Impact required before procurement allowable for other than for Management & Administrative Expenditures. Issuance expected in early Q2 2011 at which time contract negotiations and award will be finalized.
2h.	Network Build (all components - owned, leased, IRU, etc.)	39	-61% Variance. Finding of No Significant Impact required before new construction can begin. Issuance expected in early Q2. Fiber-optic order fulfillment lead times will delay construction. Buried Placement of 9.3 miles of line cannot begin until Phase 1 Archeological Survey and shovel testing is completed, but less than 10% of the planned network will be buried cable.
2i.	Equipment Deployment	0	Baseline forecast included equipment installation & testing in Equipment Procurement budget.
2j.	Network Testing	0	Same as above
2k.	Other (please specify): Inspection	0	-100% Variance. Finding of No Significant Impact required before new construction can begin. Issuance expected in early Q2. Fiber-optic order fulfillment lead times will delay construction.

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).

NTIA and the WV State Historic Preservation Office require a Phase 1 archaeological survey and shovel testing to discover artifacts in a planned 9.3-mile buried section of line and building placement sites. If artifacts are discovered, it may delay deployment of buried sections of line; however those sections may be rerouted if necessary. The WV Environmental Agency's approval is required for a section of line to be placed in a flood control area. The Line can be rerouted in a 5-mile section to avoid the flood control area if necessary. Fiber-optic cable order fulfillment time has increased from 12 to 16 weeks due to worldwide demand for fiber and an overall decrease in global manufacturing capacity after earthquake and tsunami damage in Japan. While these issues may impact deployment timelines, the expected completion date is within the timeframe allowable under program rules.

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	\$25,082	\$17,582	\$7,500	\$25,082	\$17,582	\$7,500
b. Land, structures, right-of-ways, appraisals, etc.	\$205,133	\$0	\$205,133	\$0	\$0	\$0	\$60,000	\$0	\$60,000
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$579,642	\$0	\$579,642	\$490,398	\$0	\$490,398	\$713,695	\$223,297	\$490,398
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$83,980	\$0	\$83,980	\$0	\$0	\$0	\$0	\$0	\$0
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	\$505,201	\$432,142	\$73,059	\$925,201	\$432,142	\$493,059
j. Equipment	\$947,990	\$381,962	\$566,028	\$0	\$0	\$0	\$404,353	\$381,962	\$22,391
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$4,015,864	\$814,104	\$3,201,760	\$1,020,681	\$449,724	\$570,957	\$2,128,331	\$1,054,983	\$1,073,348
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$4,015,864	\$814,104	\$3,201,760	\$1,020,681	\$449,724	\$570,957	\$2,128,331	\$1,054,983	\$1,073,348

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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