

RECIPIENT NAME:Horizon Telecom, Inc.

AWARD NUMBER: NT10BIX5570119

DATE: 08/18/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570119	<b>3. DUNS Number</b>  933581456
<b>4. Recipient Organization</b>  Horizon Telecom, Inc. 68 E Main Street, Chillicothe, OH 45601-2503		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  06-30-2011	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Corinne Colbert	<b>7c. Telephone (area code, number and extension)</b>  X	
	<b>7d. Email Address</b>  corinne@reidconsultinggroup.com	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  08-18-2011	

**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**  
 Special Award Conditions for overlap and environmental assessment were lifted. Established a procedure for ongoing cultural and historical impact reviews in accordance with our agreement with the Ohio Historic Preservation Office. Vendors for construction, IT hardware and plant records were selected, bringing the RFP process to an end. The first shipment of fiber was delivered and the first order for electronics was placed. Created a vendor handbook outlining all company and government procedures, including reporting requirements; this is a living document that will be updated as needed. Conducted a training session for construction contractors on compliance, reporting and environmental awareness. Construction began in June; by the end of the reporting period, 30 miles of fiber had been strung. Created and convened Fiber Routing Advisory Committees in all 34 project counties; efforts are being made to accommodate the request for rerouting from one county. Internal discussions about services and marketing were initiated.

**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	4	Project expenditures remained low this quarter because the FONSI was not issued until mid-May.
2b.	Environmental Assessment	98	Environmental SAC lifted; continuing to assess cultural and historical impact on routes as they are finalized. This work will be ongoing until all routes are finalized.
2c.	Network Design	18	Although we have spent approximately 18% of our budgeted amount for architecture and engineering fees, backbone engineering is essentially completed.
2d.	Rights of Way	98	Estimate in baseline project milestones is low. Most ROWs for this project are in utility corridors, where we have permission to build already.
2e.	Construction Permits and Other Approvals	18	Permitting was built into network design, of which we have spent 18% of the budgeted amount. Despite the low expenditures, permitting is proceeding ahead of schedule.
2f.	Site Preparation	18	Site preparation and acquisition costs were built into the network engineering budget, of which we have spent 18% of projection. Despite the low expenditures, site preparation is ahead of schedule.
2g.	Equipment Procurement	6	We purchased a significant amount of fiber and electronics toward the end of the quarter concurrent with the onset of construction. We have not been invoiced for this equipment. Vendor negotiations and subsequent MSA were primarily responsible for variance. We expect to complete this milestone by EOY 2011.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	Construction began in June 2011; by the end of the reporting period, .36% of the construction budget had been spent. The variance is a direct result of the delay in receiving our FONSI. We have accelerated our build schedule and should catch and pass the baseline projections by EOQ4 2011.
2i.	Equipment Deployment	0	Baseline projected 30%, which is inaccurate. Equipment deployment will run roughly concurrent with network build.
2j.	Network Testing	0	Baseline projected 30%, which is inaccurate. Testing will run roughly concurrent with network build.
2k.	Other (please specify):	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).**

Key challenges in this quarter were the final acceptance of our environmental assessment, particularly communications with the Ohio Historic Preservation Office. With the issuance of our FONSI, construction began and the project has truly gotten underway. We have accelerated our build schedule and should catch and pass the baseline projections by EOQ4 2011 from a network perspective.

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**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	30	Construction began late in the reporting period.
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)	0	Construction began late in the reporting period.
Number of new wireless links	0	Construction began late in reporting period.
Number of new towers	0	n/a
Number of new and/or upgraded interconnection points	0	Construction began late in the reporting period.

**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	5
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	9

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

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**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 provider speed tiers of 5 MBps to 10GBps.

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**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).**

n/a

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**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)

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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	5	With 5 signed agreements we are over one year ahead of projections. We have no new agreements in the queue at this time
	Providers with signed agreements receiving improved access	0	Less than 1% of network constructed.
	Providers with signed agreements receiving access to dark fiber	0	Less than 1% of network constructed.
	Please identify the speed tiers that are available and the number of subscribers for each	0	Horizon will offer wholesalers and last-mile provider speed tiers of 5 MBps to 10GBps.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Less than 1% of network constructed.
	Subscribers receiving new access	0	Less than 1% of network constructed.
	Subscribers receiving improved access	0	Less than 1% of network constructed.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Less than 1% of network constructed. Horizon will offer point-to-point and multipoint services between 5Mbps and 10Gbps; dedicated Internet access is 1Mbps-1Gbps standard, 2.5-40Gbps optional.
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).  
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
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).**

We are currently projecting hanging fiber at a rate of 15+ miles per week. However we are still in ramp up mode and expect that number to improve. We expect to have equipment in place at 18 of 34 POP sites. We will begin to connect CAIs. We are active in a number of the Chambers of Commerce in the counties where we will be providing service. We are hosting 'lunch and learns' through the Chambers to explain the network and capabilities. We are providing speakers to the Chambers and service clubs. We will be placing targeted billboards and doing direct mail to those businesses on or close to the network route.

**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	19	Project will remain behind projected schedule due to delays in start of construction by environmental assessment.
2b. Environmental Assessment	98	We will continue to assess POP sites and routes as needed.
2c. Network Design	25	Engineering of lateral routes will begin as we begin to sign up CAIs.
2d. Rights of Way	99	Estimate in baseline project milestones is low. Most ROWs for this project are in utility corridors, where we have permission to build already.
2e. Construction Permits and Other Approvals	25	We will continue to secure permits for rail and road crossings. Permitting is budgeted as part of network design.
2f. Site Preparation	25	Identification and acquisition of POP sites will continue.
2g. Equipment Procurement	50	Large orders for fiber and materials were placed late in the quarter. Continued orders will pace network construction.
2h. Network Build (all components - owned, leased, IRU, etc.)	24	Baseline projected 30%, but that assumed we would be cleared for construction earlier. Construction of the backbone will ramp up in this quarter.
2i. Equipment Deployment	53	We expect to have deployed equipment to 18 of 34 POP sites by the end of the Q3.
2j. Network Testing	53	Baseline projected 30%, which is inaccurate. Testing will run roughly 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).**

The most significant challenge we anticipate is making up for construction delays due to the environmental assessment process. Incumbent carriers--even though they may have inferior networks or less attractive pricing--have been able to use the time to move aggressively to sign up CAIs with long-term contracts, making the CAO network more difficult to sustain financially. In many cases, the rates are not especially attractive, but the carriers have been able to lock CAIs into long-term contracts. This delays our ability to sign up a particular CAI. Fortunately, many of our CAIs are represented in the consortium and have not been as easily led astray. Our main strategy to combat this problem is to be aggressive in our sales and marketing efforts, to pursue a greater volume of sales and to expand our focus to other types of institutions and facilities.

**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	\$1,485,174	\$445,552	\$1,039,622	\$1,019,324	\$305,797	\$713,527	\$1,167,842	\$350,353	\$817,489
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	\$1,398,213	\$419,464	\$978,749	\$4,512,224	\$1,353,667	\$3,158,557
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	\$265,635	\$79,690	\$185,945	\$5,694,346	\$1,708,304	\$3,986,042
j. Equipment	\$14,259,128	\$4,277,738	\$9,981,390	\$843,221	\$252,966	\$590,254	\$6,225,223	\$1,867,567	\$4,357,656
k. Miscellaneous	\$5,204,932	\$1,561,481	\$3,643,451	\$0	\$0	\$0	\$0	\$0	\$0
<b>l. SUBTOTAL (add a through k)</b>	\$94,963,210	\$28,488,963	\$66,474,247	\$3,627,693	\$1,088,307	\$2,539,385	\$17,700,935	\$5,310,281	\$12,390,654
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$94,963,210	\$28,488,963	\$66,474,247	\$3,627,693	\$1,088,307	\$2,539,385	\$17,700,935	\$5,310,281	\$12,390,654

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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