

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) 06-30-2012	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): 08-15-2012
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Project Indicators (This Quarter)

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

In Q2 2012 Hardy Telecommunications ordered and received customer premises equipment and drop cable. Hardy completed construction of 16 Community Anchor Institution ("CAI") laterals out of 92 total CAI connections, with 6 of the 16 CAIs subscribing to broadband service. Documentation describing approximately 0.44 miles of route additions or modifications affecting 24 CAI connections was submitted to NTIA historic preservation staff and the West Virginia State Historic Preservation Office for review and approval. Archaeological shovel testing was performed for buried cable additions or modifications to CAI laterals as required. No significant artifacts were found and no further archaeological review was recommended by Hardy's archaeologists. Private easements were requested for 5 CAIs. Connections to the remaining 47 CAIs were in progress at the end of the quarter. Owner and Engineer inspections of all phases of backbone ring construction were completed, and construction contractors began clean-up for Hardy's final approval and acceptance. All network and access equipment and electronics have been installed and tested.

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	98	(2%) Variance.
2b.	Environmental Assessment	100	775% Variance. Historic preservation studies and surveys significantly delayed buried construction and materially increased project costs.
2c.	Network Design	100	61% 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"). Delays in review and approval of required route additions and modifications by NTIA historic preservation staff.
2d.	Rights of Way	12	(88)% Variance. No change from prior quarter. 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. No change from prior quarter. 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	34	(66%) 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)	98	(2)% 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. Delays in review and approvals of requested route additions and modifications of Community Anchor Institute routes delayed completion of 24 connections.
2i.	Equipment Deployment	0	(100)% Variance. Baseline forecast included equipment deployment in Equipment Procurement budget.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2j.	Network Testing	0	Baseline value = 0. Network testing costs included in professional services.
2k.	Other (please specify):	100	119% 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).

None.

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	98	16)% Variance. Delays in construction commencement as previously noted. Fifteen miles of upgraded fiber network contributed by Hardy in lieu of new construction.
New network miles leased	0	NA
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	NA
Number of miles of new fiber (aerial or underground)	98	(16)% Variance. Same as New network miles deployed.
Number of new wireless links	0	NA
Number of new towers	0	NA
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	1
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	8

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
Lumos Networks

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:
155 Mbps transport. Pricing Plans previously provided.

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	1	Baseline Value = "N/A"
	Providers with signed agreements receiving improved access	0	Baseline Value = "N/A"
	Providers with signed agreements receiving access to dark fiber	0	Baseline Value = "N/A"
	Please identify the speed tiers that are available and the number of subscribers for each	0	10 Mbps to 1 Gbps. 1 Subscriber for 155 Mbps service
Community Anchor Institutions (including Government institutions)	Total subscribers served	16	(84)% Variance. Delays in commencement of construction as previously discussed. Broadband and Transport service is available up to 1-GigE to seven school sites, three cellular towers, and six other CAIs. Construction underway for remaining CAIs, pending historic preservation review and approval by NTIA and WV-SHPO, and rights of way for 5 sites.
	Subscribers receiving new access	0	NA
	Subscribers receiving improved access	16	(84)% 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.
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

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

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 change to network management practices 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
Fraley Ambulance Service	Hardy County WV	Healthcare	No	Connection available. Broadband or transport may be provided up to 1-GigE service upon receipt of order.
Hardy County Rural Development Authority	Hardy County WV	Economic Development & Job Creation	No	Same as above
Hardy County Farm Service Bureau	Hardy County WV	Economic Development & Job Creation	No	Same as above
Hardy County Health Department	Hardy County WV	Healthcare	No	Same as above
Moorefield Volunteer Fire Department #1	Hardy County WV	Public Safety	No	Same as above
Stewart, Barr & Thorne (Dental Care)	Hardy County WV	Healthcare	No	Same as above

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
Approximately 17 miles of new construction including laterals to remaining 72 CAI sites. Contractor completion of backbone ring corrections and final acceptance by Hardy. Hardy will submit a rebudget request to move all remaining savings obtained in the line item categories equipment, facilities, operating equipment, site work, demolition and removal, and construction to architectural & engineering fees that exceeded the line item budget category total. Archaeological and environmental studies, assessments, testing and reporting charged to architectural & engineering far exceeded the budget for these items due to the high number of prehistoric and historic sites in Hardy County and the requirement to shovel test all ground disturbing construction not in a previously disturbed corridor. Hardy will request an early award close-out in third quarter 2012.

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	856% Variance. Historic preservation studies and surveys significantly delayed buried construction and materially increased project costs.
2c.	Network Design	100	53% 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	34	(66)% 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.)	98	(2)% Variance. Variance is due to negotiated savings in equipment costs. Use of long-range optics and availability of fiber-to-the-home in the BIP funded Hardy OneNet network reduced requirements for electronics at all sites and facilities construction and upfits.
2i.	Equipment Deployment	0	N/A. Baseline forecast included equipment deployment in Equipment Procurement budget.
2j.	Network Testing	0	Baseline = 0. Testing included in Architectural and Engineering Services.
2k.	Other (please specify):	100	232% 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).

The only challenge remaining is the delay in obtaining NTIA approval of route modifications or additions affecting 24 community anchor institution connections. Archaeological shovel testing has already been performed, if required, and approval from the West Virginia State Historic Preservation office has been obtained for all but two connections. No further review is recommended by Hardy's archaeologists, and no barriers are expected to approval.

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	\$1,207,712	\$0	\$1,207,712	\$1,202,333	\$0	\$1,202,333
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$83,980	\$0	\$83,980	\$184,089	\$0	\$184,089	\$278,687	\$0	\$278,687
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	\$2,152,614	\$644,695	\$1,507,919	\$2,152,614	\$644,695	\$1,507,919
j. Equipment	\$947,990	\$381,962	\$566,028	\$323,042	\$169,409	\$153,633	\$323,042	\$169,409	\$153,633
k. Miscellaneous	\$0	\$0	\$0	\$9,756	\$0	\$9,756	\$9,756	\$0	\$9,756
l. SUBTOTAL (add a through k)	\$4,015,864	\$814,104	\$3,201,760	\$3,926,645	\$814,104	\$3,112,541	\$4,015,864	\$814,104	\$3,201,760
m. Contingencies									
n. TOTALS (sum of l and m)	\$4,015,864	\$814,104	\$3,201,760	\$3,926,645	\$814,104	\$3,112,541	\$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