

**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
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<b>4. Recipient Organization</b>  Horizon Telecom, Inc. 68 E Main Street, Chillicothe, OH 45601-2503
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<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  12-31-2012	<b>6. Is this the last Report of the Award Period?</b>  <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.

<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Chris A Glassburn  Exec GM, Strategy & Analytics	<b>7c. Telephone (area code, number and extension)</b>  7407728200 X8459
	<b>7d. Email Address</b>  chris.glassburn@horizontel.com

<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  02-26-2013
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**Project Indicators (This Quarter)**

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

At the end of the fourth quarter of 2012:

Construction: Horizon has built over 900 miles of the fiber network. This quarter had twice the build rate of the previous quarter. We see this as a major positive. We continue to meet with all parties necessary to ensure make-ready and permitting continues to progress. Almost all railroad permits have been received - this was a huge barrier in previous quarters. Relationships continue to be fostered in an effort to smooth make-ready and permitting processes with all associated parties.

Community Anchor Institutions (CAIs): Six new Community Anchor Institutions came online for a total of thirty-two. 118 of the Community Anchor Institutions are under contract.

Wireless Internet Service Providers (WISPs): We have twelve contracts with WISPs with seven of those online.

Points-of-Presence (POPs): Three additional POPs came online as fiber arrived for a total of twenty-six.

Community Involvement: Horizon sponsored a number of events in it service area: The St. Clairsville Holiday on the Hilltop Christmas Parade in Belmont County. The Logan Santa Parade in Hocking County. Numerous Lunch and Learns with area business professionals discussing the benefits of utilizing a fiber optic network. Horizon also attended trade shows sponsored by area chambers of commerce. Horizon conducted a three-month campaign directed at businesses, schools, health facilities located along the network.

**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	87	Horizon continues to make progress despite continued barriers like make-ready and permitting.
2b.	Environmental Assessment	98	Horizon will continue the ongoing assessments in coordination with our engineering and environmental assessment consultants.
2c.	Network Design	93	Finalizing distribution routes.
2d.	Rights of Way	98	Continues as designed.
2e.	Construction Permits and Other Approvals	93	Included in Network Design.
2f.	Site Preparation	93	Included in Network Design.
2g.	Equipment Procurement	90	In line with baseline.
2h.	Network Build (all components - owned, leased, IRU, etc)	70	Continued delays in permitting and make-ready have negatively affected our total build rate. This quarter had some success and ended up with double the build of the previous quarter.
2i.	Equipment Deployment	60	Awaits backbone completion to bring online.
2j.	Network Testing	45	Awaits backbone completion to bring online.
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).**

The biggest challenge Horizon faces is the delay caused by permitting and make-ready. With no governing authority, utilities, municipalities, counties, railroads, state and other local agencies work in an autonomous manner with no regard for the urgency of our requests or deadlines of our project. Even across the same organization, the permitting process can differ greatly. With our project extending across thirty-four counties, we find requirements much more stringent in one district than from another one. This does not allow for efficient or automated processes.

One municipality wanted for us to provide them with detailed maps of how we would use their conduit system before we could use it. They did not have any decent maps of their own system. If we did not provide them we could not go through their city.

With a handful of budget overruns, Horizon will need to put in additional funds. These areas are currently being audited.

**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	900	Build rates were in line with expectations this quarter. Most make-ready crews returned from outages caused by inclement weather in other parts of the country to work on our project and have made progress.
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)	900	Build rates were in line with expectations this quarter. Most make-ready crews returned from outages caused by inclement weather in other parts of the country to work on our project and have made progress.
Number of new wireless links	0	n/a
Number of new towers	0	n/a
Number of new and/or upgraded interconnection points	26	Equipment has been installed in all Points-of-Presence (POPs). This category is only slightly behind baseline of 29 and is only awaiting backbone connectivity.

**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	12
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	16

**5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:** Avolve; Connectlink, Inc; Country Connection (2); Firewire; GMN Wireless Broadband; Intelliwave; JB-Nets, LLC; New ERA Broadband; Rowe Wireless Networks; Smart Networks; Southern Ohio Communication Services (SOCS).

**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). Pricing Plan redacted.

**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)
<b>Broadband Wholesalers or Last Mile Providers</b>	Providers with signed agreements receiving new access	3	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	7	We have speed tiers available from 5 Megabytes per second (Mbps) to 10 Gigabytes per second (Gbps). We have two at 10 Mbps; one at 20 Mbps; three at 100 Mbps and one at 150 Mbps.
<b>Community Anchor Institutions (including Government institutions)</b>	Total subscribers served	32	Community Anchor Institutions (CAIs) are behind baseline due to delay in backbone fiber reaching Points-of-Presence (POPs) to make connections.
	Subscribers receiving new access	14	none
	Subscribers receiving improved access	18	none
	Please identify the speed tiers that are available and the number or subscribers for each	32	We have speed tiers available from 5 Megabytes per second (Mbps) to 1 Gigabyte per second (Gbps) for CAIs. One has chosen 1 Gbps; nine have chosen 100 Mbps; one at 50 Mbps; two at 30 Mbps; two at 20 Mbps; sixteen at 10 Mbps; one at 5 Mbps.
<b>Residential / Households</b>	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
<b>Businesses</b>	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
Ohio University Library Annex	Athens	Higher Ed	Yes	10 Mbps - The network allows all of the Ohio University campuses and other locations for be integrated in to one wide area network. The network also allows for larger bandwidth allocations than what was previously available.
Hocking Hills Elementary	Hocking	K-12	Yes	100 Mbps - Prior to the network being available this elementary school only a T-1 available. The 100 Mbps connection allows the school to take advantage of online testing opportunities as well as other interactive learning offerings that were not available due to a lack of bandwidth. Additionally the network is designed such that schools can easily and affordably add more bandwidth as they need it without incurring increased infrastructure costs.
Licking Memorial Family Practice - Johnstown	Licking	Health Care	Yes	20 Mbps - This location is one of several locations that can now be tied in to a central server operation for medical records management and the movement of large files such as MRIs.
Warren Elementary	Washington	K-12	Yes	100 Mbps - Prior to the network being available this elementary school only a T-1 available. The 100 Mbps connection allows the school to take advantage of online testing opportunities as well as other interactive learning offerings that were not available due to a lack of bandwidth. Additionally the network is designed such that schools can easily and affordably add more bandwidth as they need it without incurring increased infrastructure costs.
Family Healthcare, Inc - Logan	Hocking	Health Care	Yes	10 Mbps - Family Healthcare has seven locations on the Horizon network. Without the current expansion, two would be unserviceable. This network allows this location and all of their other remote locations to be tied in to one central business operation for financial and medical records management. The network has greatly improved this non-profit organization's efficiency and its ability to grow to meet healthcare demands in the rural counties it serves.
Ohio University Southern	Lawrence	Higher Ed	Yes	1 Gbps - The network allows all of the Ohio University campuses and other locations for be integrated in to one wide area network. The network also allows for larger bandwidth allocations than what was previously available.

**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 1200 miles of fiber built by the end of the first quarter of 2013. We will continue to meet with all parties necessary to ensure make-ready and permitting continues to progress and find ways to improve the processes. Depending on the build rate success we could have another ten to fifteen Community Anchor Institutions (CAIs) connected this quarter. There are no additional broadband wholesaler/last mile provider/wireless internet service provider (WISP) agreements in the supply line, though we have had a lot of success in this area.

**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	93	Horizon will continue to look for ways to increase our build rate and still minimize costs associated with the build.
2b.	Environmental Assessment	98	Continues as necessary.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2c.	Network Design	95	Reaching final stages.
2d.	Rights of Way	98	Continues as necessary.
2e.	Construction Permits and Other Approvals	95	Included in Network Design.
2f.	Site Preparation	95	Included in Network Design.
2g.	Equipment Procurement	92	In line with baseline.
2h.	Network Build (all components - owned, leased, IRU, etc.)	75	As construction continues to make steady progress, we expect to reach the 1200 mile mark in our build.
2i.	Equipment Deployment	70	Awaits backbone completion to bring online.
2j.	Network Testing	60	Awaits backbone completion to bring online.
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).**

Make-ready and permitting dictate our speed. They are very much out of our control. Horizon is working diligently to manage these issues to ensure no unnecessary delays occur.

**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	\$2,030,191	\$609,057	\$1,421,134	\$2,130,191	\$639,057	\$1,491,134
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	\$8,691,121	\$2,607,336	\$6,083,785	\$8,741,121	\$2,622,336	\$6,118,785
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	\$56,017,094	\$16,805,128	\$39,211,966	\$60,517,094	\$18,155,128	\$42,361,966
j. Equipment	\$14,259,128	\$4,277,738	\$9,981,390	\$14,706,494	\$4,411,948	\$10,294,546	\$15,476,494	\$4,642,948	\$10,833,545
k. Miscellaneous	\$5,204,932	\$1,561,481	\$3,643,451	\$1,428,463	\$428,539	\$999,924	\$1,608,995	\$482,699	\$1,126,297
<b>l. SUBTOTAL (add a through k)</b>	\$94,963,210	\$28,488,963	\$66,474,247	\$82,974,663	\$24,892,398	\$58,082,265	\$88,575,195	\$26,572,558	\$62,002,637
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	\$82,974,663	\$24,892,398	\$58,082,265	\$88,575,195	\$26,572,558	\$62,002,637

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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