

RECIPIENT NAME:Horizon Telecom, Inc.

AWARD NUMBER: NT10BIX5570119

DATE: 03/20/2015

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

### 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>  06-30-2014	<b>6. Is this the last Report of the Award Period?</b>  <input checked="" type="radio"/> Yes <input 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>  William McKell	<b>7c. Telephone (area code, number and extension)</b>  X	
	<b>7d. Email Address</b>  Bill.mckell@horizontel.com	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  03-20-2015	

**Project Indicators (This Quarter)**

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

Horizon Telcom, Inc. is a regional fiber provider and incumbent local exchange carrier with headquarters in Chillicothe, Ohio. NTIA awarded Horizon a grant of \$66,474,247 on August 1, 2010 to build a middle mile network through 34 counties in southern and eastern Ohio. Horizon completed the network on June 30, 2014, constructing nearly 1,320 miles, including 1,080 miles of backbone and 238 miles of distribution fiber. The final design was approved by our CAI and Distribution Route Change Award Action Request (AAR). Horizon has deployed electronics at 34 Points of Presence (POPs), including new POPs in 21 counties and upgraded POPs in 13 counties.

Horizon's Connecting Appalachian Ohio BTOP project improved or connected 467 Community Anchor Institutions (CAIs) at a total cost of over \$101 million. This total includes 95 new CAIs and 372 CAIs that were improved in various ways. The network was designed to pass within 500' of another 399 qualifying CAIs that are poised for connection.

Horizon has been particularly successful with broadband wholesale and last mile provider agreements, signing 14 agreements with 11 providers. These agreements enable the providers to deliver broadband to several thousand customers who would be unable to receive such services in any other cost effective way. Horizon also provides services to over 200 cellular towers so those providers are able to provide mobile and fixed 4G (LTE) data services. As a result, approximately 44,000 people living in areas without access to a suitable wired broadband connection now have access to wireless broadband delivered through Horizon's fiber interconnections with LTE providers. This has resulted in approximately 25% of the unserved population in the project area at the time of application now able to be served. Finally, Horizon has dark fiber agreements with five companies who use our facilities to reach their rural customer locations or nodes.

Over the course of the project many K-12 Schools have benefited from increased speeds and reliability. The Ohio Education Computer Network (OECN) is a network of Information Technology Centers (ITCs) supporting the school districts in Ohio. Horizon's BTOP project directly improved four ITCs and dozens of schools, allowing approximately 45 to take advantage of state recommended 100 MBPS connection speeds. One of these ITCs, SEOVEC, says, "We have seen increased use of online resources...when appropriate. Bring-Your-Own-Device and One-To-One wireless solutions have been successfully implemented.... [T]he fiber service Horizon has provided our members has brought Southeastern Ohio into the 21st century...." Another ITC, OME-RESA, points out that most of their 37 new sites connected to Horizon's BTOP network "were located in some of the most rural areas in Ohio and presented great challenges in the design and construction of the fiber-optic backbone that now provides service to these areas." These specific sites were greatly impeded by their location and "until this solution was available, were running day-to-day operations on legacy... circuits that were provided by other providers at exorbitant prices. These districts will now be able to utilize modern 21st century technology and internet resources to better provide quality educational resources to their staff and students."

The Southern Ohio Health Care Network (SOHCN) is powered by Horizon's BTOP-funded electronics. SOHCN reports, "Now a majority of health care sites across the service area benefit from the reliability and speed of fiber connectivity. With Horizon's self-healing DWDM ring backbone, outage frequency and duration dropped dramatically. For the most critical sites, Horizon provisioned redundant connections, routed to different POPs using physically diverse fiber feeds, delivering reliability these health systems could only dream of before." Approximately 25% of the more than 100 health care facilities connected to Horizon's network utilize connections of 100MB or higher bandwidth and 10% utilize connections of 1GB or higher. "In addition to the obvious benefit of providing connectivity for sharing electronic health records, Horizon's network has also facilitated the expansion of world-class health care in these rural, Appalachian counties. The connected health systems now enjoy the benefits of telemedicine consultations delivered by urban experts to rural hospitals including: The Nationwide Children's Hospital Neo-Natal Acute Care Program, OhioHealth's Stroke Acute Care Program and Ohio State University's Burn Follow-up Care Program. These innovative programs now available across the region have saved lives, reduced costs and improved outcomes for many residents." Due to the wireless carriers' accelerated build-outs--driving the availability of 4G services to larger and larger percentages of the population--"the ability to remotely prompt a patient to take their vital signs, to take medications and, when necessary, to have a video consultation with a caregiver offer tremendous opportunities to improve the lives of people with chronic diseases while reducing the cost of care."

In summary, this BTOP-funded advanced fiber-optic technology enables Horizon to offer highly reliable, redundant, ultra-high bandwidth services to the customers we serve. Because of that capability, many of our customers (including 5 E911 dispatch centers) consider the services we provide to be critical. We designed and constructed the network with that in mind with self-protected rings, by placing POPs in every county and by using redundant electronics with adequate spares.

Horizon is proud of the large, advanced, geographically dispersed network we have built and is grateful to the NTIA for helping make it possible. Together, we are making a tremendous difference in Appalachian Ohio.

**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	100	The project is complete at 106% of budget.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2b.	Environmental Assessment	100	The environmental assessment is complete. This was an unrealized requirement when budgeting for the project and was not accounted for in the baseline. Its impact from both a time and monetary perspective was huge, putting our project behind by more than three quarters of a year.
2c.	Network Design	100	Network design is complete at 125% of budget.
2d.	Rights of Way	100	Complete. Costs were included in Network design category.
2e.	Construction Permits and Other Approvals	100	Complete. Costs were included in Network design category.
2f.	Site Preparation	100	Complete. Costs were included in Network design category.
2g.	Equipment Procurement	100	Complete at 134% of budget.
2h.	Network Build (all components - owned, leased, IRU, etc)	100	Construction is complete at 98% of budget.
2i.	Equipment Deployment	100	Final testing is complete at 134% of budget.
2j.	Network Testing	100	Complete. Costs were included in Equipment Deployment category.
2k.	Other (please specify): OARnet	100	This item is complete at 85% of budget.

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	1,318	Construction is complete, and as with last quarter this number is different from the previous reporting period due to finalization of as-builts. Total miles deployed are 1,318 against a baseline of 1,960 miles. Optimizing the route of the backbone was, far and away, the most significant reason for the reduction in the number of miles. In November 2012, the NTIA approved a backbone route change Award Amendment Request (AAR). The adjusted route was engineered much more carefully than our application design and with an eye toward passing within a mile of the vast majority of Community Anchor Institutions (CAIs) in our 34 county Proposed Funded Service Area. Not only did this enable us to reach more CAIs easily, it also significantly reduced the number of distribution miles needed to reach those CAIs. While our original application anticipated we would build 863 distribution miles, once we reengineered the backbone, we needed to build only 238 distribution miles, reducing the mileage by 625. Additionally, the construction costs per mile were much greater than we had experienced in previous projects causing the project to come in over budget and forcing modifications to the project. A significant percentage of the overages came in the form of increased make-ready charges from pole owners. Consequently, several less sustainable or unnecessary routes were removed from the project. In July 2014, the NTIA approved a CAI and distribution

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
		route change Award Amendment Request (AAR) to remove 642 miles from the project.
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)	1,318	Construction is complete, and as with last quarter this number is different from the previous reporting period due to finalization of as-builts. Total miles deployed are 1,318 against a baseline of 1,960 miles. Optimizing the route of the backbone was, far and away, the most significant reason for the reduction in the number of miles. In November 2012, the NTIA approved a backbone route change Award Amendment Request (AAR). The adjusted route was engineered much more carefully than our application design and with an eye toward passing within a mile of the vast majority of Community Anchor Institutions (CAIs) in our 34 county Proposed Funded Service Area. Not only did this enable us to reach more CAIs easily, it also significantly reduced the number of distribution miles needed to reach those CAIs. While our original application anticipated we would build 863 distribution miles, once we reengineered the backbone, we needed to build only 238 distribution miles, reducing the mileage by 625. Additionally, the construction costs per mile were much greater than we had experienced in previous projects causing the project to come in over budget and forcing modifications to the project. A significant percentage of the overages came in the form of increased make-ready charges from pole owners. Consequently, several less sustainable or unnecessary routes were removed from the project. In July 2014, the NTIA approved a CAI and distribution route change Award Amendment Request (AAR) to remove 642 miles from the project.
Number of new wireless links	0	n/a
Number of new towers	0	n/a
Number of new and/or upgraded interconnection points	34	Deployment is complete. There are 34 interconnection points in the network against a baseline of 36. Our original application assumed one interconnection point in each of the 34 counties in our PFSA and two interconnection points with other networks outside our Proposed Funded Service Area. In November 2012, the NTIA approved a backbone route change Award Amendment Request (AAR). The adjusted route was engineered much more carefully than our application design and with an eye toward better serving the Community Anchor Institutions (CAIs) that were actually planning to acquire service. While our original application anticipated we would deploy 36 interconnection points, the improved design and eventual distribution of connected CAIs indicated that some counties could be adequately served from a neighboring county, while other counties would require a second interconnection point. The resulting design required two less total interconnection points.

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	
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Indicators	
Number of signed agreements with broadband wholesalers or last mile providers	19
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	33

**5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:** Avolve; Country Connection; Intelliwave; JB-Nets, LLC; New ERA Broadband; Rowe Wireless Networks; Smart Networks; Southern Ohio Communications Services (SOCS); Sprint; Verizon (4); Windstream. (Horizon had one other WISP online who has since been disconnected for non-pay.)  
Horizon has five dark fiber agreements with the following: Windstream; Washington County Board of Commissioners; The Ohio Academic Resources Network (OARnet); Southern Ohio Medical Center; and Shawnee State University.

**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 40 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 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	14	Total baseline for Wholesalers or Last Mile Providers was 5. We have a positive variance of 9 with our 14 contracts. One WISP was disconnected for non-pay and has been removed from this count. We have six signed wholesale agreements (approximately 200 towers).
	Providers with signed agreements receiving improved access	0	none
	Providers with signed agreements receiving access to dark fiber	5	There are five dark fiber agreements as noted above.
	<b>Please identify the speed tiers that are available and the number of subscribers for each</b>	19	We have speed tiers available from 5 Megabytes per second (Mbps) to 10 Gigabytes per second (Gbps). Mbps = Providers      60 = 0      400 = 0 5 = 0      70 = 0      500 = 2 10 = 2      80 = 0      Gbps = Providers 20 = 0      90 = 0      1 = 2 30 = 0      100 = 5      2.5 = 0 40 = 0      200 = 2      10 = 0 50 = 1      300 = 0      40 = 0 There are five agreements for dark fiber - no tier assigned.
<b>Community Anchor Institutions (including Government institutions)</b>	Total subscribers served	467	467 CAIs served against a baseline of 592. Horizon filed and received approval from the NTIA to adjust their CAI list. In addition to the 467 served CAIs there are an additional 399 qualifying CAIs who are within 500' of the fiber network and could easily and quickly be attached and turned up.
	Subscribers receiving new access	95	95 CAIs receiving new access against a baseline of 148. Horizon filed and received approval from the NTIA to adjust their CAI list. In addition to the 467 served CAIs there are an additional 399 qualifying CAIs who are within 500' of the fiber network and could easily and quickly be attached and turned up.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Subscribers receiving improved access	372	372 CAIs with improved access against a baseline of 444. Horizon filed and received approval from the NTIA to adjust their CAI list. In addition to the 467 served CAIs there are an additional 399 qualifying CAIs who are within 500' of the fiber network and could easily and quickly be attached and turned up.
	Please identify the speed tiers that are available and the number or subscribers for each	19	We have speed tiers available from <10 Mbps to ≥ 40 Gbps. Mbps = CAIs            60 = 0                    400 = 0 5 = 8                    70 = 0                    500 = 1 10 = 31                80 = 0                    Gbps = CAIs 20 = 12                90 = 0                    1 = 5 30 = 2                100 = 33                2.5 = 0 40 = 3                200 = 2                10 = 0 50 = 0                300 = 0                40 = 0 While the schools behind the ITCs are also receiving improved services, we do not know the speed levels for those.

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
See Attached Addendum	Multiple	Multiple	both	listed in attached file

**Project Indicators (Next Quarter)**

**1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).**  
 Completion of close-out documentation.

**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	The project is complete at 106% of budget.
2b.	Environmental Assessment	100	The environmental assessment is complete. This was an unrealized requirement when budgeting for the project and was not accounted for in the baseline. Its impact from both a time and monetary perspective was huge, putting our project behind by more than three quarters of a year.
2c.	Network Design	100	Network design is complete at 125% of budget.
2d.	Rights of Way	100	Complete. Costs were included in Network design category.
2e.	Construction Permits and Other Approvals	100	Complete. Costs were included in Network design category.
2f.	Site Preparation	100	Complete. Costs were included in Network design category.
2g.	Equipment Procurement	100	Complete at 134% of budget.
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Construction is complete at 98% of budget.
2i.	Equipment Deployment	100	Final testing is complete at 134% of budget.
2j.	Network Testing	100	Complete. Costs were included in Equipment Deployment category.
2k.	Other (please specify): OARnet	100	This item is complete at 85% of budget.

**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).**  
 Following a comprehensive internal audit of the program's financial records conducted in late 2014, total project expenditures are \$2,522,392 less than reported in 1Q14. Horizon removed approximately \$2.5M in costs due to duplicate invoicing, non-BTOP project charges, and surplus equipment and conducted a full financial audit, completed by Moss Adams LLP, to ensure the accuracy of the actuals reported in the budget that follows.

**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	\$2,765,550	\$1,136,812	\$1,628,738	\$2,765,550	\$1,136,812	\$1,628,738
b. Land, structures, right-of-ways, appraisals, etc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	\$9,697,872	\$3,543,177	\$6,154,695	\$9,697,872	\$3,543,177	\$6,154,695
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	\$65,092,036	\$20,045,065	\$45,046,971	\$65,092,036	\$20,045,065	\$45,046,971
j. Equipment	\$14,259,128	\$4,277,738	\$9,981,390	\$19,032,118	\$8,488,199	\$10,543,919	\$19,032,118	\$8,488,199	\$10,543,919
k. Miscellaneous	\$5,204,932	\$1,561,481	\$3,643,451	\$4,428,463	\$1,328,539	\$3,099,924	\$4,428,463	\$1,328,539	\$3,099,924
<b>l. SUBTOTAL (add a through k)</b>	\$94,963,210	\$28,488,963	\$66,474,247	\$101,016,039	\$34,541,792	\$66,474,247	\$101,016,039	\$34,541,792	\$66,474,247
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	\$101,016,039	\$34,541,792	\$66,474,247	\$101,016,039	\$34,541,792	\$66,474,247

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: \$1,257,786
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