

RECIPIENT NAME:First Step Internet, L.L.C.

AWARD NUMBER: NT10BIX5570051

DATE: 11/21/2012

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

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 NT10BIX5570051	3. DUNS Number 787589290
4. Recipient Organization First Step Internet, L.L.C. 1420 S. Blaine St #10, Moscow, ID 83843-3973		
5. Current Reporting Period End Date (MM/DD/YYYY) 09-30-2012	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No	
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 Kevin Owen President	7c. Telephone (area code, number and extension) 2088828869	
	7d. Email Address kowen@fsr.com	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 11-21-2012	

Project Indicators (This Quarter)

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

First Step Internet, LLC completed 6 additional paths during this quarter. These paths resulted in an additional 65 fixed microwave miles and will provide service to 4 community anchor institutions. First Step also completed the final review and received approval from the US Forest Service to continue our construction efforts on Mt. Ida (High Camp). This location is critical to the deployment of service to the previously un-served community of Elk City, Idaho. First Step was given permission to construct an additional tower on McGary Butte, Idaho through the AAR process. First Step continued to move forward on its other pending AAR concerning construction of a 2nd additional tower through the AAR process. First Step is working with the area THPO to address historical and archeological potential concerns.

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	60	Winter weather and the Environmental requirements put the project behind schedule from the very beginning. First Step has completed its project improvement plan and it has been accepted. First Step has completed 86% of the physical microwave paths.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	100	Final permits from the US Forest Service for the High Camp (Mt. Ida) tower site have been received.
2f.	Site Preparation	100	10 of 10 tower sites have been prepared and the foundations have been poured.
2g.	Equipment Procurement	90	90% of the microwave paths have been procured. 86% of the paths have been physically installed. All switching equipment has been procured.
2h.	Network Build (all components - owned, leased, IRU, etc)	86	Our project timeline shows that the project will have ~95% of the construction completed by Q1 of 2013. That projection was based on a shovel ready start date of Q1 2010 with a 2 year window to completion of construction. Due to the project start delays concerning the EA, First Step has only been under construction for 2 actual years, even though we are in the 11th quarter of the 12 quarter project. First Step will still complete the project on time and on budget.
2i.	Equipment Deployment	86	Our project timeline shows that the project will have ~95% of the construction completed by Q1 of 2013. That projection was based on a shovel ready start date of Q1 2010 with a 2 year window to completion of construction. Due to the project start delays concerning the EA, First Step has only been under construction for 2 actual years, even though we are in the 11th quarter of the 12 quarter project. First Step will still complete the project on time and on budget.
2j.	Network Testing	86	The network testing occurs as the project is built and deployed and will remain consistent with the network build and equipment deployment.
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 delay of the release of the continued construction permit did not allow First Step to complete the remaining 10 paths of the project. With the US Forest Service permit for High Camp in hand, First Step can now move forward quickly to finish the remain tower construction necessary as well as install the remaining 10 microwave paths.

First Step has not received approval to begin construction on the Gilbert Grade additional tower site. First Step is working with the

area THPO to address any additional concerns they may have. This tower site is located such that if given approval, work could likely continue on the site in all but the worst of the winter weather conditions. First Step would like request the fully and continued support of NTIA as we work towards a solution that will allow for this tower to be constructed.

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	444	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 7 quarters into the construction schedule. With 444 miles completed, this puts us 36 miles short of our projection for this time in the project. The release of the High Camp tower will allow us to complete the remaining path miles required.
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	n/a
Number of new wireless links	59	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 7 quarters into the construction schedule. With 59 wireless paths completed, this puts us ahead of our anticipated time schedule.
Number of new towers	9	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 7 quarters into the construction schedule. With 9 towers completed, this puts us ahead of our anticipated time schedule
Number of new and/or upgraded interconnection points	12	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 7 quarters into the construction schedule. With 7 interconnection points available, this puts us right in line with our anticipated time schedule.

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	3
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:
no agreements yet signed

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:
First Step will be providing middle mile internet transport on the newly constructed network. Pricing will be based on the amount of bandwidth requested across the network in 1 megabit increments at \$100/meg/month.

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).
First Step will operate the network.

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	no providers yet signed due to the early weather and environmental construction delays.
	Providers with signed agreements receiving improved access	0	no providers yet signed due to the early weather and environmental construction delays.
	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	\$100/meg/month
Community Anchor Institutions (including Government institutions)	Total subscribers served	32	Early environmental and weather delays have caused the connection of the Community Anchor Institutions to be delayed.
	Subscribers receiving new access	9	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Subscribers receiving improved access	23	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Please identify the speed tiers that are available and the number or subscribers for each	1	Speed tiers are flexible and available in 1 meg increments. Current packages are 3 to 10 megs.
Residential / Households	Entities passed	0	0
	Total subscribers served	0	0
	Subscribers receiving new access	0	0
	Subscribers receiving improved access	0	0
	Please identify the speed tiers that are available and the number of subscribers for each	0	\$100/meg/month

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Businesses	Entities passed	0	0
	Total subscribers served	0	0
	Subscribers receiving new access	0	0
	Subscribers receiving improved access	0	0
	Please identify the speed tiers that are available and the number of subscribers for each	0	\$100/meg/month

7. Please describe any special offerings you may provide (600 words or less).
no special offerings

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

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
Elk City County Building/Water Department	Elk City	public safety	yes	path is constructed to the institution but not yet in service by the CAI. It will be used for communication with other State agencies as well as monitoring and control of the water system.
Elk City School Building	Elk City	education	yes	path is constructed but not yet in use. The path will be used to connect the remote school location of Elk City back to the rest of the school district in Grangeville. It will also be used to connect the school to the State wide education network called the Idaho Education Network. (IEN)
Elk City Sheriff Building	Elk City	public safety	yes	path is constructed to the institution but not yet in service. It will be used for remote communication access for the sheriff department when they are deployed to the remote area of Elk City.
Timberline High School	Idaho County	education	yes	This path is used to connect the Timberline High School to the rest of the school district as well as provide connection to the Statewide educational network, IEN. This network provides for remote instructional opportunities, video instruction, teleconferencing and communication with other schools in the State.

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).

With the High Camp tower site now approved by the US Forest Service, First Step can complete the final tower construction as well as complete the building of the remaining 10 microwave paths. First Step will also complete construction of the newly approved McGary Butte tower site. First Step will continue to work closely with the NTIA and area THPO for final approval of the Gilbert Grade tower site. Construction will begin on that site as soon as project approval is given. First Step estimates 4th quarter construction will result in an additional 101 microwave path miles. These path miles will connect an additional 11 CAI's to the network. First Step will continue

ongoing discussions with potential broadband / last mile providers and anticipates there will be one signed contract by the end of the quarter.

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	72	Our project timeline shows that the project will have ~95% of the construction completed by Q1 of 2013. That projection was based on a shovel ready start date of Q1 2010 with a 2 year window to completion of construction. Due to the project start delays concerning the EA, First Step has only been under construction for 2 actual years, even though we are in the 11th quarter of the 12 quarter project. First Step will still complete the project on time and on budget.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	100	completed
2f.	Site Preparation	100	completed
2g.	Equipment Procurement	95	all major equipment will be acquired. The remaining will be miscellaneous and additional concerning the new tower construction.
2h.	Network Build (all components - owned, leased, IRU, etc.)	95	final permit release by the US Forest Service will allow First Step to complete the final network building requirements. The remaining 5% will be the final network testing and final turn up of the CAI's.
2i.	Equipment Deployment	100	final permit release by the US Forest Service will allow First Step to complete the final network building requirements.
2j.	Network Testing	95	final permit release by the US Forest Service will allow First Step to complete the final network building requirements. Network testing occurs along with the network building and 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).

First Step anticipates no further challenges in completing the project as originally planned. All tower sites are now cleared for final build out. First Step is hopeful that any further questions or concerns with the Gilbert Grade tower site can be resolved quickly and efficiently. While it is anticipated that construction at that site can and will continue through the winter months, it is certainly a quicker process to build that site before the harsh winter weather sets in. First Step will seek the help of the NTIA to work through the projected time line of the study required for the Gilbert Grade new tower site. The projected time required to complete the archeological study, review and report will push us beyond Q4 2012 for completion.

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	\$149,950	\$149,950	\$0	\$55,162	\$55,162	\$0	\$60,000	\$60,000	\$0
b. Land, structures, right-of-ways, appraisals, etc.	\$520,000	\$22,000	\$408,230	\$476,071	\$20,294	\$455,777	\$520,000	\$25,000	\$495,000
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$21,700	\$21,700	\$0	\$21,700	\$21,700	\$0	\$21,700	\$21,700	\$0
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	\$20,000	\$0	\$20,000	\$20,000	\$0	\$20,000	\$20,000	\$0	\$20,000
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$931,456	\$222,890	\$798,336	\$275,312	\$221,785	\$53,527	\$350,000	\$265,785	\$84,215
j. Equipment	\$1,251,330	\$173,866	\$1,077,464	\$902,527	\$52,894	\$849,633	\$1,100,000	\$65,000	\$1,035,000
k. Miscellaneous	\$97,593	\$8,000	\$89,593	\$57,303	\$2,614	\$54,689	\$75,000	\$8,000	\$67,000
l. SUBTOTAL (add a through k)	\$2,992,029	\$598,406	\$2,393,623	\$1,808,075	\$374,449	\$1,433,626	\$2,146,700	\$445,485	\$1,701,215
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$2,992,029	\$598,406	\$2,393,623	\$1,808,075	\$374,449	\$1,433,626	\$2,146,700	\$445,485	\$1,701,215

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: \$440,000

b. Program Income to Date: \$22,559