

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 05/11/2012

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 NT10BIX5570136	3. DUNS Number 831335448
4. Recipient Organization GOVNET, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872		
5. Current Reporting Period End Date (MM/DD/YYYY) 03-31-2012	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 Karen McCoy Vice President	7c. Telephone (area code, number and extension) 6023690767	
	7d. Email Address karen.m@govnet.net	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 05-11-2012	

Project Indicators (This Quarter)

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

During this quarter, project activity included the following: finalized the construction schedule, organized and executed the official ribbon-cutting ceremony in February with the Arizona Governor and top agency officials, initiated construction of the network, scheduled and completed geotechnical work and soil surveys at construction sites and mapped tower sites.

Construction commenced on five towers and five co-location backbone sites. Antennas, radios and towers were ordered and the following RFQs and RFPs for equipment and construction were released:

- RFQ for Network Operations Center Remodel
- RFP for Rectifiers, Batteries and Racks
- RFP for Microwave Tower Foundations
- RFP for Microwave Tower Stacking, Antenna Hanging and Wave Guide Installation

Major milestones completed this quarter include:

- Hired two construction project managers
- Submitted Match Matrix
- Submitted one Route Modification
- Submitted three reimbursement requests
- Submitted the Program Improvement Plan
- Submitted quarterly progress report and annual progress report
- Secured additional Community Anchor Institution leases for node sites

GovNET staff met with numerous stakeholders throughout Arizona, including the Governor's Office of Education Innovation, the State Education Council, Northern Arizona University, county school associations, local school boards and public safety entities. The purpose of these meetings was to coordinate leases and conduct outreach for the project. Yuma County Board of Supervisors passed a Resolution in support of the project, and GovNET now has the support of all 15 counties in Arizona.

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	32	Behind baseline plan projections due to delay in EA approval, which restricted construction. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012. Three SF-270s were submitted during this reporting period. (Note: The percent complete is a decrease from last quarter. The match value decreased due to an appraisal error. As a result, the percent completion was also decreased.)
2b.	Environmental Assessment	84	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover any future EA amendments.
2c.	Network Design	73	Behind baseline plan due to delay in EA approval, which restricted construction. FCC licenses will be filed as site construction is imminent.
2d.	Rights of Way	55	All in process, but behind baseline plan due to delay in federal agency, library, school board/board of supervisors approvals. (Note: The percent complete is a decrease from last quarter. The match value decreased due to an appraisal error. As a result, the percent completion was also decreased.)
2e.	Construction Permits and Other Approvals	10	Behind baseline plan due to delay in EA approval, which restricted construction and is tied to construction spending. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012.
2f.	Site Preparation	10	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012.
2g.	Equipment Procurement	23	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012. RFPs are done and equipment is ordered as needed.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2h.	Network Build (all components - owned, leased, IRU, etc)	38	Behind Baseline Plan projections. GovNET has secured a significant number of leases, and has made significant equipment purchases. (Note: The percent complete is a decrease from last quarter. The match value decreased due to an appraisal error. As a result, the percent completion was also decreased.)
2i.	Equipment Deployment	6	Behind baseline plan due to delay in EA approval, which restricts construction. In 2012, multiple tower construction crews will be utilized to make up for lost time. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012. (Note: The percent complete is a decrease from last quarter. The match value decreased due to an appraisal error. As a result, the percent completion was also decreased.)
2j.	Network Testing	17	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET expects to be in sync with its Baseline Plan by the end of Q3 2012.
2k.	Other (please specify): 203 in-kind IRU leases	46	Behind baseline plan projections. GovNET has made significant progress toward securing 203 in-kind leases. (Note: The percent complete is a decrease from last quarter. The match value decreased due to an appraisal error. As a result, the percent completion was also decreased.)

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).

We are experiencing some challenges around contractor selection, as bids are coming in higher than anticipated. We have had to request some necessary route changes. We would benefit from a streamlined approach to route changes, as it is a 'win-win' situation for both the grantee and the BTOP program. Our overall match value decreased due to an appraisal error. As a result, the percent completion of many milestones was also decreased.

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	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
New network miles leased	0	No variance from Baseline Plan.
Existing network miles upgraded	0	n/a
Existing network miles leased	0	n/a
Number of miles of new fiber (aerial or underground)	0	No variance from Baseline Plan.
Number of new wireless links	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
Number of new towers	2	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012. Three new sites in process; two done.

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new and/or upgraded interconnection points	5	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012. Five sites in process.

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	2
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 with wholesalers have been signed, but two are in process and preliminary discussions have occurred for another.

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:

The project is expected to provide the following wholesale services: Ds1, Ds3, Ethernet Transport and VOIP. Pricing for services has not been determined but will be competitive with current market rates.

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).

No third-party operators will be used on this project.

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 variance from Baseline Plan.
	Providers with signed agreements receiving improved access	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	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	10 Mbps = 45 providers; 45 Mbps (DS3) = 10 providers
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Subscribers receiving new access	0	n/a

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	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Please identify the speed tiers that are available and the number or subscribers for each	0	5 Mbps = 231 subscribers; 10 Mbps = 40 subscribers; 45 Mbps =10 subscribers
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	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Total subscribers served	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Please identify the speed tiers that are available and the number of subscribers for each	0	10 Mbps (equivalent to 7 T1s) = 4 subscribers; These are Nat'l Cellular Carriers in multiple markets in AZ.

7. Please describe any special offerings you may provide (600 words or less).

VoIP, cloud computing, distance learning, video conferencing, secure interoperable public safety channel for all 15 County Government Emergency Services, including connectivity to all Emergency Operations Centers.

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).

n/a

9. Community Anchor Institutions:

Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions) connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure (300 words or less).

Institution Name	Service Area (town or county)	Type of Anchor Institution (as defined in your baseline)	Are you also the broadband service provider for this institution? (Yes / No)	Narrative description of how anchor institutions are using BTOP-funded infrastructure
n/a	n/a	n/a	n/a	n/a

Project Indicators (Next Quarter)

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

Next quarter, we expect to make progress on the following key indicators:

- New network miles deployed = 200
- Total CAI subscribers installed (CAIs connected) = 25

- New towers built = 5
- Number of signed agreements with broadband wholesalers or last mile providers = 0

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	48	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2b.	Environmental Assessment	89	GovNET completed its EA and received its FONSI in Q4 2011. Additional funding remains in this category to cover any future EA amendments.
2c.	Network Design	85	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2d.	Rights of Way	62	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2e.	Construction Permits and Other Approvals	19	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2f.	Site Preparation	19	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2g.	Equipment Procurement	40	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2h.	Network Build (all components - owned, leased, IRU, etc.)	53	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2i.	Equipment Deployment	19	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2j.	Network Testing	32	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI in Q4 2011 and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2k.	Other (please specify): 203 in-kind IRU leases	62	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET expects to make continued progress toward obtaining 203 in-kind leases in the next quarter.

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).

We are making good progress toward achieving the milestones of the Baseline Plan. The issue with the greatest impact on the project's progress was the delayed approval of the Environmental Assessment. The FONSI was issued in Q4 2011, allowing us to develop the construction schedule and begin to procure equipment to build the network. Construction is underway, but we anticipate further need to adjust the construction schedule during fall and winter months due to weather and mountain site issues. An additional challenge is the inflation of construction costs and awaiting approval of some necessary project site and route changes.

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	\$2,197,000	\$35,000	\$2,162,000	\$1,052,671	\$35,000	\$1,017,671	\$1,412,671	\$35,000	\$1,377,671
b. Land, structures, right-of-ways, appraisals, etc.	\$20,023,726	\$8,562,569	\$11,461,157	\$9,210,778	\$3,436,116	\$5,774,662	\$12,407,316	\$5,382,654	\$7,024,662
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$1,687,259	\$771,509	\$915,750	\$1,252,275	\$503,571	\$748,704	\$1,447,275	\$548,571	\$898,704
e. Other architectural and engineering fees	\$401,340	\$0	\$401,340	\$343,380	\$0	\$343,380	\$363,380	\$0	\$363,380
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	\$6,570,942	\$3,262,000	\$3,308,942	\$271,312	\$0	\$271,312	\$1,109,102	\$17,790	\$1,091,312
j. Equipment	\$20,007,698	\$33,180	\$19,974,518	\$4,558,739	\$33,180	\$4,525,559	\$7,758,739	\$33,180	\$7,725,559
k. Miscellaneous	\$1,051,170	\$0	\$1,051,170	\$52,382	\$0	\$52,382	\$252,382	\$0	\$252,382
l. SUBTOTAL (add a through k)	\$51,939,135	\$12,664,258	\$39,274,877	\$16,741,537	\$4,007,867	\$12,733,670	\$24,750,865	\$6,017,195	\$18,733,670
m. Contingencies									
n. TOTALS (sum of l and m)	\$51,939,135	\$12,664,258	\$39,274,877	\$16,741,537	\$4,007,867	\$12,733,670	\$24,750,865	\$6,017,195	\$18,733,670

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: \$2,762,000 b. Program Income to Date: \$0