

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 08/22/2013

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

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) 06-30-2013 | 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) 4804241411 | |
| | 7d. Email Address karen.m@govnet.net | |
| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-22-2013 | |

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 GovNET received a letter from NTIA/NOAA providing a partial suspension lift on April 30, 2013. GovNET completed the requested information. Additional vendor payments were processed. NTIA/NOAA made a site visit at the end of June.

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 | 47 | Slight increase due to outstanding vendor invoices that were processed by NTIA. |
| 2b. | Environmental Assessment | 87 | GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments and administration costs. |
| 2c. | Network Design | 82 | No change due to no project work allowed. |
| 2d. | Rights of Way | 64 | No change due to no project work allowed. |
| 2e. | Construction Permits and Other Approvals | 25 | No change due to no project work allowed. |
| 2f. | Site Preparation | 40 | No change due to no project work allowed. |
| 2g. | Equipment Procurement | 46 | Slight increase due to outstanding vendor invoices paid. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 25 | No change due to no project work allowed. |
| 2i. | Equipment Deployment | 10 | No change due to no project work allowed. |
| 2j. | Network Testing | 17 | No change due to no project work allowed. |
| 2k. | Other (please specify): | 46 | No change due to no project work allowed. |

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).
 N/A

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 | 450 miles were on track Q2 2012, only awaiting scheduled radio install. Behind baseline due to issue of FONSI in November 2011 and project suspension in May 2012 by NTIA. |
| 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 | 0 | N/A |

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|---|
| Number of new towers | 2 | 3 new towers were on track for Q2 2012 Behind baseline projections due to issue of FONSI in Q4 2011 restricting construction, and suspension of the project by NTIA. |
| Number of new and/or upgraded interconnection points | 5 | 74 interconnects were on track for Q2 2012. Behind baseline projections due to issue of FONSI in Q4 2011 restricting construction, and a suspension of the project by NTIA. |

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 were allowed to be signed during suspension period.

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. Final 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 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 | Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and project suspension by NTIA in May 2012. |
| | Providers with signed agreements receiving improved access | 0 | N/A |
| | 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 | N/A |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and project suspension by NTIA in May 2012. |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--------------------------|---|-------|---|
| | Subscribers receiving new access | 0 | N/A |
| | Subscribers receiving improved access | 0 | N/A |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | N/A |
| 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).

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.

Vendors have described this network design as the most sophisticated microwave network in the country.

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).

GovNET is hopeful to fully re-engage in project work and network construction to finish the project for the deserving citizens of Arizona.

Pending the timing for full suspension release, pre-construction planning and network deployment activities will re-initiate, including discussions with last mile providers, community anchor institutions, and community outreach. Construction will proceed on sites with environmental approvals. Depending on when a release is provided, we estimate we may be able to deploy 300 miles, connect 2 CAIs, and sign 1 last mile provider agreement.

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 | 50 | Projected increase in funds reimbursed for outstanding vendors and forward progress on the network build. |
| 2b. | Environmental Assessment | 90 | Increase in environmental/cultural work to progress project. |
| 2c. | Network Design | 82 | FCC licenses will be held until site construction is imminent. |
| 2d. | Rights of Way | 68 | Increase in advance activity. |
| 2e. | Construction Permits and Other Approvals | 30 | Increase in advance activity. |
| 2f. | Site Preparation | 42 | Slight increase as construction activity restarts. |
| 2g. | Equipment Procurement | 48 | Increase due to outstanding vendor invoice payments and new purchases. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 28 | Increase due to restarting of project activity. |
| 2i. | Equipment Deployment | 15 | Increase due to restarting of project activity. |
| 2j. | Network Testing | 17 | No change. |
| 2k. | Other (please specify): | 90 | Anticipated approval by NTIA for 'exempt' sites to be added to project. |

3. Please describe any challenges or issues anticipated during the next quarter that may impact planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).

The unknown length of time to process a necessary route change impacts progress greatly. Once authorized to commence, GovNET is planning releasing an RFP for construction management, so until that vendor is in place, progress may be initially delayed but made up for in efficiency and multiple crews.

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 | \$2,067,276 | \$0 | \$2,067,276 | \$2,267,276 | \$0 | \$2,267,276 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$20,023,726 | \$8,562,569 | \$11,461,157 | \$12,489,270 | \$5,447,175 | \$7,042,095 | \$13,227,570 | \$5,485,475 | \$7,742,095 |
| 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 | \$1,508,125 | \$570,259 | \$937,866 | \$1,553,563 | \$605,697 | \$947,866 |
| e. Other architectural and engineering fees | \$401,340 | \$0 | \$401,340 | \$364,703 | \$0 | \$364,703 | \$404,703 | \$0 | \$404,703 |
| 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 | \$831,595 | \$23,930 | \$807,665 | \$1,040,348 | \$132,683 | \$907,665 |
| j. Equipment | \$20,007,698 | \$33,180 | \$19,974,518 | \$6,767,135 | \$33,180 | \$6,733,955 | \$7,711,135 | \$33,180 | \$7,677,955 |
| k. Miscellaneous | \$1,051,170 | \$0 | \$1,051,170 | \$191,474 | \$0 | \$191,474 | \$197,474 | \$0 | \$197,474 |
| l. SUBTOTAL (add a through k) | \$51,939,135 | \$12,664,258 | \$39,274,877 | \$24,219,578 | \$6,074,544 | \$18,145,034 | \$26,402,069 | \$6,257,035 | \$20,145,034 |
| m. Contingencies | | | | | | | | | |
| n. TOTALS (sum of l and m) | \$51,939,135 | \$12,664,258 | \$39,274,877 | \$24,219,578 | \$6,074,544 | \$18,145,034 | \$26,402,069 | \$6,257,035 | \$20,145,034 |

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: \$23,930 |
|---|-------------------------------------|