

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 02/26/2015

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) 12-31-2014	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): 02-26-2015	

Project Indicators (This Quarter)

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

For the quarter October through December 2014, significant project progress occurred for GovNET as site construction gained momentum and equipment was deployed. Significant accomplishments as follows:

- A new Construction Deployment RFP was re-let at end of October to add additional contractors to assist with simultaneous site construction. Four (4) awards were made in November, and three (3) firms were contracted in December each with multiple crew capacity. Due to contractual items, such as bonding and other requirements, contracted firms were unable to begin site activity until mid-to-late December.
- Hired a new Grant General Manager, a Sr. Project Manager, two Construction Managers, Warehouse/Logistics Manager, and a Community Outreach consultant.
- Construction activity during the quarter included two (2) new towers stacked, one temp tower put in place and one major new build tower site started. Seventeen (17) permanent middle-mile sites have been completed.
- At end of quarter, 34 CAIs had either full or partial network equipment deployed on-site.
- Received NTIA Environmental and Historic Preservation (EHP) approvals on sites within Batch 5A and Batch 5B route modifications.
- GovNET was still working on the fifth and final milestone within the Corrective Action Plan letter from NTIA which was due to radio equipment part shipping delay and equipment debugging that was still outstanding at end of quarter preventing installation in December. Issues were resolved and plan for Q1-2015 deployment in place.
- Initiated a request for, and received, a grant project extension to March 31, 2015

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	82	Project completion increasing due to strong construction activity in process, nearing end of equipment procurement and finalizing architectural & engineering work. Overall project variance (including #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress. Additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
2b.	Environmental Assessment	95	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments, required surveys, and administration costs.
2c.	Network Design	95	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	78	Increased completion and multiple approvals received due to resumed activity and strong cooperative efforts to facilitate.
2e.	Construction Permits and Other Approvals	55	Increase to resumed activity and progression through municipal planning & zoning boards. Many backbone sites do not require additional construction permits other than the ROW/lease.
2f.	Site Preparation	65	Increase to resumed activity. Prep work for new construction sites is typically done on first day on-site to do construction/installation work; no advance work is required.
2g.	Equipment Procurement	83	Solid increase due to completed RFP contracts / awards, and order time for receipt of equipment. Larger items procured (i.e. towers) are in the Land budget category.
2h.	Network Build (all components - owned, leased, IRU, etc)	40	Significant construction activity continues and network connections are imminent with radio deployment in Q4 & Q1-2015.
2i.	Equipment Deployment	35	significant deployment occurred in Q4 as more sites are completed and ready for electronics.
2j.	Network Testing	27	Slight increase to resumed activity. Final switch and radio testing completed and orders placed.
2k.	Other (please specify):	100	A change in reporting methodology as Baseline Scope was 203 Leases, not 266. Over 230 leases have been received to date.

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).

Procurement of network capital equipment, including receiving pre-approval, confirming orders, shipping process, receipt of, and deployment of all such equipment within a 90-day extension window is a challenge. New construction firms are getting up to speed on construction and reporting requirements, which is a significant learning curve. Complete Davis-Bacon reporting is challenging for new contractors, which delays payment and construction progress. Heavy rain and snow storms affected construction work and completion on several sites, especially mountaintop sites. GovNET continues to work closely with our Federal Program Officer where assistance is required.

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	503	93 new network miles were connected in Q4. Number is less than anticipated due to a radio configuration issue affecting field deployment, but is now debugged. Estimate an additional 500 new network miles deployed in Q1-2015. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress and a change in reporting methodology from new miles to leased miles. Additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
New network miles leased	117	In order to provide timely E-rate services to the CAI, other miles had to be leased between network start/end points.
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	19	Four new active network links established between sites in a contiguous manner due to radio deployment issue. Estimate an additional 10 Backbone and 20+ CAI links constructed in Q1-2015. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress
Number of new towers	9	Two additional new towers completed construction in Q4, as well as one temp tower and one major tower site commenced construction. Forecast two new towers completed, one temp tower site, and three new towers in process in Q1-2015. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new and/or upgraded interconnection points	19	All links/sites are interconnection points, including colocations and CAIs. An additional 10 sites have construction activity in process. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.

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:
Two agreements are in negotiation. Finalization expected as network rings are completed and capacity demand is aggregated, along

with projecting GovNET's own capacity need for its last mile customers.

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 will provide the following wholesale services: internet, transport and VOIP. Final pricing and availability for services (after analyzing GovNET's last mile requirements) is estimated for Q2-2015 and 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).

n/a

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	Now project is restarted, negotiations are recommencing with providers. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
	Providers with signed agreements receiving improved access	0	Now project is restarted, negotiations are recommencing with providers. Anticipate finalizing negotiations in Q1 of 2015.
	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	1 Mbps to 1 Gbps is available based on subscribers needs.
Community Anchor Institutions (including Government institutions)	Total subscribers served	3	Number is less than anticipated due to radio component delivery delay; on the verge of turning additional CAIs on once backbone radios are installed to provide greater connectivity. One remote CAI receiving much improved internet service at a capacity previously unavailable. Approx. 30 additional CAIs will be provided network equipment in Q1. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress. Additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	3	Three rural schools have active high-speed broadband services at rates that far exceed current market availability.
	Please identify the speed tiers that are available and the number of subscribers for each	3	1 Mbps to 1 Gbps is available based on subscriber needs; 1 subscriber at 250 Mbps; 2 others at 100 Mbps.
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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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, 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
Patagonia USD	Patagonia	School	Yes	School district is receiving 5x greater High-speed internet bandwidth connectivity previously unavailable; they are able to handle the student and administration demand simultaneously.
Pima USD	Pima	School	Yes	School district is receiving 5x greater High-speed internet bandwidth connectivity previously unavailable; they are able to handle the student and administration demand simultaneously.

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
GovNET expects completion of 10 new backbone network sites with the installation of necessary radio components, bringing a cumulative total close to 30 backbone/middle-mile sites completed. We anticipate reaching a cumulative 1,000 total new network miles placed in service, along with a goal of a cumulative number of 30-40 CAIs receiving full installations of network equipment (pending Erate selection timing). Many E-rate bids will be submitted as the window closes March 26th for provider selection and installation coordination may roll to early April. Additional CAI sites will have partial installations so they are ready for service delivery in one-to-two days as requested. As network backbone sections are activated and service turned up, community outreach effort will commence in the local area and in the next section to be turned up, as well to local/regional last mile providers and estimate that one agreement will be completed. Work on environmental approvals continues and estimate three (3) new clearances achieved. Service contracting with several agencies/CAIs continues and estimate signing in Q1-2015 with service turn on in Q2-2015. Several key building permits should be finalized this quarter to allow for continued build out of statewide network.

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	90	Significant project construction activity will continue with funds being spent and reimbursed for equipment and construction items necessary to build network. Overall project variance (includes #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress. Additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
2b.	Environmental Assessment	97	Increase in environmental/ cultural work to progress project as required.
2c.	Network Design	95	Design complete, only need to file FCC Licenses as new sites are brought online
2d.	Rights of Way	80	Increase in activity to complete process and receive signed documents
2e.	Construction Permits and Other Approvals	60	Increase in continued construction activity.
2f.	Site Preparation	75	Increase in continued construction activity.
2g.	Equipment Procurement	90	Increase as construction activity continues. Sizable invoicing and reimbursement requests processed.
2h.	Network Build (all components - owned, leased, IRU, etc.)	50	Increase in continued construction activity.
2i.	Equipment Deployment	57	Increase in continued construction activity.; Rings C, B & A active
2j.	Network Testing	50	Increase in continued construction activity.; Rings C, B & A active
2k.	Other (please specify):	100	Exceeded Baseline scope for CAI & in-kind leases signed and received

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).

Continued forward progression with multiple new construction crews will create substantial activity, which may be an internal challenge to manage. Further implementation and integration of the network services will be underway and testing will be on-going to work out any issues. One additional route modification will be requested to clear additional CAIs ordering network services. The geographical dispersion of approved sites and the difficult terrain in Arizona increases the complexity and time frame for engineering and construction. Weather challenges, along with species mitigation windows will continue to be key challenges affecting many sites throughout the state. GovNET will continue to work with our Federal Program Officer when assistance is required.

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	\$4,243,622	\$0	\$4,243,622	\$4,234,071	\$0	\$4,234,071	\$4,534,071	\$0	\$4,534,071
b. Land, structures, right-of-ways, appraisals, etc.	\$23,300,140	\$11,413,633	\$11,886,507	\$20,480,146	\$10,768,067	\$9,712,079	\$21,528,271	\$10,916,192	\$10,612,079
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$2,806,265	\$842,885	\$1,963,380	\$2,345,764	\$1,027,571	\$1,318,193	\$2,571,702	\$1,088,509	\$1,483,193
e. Other architectural and engineering fees	\$605,000	\$0	\$605,000	\$500,370	\$0	\$500,370	\$515,370	\$0	\$515,370
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	\$4,410,965	\$370,044	\$4,040,921	\$1,745,831	\$195,382	\$1,550,449	\$3,623,407	\$272,958	\$3,350,449
j. Equipment	\$15,971,093	\$37,696	\$15,933,397	\$13,384,863	\$37,601	\$13,347,262	\$14,384,863	\$37,601	\$14,347,262
k. Miscellaneous	\$224,844	\$0	\$224,844	\$228,721	\$0	\$228,721	\$228,721	\$0	\$228,721
l. SUBTOTAL (add a through k)	\$51,561,929	\$12,664,258	\$38,897,671	\$42,919,766	\$12,028,621	\$30,891,145	\$47,386,405	\$12,315,260	\$35,071,145
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$51,561,929	\$12,664,258	\$38,897,671	\$42,919,766	\$12,028,621	\$30,891,145	\$47,386,405	\$12,315,260	\$35,071,145

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: \$370,044	b. Program Income to Date: \$189,748
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