

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 11/07/2011

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. 10105 E Via Linda, Ste. 386, Scottsdale, AZ 85258-5311		
5. Current Reporting Period End Date (MM/DD/YYYY) 09-30-2011	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): 11-07-2011	

Project Indicators (This Quarter)

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

Delay of the FONSI determination has led GovNET to remain very focused on working with Federal agencies in the project area to review the Environmental Assessment, which was resubmitted to the NTIA in September 2011. GovNET is still waiting on its FONSI determination, which will allow construction activities to begin.

Other activities performed by GovNET this quarter included finalizing the technology requirements for the network, securing rights of way, obtaining lease agreements from community anchor Institutions, coordinating with Tribes, and responding to comments on the Overlap SAC map. Numerous site surveys were completed and tower sites were mapped. Several pre-construction site visits at community anchor institutions were completed. Several appraisals required for match documentation, including appraisals for the six backbone tower sites, were completed. Appraisals of all other tower sites are expected to be completed by the end of the next quarter. Also this quarter, the Arizona Land Department provided three new backbone site leases.

GovNET staff continued to meet with stakeholders throughout Arizona, including the Bureau of Indian Affairs, Grand Canyon/National Park staff, the University of Arizona, county school associations and public safety entities to coordinate and do outreach for the project. GovNET also gave multiple webinars to community anchor institutions, specifically the libraries throughout the state. On August 30-Sept 2, 2011, GovNET staff attended the Arizona League of Cities Conference, which included all the mayors and city managers in the state. It was a good opportunity to share information about the project and its benefits with town leaders.

During this quarter, GovNET staff moved into the Network Operations Center (NOC) in Scottsdale and hired a Community Outreach Specialist. The NOC includes an area for the assembly of equipment prior to deployment. The project is 29% complete, which is behind the Baseline Plan projections. In 2012, multiple tower construction crews will be utilized to accelerate the construction schedule and make up for lost time. GovNET expects to be back in sync with its Baseline Plan by the end of Y2 Q4.

The following RFPs were released and contracts awarded:

1. A combined RFP for microwave towers and monopoles was released May 3, 2011. Two bids were received and the contract was awarded.
2. The microwave shelters RFP was released May 16, 2011. Eight bids were received and the contract was awarded.
3. The microwave path coordination RFP was released June 6, 2011. Two bids were received and the contract was awarded.
4. Architectural and engineering services quotes for microwave sites were received in July and the contract was awarded.
5. The carrier-grade softswitch RFP was released July 17, 2011 to four bidders, after analysis two bidders were invited to BAFO and the contract at the end of August.
6. The architectural service quotes were received in August for the NOC remodel and a contract was awarded.
7. The microwave access and long haul radios RFP was released in August and the contract is expected to be awarded next quarter.
8. The microwave battery systems RFP was released in August to five bidders; only one bidder responded and they were not compliant. The RFP was released again in September and we had no responses. We are currently submitting a sole source request.
9. A construction management RFP was released August 15, 2011 to 10 different companies and only one bidder responded. GovNET has decided to perform the work internally.

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	29	Slightly behind baseline plan due to delay in EA approval. GovNET expects to be back in sync with its Baseline Plan by the end of Y2 Q4. Three SF-270s were submitted during this reporting period.
2b.	Environmental Assessment	97	Slightly behind baseline plan. Awaiting FONSI decision. GovNET will be back in sync with its Baseline Plan for this milestone by next quarter.
2c.	Network Design	51	Slightly behind baseline plan. The actual network design is almost complete; waiting on construction to file licenses. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
2d.	Rights of Way	61	On track with baseline plan.
2e.	Construction Permits and Other Approvals	21	Slightly behind baseline plan due to delay in EA approval. GovNET expects to be back in sync with its Baseline Plan by the end of Y2 Q4.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2f.	Site Preparation	1	Behind baseline plan due to delay in EA approval, which restricts construction. We expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
2g.	Equipment Procurement	7	Behind baseline plan due to delay in EA approval, which restricts equipment purchases. During next two quarters, significant equipment purchases will be made.
2h.	Network Build (all components - owned, leased, IRU, etc)	25	Ahead of baseline plan due to progress on obtaining leases, rights of way, etc.
2i.	Equipment Deployment	1	Behind baseline plan due to delay in EA approval, which restricts construction and deployment. In 2012, multiple tower construction crews will have to be utilized to make up for lost time. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2j.	Network Testing	5	Behind baseline plan due to delay in EA approval, which restricts building and testing. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2k.	Other (please specify):203 leases	50	Ahead of baseline plan. We made continued progress toward obtaining 203 in-kind leases.

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 biggest challenges have been centered around 1.) completing the Environmental Assessment with the 321 total network sites, 2.) the multi-agency land ownership/management involvement, 3.) multiple tribal consultations required in Arizona, and 4.) adjusting the construction schedule around weather. Without the FONSI, which we are still waiting on, it is challenging to finalize the construction schedule that is based around seasonal weather issues..

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 delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. GovNET expects to be back in sync with its Baseline Plan by the end of Y2 Q4.
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	Behind baseline plan due to delays in getting FONSI. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
Number of new towers	0	Behind baseline plan due to delays in getting FONSI. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
Number of new and/or upgraded interconnection points	0	Behind baseline plan due to delays in getting FONSI. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.

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

Indicators	
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	2
Average term of signed agreements (in quarters)	0
<p>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.</p>	
<p>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.</p>	
<p>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.</p>	

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 delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	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 subscribers; 45 Mbps = 10 subscribers
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Behind baseline plan due to delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	Behind baseline plan due to delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Anticipated: 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

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 of subscribers for each	0	10 Mbps = 4 subscribers; These are national cellular carriers in multiple markets in AZ.
Businesses	Entities passed	0	Behind baseline plan due to delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	Total subscribers served	0	Behind baseline plan due to delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	Behind baseline plan due to delays in getting FONSI. In 2012, multiple tower construction crews will be utilized to make up for lost time. Expect to be back in sync with its Baseline Plan by the end of Y2 Q4.
	Please identify the speed tiers that are available and the number of subscribers for each	0	10 Mbps = 4 subscribers; These are national 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	Anticipated start of construction is now November 2011, pending approval of Environmental Assessment.

Project Indicators (Next Quarter)

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

GovNET expects to receive a FONSI determination and begin construction immediately as allowed. An Implementation Manager and a Construction Manager and Construction/Project Management Team will be hired. A remodel of the Network Operations Center, which serves and the monitoring and control center for the project, will begin and continue throughout the next quarter. GovNET staff plan to attend the Library Association's annual conference to further explain the project and communicate the benefits. Next quarter, we expect to make progress on the following key indicators:

- New network miles deployed = 0
- New network miles leased = 0
- Total CAI subscribers served (CAIs connected) = 0
- Number of signed agreements with broadband wholesalers or last mile providers = 1

GovNET must receive the FONSI in order to begin construction. These key indicators are linked to construction. For this reason, we do not expect to catch up to the Baseline Plan until Y2 Q4.

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	36	Behind baseline projections due to delay in FONSI and late construction start. GovNET expects to be back in sync with its Baseline Plan by the end of Y2 Q4
2b.	Environmental Assessment	100	Expect receipt of FONSI determination. No deviation from baseline plan.
2c.	Network Design	62	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2d.	Rights of Way	74	Slightly behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2e.	Construction Permits and Other Approvals	3	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2f.	Site Preparation	3	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2g.	Equipment Procurement	10	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2h.	Network Build (all components - owned, leased, IRU, etc.)	30	Behind baseline projections due to delay in FONSI and late construction start. Locations will be secured and construction will begin next quarter. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2i.	Equipment Deployment	3	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2j.	Network Testing	8	Behind baseline projections due to delay in FONSI and late construction start. Expect to be back in sync with Baseline Plan by the end of Y2 Q4.
2k.	Other (please specify): 203 leases	60	On track with baseline plan.

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).

GovNET is making good progress toward achieving the milestones of the Baseline Plan. The issue with the greatest impact on the project's progress has been the delayed approval of the Environmental Assessment and the FONSI determination. Construction on the project cannot move forward until the FONSI is issued. Construction was originally scheduled to begin in April 2011, but has now been delayed to at least November 2011. Looking forward, GovNET anticipates further need to adjust the construction schedule during fall and winter months due to weather and mountain site issues.

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	\$1,125,000	\$0	\$1,125,000	\$440,179	\$35,000	\$405,179	\$740,179	\$35,000	\$705,179
b. Land, structures, right-of-ways, appraisals, etc.	\$19,870,647	\$11,301,200	\$8,569,447	\$12,154,506	\$8,458,450	\$3,696,056	\$14,806,456	\$10,410,400	\$4,396,056
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$1,395,058	\$863,058	\$532,000	\$717,120	\$411,509	\$305,611	\$862,120	\$456,509	\$405,611
e. Other architectural and engineering fees	\$271,066	\$0	\$271,066	\$287,626	\$0	\$287,626	\$296,626	\$0	\$296,626
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	\$0	\$6,570,942	\$0	\$0	\$0	\$100,000	\$0	\$100,000
j. Equipment	\$21,655,252	\$500,000	\$21,155,252	\$1,335,035	\$33,180	\$1,301,855	\$2,115,035	\$33,180	\$2,081,855
k. Miscellaneous	\$1,051,170	\$0	\$1,051,170	\$0	\$0	\$0	\$11,000	\$0	\$11,000
l. SUBTOTAL (add a through k)	\$51,939,135	\$12,664,258	\$39,274,877	\$14,934,466	\$8,938,139	\$5,996,327	\$18,931,416	\$10,935,089	\$7,996,327
m. Contingencies									
n. TOTALS (sum of l and m)	\$51,939,135	\$12,664,258	\$39,274,877	\$14,934,466	\$8,938,139	\$5,996,327	\$18,931,416	\$10,935,089	\$7,996,327

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