

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

AWARD NUMBER: NT10BIX5570051

DATE: 05/12/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570051	<b>3. DUNS Number</b>  787589290
<b>4. Recipient Organization</b>  First Step Internet, L.L.C. 1420 S. Blaine St #10, Moscow, ID 83843-3973		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  03-31-2011	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Kevin Owen  President	<b>7c. Telephone (area code, number and extension)</b>  2088828869	
	<b>7d. Email Address</b>  kowen@fsr.com	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  05-12-2011	

**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**  
 Tower construction contract was signed and equipment ordering began. Primary equipment vendor selection was made. Contract for equipment purchasing is drafted.

**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	7	environmental completed, procurement process for primary equipment vendors completed, purchasing of initial project communication huts completed
2b.	Environmental Assessment	100	Completed Finding of No Significant Impact issued 10/18/2010
2c.	Network Design	100	submitted network design has been approved
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	90	Conditional Use Permit still required for Paradise Ridge location. Land owner, road access dispute still ongoing.
2f.	Site Preparation	0	not started due to winter weather conditions, First Step will re-adjust scheduling to ensure that project goals are met in accordance with prior project planning and adjustments. First is continually adjusting scheduled construction activities based on weather and other factors, while keeping in mind the 67% completion requirement by the end of the project year.
2g.	Equipment Procurement	15	communication huts purchased, being prepared for use by contractor. Procurement has been delayed due to weather and environmental analysis.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	not started due to winter weather conditions, not started due to winter weather conditions, First Step will re-adjust scheduling to ensure that project goals are met in accordance with prior project planning and adjustments. First is continually adjusting scheduled construction activities based on weather and other factors, while keeping in mind the 67% completion requirement by the end of the project year.
2i.	Equipment Deployment	0	not started due to winter weather conditions, not started due to winter weather conditions, First Step will re-adjust scheduling to ensure that project goals are met in accordance with prior project planning and adjustments. First is continually adjusting scheduled construction activities based on weather and other factors, while keeping in mind the 67% completion requirement by the end of the project year.
2j.	Network Testing	0	not started due to winter weather conditions, not started due to winter weather conditions, First Step will re-adjust scheduling to ensure that project goals are met in accordance with prior project planning and adjustments. First is continually adjusting scheduled construction activities based on weather and other factors, while keeping in mind the 67% completion requirement by the end of the project year.
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).**

Winter weather continued to delay in ground project construction. Matching discussion with Federal Program officer ongoing concerning use of Program Revenue. Reference 2e. (construction permits) An access road dispute has occurred between the land owner of the First Step leased ground for the tower site and an adjacent land owner. The land owner asserts that a portion of the

access road crosses his land. This access road has been in use for over 20 years and this issue has just come up as part of the Conditional Use Permit process. Latah County added as a stipulation of the grant of the Conditional Use Permit, that First Step resolve the land access dispute between the parties. The parties are negotiating between themselves and a resolution is expected during Q2.

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	construction not started
New network miles leased	0	n/a
Existing network miles upgraded	0	construction not started
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	construction not started
Number of new towers	0	construction not started
Number of new and/or upgraded interconnection points	0	construction not started

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 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 this newly built 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)
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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	construction delays due to weather conditions have prevented negotiations from moving forward
	Providers with signed agreements receiving improved access	0	construction delays due to weather conditions have prevented negotiations from moving forward
	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	0	no subscribers
	Subscribers receiving new access	0	no subscribers
	Subscribers receiving improved access	0	no subscribers
	Please identify the speed tiers that are available and the number of subscribers for each	0	\$100/meg/month
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	0
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	0

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
none connected	0	0	0	0

**Project Indicators (Next Quarter)**

**1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).**  
In ground construction will begin. As weather allows, ground preparation for tower sites will begin. Concrete foundations for towers will be poured. Site communication huts will be constructed and prepared for delivery to tower site locations. Primary radio path frequencies will be planned, finalized and submitted to the Federal Communications Commission (FCC) for approval. Initial electronic equipment will be purchased. First of 69 radio paths will be built.

**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	25	Late winter weather continue to provide delays in the beginning of the construction process.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	100	all permits and approvals acquired
2f.	Site Preparation	10	winter weather delayed start of construction
2g.	Equipment Procurement	25	tower and communication hut purchases completed.
2h.	Network Build (all components - owned, leased, IRU, etc.)	25	network build begins with tower construction
2i.	Equipment Deployment	25	begins with network build
2j.	Network Testing	25	as deployed
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).**

With improved weather conditions, project construction will begin in full force. Additional crews will be prepared to assist in accelerating the deployment of radio paths to close the construction schedule delays. With construction underway and administrative hurdles cleared, First Step will be working to meet the project deadlines and projected milestones.

**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	\$25,579	\$25,579	\$0	\$37,579	\$37,579	\$0
b. Land, structures, right-of-ways, appraisals, etc.	\$430,230	\$22,000	\$408,230	\$99,916	\$700	\$99,916	\$224,916	\$700	\$224,216
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	\$0	\$0	\$0	\$10,000	\$0	\$10,000
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$1,021,226	\$222,890	\$798,336	\$75,866	\$75,866	\$0	\$83,866	\$83,866	\$0
j. Equipment	\$1,251,330	\$173,866	\$1,077,464	\$1,576	\$1,576	\$0	\$200,000	\$6,576	\$193,424
k. Miscellaneous	\$97,593	\$8,000	\$89,893	\$0	\$0	\$0	\$0	\$0	\$0
<b>l. SUBTOTAL (add a through k)</b>	\$2,992,029	\$598,406	\$2,393,923	\$224,637	\$125,421	\$99,916	\$578,061	\$150,421	\$427,640
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$2,992,029	\$598,406	\$2,393,923	\$224,637	\$125,421	\$99,916	\$578,061	\$150,421	\$427,640

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: \$0