

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

AWARD NUMBER: NT10BIX5570051

DATE: 08/09/2012

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 NT10BIX5570051	3. DUNS Number 787589290
4. Recipient Organization First Step Internet, L.L.C. 1420 S. Blaine St #10, Moscow, ID 83843-3973		
5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2012	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 Kevin Owen President	7c. Telephone (area code, number and extension) 2088828869	
	7d. Email Address kowen@fsr.com	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 08-09-2012	

Project Indicators (This Quarter)

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

First Step continued to prep for the building season. We received the equipment necessary for the Elk City build out. First Step continued to work closely with the US Forest Service to finalize permission to complete construction of the Mt. Ida (HighCamp) site. First Step began the process of working with the NTIA and the Federal Program officer on 2 potential tower upgrades that would improve safety as well as provide additional opportunities for potential network and asset utilization. Most of the remaining project is located in very remote and nearly inaccessible locations during the Spring, for this reason there were no new path miles or CAI's connected to the network.

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	57	Winter weather and the Environmental requirements put the project behind schedule from the very beginning. First Step has completed its project improvement plan and it has been accepted. The project process is right in line with the overall project improvement plan. First Step has completed 77% of the physical microwave paths as projected.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	95	First Step continues to work with the US Forest Service to secure the final approval for the erection of the HighCamp (Mt. Ida) tower site. No significant project delay is expected as a result of this action.
2f.	Site Preparation	100	10 of 10 tower sites have been prepared and the foundations have been poured
2g.	Equipment Procurement	90	90% of the microwave paths have been procured. 77% of the paths have been physically installed. All switching equipment has been procured. 77% puts First Step right on with their 2 year construction projections.
2h.	Network Build (all components - owned, leased, IRU, etc)	77	The continued poor spring weather and remote locations kept progress slowed. However the project remains on track with its approved project improvement plan and the project is expected to be 100% physically constructed by the end of Q3, 2012, ahead of schedule.
2i.	Equipment Deployment	77	The continued poor spring weather and remote locations kept progress slowed. However the project remains on track with its approved project improvement plan and the project is expected to be 100% physically constructed by the end of Q3, 2012, ahead of schedule.
2j.	Network Testing	77	The network testing occurs as the project is built and deployed. The continued winter weather kept progress slowed. However the project remains on track with its approved project improvement plan and the project is expected to be 100% physically constructed by the end of Q3, 2012, ahead of schedule.
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).

The spring weather and the remoteness of the locations was the largest challenge to our progress for Q2 2012. The project is on track and target to be completed in accordance with the submitted and approved project improvement plan. First Step is waiting on the receding snow levels to once again begin the final network deployment stages of our project.

First Step has requested approval to build an additional 2 towers and would appreciate whatever assistance can be provided to move

that request through the administrative process as quickly as possible. Time is very short given the pending winter weather and the long lead times necessary for tower construction.

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	379	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 6 quarters into the construction schedule. With 379 miles completed, this puts us 21 miles short of our projection for this time in the project.
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	53	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 6 quarters into the construction schedule. With 53 wireless paths completed, this puts us ahead of our anticipated time schedule.
Number of new towers	9	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 5 quarters into the construction schedule. With 9 towers completed, this puts us right in line with our anticipated time schedule.
Number of new and/or upgraded interconnection points	7	First Step was delayed nearly 1 year from the time of award until construction began. From the baseline project report, First Step anticipated being shovel ready and would be allowed to start construction with the acceptance of the award. The Environmental Assessment greatly delayed the start of the project. First Step is actually only 6 quarters into the construction schedule. With 7 interconnection points available, this puts us right in line with our anticipated time schedule.

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 yet 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 the newly constructed 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 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)
Broadband Wholesalers or Last Mile Providers	Providers with signed agreements receiving new access	0	no providers yet signed due to the early weather and environmental construction delays.
	Providers with signed agreements receiving improved access	0	no providers yet signed due to the early weather and environmental construction delays.
	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	28	Early environmental and weather delays have caused the connection of the Community Anchor Institutions to be delayed.
	Subscribers receiving new access	6	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Subscribers receiving improved access	22	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Please identify the speed tiers that are available and the number of subscribers for each	1	Speed tiers are flexible and available in 1 meg increments. Current packages are 3 to 10 megs.
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	\$100/meg/month
Businesses	Entities passed	0	0
	Total subscribers served	0	0

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	0
	Subscribers receiving improved access	0	0
	Please identify the speed tiers that are available and the number of subscribers for each	0	\$100/meg/month

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
0	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).

First Step is anticipating completion of the construction portion of the award during Q3. This anticipate an early Q3 resolution of the Mt. Ida issue concerning the US Forest Service. During the quarter First Step would complete 16 microwave paths, resulting in 165 new path miles and 12 new Community Anchor Institutions. First Step also hopes to begin construction on 2 new additional tower sites once the appropriate approvals are provided. With the bulk of the project completed First Step will begin to look at long term enhancements to the project and will work with the program staff to seek approval for the use of remaining project budget to further improve and enhance the project as planned and built. Outreach will begin with the better weather and negotiations for last mile and middle providers will begin.

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	68	Our project timeline shows that the project will have ~95% of the construction completed by Q1 of 2013. That projection was based on a shovel ready start date of Q1 2010 with a 2 year window to completion of construction. Due to the project start delays concerning the EA, First Step has only been under construction for 2 actual years, even though we are in the 10th quarter of the 12 quarter project. First Step will still complete the project on time and on budget.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2e.	Construction Permits and Other Approvals	100	completed
2f.	Site Preparation	100	completed
2g.	Equipment Procurement	95	all major equipment will be acquired. The remaining will be miscellaneous and additional concerning the new tower construction.
2h.	Network Build (all components - owned, leased, IRU, etc.)	95	Spring weather will allow First Step to begin the construction of the planned paths once again. 16 new paths will be completed in Q3, 2012.
2i.	Equipment Deployment	100	Spring weather will allow First Step to begin the construction of the planned paths once again. 16 new paths will be completed in Q3, 2012.
2j.	Network Testing	95	Spring weather will allow First Step to begin the construction of the planned paths once again. 16 new paths will be completed in Q3, 2012. The network testing occurs along with the network deployment.
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 the unsettled Spring weather behind us, First Step anticipates no significant weather delays for the remainder of the project. First Step remains working with the US Forest Service to resolve the HighCamp site. Additionally, First Step will be working closely with the State and Tribal Historic Preservation Officers to mitigate any historical concerns they may have with the 2 additional tower sites. If these can be resolved quickly, First Step is hopeful construction of those towers will be completed in Q3 2012 along with the remaining planned paths.

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	\$55,076	\$55,076	\$0	\$80,000	\$80,000	\$0
b. Land, structures, right-of-ways, appraisals, etc.	\$430,230	\$22,000	\$408,230	\$435,231	\$7,322	\$427,909	\$435,231	\$7,322	\$427,909
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	\$20,000	\$0	\$20,000	\$20,000	\$0	\$20,000
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$1,021,226	\$222,890	\$798,336	\$247,276	\$222,283	\$24,993	\$290,000	\$230,000	\$60,000
j. Equipment	\$1,251,330	\$173,866	\$1,077,464	\$867,116	\$51,762	\$815,354	\$1,100,000	\$70,000	\$1,030,000
k. Miscellaneous	\$97,593	\$8,000	\$89,593	\$56,310	\$1,621	\$54,689	\$74,000	\$2,000	\$72,000
l. SUBTOTAL (add a through k)	\$2,992,029	\$598,406	\$2,393,623	\$1,702,709	\$359,764	\$1,342,945	\$2,020,931	\$411,022	\$1,609,909
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$2,992,029	\$598,406	\$2,393,623	\$1,702,709	\$359,764	\$1,342,945	\$2,020,931	\$411,022	\$1,609,909

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: \$16,316