

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

AWARD NUMBER: NT10BIX5570051

DATE: 08/14/2013

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

### 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>  06-30-2013	<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>  08-14-2013	

Project Indicators (This Quarter)			
<p><b>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</b></p> <p>Q2 was spent making small adjustments and refinements to the existing network that was built. We continue to work with the NTIA, the US Forest Service, the NezPerce THPO and Idaho SHPO for our final approvals required to resume construction on the final paths of the project.</p>			
<p><b>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).</b></p>			
	<b>Milestone</b>	<b>Percent Complete</b>	<b>Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)</b>
2a.	Overall Project	78	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. First Step has completed 100% of the physical microwave paths and all 12 of the approved towers.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	100	completed
2f.	Site Preparation	100	All tower sites are completed
2g.	Equipment Procurement	100	All equipment has been procured for the initial project as planned. First Step is awaiting final approval for the no-cost project extension.
2h.	Network Build (all components - owned, leased, IRU, etc)	100	All project paths and towers are completed. First Step is working with the EHP team for approval to add 7 additional path to the project to connection additional CAI's to the network.
2i.	Equipment Deployment	100	All equipment for the initial project scope has been deployed.
2j.	Network Testing	100	All installed network paths have been tested and are currently online.
2k.	Other (please specify): n/a	0	n/a
<p><b>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).</b></p> <p>Despite the winter delays and the delays in the final approval for tower construction, First Step was able to complete all of the initially planned paths and towers.</p> <p>First Step continues to work with the FPO team to secure a no-cost time extension that will allow us to add additional CAI's and other network improvements. The modifications to the originally approved project would result in 7 new microwave paths totaling 20 miles, 2 improved paths totaling 54 miles and the addition of 6 new CAI's and 1 improved CAI. All are schools within the previously approved area of the 5 county project.</p>			
<p><b>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).</b></p>			
	<b>Indicator</b>	<b>Total</b>	<b>Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)</b>
	New network miles deployed	551	First Step had a baseline of 550 network miles to deploy. At 551 deployed we are in line with our original projections.
	New network miles leased	0	n/a
	Existing network miles upgraded	0	n/a
	Existing network miles leased	0	n/a

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of miles of new fiber (aerial or underground)	0	n/a
Number of new wireless links	72	First Step originally planned 69 microwave paths. With the approved router change modifications, we ended the original project period with 72, 3 ahead of our projections.
Number of new towers	12	First Step has added 12 new towers as part of its project. The original project had 10 and there were 2 additional towers approved through the process
Number of new and/or upgraded interconnection points	13	All anticipated interconnection points were installed.

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:

Pricing is flexible and dependent upon each requested path. As a basis we have always stated that pricing would start at \$100/meg. As is typical in the industry, as more bandwidth is purchased the pricing /meg typically comes down. As such, we don't have fixed pricing plans or tiers. With the network we are able to construct a network path of whatever bandwidth is necessary for the client anywhere from 1 meg to 100 megs. Pricing is dependent also on other market factors occurring over the 4 year period of the award.

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	\$100meg/month

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
<b>Community Anchor Institutions (including Government institutions)</b>	<b>Total subscribers served</b>	44	First Step completed all builds to the projected CAI's.
	<b>Subscribers receiving new access</b>	17	First Step met the expected project indicators for installations to new subscribers.
	<b>Subscribers receiving improved access</b>	27	First Step met the expected project indicators for installations to improved access subscribers.
	<b>Please identify the speed tiers that are available and the number or subscribers for each</b>	1	First Step does not offer pre-defined "speed tiers". CAI's are able to order the exact bandwidth they believe they need for their individual usage and project. Current CAI customers are purchasing speed packages from 3 to 50 megs.
<b>Residential / Households</b>	<b>Entities passed</b>	0	0
	<b>Total subscribers served</b>	0	0
	<b>Subscribers receiving new access</b>	0	0
	<b>Subscribers receiving improved access</b>	0	0
	<b>Please identify the speed tiers that are available and the number of subscribers for each</b>	1	\$100/meg/month
<b>Businesses</b>	<b>Entities passed</b>	0	0
	<b>Total subscribers served</b>	0	0
	<b>Subscribers receiving new access</b>	0	0
	<b>Subscribers receiving improved access</b>	0	0
	<b>Please identify the speed tiers that are available and the number of subscribers for each</b>	1	\$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
No new connections this quarter	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).**  
 First Step plans to continue working with NTIA and the FPO team to add additional CAI's to the project. There is a current request for a route modification that is working its way through the process. This route modification would add 7 new microwave paths to the project. These paths would add an additional 20 miles and connect 6 new CAI's.

**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	83	First Step anticipates the final approvals to move forward with the pending AAR for route modifications / additions. If this approval is giving timely, work on the additional paths should be completed within the quarter.
2b.	Environmental Assessment	100	completed
2c.	Network Design	100	completed
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	100	completed
2f.	Site Preparation	100	completed
2g.	Equipment Procurement	100	completed
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	completed
2i.	Equipment Deployment	100	completed
2j.	Network Testing	100	completed
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).**  
 First Step continues to work with the THPO, SHPO and the US Forest Service for the final Sec. 106 clearances necessary for the remaining path builds as presented in our AAR. As this is the last quarter for the project, we need as much assistance and cooperation in working with each of the above entities as possible. The timelines are short but we believe we still have time in the project to complete the work if the approvals come through.

**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	\$59,150	\$59,150	\$0	\$80,000	\$80,000	\$0
b. Land, structures, right-of-ways, appraisals, etc.	\$520,000	\$22,000	\$498,000	\$520,000	\$20,294	\$499,706	\$520,000	\$20,294	\$499,706
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	\$831,456	\$222,890	\$608,566	\$428,843	\$288,134	\$140,709	\$485,000	\$320,000	\$165,000
j. Equipment	\$1,351,330	\$173,866	\$1,177,464	\$1,213,610	\$74,017	\$1,139,593	\$1,251,330	\$80,000	\$1,171,330
k. Miscellaneous	\$97,593	\$8,000	\$89,593	\$73,386	\$2,942	\$70,444	\$97,593	\$4,000	\$93,593
<b>l. SUBTOTAL (add a through k)</b>	<b>\$2,992,029</b>	<b>\$598,406</b>	<b>\$2,393,623</b>	<b>\$2,336,689</b>	<b>\$466,237</b>	<b>\$1,870,452</b>	<b>\$2,475,623</b>	<b>\$525,994</b>	<b>\$1,949,629</b>
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	<b>\$2,992,029</b>	<b>\$598,406</b>	<b>\$2,393,623</b>	<b>\$2,336,689</b>	<b>\$466,237</b>	<b>\$1,870,452</b>	<b>\$2,475,623</b>	<b>\$525,994</b>	<b>\$1,949,629</b>

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: \$7,374
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