QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Award Identification Number	3. DUNS Number
Department of Commerce, National Telecommunications and Information Administration	NT10BIX5570136	831335448

4. Recipient Organization

GOVNET 2 INC 10105 E Via Linda, Ste. 386, Scottsdale, AZ 85258-5311

5. Current Reporting Period End Date (MM/DD/YYYY)	6. Is this the last Report of the Award Period?
12-31-2010	◯ Yes ⦿ 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	7c. Telephone (area code, number and extension)
Karen McCoy	6023690767
Vice President	7d. Email Address karen.m@govnet.net

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	02-12-2011

Project Indicators (This Quarter)

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

Released first RFP for Environmental assessment; hired professional consultants in November 2010. Prepared and submitted 6-Month Expenditure plan for approval; expected first draw down in Q1 2011. Prepared and submitted 'Baseline Report' by 11/15/10; no major anticipated deviation expected. Working on Rights of Way and secured a meeting with Regional USFS to discuss project.

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	1	n/a
2b.	Environmental Assessment	50	Slight variance due to early snowfall and node engineering timing.
2c.	Network Design	40	Route changes are being considered; working on node engineering
2d.	Rights of Way	24	n/a
2e.	Construction Permits and Other Approvals	0	n/a
2f.	Site Preparation	0	n/a
2g.	Equipment Procurement	0	Nothing has been purchased; pre-FONSI budget not yet approved.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	n/a
2i.	Equipment Deployment	0	n/a
2j.	Network Testing	0	n/a
2k.	Other (please specify): In-kind IRU Leases	0	IRU Leases in final legal review; expected complete in Jan 2011.

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).

GovNET's major challenge anticipated is with obtaining new federal rights of way in a timely manner. Our project was budgeted, and approved, on being able to build several new tower locations on existing, designated federal communication sites. Our core is built on public safety and providing federal security standards to our customers. USFS & BLM general policy is to push collocation. Unfortunately, our customers (County Emergency Dispatch Centers, State of Arizona, Dept of Emergency Management, AZ National Guard, Dept of Transportation, Dept of Corrections, and other government agencies) require secure remote physical & network facilities. Without obtaining new secure tower sites, these government customers may be lost, along with technical advances for their missions & large cost savings to taxpayers.

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	Still in Environmental Assessment
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	n/a
Number of new towers	0	n/a

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new and/or upgraded interconnection points	0	n/a

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:
No signed agreements to date.

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:
Ds1, Ds3, Ethernet transport, and VIOP - pricing still being determined until after wholesale agreement with carrier is completed.

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 operation of the network will occur.

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	0
	Providers with signed agreements receiving improved access	0	0
	Providers with signed agreements receiving access to dark fiber	0	0
	Please identify the speed tiers that are available and the number of subscribers for each	0	0
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	0
	Subscribers receiving new access	0	0
	Subscribers receiving improved access	0	0

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 or subscribers for each	0	0
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
	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, TelePresence, and a secure interoperable public safety channel for all 15 County government Emergency Services throughout the State of Arizona, that will also include connectivity to all Emergency Operation Centers (EOCs).

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
0	0	0	0	Project has not started construction yet. Anticipated start in April 2011, after environmental assessment / FONSI received.

Project Indicators (Next Quarter)

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

Q3 of the project will be Jan - March 2011. DRAFT EA will be delivered to NTIA for review prior to Mar 01, 2011. A professional grant management firm will be in place to assist financial activity, and strict adherence to reporting and procurement standards. Release of several RFPs for site prep, concrete, construction, tower materials, shelters, and radio equipment is anticipated. IRU Lease for Community Interconnection Points at rural schools & libraries will be distributed (part of matching funds). Statewide outreach to stakeholders to continue. Anticipate meetings with neighboring tribal entities who received BTOP/BIP funds for possible collaboration.

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	9	EA completed; mitigations will be necessary after FONSI is issued that may have an impact on progress of project.
2b.	Environmental Assessment	90	Draft EA will be submitted prior to SAC deadline of March 1, 2011.
2c.	Network Design	70	Early snow caused some outlying node location access issues; on hold to Spring. Several route changes for loss of BLM Backbone site being evaluated.
2d.	Rights of Way	30	Applications filed; waiting for approvals
2e.	Construction Permits and Other Approvals	0	Permitting process will be pursued at locations ready to be built upon issuance of 'FONSI', anticipated in April 2011
2f.	Site Preparation	0	0
2g.	Equipment Procurement	6	Begin purchase of some items in 6-month Environmental Budget
2h.	Network Build (all components - owned, leased, IRU, etc.)	0	0
2i.	Equipment Deployment	0	0
2j.	Network Testing	0	0
2k.	Other (please specify): IRU Leases	5	Legal review delay, and approval time for local board/council at next meetings.

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).

The most critical issue that will impact planned progress is issuance of federal Rights of Way, or communication site leases, from the United States Forest Service or Bureau of Land Management. Applications have been made, but unknown time frame of approval. These sites are the network Backbone, which need to be in place prior to providing service to CAIs.

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.

Cost Classification	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		
	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	$0	$0	$0	$0	$0	$0	$0	$0	$0
b. Land, structures, right-of-ways, appraisals, etc.	$22,800,563	$11,301,200	$11,499,363	$0	$0	$0	$592,800	$442,800	$150,000
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	$863,058	$863,058	$0	$903,058	$863,058	$40,000
e. Other architectural and engineering fees	$251,066	$0	$251,066	$0	$0	$0	$180,000	$0	$180,000
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	$0	$0	$0
j. Equipment	$19,870,336	$500,000	$19,370,336	$0	$0	$0	$203,000	$0	$203,000
k. Miscellaneous	$1,051,170	$0	$1,051,170	$0	$0	$0	$0	$0	$0
l. SUBTOTAL (add a through k)	$51,939,135	$12,664,258	$39,274,877	$863,058	$863,058	$0	$1,878,858	$1,305,858	$573,000
m. Contingencies	$0	$0	$0	$0	$0	$0	$0	$0	$0
n. TOTALS (sum of l and m)	$51,939,135	$12,664,258	$39,274,877	$863,058	$863,058	$0	$1,878,858	$1,305,858	$573,000

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