

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 05/27/2016

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2015

### 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>  NT10BIX5570136	<b>3. DUNS Number</b>  831335448
<b>4. Recipient Organization</b>  GOVNET, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  03-31-2016	<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>  Karen McCoy  Vice President	<b>7c. Telephone (area code, number and extension)</b>  4804241411	
	<b>7d. Email Address</b>  karen.m@govnet.net	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  05-27-2016	

**Project Indicators (This Quarter)**

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

For the first quarter (Q1) January through March 2016, project construction progress continued for GovNET.

Significant accomplishments as follows:

- Three (3) new network sites were completed construction with electrical service and data flowing in Q1 -- one (1) new large Backbone tower was made operational and two (2) new colocations were completed and brought online
- Other federal government agencies have expressed interest in colocation at GovNET sites throughout the State
- Currently, there are a total of forty-one (41) Backbone sites operational; of those 41 sites, thirty-two (32) Backbone sites also provide direct last-mile broadband services to CAIs in remote parts of Arizona
- FCC licensing of networks paths continues as construction is completed
- By 3/31/2016, one hundred seventy-five (175) cumulative Node/Community Anchor Institutions (CAI) sites had full or partial installations completed
- Continue to turn up contracted services with multiple customers across the State which provide project sustainability.
- No further lease agreements (have over 230+ leases) were signed with CAIs this quarter; awaiting E-rate bid selections and contract award.
- Working on finalizing last few outstanding construction/permitting issues to complete installations; halted activity on the NOC/data center to focus on network build out.
- Completed a two (2) year Program Specific audit by March 31, 2016, with zero findings.
- Received approval from funding agency on final grant project extension to June 30, 2016

**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	100	107% of budget has been expended as GovNET has contributed additional in-kind lease value to the project. Project nearing completion with strong network integration activity occurring and satisfied CAI customers. Overall project variance (including #2b-2k) from 2010 baseline plan is due to 16+ month suspension, construction issues, substandard contractor performance, and additional unforeseen management challenges causing further set backs from original plan.
2b.	Environmental Assessment	100	FONSI received in Q4 2011. Spending is complete in category.
2c.	Network Design	98	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	98	Final efforts continuing to obtain necessary rights of way
2e.	Construction Permits and Other Approvals	97	Final push through County permitting in process for two sites.
2f.	Site Preparation	97	Prep work is typically done on first day on-site for colocation/installation work; no advance work is required.
2g.	Equipment Procurement	98	Equipment ordering almost done; major procurement complete.
2h.	Network Build (all components - owned, leased, IRU, etc)	92	Will be completing final colocation installs in the project thru Q2.
2i.	Equipment Deployment	92	Equipment deployment continues at sites. Some previously purchased equipment will be deployed post-grant period at Grantee's expense.
2j.	Network Testing	90	Network segments are brought online as constructed
2k.	Other (please specify):	100	Over 230 leases have been received to date.

**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).**

Budget constraints have forced a reduction in crews/manpower working on project which is slowing overall progress, but funds still remain for contractors to do final completion of outstanding sites and bring operational. Working to finalize complete Davis-Bacon reporting for two companies. Extended delays have been incurred trying to progress two local power company requests for service at two mountaintop sites, which have had restricted access due to snow. The approved power designs are a prerequisite to obtaining County permit and such delays have impacted GovNET's ability to turn on network service. GovNET continues to work closely with our Federal Program Officer where any additional assistance is required.

**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	1,701	Exceeded projection as 163 new network miles were connected in Q1 resulting from establishing connectivity between multiple Backbone sites as well as to several new CAIs. Additional factors affecting progress include radio deployment issue, weather/road access, and areas of Backbone still under construction.
New network miles leased	117	In order to provide timely E-rate services to the CAI, other miles had to be leased between network start/end points.
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	73	Seven (7) new active network links established between sites in a contiguous manner.
Number of new towers	22	One (1) large Backbone tower that completed construction in Q4-2015 was brought operational in Q1-2016. Two (2) new colocations were brought into operational status as well. Overall project variance from baseline plan is due to 16+ month suspension, substandard contractor performance issues, and unforeseen management challenges arising during construction.
Number of new and/or upgraded interconnection points	73	All links/sites are interconnection points, including colocations and CAIs. Forecast to add 10 new interconnection points in Q2-2016.

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:**  
 GovNET is both a middle mile provider, as well as a direct last mile provider itself. Two agreements are in negotiation, and project one agreement signed by end of Q2-2016. Finalization of agreements is anticipated as network rings are completed and capacity demand is aggregated, along with projecting GovNET's own capacity need for its last mile customers

**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 will provide the following wholesale services: internet, transport and VOIP. Pricing is provided in Attachment.

**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).**

N/A

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	As GovNET determines its own service bandwidth needs, negotiations are recommencing with providers.
	Providers with signed agreements receiving improved access	0	Anticipate finalizing one negotiation in late Q2-2016
	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	35	35 incremental speed tiers of most commonly requested speed available. 1 Mbps to 4 Gbps is available based on specific subscribers needs.
Community Anchor Institutions (including Government institutions)	Total subscribers served	175	Remote CAIs receiving much improved internet service at a capacity previously unavailable. A total 175 CAIs are fully installed or partially installed and ready for service when contract signed. Overall project variance from baseline plan is due to 16+ month suspension and other factors affecting progress, including a critical network component delivery delay and Backbone completion.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	175	Rural CAIs have active high-speed broadband services at rates that far exceed current market availability
	Please identify the speed tiers that are available and the number of subscribers for each	35	1 Mbps to 4 Gbps is available to be customized based on subscriber budget and/or needs; due to GovNET technology, we can offer any level of speed required. 35 speed tiers are being quoted. There are 28 active CAI subscriptions: 12 subscribers are under 5 Mbps; 1 at 10 Mbps; 2 at 15 Mbps; 4 at 20 Mbps; 6 at 50 Mbps; 2 at 100 Mbps, and 1 at 200 Mbps. Project to add 5 new active CAI subscribers in Q2.
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, secure interoperable public safety channel for all 15 County Government Emergency Services, including

connectivity to all Emergency Operations Centers. Vendors have described this network design as the most sophisticated microwave network in the country.

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
Ajo Sherriff	Ajo	Public Safety	Yes	Improved connectivity to rural Sheriff substation
Mt Tipton Elem	Dolan Springs	School	Yes	Improved bandwidth to handle CAI needs
Ajo Public Library	Ajo	Library	No	WAN connectivity for County

**Project Indicators (Next Quarter)**

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

During the next quarter (Q2-2016) of the project, GovNET will be ending the grant award period and is projecting to finish various aspects of site completion to integrate six (6) additional backbone sites into the network. This will result in a cumulative total of 47 Backbone/middle-mile sites completed; of that 47 site number, it is anticipated that thirty-four (34) Backbone sites will also be providing direct last-mile broadband services to CAIs throughout Arizona. There are six (6) other colocation sites that will be completed post-grant award. GovNET continues its Erate quoting for rural schools & libraries service needs. Additional CAI installations will continue as new service contracts are signed/processed; with Erate/USAC awards beginning to be made in April, a projection of ten (10) new CAI locations will be installed for new service to begin July 1. Installation activity during next quarter (Q2-2016) is estimated to add 200 new network miles placed in service. As network backbone sections are tested & integrated, locally contracted broadband services with CAIs are being turned up keeping on track for forecasted project sustainability. Targeted community outreach efforts will be continuing in specific rural areas where service is active, as well as continued negotiations with local/regional last mile providers and estimate that one agreement will be completed by end of Q2 while others will be in process as the network sections are turned active.

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	100	108% of budget has been expended as GovNET has contributed additional in-kind lease value to the project. Grant award period will be over and project completed. Overall project variance (includes #2b-2k) from baseline plan is due to 16+ month suspension, as well as additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
2b.	Environmental Assessment	100	Completed per project scope and end of grant award period.
2c.	Network Design	100	Completed per project scope and end of grant award period.
2d.	Rights of Way	100	Completed per project scope and end of grant award period.
2e.	Construction Permits and Other Approvals	100	Completed per project scope and end of grant award period.
2f.	Site Preparation	100	Completed per project scope and end of grant award period.
2g.	Equipment Procurement	100	Completed per project scope and end of grant award period.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Completed per project scope and end of grant award period.
2i.	Equipment Deployment	100	Majority of equipment deployed; any remaining equipment will be deployed at GovNET cost to complete project scope; Rings C, B, A & D all active
2j.	Network Testing	100	Completed per project scope and end of grant award period.
2k.	Other (please specify):	100	Exceeded Baseline scope for CAI & in-kind leases signed and received

**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 will be balancing expenditure of the final remaining grant funds through June 30, 2016, on network construction needs, while simultaneously working on the administrative side of grant close-out period. As the project construction slows, greater focus is placed on installation and integration of the refined electronics and turning up CAIs for new services. The two sites with outstanding power and permit processing may be at risk for completion prior to end of June due to issues outside GovNET control. If so, they will fall into site completion post-grant award period. GovNET will continue to work with our Federal Program Officer when assistance is required.

**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	\$4,243,622	\$0	\$4,243,622	\$5,492,607	\$0	\$5,492,607	\$5,736,226	\$100,000	\$5,636,226
b. Land, structures, right-of-ways, appraisals, etc.	\$23,300,140	\$11,413,633	\$11,886,507	\$25,857,574	\$14,032,260	\$11,825,314	\$25,862,574	\$14,032,260	\$11,830,314
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$2,806,265	\$842,885	\$1,963,380	\$3,374,114	\$1,624,572	\$1,749,542	\$3,465,051	\$1,685,509	\$1,779,542
e. Other architectural and engineering fees	\$605,000	\$0	\$605,000	\$599,108	\$0	\$599,108	\$599,108	\$0	\$599,108
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	\$4,410,965	\$370,044	\$4,040,921	\$4,381,477	\$649,430	\$3,732,047	\$4,484,868	\$684,632	\$3,800,236
j. Equipment	\$15,971,093	\$37,696	\$15,933,397	\$14,981,376	\$37,696	\$14,943,680	\$15,061,376	\$37,696	\$15,023,680
k. Miscellaneous	\$224,844	\$0	\$224,844	\$228,565	\$0	\$228,565	\$228,565	\$0	\$228,565
<b>l. SUBTOTAL (add a through k)</b>	\$51,561,929	\$12,664,258	\$38,897,671	\$54,914,821	\$16,343,958	\$38,570,863	\$55,437,768	\$16,540,097	\$38,897,671
m. Contingencies									
<b>n. TOTALS (sum of l and m)</b>	\$51,561,929	\$12,664,258	\$38,897,671	\$54,914,821	\$16,343,958	\$38,570,863	\$55,437,768	\$16,540,097	\$38,897,671

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: \$370,044      b. Program Income to Date: \$649,430