

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

AWARD NUMBER: NT10BIX5570051

DATE: 11/16/2011

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) 09-30-2011	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): 11-16-2011	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Construction began on 7 of the 10 planned tower sites. Spud Hill, Lewiston Rim, Paradise Ridge, West Twin and Winchester Grade all have the towers standing. Kamiah and Mt. Ida (Grangeville) have had their foundations poured and are awaiting the 30 day curing time before the towers can be built. First Step completed 13 microwave paths accounting for 88.9 new path miles. 6 Community Anchor Institutions were connected to the network. They consisted of 4 schools and 2 libraries. Equipment purchasing of the Phase 2 microwaves was completed.

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	40	First year environmental and weather delays put the project behind. Additional staff is working to bring the project back in line with projections.
2b.	Environmental Assessment	100	completed. Finding of no significant impact issued 10/18/2010
2c.	Network Design	100	submitted network design approved
2d.	Rights of Way	0	n/a
2e.	Construction Permits and Other Approvals	95	First Step is working with the US Forest Service to secure the final location approval. All other permits have been received.
2f.	Site Preparation	70	7 of 10 tower sites have been prepared. The 3 sites in Elk City remain. Those are expected to be completed in Q4
2g.	Equipment Procurement	41	Phase 1 and Phase 2 radios have been ordered and received. Switching equipment has been received. Routing and management for Phase 1 and Phase 2 radios has been acquired.
2h.	Network Build (all components - owned, leased, IRU, etc)	25	The first 13 microwave paths have been completed. Additional staff is working to deploy additional paths to catch up with projected plan.
2i.	Equipment Deployment	25	The first 13 microwave paths have been completed. Additional staff is working to deploy additional paths to catch up with projected plan.
2j.	Network Testing	25	Network testing is completed along with the deployment of the paths before turning the path up for the Community Anchor Institution or for using the path as a middle mile segment of the network.
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).

First Step made good progress on the overall project. There was a two week delay on Paradise Ridge while a County setback issue was worked through and resolved. There is a land use/access issue that has come up on Mt. Ida. The US Forest Service has an easement to the property that was leased to First Step Internet by the land owner. First Step is working with the local US Forest Service Manager to resolve the issue. We expect that construction will be able to move forward by the end of October. This delay is not expected to add any significant delay to the project. First Step is working with Federal Program Officer to assist with loan collateralization so that project expenditures can proceed at an increased pace to meet program requirements.

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)

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	89	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 actually only 3 quarters into the construction schedule. With 89 miles completed, this puts us right in line with our anticipated time schedule.
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	13	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 actually only 3 quarters into the construction schedule. With 13 wireless paths completed, this puts us right in line with our anticipated time schedule.
Number of new towers	5	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 actually only 3 quarters into the construction schedule. With 5 towers completed, this puts us right in line with our anticipated time schedule.
Number of new and/or upgraded interconnection points	0	Electronics are not yet in place for interconnection at the new constructed tower sites.

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 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	6	Early environmental and weather delays have caused the connection of the Community Anchor Institutions to be delayed.
	Subscribers receiving new access	1	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Subscribers receiving improved access	5	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	Speeds 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
	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
Orofino High School	Orofino, Idaho	Schools (K-12)	Yes	Using the connectivity to further enrich and enhance student education, through distance learning and tele-video classes. The connectivity is used to connect the local schools with the Statewide Idaho Education Network.
Clearwater Library	Orofino, Idaho	Libraries	Yes	The library is using the connectivity to provide public Internet access at the branch library. It is also being used to communicate with the County Library management systems.
Potlatch Elementary School	Potlatch, Idaho	Schools (K-12)	Yes	Using the connectivity to further enrich and enhance student education, through distance learning and tele-video classes. The connectivity is used to connect the local schools with the Statewide Idaho Education Network.
Potlatch High School	Potlatch, Idaho	Schools (K-12)	Yes	Using the connectivity to further enrich and enhance student education, through distance learning and tele-video classes. The connectivity is used to connect the local schools with the Statewide Idaho Education Network.
Weippe Library	Weippe, Idaho	Libraries	Yes	access at the branch library. It is also being used to communicate with the County Library management systems.
Cottonwood High School	Cottonwood, Idaho	Schools (K-12)	Yes	Using the connectivity to further enrich and enhance student education, through distance learning and tele-video classes. The connectivity is used to connect the local schools with the Statewide Idaho Education Network.

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
First Step will continue construction of the microwave network. This will include bringing the new tower sites online as well as additional microwave paths being built. First Step projects 36 new paths resulting in 212 path miles and 21 Community Anchor Institutions being completed by the end of Q4 2011. Phase 3 microwave radios will be acquired and delivered. First Step will attempt to have the final 3 tower site foundations poured by the end of the quarter. This will help get a jump on the Spring construction season as we won't be waiting for the ground to dry to begin digging new foundations. As part of the community outreach program, First Step will be designing a product brochure that can be distributed to interested parties and potential new network and last mile broadband partners.

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	52	Winter weather and the Environmental requirements slowed the start of the project. With the additional staff on board, we are working towards bringing the project back in line with projections. First Step has added additional staff to bring the project in line with the baseline indicators. First Step is working directly with NTIA on a Project Improvement Plan to address the initial project delays. Our project timeline shows that the project will have ~77% of the construction completed by the 2 year project award date.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
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	100	Completed
2g.	Equipment Procurement	55	Phase 3 radios will be acquired. The equipment procurement is occurring along with the construction schedule. With the proposed construction schedule, the equipment procurement schedule will match the construction completed.
2h.	Network Build (all components - owned, leased, IRU, etc.)	55	36 of 69 microwave paths will be installed.
2i.	Equipment Deployment	55	36 paths will be deployed along with switching and routing equipment
2j.	Network Testing	55	testing of the deployed radios and network will be 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).

Winter weather is already on it way on the higher mountain tops. The Mt. Ida (Grangeville site) is currently on hold while an access issue is addresses with the US Forest Service. Hopefully this will resolve quickly before we are snowed out at that elevation. The crews are working to get the foundations dug and poured in Elk City before the snow comes. This would be a big help as we await spring next year. Due the delays and compacted build out schedule, time of the labor used as match becomes an issue. We are working with our Federal Program Officer as well as our bank to secure funding that can be used to meet the match in lieu of the labor so as to always be in compliance with the Federal matching requirement.

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	\$47,839	\$47,839	\$0	\$80,000	\$80,000	\$0
b. Land, structures, right-of-ways, appraisals, etc.	\$430,230	\$22,000	\$408,230	\$407,644	\$5,813	\$401,831	\$430,230	\$22,000	\$408,230
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	\$133,670	\$130,424	\$3,246	\$275,670	\$195,424	\$80,246
j. Equipment	\$1,251,330	\$173,866	\$1,077,464	\$526,671	\$20,898	\$505,773	\$691,671	\$40,898	\$650,773
k. Miscellaneous	\$97,593	\$8,000	\$89,593	\$38,641	\$0	\$38,641	\$45,641	\$0	\$45,641
l. SUBTOTAL (add a through k)	\$2,992,029	\$598,406	\$2,393,623	\$1,196,165	\$226,674	\$969,491	\$1,564,912	\$360,022	\$1,204,890
m. Contingencies									
n. TOTALS (sum of l and m)	\$2,992,029	\$598,406	\$2,393,623	\$1,196,165	\$226,674	\$969,491	\$1,564,912	\$360,022	\$1,204,890

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