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	NT10BIX5570051	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)	6. Is this the last Report of the Award Period?
12-31-2011	◯ 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)
Kevin Owen	2088828869
President	**7d. Email Address** kowen@fsr.com

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	02-29-2012

Project Indicators (This Quarter)

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

First Step Internet, LLC has completed 9 of 10 tower builds. The foundation for the 10th tower, Mt. Ida, has been poured. Construction of the tower is expected in the early Spring as soon as the weather allows. Additionally, 39 of 69 licensed microwave paths were completed. This represents nearly 255 new path miles. First Step has connected 22 anchor institutions to the network. Microwave equipment purchasing was completed for Phase 3 (next 12 paths) of the microwave project. First Step began negotiations with a vendor to assist with project compliance, project management and reporting. We submitted a sole source request which has been approved.

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	46	First year environmental and weather delays put the project behind. Additional staff has been added to bring the project back in line and to ensure the project is completed by 2/28/2013.
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 continues to work with the US Forest Service to secure the final location approval. No significant project delay expected and all other permits have been received.
2f.	Site Preparation	100	10 of 10 tower sites have been prepared and foundations poured.
2g.	Equipment Procurement	49	Phases 1 - 3 of the radio equipment has been ordered and received. All switching equipment has been procured.
2h.	Network Build (all components - owned, leased, IRU, etc)	57	39 of 69 fixed microwave paths have been built representing 57% of the paths to build. Additional staff has been assigned to the project to bring it into compliance with both the 67% completion requirement by 2/28/2012 as well as 100% completion by 2/28/2013.
2i.	Equipment Deployment	57	39 of 69 fixed microwave paths have been built representing 57% of the paths to build. Additional staff has been assigned to the project to bring it into compliance with both the 67% completion requirement by 2/28/2012 as well as 100% completion by 2/28/2013.
2j.	Network Testing	57	Network testing is completed along with the deployment of the microwave paths. Once testing is completed the path is turned over to the Community Anchor Institution or put into service as part of the middle mile 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 has made great progress on the project this quarter. First Step believes the previously reported easement issue/concern with the United States Forest Service is being addressed appropriately and expect that we will be able to move forward with the final tower erection when the snow recedes on Mt. Ida. (High Camp)

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	255	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 4 quarters into the construction schedule. With 255 miles completed, this puts us ahead of 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	39	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 4 quarters into the construction schedule. With 39 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 4 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	6	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 4 quarters into the construction schedule. With 6 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 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**	22	Early environmental and weather delays have caused the connection of the Community Anchor Institutions to be delayed.
	Subscribers receiving new access	2	Initial project delays have reduced the number of Community Anchor Institutions on the network at this point in time.
	Subscribers receiving improved access	20	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 or 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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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
Bovill Libary	**Bovill, Idaho**	**library**	**yes**	**Using it for staff email and resources, VPN connectivity to other branches for shared resources. Community access to computers and internet, online card catalog services.**
Bovill School	**Bovill, Idaho**	**school (k-12)**	**yes**	**Email, increased teacher access to internet resources and interactive educational materials.**
Potlatch Library	**Potlatch, Idaho**	**library**	**yes**	**Using it for staff email and resources, VPN connectivity to other branches for shared resources. Community access to computers and internet, online card catalog services.**
Potlatch Medical Clinic	**Potlatch, Idaho**	**Medical and Health Care Provider**	**yes**	**Vital to providing patient care, used for email, access to online medical resources, insurance reporting and electronic patient files and VPN access to area hospital.**
Troy Library	**Troy, Idaho**	**library**	**yes**	**Using it for staff email and resources, VPN connectivity to other branches for shared resources. Community access to computers and internet, online card catalog services.**
Troy Medical Clinic	**Troy, Idaho**	**Medical and Health Care Provider**	**yes**	**Vital to providing patient care, used for email, access to online medical resources, insurance reporting and electronic patient files and VPN access to central office and area hospital.**
Grangeville Courthouse	**Grangeville, Idaho**	**Other Government Facilities**	**yes**	**Provides internet connectivity for various County Government departments**
Lewis County Courthouse	**Nezperce, Idaho**	**Other Government Facilities**	**yes**	**Provides internet connectivity for various County Government departments**
Syringa Hospital	**Grangeville, Idaho**	**Medical and Health Care Provider**	**yes**	**Vital to providing patient care, used for email, access to online medical resources, insurance reporting and electronic patient files Service will be used to provide client / patient hotspot internet services**
Craigmont High School	**Craigmont, Idaho**	**school (k-12)**	**yes**	**Email, teacher access to internet resources and interactive educational materials, online student computer lab.**
Elk River Library	**Elk River, Idaho**	**library**	**yes**	**Using it for staff email and resources, community access to computers and internet, online card catalog services and inter-branch connectivity.**

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
Nezperce Library	Nezperce, Idaho	library	yes	Using it for staff email and resources, community access to computers and internet, online card catalog services and inter-branch connectivity.
Nezperce Medical Clinic	Nezperce, Idaho	Medical and Health Care Provider	yes	Vital to providing patient care, used for email, access to online medical resources, insurance reporting and electronic patient files and VPN access to central office and area hospital. Service will be used to provide client / patient hotspot internet services
Winchester Library	Winchester, Idaho	library	yes	Using it for staff email and resources, community access to computers and internet, online card catalog services and inter-branch connectivity.
Deary Library	Deary, Idaho	library	yes	Using it for staff email and resources, VPN connectivity to other branches for shared resources. Community access to computers and internet, online card catalog services.
Craigmont Library	Craigmont, Idaho	library	yes	Using it for staff email and resources, community access to computers and internet, online card catalog services and inter-branch connectivity.

Project Indicators (Next Quarter)

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

First Step will complete Phase 3 of the project build. This phase will complete 12 additional paths and connect 6 additional community anchor institutions. This project phase should also include the signing of the first last mile distribution client to the network. With the bulk of the network now completed, First Step will also increase the community outreach efforts to emphasize the regional network benefits for all residents, not just the Community Anchor Institutions. First Step will have a vendor on board to help assist with project management, reporting and compliance. This will help the staff at First Step stay focused on the physical construction and deployment of the broadband middle mile network.

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	60	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.
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	85	Phase 4 radios will be acquired. The equipment procurement occurs 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.)	80	Continued winter weather combined with the remoteness of many of the remaining paths will slow the deployment through Q1 2012.
2i.	Equipment Deployment	80	Continued winter weather combined with the remoteness of many of the remaining paths will slow the deployment through Q1 2012.
2j.	Network Testing	80	testing of the deployed radios and network will be completed

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
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 through Q1 2012 will slow the deployment and project progress. However with an anticipated 80% completed by the end of Q1, First Step will be ahead of our construction schedule and will meet the 67% progress measurement by 2/28/2012. First Step will continue to staff additional resources on the project to ensure that deadlines and project milestones are completed and timely. First Step continues to meet it deployment and matching requirements for this project.

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	$149,950	$149,950	$0	$51,073	$51,073	$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	$202,937	$182,471	$20,466	$275,000	$204,534	$70,466
j. Equipment	$1,251,330	$173,866	$1,077,464	$612,327	$37,937	$574,390	$912,327	$80,000	$832,327
k. Miscellaneous	$97,593	$8,000	$89,593	$42,605	$0	$42,605	$54,740	$2,000	$52,740
l. SUBTOTAL (add a through k)	$2,992,029	$598,406	$2,393,623	$1,385,873	$300,503	$1,085,370	$1,798,998	$395,556	$1,403,442
m. Contingencies									
n. TOTALS (sum of l and m)	$2,992,029	$598,406	$2,393,623	$1,385,873	$300,503	$1,085,370	$1,798,998	$395,556	$1,403,442

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: $4,541