

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

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| 1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration | 2. Award Identification Number NT10BIX5570084 | 3. DUNS Number 836204271 |
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| 4. Recipient Organization Iowa Health System 1200 Pleasant Street, Des Moines, IA 50309-1406 |
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| 5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2013 | 6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No |
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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.

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| 7a. Typed or Printed Name and Title of Certifying Official Stephanie Young | 7c. Telephone (area code, number and extension) X |
| | 7d. Email Address YoungSJ@ihs.org |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-22-2013 |
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Project Indicators (This Quarter)

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

Phase 1 - All 9 huts and fiber laterals to existing network are deployed and operational.

Phase 2 - Iowa Health System (IHS)/Broadband Inc. (BBI) deployed 21 of the 21 sites on the main ring and they became operational. Q1 2013, the North, South, and West rings were operational. During this quarter, 2Q 2013, there were a total of 69 community anchor institutions (CAI) receiving upgraded services by migrating onto the network. The western long haul route remains on track to complete by end of Q3 2013.

Phase 3 - IHS/BBI executed four capacity agreements totaling 16 capacity agreements with last mile providers to date. IHS has met its customer target of 16 and will continue to move these projects along to completion to meet the end of our project requirements. IHS/BBI also received approval for 3 middle mile extensions during Q1 2013 in which construction is fully underway with planned completion during Q3 2013.

There was one last route modification submitted in Q2 2013 to connect 2 customers that were signed at the end of Q1 to complete our target of 16 customers. IHS/BBI received approval from NTIA to proceed with the 2 customers signed during Q2 2013.

In addition, due to weather IHS/BBI has been delayed approx. 4 months from completing any construction activities. At the end of Q1 2013, construction crews were still unable to start boring/burying fiber. This activities started back up in Q2 2013 but will delay the completion of the construction projects to July/August 2013 time frame.

IHS/BBI attended the Iowa Association Municipal Utilities conference in Q2 2013 and publish community highlights as we start connecting CAIs in Q1 2013 and last mile providers in rural areas providing lower cost services.

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 | 89 | Variance from baseline due to major construction delays caused by a severe weather delays. |
| 2b. | Environmental Assessment | 100 | Complete |
| 2c. | Network Design | 100 | Complete |
| 2d. | Rights of Way | 100 | Complete |
| 2e. | Construction Permits and Other Approvals | 100 | Complete |
| 2f. | Site Preparation | 100 | Complete |
| 2g. | Equipment Procurement | 99 | Variance from baseline due to the unanticipated equipment procurement to bring on the final group of last mile connections. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 95 | Variance from baseline due to the unanticipated time frame to obtain permitting and weather delayed construction activities. IHS/BBI plans to start construction activities back up in Q2 2013, however, with completion by end of Q3 2013. |
| 2i. | Equipment Deployment | 95 | IHS/BBI is deploying equipment to connect customers....and start on long haul routes Q3 2013. |
| 2j. | Network Testing | 95 | IHS/BBI plans to be complete all network testing by end of Q3 2013. |
| 2k. | Other (please specify): | | 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).

IHS faces the challenges of weather due to excessive snow coverage and rain fall during the winter and early spring season. In return, the weather has caused construction activities to cease.

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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 | 63 | This variance from the baseline is due to the route modifications for the hut laterals due to unexpected circumstances. IHS completed 9 hut laterals in Q4 2012 and deployed 35.54 new network miles altogether by end of Q4 2012. During the winter months, no additional network miles were deployed as a result of severe winter weather. IHS anticipates completing remaining miles of 112 by end of Q3 2013. |
| New network miles leased | 98 | Miles leased was less than originally planned due to a better leased route option. Differentiation from last report due to incorrect reporting of miles leased and the addition of 2 customers. |
| Existing network miles upgraded | 3,088 | Complete |
| Existing network miles leased | 0 | N/A |
| Number of miles of new fiber (aerial or underground) | 63 | Construction activities were stopped due to weather through Q1 2013 and activities started back up in Q2 2013. IHS anticipates completing remaining miles of 112 by end of Q3 2013. |
| Number of new wireless links | 0 | N/A |
| Number of new towers | 0 | N/A |
| Number of new and/or upgraded interconnection points | 59 | The variance from the baseline was due to the route modifications and completing the ring bring ups. The remaining interconnection points are on the western long haul route that are planned for completion by end of Q2 2013. |

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 | 16 |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 9 |
| Average term of signed agreements (in quarters) | 20 |

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:

- Cedar Falls Utilities
- US Secure Hosting Center
- Bellevue Municipal Utilities
- Mahaska Communications Group
- Osage Municipal Utilities
- FiberComm
- InfoBunker
- Riverside Clinic
- Siouxland PACE Clinic
- Harlan Municipal Utilities
- VS Enterprises
- City of Denison
- Professional Computer Services (PCS)
- City of Maquoketa

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City of Charles City
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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:
 See 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 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 | 16 | Variance from baseline due to the longer than expected negotiation time frames and dependency on IHS' ring bring ups. The weather remained a challenge as we were unable to start construction up during March and we have had heavy rain fall as well. The remaining providers were signed and planned for connection in Q2 and Q3 2013. Construction activities were delayed throughout Q1 2013 and started back up during the middle of Q2 2013. This has caused the completion of customer connections to be pushed into Q3 2013. |
| | Providers with signed agreements receiving improved access | 0 | No variance from baseline report |
| | Providers with signed agreements receiving access to dark fiber | 0 | No variance from baseline report |
| Community Anchor Institutions (including Government institutions) | Please identify the speed tiers that are available and the number of subscribers for each | 5 | 50Megs = 3 subscribers 100Megs=7 subscribers 500Megs=1 subscriber 1Gig=4 subscribers 2Gig=1 subscriber |
| | Total subscribers served | 78 | Variance from baseline report due to the dependency on IHS' ring bring ups that were pushed out. 14 CAIs migrated Q1 2013 and 64 CAIs migrated Q2 2013. |
| | Subscribers receiving new access | 0 | No variance from baseline report |
| | Subscribers receiving improved access | 78 | Variance from baseline report due to the dependency on IHS' ring bring ups that were pushed out. |
| Residential / Households | Please identify the speed tiers that are available and the number or subscribers for each | 1 | 100Megs=78 subscribers |
| | Entities passed | 0 | No variance from baseline report |
| | Total subscribers served | 0 | No variance from baseline report |
| | Subscribers receiving new access | 0 | No variance from baseline report |
| | Subscribers receiving improved access | 0 | No variance from baseline report |

| 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 of subscribers for each | 0 | No variance from baseline report |
| Businesses | Entities passed | 0 | No variance from baseline report |
| | Total subscribers served | 0 | No variance from baseline report |
| | Subscribers receiving new access | 0 | No variance from baseline report |
| | Subscribers receiving improved access | 0 | No variance from baseline report |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No variance from baseline report |

7. Please describe any special offerings you may provide (600 words or less).

No special offerings during Q2 2013.

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 |
|------------------|-------------------------------|--|--|---|
| N/A | N/A | N/A | N/A | See Attachment |

Project Indicators (Next Quarter)

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

Phase 3 - IHS/BBI construction projects started up during the middle of Q2 2013 with the 1st group of 3 routes. The construction activities were on hold due to weather. During this quarter, the migrations will continue and the remaining customer connections will be completed. Completion is now on track for Q3 2013.

IHS/BBI upgraded 1,172 miles by end of Q2 2013 completing 3088 miles of upgraded network. IHS/BBI increased leased miles from 89 to 98 (9 miles of lease to connect Siouxland PACE and Riverside Clinics) and all miles leased were finalized by end of Q2 2013. During Q3 2013, IHS/BBI plans to complete the migration of the 181 CAIs during, 112 new network miles, 16 wholesale agreements, 89 leased miles, and 3088 miles of upgraded network.

BNC sales team has met with city leadership around Iowa with press releases scheduled for release in Q3 2013 demonstrating our achieved success in providing 16 CAIs with new access as a result of the BTOP.

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) |
|-----------|--------------------------|--|
| | | |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|---|--------------------------|--|
| 2a. | Overall Project | 100 | Complete |
| 2b. | Environmental Assessment | 100 | Complete |
| 2c. | Network Design | 100 | Complete |
| 2d. | Rights of Way | 100 | Complete |
| 2e. | Construction Permits and Other Approvals | 100 | Complete |
| 2f. | Site Preparation | 100 | Complete |
| 2g. | Equipment Procurement | 100 | Complete |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 100 | Complete |
| 2i. | Equipment Deployment | 100 | Complete |
| 2j. | Network Testing | 100 | Complete |
| 2k. | Other (please specify): | 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).

Weather would be seen as a variable that could impact/hinder progress to complete the customer fiber builds.

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 | \$85,800 | \$0 | \$85,800 | \$75,645 | \$0 | \$75,645 | \$85,800 | \$0 | \$85,800 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$1,146,600 | \$0 | \$1,146,600 | \$952,303 | \$0 | \$952,303 | \$1,123,502 | \$0 | \$1,123,502 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$2,908,015 | \$0 | \$2,908,015 | \$2,888,194 | \$0 | \$2,888,194 | \$2,908,015 | \$0 | \$2,908,015 |
| 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 | \$502,600 | \$0 | \$502,600 | \$423,000 | \$0 | \$423,000 | \$423,000 | \$0 | \$423,000 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$3,071,873 | \$0 | \$3,071,873 | \$1,854,398 | \$0 | \$1,854,398 | \$3,071,873 | \$0 | \$3,071,873 |
| j. Equipment | \$16,226,313 | \$9,355,655 | \$6,870,658 | \$15,127,610 | \$8,154,254 | \$6,973,356 | \$16,329,011 | \$9,355,655 | \$6,973,356 |
| k. Miscellaneous | \$161,084 | \$0 | \$161,084 | \$131,235 | \$0 | \$131,235 | \$161,084 | \$0 | \$161,084 |
| l. SUBTOTAL (add a through k) | \$24,102,285 | \$9,355,655 | \$14,746,630 | \$21,452,385 | \$8,154,254 | \$13,298,131 | \$24,102,285 | \$9,355,655 | \$14,746,630 |
| m. Contingencies | | | | | | | | | |
| n. TOTALS (sum of l and m) | \$24,102,285 | \$9,355,655 | \$14,746,630 | \$21,452,385 | \$8,154,254 | \$13,298,131 | \$24,102,285 | \$9,355,655 | \$14,746,630 |

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: \$0 | b. Program Income to Date: \$93,033 |
|---|-------------------------------------|