

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) 12-31-2011 | 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.

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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): 02-17-2012 |
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Project Indicators (This Quarter)

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

During this quarter, Iowa Health System (IHS)/Broadband, Inc. (BBI) submitted 5 RFPs to procure returnable preliminary equipment and huts stored in warehouses or locations other than the proposed project site until IHS obtains its FONSI. Additionally, the RFP for Engineering Start Up Support Services for the middle mile extensions was submitted, a vendor selected, and vendor contract executed later in the Q4 2011. The Start Up Support Services vendor immediately started to work from the list of targeted customers to work towards securing agreements. However, due to not obtaining a FONSI and not executing the vendor contract until Dec 2011, IHS/BBI did not secure the 4 LMP contracts. The Programmatic Agreement was negotiated and went through administrative procedures allowing all appropriate parties to execute via electronic signature in early December 2011. The draft EA was submitted for review early in December 2011 and was returned to IHS for additional revisions needed prior to obtaining the FONSI. The draft EA revision is under way and projected to be submitted in early January 2012 for final review. The negotiations for the IRU are underway and pending finalization on receiving a FONSI. Permitting for the 9 hut locations as well as the OSP and ISP design for the 9 hut locations are in process. During this quarter, after IHS selected the OSP Engineering Vendor, it was identified through contract negotiations that the vendor only provided pricing for the 9 hut locations vs. the entirety of the project including the 16 middle mile extensions. Therefore, another review and analysis was completed on the proposals submitted to IHS/BBI.

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 | 56 | IHS is slightly under the 60% completion target anticipated for this quarter. Current activities completed include preliminary procurement of DWDM transport equipment, MRV Console, Huts, UPS Systems, and Generators in order to expedite our project prior to receiving the FONSI. The Programmatic Agreement was negotiated and went through administrative procedures allowing all appropriate parties to execute via electronic signature. The draft EA was submitted for review early in December and was returned for additional revisions needed prior to obtaining the FONSI. The draft EA revision is under way and projected to be submitted in early January 2012 for final review. The negotiations for the IRU are underway and pending finalization on receiving a FONSI. |
| 2b. | Environmental Assessment | 49 | The Programmatic Agreement was negotiated and went through administrative procedures allowing all appropriate parties to execute via electronic signature. The draft EA was submitted for review early in December 2011 and was returned for additional revisions needed prior to obtaining the FONSI. The draft EA revision is under way and projected to be submitted in early January 2012 for final review. |
| 2c. | Network Design | 70 | OSP Engineering for the fiber laterals to the 9 hut locations are under way and ISP Engineering is almost complete as well, with the expectation to be completed in January 2012. |
| 2d. | Rights of Way | 0 | IHS anticipates that the Right of Way work will start Quarter 3, Year 2 (Jan-Mar 2012). |
| 2e. | Construction Permits and Other Approvals | 0 | IHS anticipates the permitting for the 9 hut locations will be finalized after receiving the FONSI. |
| 2f. | Site Preparation | 0 | IHS anticipates the site preparation to begin Quarter 3, Year 2 (Jan-Mar). |
| 2g. | Equipment Procurement | 62 | IHS procured the equipment that was necessary to expedite the project once it receives a FONSI. Current activities completed include preliminary procurement of DWDM transport equipment, MRV Console, Huts, UPS Systems, and Generators. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 0 | The negotiations for the IRU are underway and pending finalization on receiving a FONSI. |
| 2i. | Equipment Deployment | 0 | No variance from the baseline report. |
| 2j. | Network Testing | 0 | No variance from the baseline report. |

| | Milestone | Percent Complete | Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer) |
|-----|-------------------------|------------------|---|
| 2k. | Other (please specify): | 0 | No variance from the baseline report. |

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 faced the challenge of negotiating the Programmatic Agreement due to the overall time frame for project completion and the Middle Mile Extensions that are not finalized until the interconnection agreements with customers are executed. The FONSI remains a challenge to obtain due to some additional revisions that were required after NTIA reviewed IHS' draft EA in early December 2011.

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 | This variance from the baseline is due to the delay of receiving a FONSI. |
| New network miles leased | 0 | IHS has not obtained a FONSI during this quarter and in return IHS could not finalize the fiber lease agreements under the Special Award Requirements. |
| Existing network miles upgraded | 0 | No variance from the baseline report. |
| Existing network miles leased | 0 | No variance from the baseline report. |
| Number of miles of new fiber (aerial or underground) | 0 | No variance from the baseline report. |
| Number of new wireless links | 0 | No variance from the baseline report. |
| Number of new towers | 0 | No variance from the baseline report. |
| Number of new and/or upgraded interconnection points | 0 | This variance from the baseline is due to the delay of receiving a FONSI. |

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 | 1 |
| 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:
 N/A for this reporting period.

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:
 N/A for this reporting period.

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 for this reporting period.

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 variance from the baseline report. |
| | Providers with signed agreements receiving improved access | 0 | No variance from the baseline report. |
| | Providers with signed agreements receiving access to dark fiber | 0 | No variance from the baseline report. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No variance from the baseline report. |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | No variance from the baseline report. |
| | Subscribers receiving new access | 0 | No variance from the baseline report. |
| | Subscribers receiving improved access | 0 | No variance from the baseline report. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | No variance from the baseline report. |
| 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).
 No special offerings are anticipated as of this quarter.

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).
Network management policies have not changed from previous practices.

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 | N/A |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
Iowa Health System (IHS) anticipates that during the next quarter a FONSI will be obtained and it can proceed forward with finalizing the land leases for the 9 hut locations and IRU negotiations for the Moorehead location. IHS also anticipates the OSP and ISP engineering will be completed allowing the construction RFP to be released and a vendor selected to start construction the following quarter. The Router RFP will also be released and a vendor selected. During the next quarter, IHS anticipates that there will be 4 middle mile extension interconnection agreements. The ISP equipment and material lab testing and staging for Davenport, Clinton, Dubuque, Waterloo, Iowa City, Cedar Rapids-DC, Bettendorf, Maquoketa, Dubuque-2, Manchester, Independence, Lincoln, Victor, Wilton, Newton, Cedar Rapids-CRD, Midland Hub-DSM, Marshalltown, Ames, West Des Moines, and Cedar Falls will be in process. The OSP equipment staging will be in process. Permitting and Right of Way approvals will be obtained and site preparation for the 9 hut installations on all rings will be in process. IHS anticipates leasing 99.5 new network miles during the next quarter. IHS does not anticipate deploying any new network miles during the next quarter because construction activities for the 9 huts and laterals will not begin until March 2012. However, 16 new network miles are anticipated to be deployed in Q2 2012. During the next quarter there will not be any new subscribers served because the construction activities for the 9 huts and laterals will not begin until March 2012. However, 162 CAI subscribers are anticipated to be connected and receiving improved access starting Q4 2012. IHS/BBI anticipate to obtain 4 signed agreements with broadband Last Mile Customers in Q1 2012. IHS anticipates that it will meet the 67% complete in Q1 2012 and 100% complete in Q4 2013.

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 | 68 | Iowa Health System (IHS) anticipates that during the next quarter a FONSI will be obtained and it can proceed forward with finalizing the land leases and IRU negotiations for the Moorehead location. IHS also anticipates the OSP and ISP engineering will be completed allowing the construction RFP to be released and a vendor selected to start construction the following quarter. The Router RFP will also be released and a vendor selected. During the next quarter, IHS anticipates that there will be 4 Last Mile Provider agreements. The ISP equipment and material lab testing and staging will be in process. The OSP equipment staging will be in process. Permitting and Right of Way approvals will be obtained and site preparation for the 9 hut installations on all rings will be in process. |
| 2b. | Environmental Assessment | 60 | IHS anticipates that during the next quarter a FONSI will be obtained and IHS will work towards fulfilling the Programmatic Agreement requirements for reporting and Middle Mile Extensions. |
| 2c. | Network Design | 85 | IHS anticipates that during the next quarter the OSP engineering will be complete for the 9 hut locations and started for the Last Mile Provider connections. |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|--|--------------------------|--|
| 2d. | Rights of Way | 50 | IHS anticipates that during the next quarter the Rights of Way will be completed for the 9 hut locations and Rights of Way will be started for the Last Mile Provider connections. |
| 2e. | Construction Permits and Other Approvals | 60 | IHS anticipates that during the next quarter, the construction permits will be completed for the 9 hut locations and the Last Mile Provider connections will be started. |
| 2f. | Site Preparation | 20 | IHS anticipates that the site preparation for the 9 hut locations will be started during this quarter. |
| 2g. | Equipment Procurement | 83 | IHS anticipates that the Routers will be procured during the next quarter and the fiber laterals for the 9 hut locations will be procured as well. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 40 | IHS anticipates finalizing the IRU to lease 99.5 miles of fiber during the next quarter. |
| 2i. | Equipment Deployment | 10 | IHS anticipates the equipment installation to be started during the next quarter. |
| 2j. | Network Testing | 10 | IHS anticipates that network/equipment testing will begin during the next quarter to allow for deployment. |
| 2k. | Other (please specify): | 0 | No variance from the baseline report. |

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).

One challenge faced would be the time frame for starting the discussions with Last Mile Providers (LMP). It is difficult to start the discussions for potential connections if the LMP would not receive the connection until the following year. Therefore it is difficult to start all outreach activities to all 16 LMPs until it is within a reasonable time frame for providing a connection, however, IHS/BBI will still target all customers.

It would be useful to discuss with similar recipients challenges that they may be facing in securing interconnection agreements and what strategies they may be utilizing to meet project milestones.

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 | \$0 | \$0 | \$0 | \$46,025 | \$0 | \$46,025 | \$46,025 | \$0 | \$46,025 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$1,146,600 | \$0 | \$1,146,600 | \$251,451 | \$0 | \$251,451 | \$300,000 | \$0 | \$300,000 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$2,140,825 | \$0 | \$2,140,825 | \$1,552,074 | \$0 | \$1,552,074 | \$1,750,000 | \$0 | \$1,750,000 |
| 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 | \$0 | \$0 | \$0 | \$50,260 | \$0 | \$50,260 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$3,071,873 | \$0 | \$3,071,873 | \$0 | \$0 | \$0 | \$100,000 | \$0 | \$100,000 |
| j. Equipment | \$17,079,303 | \$9,355,655 | \$7,723,648 | \$11,695,425 | \$6,871,848 | \$4,823,577 | \$14,255,655 | \$9,355,655 | \$4,900,000 |
| k. Miscellaneous | \$161,084 | \$0 | \$161,084 | \$9,071 | \$0 | \$9,071 | \$15,000 | \$0 | \$15,000 |
| l. SUBTOTAL (add a through k) | \$24,102,285 | \$9,355,655 | \$14,746,630 | \$13,554,046 | \$6,871,848 | \$6,682,198 | \$16,516,940 | \$9,355,655 | \$7,161,285 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$24,102,285 | \$9,355,655 | \$14,746,630 | \$13,554,046 | \$6,871,848 | \$6,682,198 | \$16,516,940 | \$9,355,655 | \$7,161,285 |

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: \$0 |
|---|--------------------------------|