

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 08/28/2012

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 NT10BIX5570136	3. DUNS Number 831335448
4. Recipient Organization GOVNET, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872		
5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2012	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 Karen McCoy Vice President	7c. Telephone (area code, number and extension) 6023690767	
	7d. Email Address karen.m@govnet.net	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 08-28-2012	

Project Indicators (This Quarter)

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

During this quarter, significant construction and outreach project activity occurred including the following: attendance at numerous meetings with stakeholders, including Santa Cruz, Cochise, Yavapai, Yuma, and Pima County officials; the cities of Tusayan, Flagstaff, Prescott Valley and Mesa; BLM and USFS; and multiple school board presentations. The purpose of these meetings was to explain the benefits of the project to additional staff and discuss ways GovNET could further assist these stakeholders. Overall, responses were very positive, additional collaborative relationships developed, and new service locations requested. The project is moving from informational to adoption statewide. Multiple E-Rate/USAC approvals for network services were achieved and GovNET is scheduling service turn-on dates for one entire County School Consortium. GovNET participated in a statewide panel on education technology in schools. GovNET staff also attended a national BTOP Conference in Washington, D.C., May 22-24 and had meetings with NTIA officials. Additional progress on site leases with federal agencies and local governments was made for both backbone and node locations. GovNET also worked on additional match documents requested by NTIA.

Multiple construction crews were employed and equipment ordered for implementation of the build-out plan in the northern part of Arizona. Tower construction activities in SE Arizona continued at the following locations:

- Dagoon (antenna installation)
- Mule (antenna installation)
- Willcox new tower construction
- Klondyke (antenna installation)
- Kelvin (antenna installation)
- Phoenix One (antenna installation)

The following RFQs and RFPs for equipment and construction were released:

- The RFP for Network Infrastructure was released and responses were received at the end of April.

The Network Operations Center remodel began in early April at 7835 E. McClain Drive in Scottsdale, Arizona. The project received a partial stop work order for Mingus Mountain that was suggested out of environmental compliance. Less than 6 months after FONSI, all work on the project was halted May 22, 2012, per verbal instruction by NTIA after a GovNET-requested meeting in Washington DC regarding NEPA procedure with GovNET's attorney and environmental consultant. After a productive meeting, NTIA officials met separately with GovNET staff and provided verbal suspension notice. The only construction activities that occurred after May 22 were associated with securing sites. A written suspension letter was received June 1, 2012. Program officials made a site visit June 12-13, 2012.

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	34	Behind baseline plan projections due to delay of FONSI in Q4 2011 restricting construction, suspension of the project by NTIA in June 2012, and delayed reimbursements reduces expenditure timing for reports. Only one SF-270 was accepted by NTIA during this reporting period.
2b.	Environmental Assessment	86	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments and/or unforeseen administration costs.
2c.	Network Design	79	Slightly behind baseline plan projections due to review of the project by NTIA in Summer 2012. FCC licenses are held in Prior Coordination Notice (PCN) and will be filed as site construction is imminent.
2d.	Rights of Way	64	Remainder of sites in final approval process, but behind baseline plan due to delay in some federal approvals and NTIA review of project.
2e.	Construction Permits and Other Approvals	25	Behind baseline plan due to delay in FONSI approval, which restricted construction. Many sites are exempt due to federal land ownership. FCC licenses are held in PCN and filed as site construction is imminent.
2f.	Site Preparation	40	In a wireless network deployment, this milestone precedes site construction and includes site surveys and geo-tech work - which has been completed for almost all new tower sites in the network. Minimal prep activity is required for collocations.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2g.	Equipment Procurement	32	Significant procurement was in process this quarter in anticipation of continued construction, but not yet reimbursement by BTOP. Majority of RFPs are done and equipment is batch ordered via outstanding purchase orders.
2h.	Network Build (all components - owned, leased, IRU, etc)	25	Behind Baseline Plan projections, and % complete revised to more accurately reflect status for quarter, but still on target for full network completion. GovNET built 10 Backbone sites within 4 months, a significant accomplishment prior to stoppage.
2i.	Equipment Deployment	10	Significant equipment was ordered and is in warehouse, awaiting deployment. Behind baseline plan projections due to restricted construction time, and a suspension of the project by NTIA June 2012.
2j.	Network Testing	17	Behind baseline plan projections due to delay in EA approval, which restricted construction, a suspension of the project by NTIA in June 2012. Extensive testing occurs in the labs prior, during construction, and as physical network is turned up.
2k.	Other (please specify): 203 in-kind IRU leases	46	Behind baseline plan projections due to delay in EA approval, which restricted construction, a suspension of the project by NTIA in June 2012. Requesting BTOP Programmatic/EHP approval to 'swap' exempt CAIs (rooftop mounts) in project to ones who have already signed leases, making this close to 100% complete.

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).

The project encountered some programmatic delays with regard to a necessary site addition (Arivaca) and a request for direction to swap out end locations (CAIs) in the project who had not signed leases with those who have signed leases and are "exempt" from Section 106 review, but need environmental/Section 106 approval by BTOP prior to proceeding. These in-kind leases, once approved, will assist in securing our matching funds. The project was verbally halted on May 22, 2012, per instruction by NTIA, and all construction activity was stopped as directed. A letter was received June 1, 2012, notifying GovNET an NTIA site visit was to occur. Major construction only occurred during the first 7 weeks of the quarter, or just over 50% of the time period, so milestones achieved & network activation was hampered. Once the suspension is lifted and project work is allowed, the match and program income issues will be resolved in short order. Unlike fiber projects that must progress in a linear succession, this wireless network can be turned up very quickly by constructing multiple sites at one time and achieving rapid multi-directional connectivity when deployed simultaneously (i.e. multiplied route miles).

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	450 miles were on track for this quarter, only awaiting scheduled radio install. Behind baseline projections due to delay of FONSI and a suspension of the project by NTIA in June 2012.
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	0	12 Backbone links & 62 CAI links were on track for this quarter. Behind baseline projections due to delay of FONSI in Q4 2011 restricting construction, and a suspension of the project by NTIA in June 2012.
Number of new towers	2	3 new towers were on track for this quarter. Behind baseline projections due to delay of FONSI in Q4 2011 restricting construction, and suspension of the project by NTIA.

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new and/or upgraded interconnection points	5	74 interconnects were on track for this quarter. Behind baseline projections due to delay of FONSI in Q4 2011 restricting construction, and a suspension of the project by NTIA in June 2012.

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	2
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:

Two separate site access agreements with wholesale internet provider, Cogent Communications, have been signed for GovNET to resell internet to desperate CAIs and awaiting last mile providers. Three last mile provider agreements are in process. By the end of the project, nine agreements with wholesalers & last mile providers are expected to be 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:

The project is expected to provide the following wholesale services: Ds1, Ds3, Ethernet Transport and VOIP. Pricing for services has not been determined but will be competitive with current market rates.

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).

No third-party operators will be used on this project.

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 Baseline Plan.
	Providers with signed agreements receiving improved access	0	Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	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	10 Mbps = 45 providers; 45 Mbps (DS3) = 10 providers
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	62 CAIs installed were on track for this quarter. Behind baseline projections due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	Subscribers receiving new access	0	n/a

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	62 CAIs installed were on track for this quarter. Behind baseline projections due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	Please identify the speed tiers that are available and the number or subscribers for each	0	5 Mbps = 231 subscribers; 10 Mbps = 40 subscribers; 45 Mbps =10 subscribers
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	Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	Total subscribers served	0	Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	Behind baseline due to delay of FONSI in Q4 2011 restricting construction, and a review of the project by NTIA in May 2012.
	Please identify the speed tiers that are available and the number of subscribers for each	0	10 Mbps (equivalent to 7 T1s) = 4 subscribers; These are Nat'l Cellular Carriers in multiple markets in AZ.

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

VoIP, cloud computing, distance learning, video conferencing, 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
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).

Next quarter (July - Sept.), we expect to make progress on the following key indicators:

- New network miles deployed = 450; • Total CAI subscribers installed (CAIs connected) = 62
- New towers built = 4; • New wireless links = 74;
- Number of signed agreements with broadband wholesalers or last mile providers = 1 additional

A partial start work order could be provided by the NTIA in early September, after receipt of all additional requested documentation from GovNET, that would allow for the completion of all or substantial portions network elements planned as noted above. These milestones could have been completed last quarter (April - June) had the project work not been halted mid-quarter.

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	44	Project restart anticipated with outstanding unpaid reimbursements received, putting the project % complete numbers more in line since they are based on dollars expended. Multiple crews will be utilized statewide for construction & installations.
2b.	Environmental Assessment	95	GovNET achieved this milestone & received a FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments and/or compliance administrative costs.
2c.	Network Design	85	Slightly behind baseline plan projections due to review of the project by NTIA in Summer 2012. FCC licenses are held in Prior Coordination Notice (PCN) and are filed as site construction is imminent.
2d.	Rights of Way	72	Slightly behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2e.	Construction Permits and Other Approvals	34	Behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012. Any construction permits required are filed just prior to imminent work due to limited time frame valid.
2f.	Site Preparation	56	Behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2g.	Equipment Procurement	40	Slightly behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2h.	Network Build (all components - owned, leased, IRU, etc.)	37	Behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2i.	Equipment Deployment	20	Behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2j.	Network Testing	27	Behind baseline plan projections due to delay in EA approval, which restricted construction, and a review of the project by NTIA in Summer 2012.
2k.	Other (please specify): 203 in-kind IRU leases	95	Ahead of baseline plan projections with expected approval to add CAIs who already signed leases into project.

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).

This past quarter, we were making exponential progress toward achieving the milestones of the Baseline Plan. The issues with the greatest impact on the project's progress was the 16 month delay for FONSI holding up project construction until issued and NTIA's decision to halt the project for review in May 2012, only 6 months later. Next quarter, BTOP program assistance is requested for rapid review/response of required route modifications/EHP checklists, as some of the affected sites are in a "ring" topology affect other "non-changed" sites, and delays may have an impact on those sites as well. The work stoppage may have affected vendor relations.

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	\$2,197,000	\$35,000	\$2,162,000	\$1,192,942	\$35,000	\$1,157,942	\$1,549,127	\$35,000	\$1,514,127
b. Land, structures, right-of-ways, appraisals, etc.	\$20,023,726	\$8,562,569	\$11,461,157	\$9,096,091	\$3,554,886	\$5,541,204	\$11,736,227	\$5,495,022	\$6,241,205
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$1,687,259	\$771,509	\$915,750	\$1,346,879	\$532,446	\$814,433	\$1,391,879	\$547,446	\$844,432
e. Other architectural and engineering fees	\$401,340	\$0	\$401,340	\$349,045	\$0	\$349,045	\$403,416	\$0	\$403,416
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	\$6,570,942	\$3,262,000	\$3,308,942	\$512,122	\$4,250	\$507,872	\$788,402	\$30,530	\$757,872
j. Equipment	\$20,007,698	\$33,180	\$19,974,518	\$5,046,848	\$33,180	\$5,013,668	\$6,606,848	\$33,180	\$6,573,668
k. Miscellaneous	\$1,051,170	\$0	\$1,051,170	\$111,424	\$0	\$111,424	\$261,424	\$0	\$261,424
l. SUBTOTAL (add a through k)	\$51,939,135	\$12,664,258	\$39,274,877	\$17,655,351	\$4,159,762	\$13,495,588	\$22,737,323	\$6,141,178	\$16,596,144
m. Contingencies									
n. TOTALS (sum of l and m)	\$51,939,135	\$12,664,258	\$39,274,877	\$17,655,351	\$4,159,762	\$13,495,588	\$22,737,323	\$6,141,178	\$16,596,144

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: \$2,762,000	b. Program Income to Date: \$4,250
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