

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 05/22/2014

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570136	<b>3. DUNS Number</b>  831335448
<b>4. Recipient Organization</b>  GOVNET, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  03-31-2014	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Karen McCoy  Vice President	<b>7c. Telephone (area code, number and extension)</b>  4804241411	
	<b>7d. Email Address</b>  karen.m@govnet.net	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  05-22-2014	

**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**  
 For the quarter January through March 2014, continued significant project progress occurred for GovNET:

- Hired one full time Construction Manager and one fulltime contract Construction Manager
- Awarded Master Construction Services; Generators; Network Equipment Infrastructure; Rectifiers, Batteries and Cabinets contracts per previously let RFPs
- Let and Awarded a Light Weight Equipment Shelter RFP
- Let Non-Penetrating Roof Mount, Crane Services, Weather Station and Propane Services RFPs for awards in April and early May
- Initiated Network Operations Center Construction Design
- Submitted and gained approval for Batch 2 Environmental Assessment Package, as well as progressed Batch 5 Environmental Assessment Package for Submission in April
- Completed construction activities at two sites, installed one CAI and provided access to internet services
- Received various e-Rate awards for South Eastern Arizona schools

**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	59	Increased due to pre-construction activity, planning efforts, and vendor invoices processed. Overall project variance (including #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress.
2b.	Environmental Assessment	92	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments and administration costs
2c.	Network Design	82	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	72	Slight increase to resumed activity
2e.	Construction Permits and Other Approvals	28	Slight increase to resumed activity
2f.	Site Preparation	43	Slight increase to resumed activity
2g.	Equipment Procurement	48	Slight increase to resumed activity
2h.	Network Build (all components - owned, leased, IRU, etc)	28	Slight increase to resumed activity
2i.	Equipment Deployment	12	Slight increase to resumed activity
2j.	Network Testing	17	Slight increase to resumed activity
2k.	Other (please specify):	64	Additional in-kind backbone leases received.

**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).**  
 As the project resumes, several key challenges have already been faced, and will continue through the project extension period. Awards for Construction Services have been made and contracting in process. We are working through the initial set-up and deployment process. The task of re-initiating efforts toward completing necessary right-of-ways on federal lands which had been stopped due to suspension is a challenge under the grant time frame. Additionally, receiving requested route change approvals from the NTIA will gauge how fast the network can be built. The challenge of re-engaging stakeholders on the go-forward plan takes time to revive momentum. Since all project activity was on hold for over 16 months, some new variables may come into play that were not known prior. GovNET will continue to work with our Federal Program Officer as technical assistance is required.

**4. Please report the following information regarding network build progress. Write "0" in the Total column and "N/A" in the Narrative column if your project does not include this activity. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (600 words or less).**

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	170	170 miles (which 148 miles are network backbone) have been deployed to a remote CAI taking internet service at a greater capacity previously unavailable prior to BTOP grant project. Estimate an additional 700+ network miles deployed in Q2. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
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	6	Links established to reach remote CAI. Estimate an additional 20 links constructed in Q2. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new towers	3	Three new towers are constructed to date. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new and/or upgraded interconnection points	6	All links/sites are interconnection points, including colocations. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.

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	2
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 agreements are in negotiation.

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 will provide the following wholesale services: internet, transport and VOIP. Final 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 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	Now project is restarted, negotiations are recommencing with providers. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
	Providers with signed agreements receiving improved access	0	Now project is restarted, negotiations are recommencing with providers.
	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	1 Mbps to 1 Gbps is available based on subscribers needs.
Community Anchor Institutions (including Government institutions)	Total subscribers served	1	Re-engaging network construction activity to be able to deploy directly to CAIs. One remote CAI receiving much improved internet service at a capacity previously unavailable. Approx. 30 additional CAIs will be deployed service in Q2. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	1	One remote CAI up - 250 Mbps available
	Please identify the speed tiers that are available and the number or subscribers for each	1	1 Mbps to 1 Gbps is available based on subscriber needs; 1 subscriber at 250 Mbps.
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).**  
 VoIP, Cloud computing, 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
Fort Thomas	Fort Thomas	School	Yes	CAI /School previously only had access to 10 Mbps of internet; now they have access to 250 Mbps of full-duplex broadband.

**Project Indicators (Next Quarter)**

**1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).**  
 GovNET will have completed awards of critical Construction and Equipment contracts and be fully engaged in progressing critical construction of the network scope in April. Our Construction Management firm will be engaging additional crews/resources as required to build out network. Initial construction will be focused on building out partially completed sites and completing other key sites within South Eastern Arizona before turning North and West. CAI site surveys will be scheduled with CAI deployments also initiated. Materials and equipment will be ordered to be utilized in the network and CAI construction and implementation activities. The Network Operations Center RFP will be let and awarded for final construction of this facility. A request for route modifications will be submitted to NTIA/EHP Team (Batch 5). An additional CAI Environmental Assessment Package will be provided to the NTIA for review and approval (Batch 4.2). Anticipated total network miles constructed will be close to 1,000 with approximately 30 CAIs planned for connectivity as network is built out. Negotiations with two or more last mile providers are expected to continue.

**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	74	Project increase in funds being spent and reimbursed for equipment and construction items committed for the network build. Overall project variance (includes #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress.
2b. Environmental Assessment	95	Increase in environmental/ cultural work to progress project as required.
2c. Network Design	84	FCC Licenses filed and PCNs secured for new sites
2d. Rights of Way	75	Increase in activity and signed documents
2e. Construction Permits and Other Approvals	35	Increase in activity
2f. Site Preparation	52	Increase as construction activity restarts
2g. Equipment Procurement	60	Increase as construction activity restarts; sizable invoicing and reimbursement request will be following quarter
2h. Network Build (all components - owned, leased, IRU, etc.)	35	Increase due to restarting of project activity
2i. Equipment Deployment	25	Increase due to restarting of project activity; Ring C active
2j. Network Testing	25	Increase due to restarting of project activity; Ring C active
2k. Other (please specify):	75	Additional CAI & in-kind leases signed and returned

**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).**  
 Recommencing statewide construction is the project focus. The project suspension impacted site environmental clearance and progression of lease negotiations/agreements. Completing all site "clearance" activity, including Section 106 documentation requirements on federal communication sites prior to site build, continues to be a major challenge. The geographical dispersions of approved sites increases the complexity of construction management, along with species mitigation windows and the weather being other key challenges affecting many sites throughout the state. GovNET expects to work with our Federal Program Officer as

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technical assistance is required.

**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	\$4,854,785	\$0	\$4,854,785	\$3,292,722	\$0	\$3,292,722	\$3,692,722	\$0	\$3,692,722
b. Land, structures, right-of-ways, appraisals, etc.	\$22,287,483	\$11,076,276	\$11,211,207	\$16,924,973	\$8,955,296	\$7,969,677	\$19,086,673	\$9,116,996	\$9,969,677
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$2,053,091	\$733,009	\$1,320,082	\$1,659,720	\$639,259	\$1,020,462	\$1,995,096	\$774,634	\$1,220,462
e. Other architectural and engineering fees	\$604,613	\$0	\$604,613	\$433,979	\$0	\$433,979	\$498,979	\$0	\$498,979
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	\$4,479,813	\$821,793	\$3,658,020	\$1,080,319	\$106,027	\$974,292	\$2,135,908	\$161,616	\$1,974,292
j. Equipment	\$17,059,271	\$33,180	\$17,026,091	\$6,876,653	\$33,180	\$6,843,473	\$10,881,074	\$37,601	\$10,843,473
k. Miscellaneous	\$222,873	\$0	\$222,873	\$211,967	\$0	\$211,967	\$217,967	\$0	\$217,967
<b>l. SUBTOTAL (add a through k)</b>	\$51,561,929	\$12,664,258	\$38,897,671	\$30,480,333	\$9,733,762	\$20,746,572	\$38,508,419	\$10,090,847	\$28,417,572
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$51,561,929	\$12,664,258	\$38,897,671	\$30,480,333	\$9,733,762	\$20,746,572	\$38,508,419	\$10,090,847	\$28,417,572

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: \$821,793	b. Program Income to Date: \$106,027
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