

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 12/04/2015

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2015

### 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>  09-30-2015	<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>  12-04-2015	

**Project Indicators (This Quarter)**

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

For the third quarter (Q3) July through September 2015, project progress continued for GovNET. New tower construction provided for six (6) Backbone towers and three (3) colocations to be completed during the quarter. Middle-mile network turn-up has now covered nearly two-thirds (2/3) of the State of Arizona. Additional Community Anchor Institutions (CAIs) were turned up with active network services. Significant accomplishments as follows:

- Nine (9) new network sites were completed construction in Q3 -- six (6) new large Backbone towers were constructed and three (3) new colocations were installed
- Currently, there are a total of thirty-one (31) Backbone sites operational and twenty-seven (27) provide active broadband services
- Shelters were installed at multiple Backbone locations
- Multiple construction crews were at work simultaneously across Arizona.
- FCC licensing of networks paths continues as construction is completed
- By 9/30/15, one hundred seventy (170) cumulative Node/Community Anchor Institutions (CAI) sites had full or partial installations completed by end of Q3-2015
- Received NTIA Environmental and Historic Preservation (EHP) approvals on final submittal to NTIA (Batch 4.3) for minor colocation site movements as well as to add service-requesting CAIs into the project.
- Have slowed down direct outreach efforts to CAIs as focus is to complete network construction and testing under the grant award period, yet still turning up contracted services with multiple customers across the State which provide project sustainability.
- Working on larger agency agreement and last-mile/wholesale provider deals expected to come online in late Q1-2016
- Initiated a request for, and received, a grant project extension to December 30, 2015

**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	98	Project nearing completion with strong network integration activity occurring, finalizing equipment procurement and installation. Overall project variance (including #2b-2k) from 2010 baseline plan is due to 16 + month suspension and additional unforeseen challenges causing further set backs from original plan.
2b.	Environmental Assessment	99	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future close out costs and administration.
2c.	Network Design	95	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	95	Final efforts continuing to obtain necessary rights of way
2e.	Construction Permits and Other Approvals	95	Additional activity and progression through municipal planning & zoning boards.
2f.	Site Preparation	95	Prep work for new construction sites is typically done on first day on-site to do construction/installation work; no advance work is required.
2g.	Equipment Procurement	96	Equipment ordering is phased per sites in grant extension.
2h.	Network Build (all components - owned, leased, IRU, etc)	90	Will be completing final colocation installs in the project.
2i.	Equipment Deployment	88	Equipment ordering is phased per sites in grant extension.
2j.	Network Testing	90	Network segments are brought online as constructed
2k.	Other (please specify):	100	A change in reporting methodology as Baseline Scope was 203 Leases, not 266. Over 230 leases have been received to date.

**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).**

Complete Davis-Bacon reporting is challenging for contractors, which delays payment and can affect construction progress. Local power company requests for service can vary greatly in completion time, impacting GovNET's ability to turn on network service at a completed tower site. GovNET continues to work closely with our Federal Program Officer where any additional 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)
New network miles deployed	1,252	93 new network miles were connected in Q3 resulting from turning up services to multiple CAIs. Overall project variance from baseline plan is due to 16+ month suspension and a change in reporting methodology from new miles to leased miles. Additional factors affecting progress include radio deployment issue and areas of Backbone still under construction.
New network miles leased	117	In order to provide timely E-rate services to the CAI, other miles had to be leased between network start/end points.
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	54	9 new active network links established between sites in a contiguous manner. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress
Number of new towers	16	Six (6) additional large Backbone towers completed construction in Q3-2015. Overall project variance from baseline plan is due to 16+ month suspension and unforeseen challenges arising during construction.
Number of new and/or upgraded interconnection points	54	All links/sites are interconnection points, including colocations and CAIs. Forecast to add 10 new interconnection points in Q4. Overall project variance from baseline plan is due to 16+ month suspension and unforeseen challenges arising during construction.

**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:** GovNET is both a middle mile provider, as well as a direct last mile provider itself. Two agreements are in negotiation, and project one agreement signed by end of Q4. Finalization is as network rings are completed and capacity demand is aggregated, along with projecting GovNET's own capacity need for its last mile customers. Additional GovNET CAIs are requesting direct service.

**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. Pricing is provided in 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	0	As GovNET determines its own service bandwidth needs, negotiations are recommencing with providers. Overall project variance from baseline plan is due to 16+ month suspension and unforeseen construction delays.
	Providers with signed agreements receiving improved access	0	Anticipate finalizing negotiations in late Q4/early Q1.
	Providers with signed agreements receiving access to dark fiber	0	N/A
Community Anchor Institutions (including Government institutions)	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.
	Total subscribers served	170	Remote CAIs receiving much improved internet service at a capacity previously unavailable. A total 170 CAIs are fully installed or partially installed and ready for service when contract signed. Overall project variance from baseline plan is due to 16+ month suspension and other factors affecting progress, including a critical network component delivery delay and Backbone completion.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	170	Rural CAIs have active high-speed broadband services at rates that far exceed current market availability.
Residential / Households	Please identify the speed tiers that are available and the number of subscribers for each	170	1 Mbps to 1 Gbps is available to be customized based on subscriber needs; most subscribers between 100 - 500 Mbps.
	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
Businesses	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
	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

**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
Lake Havasu Justice	Mohave	Court	Yes	Ready for Service
La Paz County Superior Court	La Paz	Court	Yes	Ready for Service
Mohave Superior Court	Mohave	Court	Yes	Ready for Service
Quartzsite Public Library & Court	Quartzsite	Library	Yes	Ready for Service
Salome Elementary	Salome	School	Yes	School district receives greater wireless High-speed internet bandwidth connectivity previously unavailable.
Salome Justice	La Paz	Court	Yes	Ready for Service
Parker Courthouse	La Paz	Court	Yes	Ready for Service
Wenden Elementary School District	Wenden	School	Yes	School district receives greater wireless High-speed internet bandwidth connectivity previously unavailable.
Aspire High School	Prescott	School	No	Ready for Service
Blake Primary School	Parker	School	No	Ready for Service
Bradshaw Mountain High School	Prescott Valley	School	No	Ready for Service
Gila Community College (Payson Campus)	Payson	School	No	Ready For Service
Granite Mountain Middle School	Prescott	School	No	Ready for Service
Granville Elementary	Prescott Valley	School	No	Ready for Service
Humbolt District Office	Prescott Valley	School	No	Ready for Service
Jefferson School	Winslow	School	No	Ready for Service
Julia Randall Elementary	Payson	School	No	Ready for Service
Lake Valley Elementary	Prescott Valley	School	No	Ready for Service

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
Larson Memorial Public Library	Lakeside	Library	No	Ready for Service
Liberty Elementary	Prescott Valley	School	No	Ready for Service
Miller Valley Elementary	Prescott	School	No	Ready for Service
Mobile Elementary	Maricopa	School	No	Ready for Service
Mountain Institute JTED	Prescott	School	No	Ready for Service
Mountain View Elementary	Prescott	School	No	Ready for Service
Northpoint Charter	Prescott	School	No	Ready for Service
PACE Prep Academy Prescott Valley	Prescott Valley	School	No	Ready for Service
Park Elementary School	Holbrook	School	No	Ready for Service
Parker High School	Parker	School	No	Ready for Service
Parker Public Library	Parker	Library	No	Ready for Service
Payson Center for Success	Payson	School	No	Ready for Service
Payson Elementary	Payson	School	No	Ready for Service
Payson High School	Payson	School	No	Ready for Service
Rim Country Middle	Payson	School	No	Ready for Service
Taylor Hicks Elementary	Prescott	School	No	Ready for Service
Tonto Basin Public Library	Tonto Basin	Library	No	Ready for Service
Tri-City Prep	Prescott	School	No	Ready for Service
Wallace Elementary School	Parker	School	No	Ready for Service
Wallace Jr. High School	Parker	School	No	Ready for Service
Washington Elementary	Winslow	School	No	Ready for Service
Williams High School	Williams	School	No	Ready for Service
Winslow High School	Winslow	School	No	Ready for Service
Winslow Jr High	Winslow	School	No	Ready for Service
Winslow School District	Winslow	School	No	Ready for Service

Yavapai County High School	Prescott Valley	School	No	Ready for Service
Yavapai County Juvenile Detention School & Probation	Prescott	School	No	Ready for Service
Young Elementary	Young	School	No	Ready for Service
Young Public Library	Young	Library	No	Ready for Service

**Project Indicators (Next Quarter)**

**1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).**  
 During the next quarter (Q4) of the project, GovNET is planning to finish various aspects of completion and integration of 9 additional backbone network sites, bringing a cumulative total to 41 backbone/middle-mile sites completed by year-end; thirty-six (36) sites are expected to be providing active broadband services by end of year. There are eleven (11) additional colocation sites left to install and may be done the following quarter if provided another extension, or may end up being completed outside the grant award period if funding is not available. Several sites may have completion challenges due to early on-set of winter weather issues and reduced tower crew budget. A final phase of project work continues to achieve last few remaining building permits/rights of way required allowing for continued build out of statewide network. The overall project (with all 52 sites complete) will reach a cumulative 2,000 total new network miles placed in service, along with a goal of a cumulative number of 200 CAIs receiving installations of network equipment. As network backbone sections are tested & integrated, locally contracted broadband services with CAIs are being turned up keeping on track for forecasted project sustainability. Targeted community outreach efforts will be continuing in specific rural areas where service is active, as well as continued negotiations with local/regional last mile providers and estimate that one agreement will be completed by end of Q4 while others will be in process as the network sections are turned active.

**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	100	Significant project construction activity will continue to complete network Backbone. Overall project variance (includes #2b-2k) from baseline plan is due to 16+ month suspension, as well as additional factors affecting progress include getting new contractors up to speed, critical network component delivery delay, and weather issues.
2b.	Environmental Assessment	100	Completed per construction activity.
2c.	Network Design	100	Completed per construction activity.
2d.	Rights of Way	100	Completed per construction activity.
2e.	Construction Permits and Other Approvals	100	Completed per construction activity.
2f.	Site Preparation	100	Completed per construction activity.
2g.	Equipment Procurement	100	Completed per construction activity.
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Completed per construction activity.
2i.	Equipment Deployment	98	Majority of equipment deployed; any remaining equipment will be deployed at GovNET cost to complete project scope; Rings C, B, A & D all active
2j.	Network Testing	100	Increase in continued construction activity.; Rings C, B, A & D active
2k.	Other (please specify):	100	Exceeded Baseline scope for CAI & in-kind leases signed and received

**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).**  
 Budget constraints may affect some colocation site builds, and several sites may end up being completed post-grant award period by GovNET. The geographical dispersion of approved sites and the difficult terrain in Arizona increases the complexity and time frame for engineering and construction. Winter weather challenges will continue affecting many sites throughout the state. GovNET will continue to work with our Federal Program Officer when 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	\$4,243,622	\$0	\$4,243,622	\$5,068,365	\$0	\$5,068,365	\$5,376,359	\$0	\$5,376,359
b. Land, structures, right-of-ways, appraisals, etc.	\$23,300,140	\$11,413,633	\$11,886,507	\$23,764,629	\$12,248,641	\$11,515,988	\$24,081,412	\$12,248,641	\$11,832,771
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$2,806,265	\$842,885	\$1,963,380	\$3,112,257	\$1,418,321	\$1,693,936	\$3,200,129	\$1,479,259	\$1,720,870
e. Other architectural and engineering fees	\$605,000	\$0	\$605,000	\$599,108	\$0	\$599,108	\$604,577	\$0	\$604,577
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	\$4,410,965	\$370,044	\$4,040,921	\$3,744,158	\$433,349	\$3,310,809	\$4,163,796	\$526,758	\$3,637,038
j. Equipment	\$15,971,093	\$37,696	\$15,933,397	\$14,826,419	\$37,696	\$14,788,723	\$15,535,187	\$37,696	\$15,497,491
k. Miscellaneous	\$224,844	\$0	\$224,844	\$228,565	\$0	\$228,565	\$228,565	\$0	\$228,565
<b>l. SUBTOTAL (add a through k)</b>	\$51,561,929	\$12,664,258	\$38,897,671	\$51,343,501	\$14,138,007	\$37,205,494	\$53,190,025	\$14,292,354	\$38,897,671
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	\$51,343,501	\$14,138,007	\$37,205,494	\$53,190,025	\$14,292,354	\$38,897,671

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: \$370,044	b. Program Income to Date: \$433,349
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