

<b>QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS</b>		
<b>General Information</b>		
<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>  12-31-2011	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>7. Certification:</b> 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>7a. Typed or Printed Name and Title of Certifying Official</b>  Karen McCoy  Vice President	<b>7c. Telephone (area code, number and extension)</b>  6023690767  <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>  02-07-2012	

Project Indicators (This Quarter)																											
<p><b>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</b></p> <p>Activities this quarter were focused on finalizing the technology requirements for the network, working with NTIA to finalize the Environmental Assessment, and coordinating pre-construction activities.</p> <p>GovNET received its FONSI on November 21, 2011, and is not required to do any additional mitigation. GovNET, NTIA and Arizona SHPO signed a Programmatic Agreement on September 14, 2011, defining NTIA's responsibility for releasing funds and authorizing construction; identifying Section 106 review responsibilities for FCC, USDA-FS, BLM and NPS; and establishing reporting requirements and outlining administrative protocols. GovNET is subject to Section 106 review in accordance to the Programmatic Agreement on all proposed tower sites or collocation sites prior to construction. Per the Programmatic Agreement, GovNET will send quarterly updates to all parties starting in January 2012.</p> <p>Receiving the FONSI set into motion pre-construction activities, which included: geotechnical work and soil surveys at construction sites, mapping tower sites, ordering radios and antennas, releasing additional RFPs for equipment, and completing appraisals required for match documentation.</p> <p>GovNET hired a Construction Manager and a Senior Project Manager. They will oversee the physical construction of the project, manage all contractors, manage "stacking" the towers and equipment installation, and other construction management activities.</p> <p>Other milestones for this reporting period included completing the first program audit and securing additional library and school leases for node sites. GovNET also submitted a Budget Amendment, which was approved by the Grant Manager on Dec. 19, 2011. The milestone completion percentages reported in this report are based on the budget approved in that amendment.</p> <p>During the reporting period, GovNET staff attended many conferences, including the BTOP Conference in Cleveland, October 5 – 7, 2011, and the Arizona Library Association Conference, November 28 – 30, 2011. In order to coordinate leases and conduct outreach for the project, GovNET staff met with numerous stakeholders throughout the State of Arizona, including the Arizona Governor's Office of Education Innovation, the State Education Council, the University of Arizona, county school associations, local school boards and public safety entities. GovNET's Community Outreach Specialist has been coordinating with the Governor's Office and other statewide partners to plan an official ribbon-cutting for the network.</p> <p>The following RFPs were released during this reporting period:</p> <ol style="list-style-type: none"> <li>1. The RFP for microwave gensets was released November 14, 2011, and the contract is expected to be award during Q1 2012.</li> <li>2. The RFP for microwave air conditioners was released December 5, 2011, and the contract is expected to be award during Q1 2012.</li> <li>3. The RFP for microwave rectifier, racks and batteries was released December 14, 2011, and the contract is expected to be award during Q1 2012.</li> </ol> <p>Two contracts for access and long haul radios systems were signed during this reporting period.</p> <p><b>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).</b></p> <table border="1"> <thead> <tr> <th></th> <th>Milestone</th> <th>Percent Complete</th> <th>Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)</th> </tr> </thead> <tbody> <tr> <td>2a.</td> <td><b>Overall Project</b></td> <td>33</td> <td>Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012. 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Additional funding remains in this category to cover any future EA amendments.	2c.	<b>Network Design</b>	52	Behind baseline plan due to delay in EA approval, which restricted construction. FCC licenses will be filed as site construction is eminent.	2d.	<b>Rights of Way</b>	62	Behind baseline plan due to delay in school board/board of supervisors approval.	2e.	<b>Construction Permits and Other Approvals</b>	4	Behind baseline plan due to delay in EA approval, which restricted construction.
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	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2f.	Site Preparation	2	Behind baseline plan due to delay in EA approval, which restricted construction.
2g.	Equipment Procurement	13	Behind baseline plan due to delay in EA approval, which restricts construction. GovNET received its FONSI during this reporting period and expects to make significant purchases in the next quarter.
2h.	Network Build (all components - owned, leased, IRU, etc)	47	Slightly ahead of Baseline Plan. We have a significant number of leases secured and equipment purchased.
2i.	Equipment Deployment	2	Behind baseline plan due to delay in EA approval, which restricts construction. In 2012, multiple tower construction crews will be utilized to make up for lost time.
2j.	Network Testing	10	Behind baseline plan due to delay in EA approval, which restricted construction.
2k.	Other (please specify): 203 in-kind IRU leases	62	No variance from Baseline Plan. GovNET made continued progress toward obtaining 203 in-kind leases.

**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 biggest challenges have been centered around 1.) completing the Environmental Assessment, 2.) the multi-agency land ownership/management involvement, 3.) multiple tribal consultations required in Arizona, and 4.) adjusting the construction schedule around weather. Now that the FONSI has been issued, the construction schedule can be finalized.

**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	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
New network miles leased	0	No variance from Baseline Plan.
Existing network miles upgraded	0	n/a
Existing network miles leased	0	n/a
Number of miles of new fiber (aerial or underground)	0	No variance from Baseline Plan.
Number of new wireless links	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
Number of new towers	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
Number of new and/or upgraded interconnection points	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 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	
<b>Number of signed agreements with broadband wholesalers or last mile providers</b>	0
<b>Number of agreements currently being negotiated with broadband wholesalers or last mile providers</b>	2
<b>Average term of signed agreements (in quarters)</b>	0

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

No agreements with wholesalers have been signed, but two are in process and preliminary discussions have occurred for another.

**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 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 plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 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 Mpbs (DS3) = 10 providers
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	Please identify the speed tiers that are available and the number of subscribers for each	0	5 Mbps = 231 subscribers; 10 Mpbs = 40 subscribers; 45 Mbps = 10 subscribers
Residential / Households	Entities passed	0	n/a

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	<b>Total subscribers served</b>	0	n/a
	<b>Subscribers receiving new access</b>	0	n/a
	<b>Subscribers receiving improved access</b>	0	n/a
	<b>Please identify the speed tiers that are available and the number of subscribers for each</b>	0	n/a
Businesses	<b>Entities passed</b>	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	<b>Total subscribers served</b>	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	<b>Subscribers receiving new access</b>	0	n/a
	<b>Subscribers receiving improved access</b>	0	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be in sync with its Baseline Plan by the end of Q3 2012.
	<b>Please identify the speed tiers that are available and the number of subscribers for each</b>	0	10 Mpbs (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.

**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	Anticipated start of construction is now February 2012, pending weather conditions.

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

Next quarter, we plan to:

- finalize the construction schedule,
- complete construction RFPs,
- begin construction of three hub site foundations,
- begin tower erection at one backbone site,
- conduct the project's official ribbon cutting, scheduled for February 7, 2012.

Next quarter, we expect to make progress on the following key indicators:

- New network miles deployed = 100
- Total CAI subscribers served (CAIs connected) = 5
- Number of signed agreements with broadband wholesalers or last mile providers = 0

**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.	<b>Overall Project</b>	45	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2b.	<b>Environmental Assessment</b>	73	GovNET completed its EA and received its FONSI during this reporting period. Additional funding remains in this category to cover any future EA amendments.
2c.	<b>Network Design</b>	73	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2d.	<b>Rights of Way</b>	66	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2e.	<b>Construction Permits and Other Approvals</b>	7	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2f.	<b>Site Preparation</b>	7	GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012. Behind baseline plan due to delay in EA approval, which restricted construction.
2g.	<b>Equipment Procurement</b>	33	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2h.	<b>Network Build (all components - owned, leased, IRU, etc.)</b>	52	On track with Baseline Plan. We have secured a significant number of leases and will be purchasing a significant amount of equipment next quarter. We expect to be back in sync with its Baseline Plan by the end of Q3 2012.
2i.	<b>Equipment Deployment</b>	7	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2j.	<b>Network Testing</b>	25	Behind baseline plan due to delay in EA approval, which restricted construction. GovNET received its FONSI during this reporting period and expects to be back in sync with its Baseline Plan by the end of Q3 2012.
2k.	<b>Other (please specify):</b> 203 in-kind IRU leases	66	No variance from Baseline Plan.

**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).**

GovNET is making good progress toward achieving the milestones of the Baseline Plan. The issue with the greatest impact on the project's progress was the delayed approval of the Environmental Assessment. Now that the FONSI has been issued, GovNET can finalize the construction schedule and procure equipment to build the network. Construction was originally scheduled to begin in April 2011, but has now been delayed to February 2012. GovNET anticipates further need to adjust the construction schedule during fall and winter months due to weather and mountain site issues.

## 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	\$804,434	\$35,000	\$769,435	\$1,054,435	\$35,000	\$1,019,435
b. Land, structures, right-of-ways, appraisals, etc.	\$20,023,726	\$8,562,569	\$11,461,157	\$12,565,388	\$8,562,569	\$4,002,819	\$13,365,388	\$8,562,569	\$4,802,819
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	\$896,979	\$455,759	\$441,219	\$1,241,978	\$500,759	\$741,219
e. Other architectural and engineering fees	\$401,341	\$0	\$401,341	\$297,682	\$0	\$297,682	\$347,682	\$0	\$347,682
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	\$0	\$0	\$0	\$350,000	\$0	\$350,000
j. Equipment	\$20,007,697	\$33,180	\$19,974,517	\$2,627,667	\$33,180	\$2,594,487	\$6,877,667	\$33,180	\$6,844,487
k. Miscellaneous	\$1,051,170	\$0	\$1,051,170	\$0	\$0	\$0	\$0	\$0	\$0
<b>I. SUBTOTAL (add a through k)</b>	<b>\$51,939,135</b>	<b>\$12,664,258</b>	<b>\$39,274,877</b>	<b>\$17,192,150</b>	<b>\$9,086,508</b>	<b>\$8,105,642</b>	<b>\$23,237,150</b>	<b>\$9,131,508</b>	<b>\$14,105,642</b>
m. Contingencies									
<b>n. TOTALS (sum of I and m)</b>	<b>\$51,939,135</b>	<b>\$12,664,258</b>	<b>\$39,274,877</b>	<b>\$17,192,150</b>	<b>\$9,086,508</b>	<b>\$8,105,642</b>	<b>\$23,237,150</b>	<b>\$9,131,508</b>	<b>\$14,105,642</b>

**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: \$0
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