

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 09/09/2015

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>  06-30-2015	<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>  09-09-2015	

**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**  
 For the second quarter (Q2) April through June 2015, project progress continued for GovNET. Additional Community Anchor Institutions (CAIs) were turned for with network services. Construction completion and network turn-up has now covered nearly two-thirds (2/3) of the State of Arizona. Significant accomplishments as follows:

- Approximately two-thirds (2/3) of the State of Arizona is now covered by active high-speed, high-capacity contiguous Backbone network from this Middle-Mile BTOP project
- Over 50+ rural towns with populations under 10,000 now have access to high-speed Internet services previously unavailable in their markets currently
- One hundred twenty-three (123) cumulative Node/Community Anchor Institutions (CAI) sites had full or partial installations completed by end of Q2-2015
- Six (6) new schools and court locations (CAIs) started receiving services.
- Multiple construction crews were at work simultaneously across Arizona.
- Received NTIA Environmental and Historic Preservation (EHP) approvals on sites within Batch 5A and Batch 5B route modifications. Submitted to NTIA for Batch 4.3 to add service-requesting CAIs into the project.
- Initiated a request for, and received, a grant project extension to September 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	90	Project completion continuing with strong network integration activity occurring, finalizing equipment procurement and architectural & engineering work. Overall project variance (including #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress. Additional factors affecting progress include delayed payments to Contractors per Davis-Bacon compliance and material delivery delays.
2b.	Environmental Assessment	99	GovNET received its FONSI in Q4 2011. Additional funding remains in this category to cover future EA amendments, required surveys, and administration costs.
2c.	Network Design	95	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	85	Efforts continuing to obtain necessary rights of way
2e.	Construction Permits and Other Approvals	80	Additional activity and progression through municipal planning & zoning boards.
2f.	Site Preparation	75	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	87	Equipment ordering is phased per sites in grant extension.
2h.	Network Build (all components - owned, leased, IRU, etc)	65	31 Backbone sites are complete, with 6 more in near term completion. Network build continues with each site completed and is added to with new CAI service requests coming in. Testing and integration follows.
2i.	Equipment Deployment	60	Significant deployment occurred in Q2 as more sites are completed and ready for electronics.
2j.	Network Testing	60	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).**  
 Procurement of necessary network capital equipment, including receiving pre-approval, confirming orders, shipping process, receipt of, and deployment of all such equipment within a 90-day extension window is a challenge. Complete Davis-Bacon reporting is challenging for contractors, which delays payment and construction progress. GovNET continues to work closely with our Federal Program Officer where assistance is required.

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**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	1,159	66 new network miles were connected in Q2 resulting from turning up services to multiple CAIs. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress 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	45	5 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	10	Two additional large Backbone towers started construction in Q2. Forecast total of five new towers completed in Q3-2015. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new and/or upgraded interconnection points	45	All links/sites are interconnection points, including colocations and CAIs. An additional 7 new sites have construction activity in process. 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, and project one agreement signed by end of Q3. Finalization additional agreements expected after Q3-2015 as network rings are completed and capacity demand is aggregated, along with projecting GovNET's own capacity need for its last mile customers.

**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 and availability for services (after analyzing GovNET's last mile requirements) is estimated for Q3-2015 and will be competitive with current market rates

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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 delaying forward progress.
	Providers with signed agreements receiving improved access	0	Anticipate finalizing negotiations in Q3
	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	123	Remote CAIs receiving much improved internet service at a capacity previously unavailable. A total 123 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 delaying forward progress. Additional factors affecting progress include a critical network component delivery delay and Backbone completion.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	123	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	123	1 Mbps to 1 Gbps is available to be customized based on subscriber needs; 6 subscribers between 100 - 50 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
Apache County Schools	St Johns	School	Yes	School district is receiving greater wireless High-speed internet bandwidth connectivity previously unavailable.
Owens Elementary	Wikieup	School	Yes	School district is receiving greater wireless High-speed internet bandwidth connectivity previously unavailable.
Yavapai College	Prescott	School	Yes	Ready for Service
American Heritage Academy Cottonwood	Cottonwood	School	Yes	Ready for Service
American Heritage Academy Camp Verde	Camp Verde	School	No	Ready for Service
West Sedona Elementary	Sedona	School	No	Ready for Service
Ash Fork Elementary	Ash Fork	School	No	Ready for Service
Ash Fork High School	Ash Fork	School	No	Ready for Service
Bagdad High School	Bagdad	School	No	Ready for Service
Beaver Creek Elementary	Rimrock	School	No	Ready for Service
Big Park Elementary	Sedona	School	No	Ready for Service
Black Canyon City Community Library	Black Canyon City	Library	No	Ready for Service
Bradshaw Mountain Middle School	Dewey	School	No	Ready for Service
Camp Verde Community Library	Camp Verde	Library	No	Ready for Service
Camp Verde Elementary	Camp Verde	School	No	Ready for Service
Camp Verde High School	Camp Verde	School	No	Ready for Service
Camp Verde Middle School	Camp Verde	School	No	Ready for Service
Cañon Elementary	Black Canyon City	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
Chino Valley High School	Chino Valley	School	No	Ready for Service
Coconino County Juvenile Detention Center	Flagstaff	School	No	Ready for Service
Cordes Lakes Public Library	Cordes Lakes	Library	No	Ready for Service
Cottonwood District Office/Middle School	Cottonwood	School	No	Ready for Service
Cottonwood Elementary School	Cottonwood	School	No	Ready for Service
Del Rio Elementary	Chino Valley	School	No	Ready for Service
Dorothy Stinson Elementary	Safford	School	No	Ready for Service
Dr. Daniel Bright Elementary	Cottonwood	School	No	Ready for Service
Heritage Middle School	Chino Valley	School	No	Ready for Service
Hillside Elementary	Bagdad	School	No	Ready for Service
Holbrook High School	Holbrook	School	No	Ready for Service
Humboldt Elementary	Humboldt	School	No	Ready for Service
VACTE Technical School	Cottonwood	School	No	Ready for Service
Lafe Nelson Elementary	Safford	School	No	Ready for Service
Mayer Elementary	Mayer	School	No	Ready for Service
Mayer Junior/Senior High School	Mayer	School	No	Ready for Service
Mingus Union High School	Cottonwood	School	No	Ready for Service
Mount Graham High School	Safford	School	No	Ready for Service
New Visions Academy	Cottonwood	School	No	Ready for Service
Oak Creek Elementary	Cornville	School	No	Ready for Service
Ponderosa High School	Flagstaff	School	No	Ready for Service
Prescott College	Prescott	School	No	Ready for Service
Rimrock Charter High School	Rimrock	School	No	Ready for Service
Ruth Powell Elementary	Safford	School	No	Ready for Service
Safford High School	Safford	School	No	Ready for Service

Safford Middle	Safford	School	No	Ready for Service
San Simon High School	San Simon	School	No	Ready for Service
Red Rock High School	Sedona	School	No	Ready for Service
Seligman High School	Seligman	School	No	Ready for Service
Seligman Public Library	Seligman	Library	No	Ready for Service
Territorial Elementary	Chino Valley	School	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 and final quarter of the project, GovNET is looking to finish off completion of 22 additional backbone network sites, bringing a cumulative total to 53 backbone/middle-mile sites completed. Several sites may be completed post-grant period by GovNET due to crew availability and issues with material lead times. We anticipate reaching a cumulative 1,800 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, and services turned up, community outreach effort will be continuing in the local area and in the next section to be turned up, as well to local/regional last mile providers and estimate that one agreement will be completed by end of Q3 while others will be in process as the network is completed. Community outreach is working on targeted CAIs and demonstrating network capabilities. One final environmental batch has been submitted for NTIA approval to be able to serve CAIs requesting services. Work continues to achieve last remaining building permits/rights of way required allowing for continued build out of statewide network.

**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 delaying forward progress. 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).**

Further implementation and integration of additional network services will be underway and testing will be on-going to work out any issues as new routes and sites come online. One additional route modification is requested to clear new CAIs ordering network services. Budget constraints may affect some site builds, and several sites may end up being completed post-grant period by GovNET. The geographical dispersion of approved sites and the difficult terrain in Arizona increases the complexity and time frame for

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engineering and construction. Weather challenges, along with species mitigation windows will continue to be key challenges 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	\$4,736,809	\$0	\$4,736,809	\$5,100,058	\$0	\$5,100,058
b. Land, structures, right-of-ways, appraisals, etc.	\$23,300,140	\$11,413,633	\$11,886,507	\$22,423,063	\$11,965,561	\$10,457,502	\$22,840,519	\$11,965,561	\$11,522,708
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	\$2,862,084	\$1,302,634	\$1,559,450	\$2,942,801	\$1,363,571	\$1,579,230
e. Other architectural and engineering fees	\$605,000	\$0	\$605,000	\$525,259	\$0	\$525,259	\$575,259	\$0	\$575,259
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	\$2,491,321	\$355,274	\$2,136,047	\$4,084,508	\$451,613	\$3,632,895
j. Equipment	\$15,971,093	\$37,696	\$15,933,397	\$14,008,505	\$37,696	\$13,970,809	\$16,296,652	\$37,696	\$16,258,956
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	\$47,275,606	\$13,661,165	\$33,614,441	\$52,068,362	\$13,818,441	\$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	\$47,275,606	\$13,661,165	\$33,614,441	\$52,068,362	\$13,818,441	\$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: \$355,274