QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Award Identification Number	3. DUNS Number
Department of Commerce, National Telecommunications and Information Administration	NT10BIX5570136	831335448

4. Recipient Organization

GOVNET 2 INC 10105 E Via Linda, Ste. 386, Scottsdale, AZ 85258-5311

5. Current Reporting Period End Date (MM/DD/YYYY)	6. Is this the last Report of the Award Period?
03-31-2011	◯ Yes ◉ No

7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

7a. Typed or Printed Name and Title of Certifying Official	7c. Telephone (area code, number and extension)
Karen McCoy	6023690767
	7d. Email Address
Vice President	karen.m@govnet.net

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	04-26-2011

Project Indicators (This Quarter)

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

Activities this quarter were focused on creating a Construction Program Plan, submitting the draft Environmental Assessment, outreach to communities, submitting the Overlap SAC, and continuing to pursue rights of ways and permits. Numerous milestones were accomplished, including the hiring of key staff and consultants. GovNET staff met with stakeholders throughout the State of Arizona, including the Navajo Tribal Utility (neighboring BTOP grantee), Northern Arizona Council of Governments, Department of Emergency Management, County School associations and Public Safety entities to coordinate and do outreach for the project. Activities are now focused on creating & releasing RFPs, obtaining lease agreements from the Community Anchor Institutions, and continued finalization of the Environmental Assessment.

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	10	No variance from baseline plan.
2b.	Environmental Assessment	92	Slightly behind baseline plan. Submitted Draft EA 2/23/2011; revisions and final consultations in progress
2c.	Network Design	80	No variance from baseline plan. Completing node engineering, working to finalize the engineering on the backbone.
2d.	Rights of Way	30	Slightly behind baseline plan. Running into difficulties obtaining rights-of-way on BLM and Forest Service lands.
2e.	Construction Permits and Other Approvals	0	Slightly behind baseline plan due to to delay of FONSI issuance.
2f.	Site Preparation	1	Slightly ahead of baseline projections. One RFI was released for site surveys and staking out the towers.
2g.	Equipment Procurement	0	Slightly behind baseline plan. Numerous RFPs are scheduled to be released in early Q2 2011.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	No variance from baseline plan.
2i.	Equipment Deployment	0	No variance from baseline plan.
2j.	Network Testing	0	No variance from baseline plan.
2k.	Other (please specify): in-kind IRU leases	16	No variance from baseline plan.

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 challenge has been completing the Environmental Assessment in a timely manner. Construction cannot begin until the Environmental Assessment is approved and a FONSI issued. An issue we did not foresee is the difficulty in obtaining timely rights of way and use of tower locations on public lands managed by the U.S. Forest Service and BLM. We have requested and received technical assistance from the BTOP grant manager to address these challenges.

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	No variance from baseline plan.
New network miles leased	0	n/a
Existing network miles upgraded	0	n/a

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Existing network miles leased	0	n/a
Number of miles of new fiber (aerial or underground)	0	n/a
Number of new wireless links	0	No variance from baseline plan.
Number of new towers	0	No variance from baseline plan.
Number of new and/or upgraded interconnection points	0	No variance from baseline plan.

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:
No agreements with wholesalers have been signed, but two are in process.

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 yet been finalized but will be competitive with current market rates.

5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).
No third-party operators will be used on this project.

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Broadband Wholesalers or Last Mile Providers	**Providers with signed agreements receiving new access**	0	n/a
	Providers with signed agreements receiving improved access	0	No variance from baseline plan.
	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 subscribers; 45 Mbps = 10 subscribers

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	No variance from baseline plan.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	No variance from baseline plan.
	Please identify the speed tiers that are available and the number or subscribers for each	0	5 Mbps = 231 subscribers; 10 Mbps = 40 subscribers; ; 45 Mbps = 10 subscribers
Residential / Households	Entities passed	0	n/a
	Total subscribers served	0	n/a
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	n/a
	Please identify the speed tiers that are available and the number of subscribers for each	0	n/a
Businesses	Entities passed	0	No variance from baseline plan.
	Total subscribers served	0	No variance from baseline plan.
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	No variance from baseline plan.
	Please identify the speed tiers that are available and the number of subscribers for each	0	10 Mbps = 4 subscribers; These are national cellular carriers in multiple markets in AZ.

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

VOIP, Cloud Computing, TelePresence, secure interoperable public safety channel for all 15 County Government Emergency Services, including connectivity to all Emergency Service 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
No activity this quarter	No activity this quarter	No activity this quarter	No activity this quarter	Anticipated start of construction is June 2011, pending approval of Environmental Assessment.

Project Indicators (Next Quarter)

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

In the next quarter, the Environmental Assessment will be resubmitted to NTIA for final review and approval. With a comprehensive Construction Project Plan in place, we expect to make significant strides in the purchase of equipment and hardware including, concrete, tower materials, shelters and radio equipment. Contracts will be awarded for site surveys and staking for towers. Architectural engineering and construction diagrams will be completed. 20% percent of IRU Leases for Community Interconnection Points are expected to be secured. GovNET staff will continue statewide outreach to stakeholders, including Arizona Association of County School Superintendents, Arizona Department of Administration, Arizona Department of Justice, the Department of Homeland Security, the U.S. Forest Service, BLM, Navajo Tribal Utility (neighboring BTOP grantee), Northern Arizona Council of Governments, and the Department of Emergency Management. GovNET will hire additional staff, including a Community Outreach Director and two Lead Construction Managers. We expect to purchase and move into our Network Operations Center (NOC). Activities are now focused on securing further rights of way, obtaining additional lease agreements from the Community Anchor Institutions, coordinating with Tribes and releasing RFPs for equipment and hardware in anticipation of beginning construction in June 2011.

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	27	No variance from baseline plan.
2b.	Environmental Assessment	100	No variance from baseline plan.
2c.	Network Design	80	Slightly behind baseline projections. Completion of network designs in dependent upon the acquisition of all necessary permits and approvals.
2d.	Rights of Way	35	Slightly behind baseline projections based on processing time from gov't entities.
2e.	Construction Permits and Other Approvals	9	Slightly behind baseline projections due to delay in approval of Environmental Assessment.
2f.	Site Preparation	12	No variance from baseline plan. We expect to begin construction of the backbone in June 2011.
2g.	Equipment Procurement	25	No variance from baseline plan; 7-10 RFPs will be released next quarter.
2h.	Network Build (all components - owned, leased, IRU, etc.)	9	No variance from baseline plan.
2i.	Equipment Deployment	9	No variance from baseline plan.
2j.	Network Testing	0	Slightly behind baseline projections due to delay in approval of Environmental Assessment and subsequent delayed construction start
2k.	Other (please specify): (in-kind IRU Leases)	32	No variance from baseline plan. We expect continued progress toward obtaining 316 in-kind IRU leases.

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).

We are making good progress and do not anticipate any significant barriers to achieving the milestones of our Baseline Plan. The two issues with potential to impact the project are 1.) delayed approval of the Environmental Assessment and issuance of FONSI and 2.) siting facilities on public land. Construction on the project cannot move forward until the FONSI is approved. Gaining all the necessary approval from the U.S. Forest Service and BLM for tower sites has been very difficult, as their preference is co-location. GovNET customers, including the Department of Corrections, the Department of Homeland Security, and other government agencies require secure, remote physical and network facilities. If secure, structurally-sound tower sites are not obtained, then we may lose some government customers. Since construction has been delayed until the EA is approved, we have made adjustments to the construction schedule. Construction was originally scheduled to begin in April 2011, and now will not begin until June 2011 at the earliest.

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.

Cost Classification	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		
	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	$0	$0	$0	$0	$0	$0	$0	$0	$0
b. Land, structures, right-of-ways, appraisals, etc.	$21,552,560	$11,301,200	$10,251,360	$0	$0	$0	$5,012,800	$1,162,800	$3,850,000
c. Relocation expenses and payments	$0	$0	$0	$0	$0	$0	$0	$0	$0
d. Architectural and engineering fees	$1,972,059	$863,058	$1,109,002	$653,996	$653,996	$0	$733,996	$653,996	$80,000
e. Other architectural and engineering fees	$251,066	$0	$251,065	$184,111	$0	$184,111	$270,000	$0	$270,000
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	$6,561,810	$0	$6,561,810	$0	$0	$0	$0	$0	$0
j. Equipment	$19,825,624	$500,000	$19,325,624	$97,851	$0	$97,851	$1,305,149	$0	$1,305,149
k. Miscellaneous	$1,776,017	$0	$1,776,017	$0	$0	$0	$0	$0	$0
l. SUBTOTAL (add a through k)	$51,939,136	$12,664,258	$39,274,878	$935,958	$653,996	$281,962	$7,321,945	$1,816,796	$5,505,149
m. Contingencies	$0	$0	$0	$0	$0	$0	$0	$0	$0
n. TOTALS (sum of l and m)	$51,939,136	$12,664,258	$39,274,878	$935,958	$653,996	$281,962	$7,321,945	$1,816,796	$5,505,149

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