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, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872

5. Current Reporting Period End Date (MM/DD/YYYY)	6. Is this the last Report of the Award Period?
06-30-2016	⊙ 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 Vice President	4804241411
	7d. Email Address karen.m@govnet.net

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	08-16-2016

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 2016, major project activity began to wind down with the grant award scheduled for completion on June 30, 2016.

• GovNET turned it focus from major construction to turn up contracted services with multiple customers across the State which provide project sustainability.

• GovNET has received interest from both federal and local government agencies to colocate on GovNET sites throughout the State

• There are a total of forty-one (41) Backbone sites operational; of those 41 sites, thirty-two (32) Backbone sites also provide direct last-mile broadband services to CAIs in remote parts of Arizona

• GovNET received several new E-Rate bid awards and service contracts; still more outstanding awards to be determined

• By 6/30/2016, one hundred seventy-five (179) cumulative Node/Community Anchor Institutions (CAI) sites had full or partial installations completed

• FCC licensing of networks paths continues as construction is completed

• No further lease agreements (have over 230+ leases) were signed with CAIs this quarter; awaiting E-rate bid selections and contract award.

• Hosted a site visit from the NTIA and NOAA on June 8 & 9, 2016

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**	100	108% of budget has been expended as GovNET has contributed additional in-kind lease value to the project. Grant award was completed on 6/30/16. Overall project variance (including #2b-2k) from 2010 baseline plan is due to 16+ month suspension, construction issues, and additional unforeseen management challenges causing further set backs from original plan.
2b.	**Environmental Assessment**	100	Grant award project completed as of 6/30/16
2c.	**Network Design**	100	Grant award project completed as of 6/30/16
2d.	**Rights of Way**	100	Grant award project completed as of 6/30/16
2e.	**Construction Permits and Other Approvals**	100	Grant award project completed as of 6/30/16
2f.	**Site Preparation**	100	Grant award project completed as of 6/30/16
2g.	**Equipment Procurement**	100	Grant award project completed as of 6/30/16
2h.	**Network Build (all components - owned, leased, IRU, etc)**	100	Several network sites will be completed post-grant award time period with previously acquired equipment
2i.	**Equipment Deployment**	100	Equipment continues to be deployed post-grant period at Grantee's expense.
2j.	**Network Testing**	100	Network segments are brought online as constructed
2k.	**Other (please specify):Leases**	100	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).

Budget constraints and final project award extension (expiring 6/30/16) directed remaining funds to final completion of outstanding sites and to bring CAIs operational. A reduction in administration staffing and field crew delayed some anticipated network progress. Focus became establishing services on newly awarded E-Rate accounts and CAI Installations. Continuing efforts to finalize complete Davis-Bacon reporting for two vendors. 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	1,908	206 new network miles were connected in Q2 resulting from establishing connectivity between multiple Backbone sites and new CAIs.
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	78	Five (5) new active network links were established between sites in a contiguous manner.
Number of new towers	22	No new towers were completed in Q2. All new greenfield towers projected to be built in the project were previously completed. Overall project variance from baseline plan is due to 16+ month suspension, substandard contractor performance issues, and unforseen management challenges arising during construction.
Number of new and/or upgraded interconnection points	78	All links/sites are interconnection points, including colocations and CAIs.

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 still in negotiation. Finalization of agreements is anticipated 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. 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 direct service bandwidth needs, negotiations will recommence with LM providers.
	Providers with signed agreements receiving improved access	0	As GovNET determines its own direct service bandwidth needs, negotiations will recommence with LM providers.
	Providers with signed agreements receiving access to dark fiber	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	35	35 incremental speed tiers of most commonly requested speed available. 1 Mbps to 4 Gbps is available based on specific subscribers needs.
Community Anchor Institutions (including Government institutions)	**Total subscribers served**	179	Remote CAIs receiving much improved internet service at a capacity previously unavailable. A total 179 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	179	Rural CAIs have active high-speed broadband services at rates that far exceed current market availability
	Please identify the speed tiers that are available and the number or subscribers for each	35	1 Mbps to 4 Gbps is available to be customized based on subscriber budget and/or needs; due to GovNET technology, we can offer any level of speed required. 35 speed tiers are being quoted. There are 32 active CAI subscriptions: 12 subscribers are under 5 Mbps; 1 at 10 Mbps; 2 at 15 Mbps; 4 at 20 Mbps; 6 at 50 Mbps; 6 at 100 Mbps, and 1 at 200 Mbps.
Residential / Households	**Entities passed**	0	n/a
	Total subscribers served	0	n/a
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	n/a
	Please identify the speed tiers that are available and the number of subscribers for each	0	n/a
Businesses	**Entities passed**	0	n/a
	Total subscribers served	0	n/a
	Subscribers receiving new access	0	n/a
	Subscribers receiving improved access	0	n/a
	Please identify the speed tiers that are available and the number of subscribers for each	0	n/a

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

VoIP, Cloud computing, secure interoperable public safety channel for all 15 County Government Emergency Services, including connectivity to all Emergency Operations Centers. Vendors have described this network design as the most sophisticated microwave network in the country.

8a. Have your network management practices changed over the last quarter?   ◯ **Yes**   ⊙ **No**

8b. If so, please describe the changes (300 words or less).

n/a

9. Community Anchor Institutions:
Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions) connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure **(300 words or less).**

Institution Name	Service Area (town or county)	Type of Anchor Institution (as defined in your baseline)	Are you also the broadband service provider for this institution? (Yes / No)	Narrative description of how anchor institutions are using BTOP-funded infrastructure
Sonoita-Elgin Elem	Elgin	School	Yes	Improved bandwidth to handle CAI needs - from 10 Mbps to 100 Mbps. Bandwidth previously unvailable in the area
Sentinel Elem	Dateland	School	Yes	Improved bandwidth to handle CAI needs - from 5 Mbps to 60 Mbps. Bandwidth previously unvailable in the area
Paloma Elem	Paloma	School	Yes	Improved bandwidth to handle CAI needs - from 10 Mbps to 100 Mbps. Bandwidth previously unvailable in the area
Beaver Creek	Rimrock	School	Yes	Improved bandwidth to handle CAI needs - from 10 Mbps to 100 Mbps. Bandwidth previously unvailable in the area

Project Indicators (Next Quarter)

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

Formal grant project period is complete as of 06/30/2016. GovNET will continue working on grant administrative close out in Q3 2016.

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	Grant is now in administrative close-out
2b.	Environmental Assessment	100	Grant is now in administrative close-out
2c.	Network Design	100	Grant is now in administrative close-out
2d.	Rights of Way	100	Grant is now in administrative close-out
2e.	Construction Permits and Other Approvals	100	Grant is now in administrative close-out
2f.	Site Preparation	100	Grant is now in administrative close-out
2g.	Equipment Procurement	100	Grant is now in administrative close-out
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Additional sites will be completed post-award period
2i.	Equipment Deployment	100	Previously acquired equipment will be deployed over next 2 years on project
2j.	Network Testing	100	Grant is now in administrative close-out
2k.	Other (please specify): Leases	100	Grant is now in administrative close-out

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).
n/a - grant award is now in administrative close-out.

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	$4,243,622	$0	$4,243,622	$5,721,403	$0	$5,721,403	$5,721,403	$0	$5,721,403
b. Land, structures, right-of-ways, appraisals, etc.	$23,300,140	$11,413,633	$11,886,507	$25,866,489	$14,032,260	$11,834,229	$25,866,489	$14,032,260	$11,834,229
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	$3,384,770	$1,624,572	$1,760,198	$3,384,770	$1,624,572	$1,760,198
e. Other architectural and engineering fees	$605,000	$0	$605,000	$599,108	$0	$599,108	$599,108	$0	$599,108
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	$4,504,515	$784,785	$3,719,730	$4,504,515	$784,785	$3,719,730
j. Equipment	$15,971,093	$37,696	$15,933,397	$15,072,134	$37,696	$15,034,438	$15,072,134	$37,696	$15,034,438
k. Miscellaneous	$224,844	$0	$224,844	$228,565	$0	$228,565	$228,565	$0	$228,565
l. SUBTOTAL (add a through k)	$51,561,929	$12,664,258	$38,897,671	$55,376,984	$16,479,313	$38,897,671	$55,376,984	$16,479,313	$38,897,671
m. Contingencies	$0	$0	$0	$0	$0	$0	$0	$0	$0
n. TOTALS (sum of l and m)	$51,561,929	$12,664,258	$38,897,671	$55,376,984	$16,479,313	$38,897,671	$55,376,984	$16,479,313	$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: $784,785