

RECIPIENT NAME:GOVNET, INC.

AWARD NUMBER: NT10BIX5570136

DATE: 08/19/2014

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	2. Award Identification Number NT10BIX5570136	3. DUNS Number 831335448
4. Recipient Organization GOVNET, INC. 7835 E. McClain Dr., Scottsdale, AZ 85260-1872		
5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2014	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> 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 Karen McCoy Vice President	7c. Telephone (area code, number and extension) 4804241411	
	7d. Email Address karen.m@govnet.net	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 08-19-2014	

Project Indicators (This Quarter)

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

For the quarter April through June 2014, significant project progress occurred for GovNET:

- Undertook significant procurement activity including equipment orders for network switching gear for backbone/nodal sites, CAI node equipment cabinets, node antennas, node power supply and controller, rectifiers, power coordination services, backbone site backup batteries, node radios, and site engineering drawings.
- Awarded Non Penetrating Roof Mount, Crane Services, Weather Station and Propane Services contracts per previously let RFPs
- Let Network Operations Center Construction, Tower Foundation and Stacking, and Access Control & Video Surveillance System RFPs for awards in July
- Updated network deployment strategy to focus on constructing 68% of Backbone sites in Q3
- Initiated development of a Tower Components & Hardware RFP to be let in July
- Submitted Batch 4.2 (CAIs), Batch 5A and Batch 5B (Backbone / Nodal) for approval in the July / August time frame
- Installed six additional CAIs preparing for service delivery in Q3; performed site surveys at 20 CAIs
- Re-initiated construction at four major Backbone sites and issued a notice to proceed at two (2) other major Backbone sites
- Core Switch installation / startup planning continued to progress
- Initiated plans and key tracking metrics for major Site / CAI construction and installations to be completed in Q3
- Initiated a re-budget request for approval

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	61	Project completion increased due to ramp up in construction activity, architectural & engineering work, and vendor invoices processed. Overall project variance (including #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress.
2b.	Environmental Assessment	93	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	94	FCC licensing will be held until specific site construction is imminent
2d.	Rights of Way	75	Increased completion and multiple approvals received due to resumed activity and strong cooperative efforts to facilitate.
2e.	Construction Permits and Other Approvals	45	Increase to resumed activity and progression through municipal planning & zoning boards. Many backbone sites do not require additional construction permits other than the ROW/lease.
2f.	Site Preparation	60	Increase to resumed activity. Prep work is typically done on first day on-site to do construction/installation work; no advance work is required.
2g.	Equipment Procurement	68	Solid increase due to completed RFP contracts / awards, and order time for receipt of equipment. Larger items procured (i.e. towers) are in the Land Category budget.
2h.	Network Build (all components - owned, leased, IRU, etc)	33	Slight increase from prior quarter. Contract executed with construction firm in late Q1. Significant project and logistic planning with firm in Q2. Multiple crews planned and initial NTPs released.
2i.	Equipment Deployment	17	Slight increase to resumed construction activity; significant deployment forecast for Q3 as sites are completed.
2j.	Network Testing	17	Slight increase to resumed activity. Final switch and radio testing completed and orders placed.
2k.	Other (please specify): 203 CAI leases	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).

Major contracts were put in place in Q2 to begin construction of the network backbone, which is now underway. Progress has been

made in re-initiating efforts in completing necessary right-of-ways on federal lands which had been stopped due to the suspension; this area continues to be a challenge to achieve completion and allow time to construct prior to end of award. Final route change requests for both CAIs and backbone / nodal sites were submitted awaiting approvals from the NTIA targeted in the July / August time frame. Internal engineering resources have been supplemented to assist in forward movement on the construction project plan. With major build activity now underway, the initial challenges of working with new vendors and contracts are being worked through. GovNET continues to work closely with our Federal Program Officer as 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	77	77 new network miles have been deployed to a remote CAI (school) taking internet service at a greater capacity previously unavailable prior to BTOP grant project. Estimate an additional 1,200+ new network miles deployed in Q3. 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.
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	3	New network links established to reach remote CAI. Estimate an additional 27 Backbone and 50+ CAI links constructed in Q3. Drop in number due to change in reporting methodology. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new towers	4	Four new towers are constructed to date. Forecast six new towers and two COWs in Q3. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
Number of new and/or upgraded interconnection points	7	All links/sites are interconnection points, including colocations. 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.

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 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 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	Now project is restarted, 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	Now project is restarted, negotiations are recommencing with 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	0	1 Mbps to 1 Gbps is available based on subscribers needs.
Community Anchor Institutions (including Government institutions)	Total subscribers served	1	Re-engaging network construction activity to be able to deploy directly to CAIs. One remote CAI receiving much improved internet service at a capacity previously unavailable. Approx. 156 additional CAIs will be provide equipment in Q3. Overall project variance from baseline plan is due to 16+ month suspension delaying forward progress.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	1	One remote CAI up - 250 Mbps available
	Please identify the speed tiers that are available and the number or subscribers for each	1	1 Mbps to 1 Gbps is available based on subscriber needs; 1 subscriber at 250 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	0	N/A

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	subscribers for each		

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
n/a	n/a	n/a	n/a	n/a

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
GovNET has completed awards of critical Construction and Equipment contracts and at this time and is fully engaged in progressing critical construction of the network scope. Plans are to complete up to 68% of network Backbone and 15% percent of the nodal site build utilizing the crews/resources of our Construction Management firm. Construction is underway to complete sites initiated prior to the suspension and new sites within South Eastern Arizona. Other key sites in Northern and Western Arizona required to complete a major backbone network segment are also planned to be completed. CAI site surveys have / are being scheduled with 59% of CAI deployments planned to be completed. Materials and equipment has either been received or being ordered for the Network and CAI construction / implementation. Awards will be made on the Network Operations Center, Tower Foundation & Stacking, and Tower Components & Hardware RFPs. Final route modification approvals are expected from the NTIA for both Backbone / Nodal sites, as well as additional CAIs. We anticipate 1,200 total new network miles to be placed in service, with a target of 156 CAI receiving equipment. Negotiations with two or more last mile providers will be complete.

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	75	Significant project increase in funds being spent and reimbursed for equipment and construction items as the network build ramps up. Overall project variance (includes #2b-2k) from baseline plan is due to 16+ month suspension delaying forward progress.
2b.	Environmental Assessment	97	Increase in environmental/ cultural work to progress project as required.
2c.	Network Design	94	Design complete, only need to file FCC Licenses as new sites are brought online.
2d.	Rights of Way	80	Increase in activity to complete process and receive signed documents
2e.	Construction Permits and Other Approvals	55	Increase in construction activity.
2f.	Site Preparation	70	Increase as construction activity restarts

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2g.	Equipment Procurement	80	Increase as construction activity continues. Sizable invoicing and reimbursement requests processed.
2h.	Network Build (all components - owned, leased, IRU, etc.)	55	Increase due to restarting of project activity
2i.	Equipment Deployment	50	Increase due to restarting of project activity; Rings C, B & A active
2j.	Network Testing	50	Increase due to restarting of project activity; Rings C, B & A active
2k.	Other (please specify): 203 leases	100	Exceeded Baseline scope for CAI & in-kind leases signed and recieved

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).

Continued progression and revitalization of site lease negotiations / agreements in a timely manner will continue to be a challenge due to the extended suspension. The continued environmental review process and additional SHPO coordination for federal communication sites impacts construction schedules. The geographical dispersion of approved sites and the difficult terrain in Arizona increases the complexity and time frame for engineering and construction. Weather challenges, along with species mitigation windows will continue to be key challenges affecting many sites throughout the state. We expect the initial challenges of working with new vendors and contracts to reduce as the quarter progresses. GovNET will continue to work with our Federal Program Officer as 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	\$4,854,785	\$0	\$4,854,785	\$3,633,804	\$0	\$3,633,804	\$4,133,804	\$0	\$4,133,804
b. Land, structures, right-of-ways, appraisals, etc.	\$22,287,483	\$11,076,276	\$11,211,207	\$17,107,801	\$8,973,386	\$8,134,415	\$19,252,481	\$9,218,066	\$10,034,415
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$2,053,091	\$733,009	\$1,320,082	\$1,870,941	\$785,696	\$1,085,245	\$2,131,879	\$846,634	\$1,285,245
e. Other architectural and engineering fees	\$604,613	\$0	\$604,613	\$465,848	\$0	\$465,848	\$605,848	\$0	\$605,848
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	\$4,479,813	\$821,793	\$3,658,020	\$1,163,089	\$132,530	\$1,030,559	\$2,301,692	\$217,133	\$2,084,559
j. Equipment	\$17,059,271	\$33,180	\$17,026,091	\$6,961,058	\$37,601	\$6,923,457	\$10,161,058	\$37,601	\$10,123,457
k. Miscellaneous	\$222,873	\$0	\$222,873	\$218,108	\$0	\$218,108	\$224,108	\$0	\$224,108
l. SUBTOTAL (add a through k)	\$51,561,929	\$12,664,258	\$38,897,671	\$31,420,649	\$9,929,213	\$21,491,436	\$38,810,870	\$10,319,434	\$28,491,436
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	\$31,420,649	\$9,929,213	\$21,491,436	\$38,810,870	\$10,319,434	\$28,491,436

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: \$821,793	b. Program Income to Date: \$132,530
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