

RECIPIENT NAME:MCNC

AWARD NUMBER: NT10BIX5570011

DATE: 02/16/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

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 NT10BIX5570011	3. DUNS Number 018946590
4. Recipient Organization MCNC 3021 Cornwallis Road, Research Triangle Park, NC 27709-2889		
5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2010	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 Patricia Moody Chief Financial Officer	7c. Telephone (area code, number and extension) 9192481820	
	7d. Email Address pmoody@mcnc.org	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-16-2011	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 During the quarter, we completed construction on approximately 7 miles. With the exception of a required reroute by the NC DOT on a 25 mile segment, all fiber has been engineered. The first significant equipment order was placed for lighting a 199 mile segment from Raleigh to Wilmington as approved by the NTIA. We received approval from the NTIA on the purchase of fiber via IRU from an existing carrier from Hendersonville to Cashiers that will replace 50 miles of previously planned build.

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	15	We got a slower start to construction than planned due to delay in encroachment issues and finalizing contracts with construction vendors. We however believe we will be back on schedule by end of Y2Q1.
2b.	Environmental Assessment	100	EA done, FONSI received. Amendment for required network reroute due by February.
2c.	Network Design	97	NCDOT rejected initial encroachment request on US Hwy 264 due to controlled access and suggested moving to Business Hwy 264. MCNC notified design firm to go out and complete an EA and to re-engineer the route. MCNC notified NTIA of the required change and submitted supporting documentation to the FPO.
2d.	Rights of Way	97	NCDOT rejected initial encroachment request on US Hwy 264 due to controlled access and suggested moving to Business Hwy 264. MCNC notified design firm to go out and complete an EA and to re-engineer the route. MCNC notified NTIA of the required change and submitted supporting documentation to the FPO.
2e.	Construction Permits and Other Approvals	23	As rights of way were applied for, approvals have been received. A later start to this process due to delays with engineering contribute to the slight variance, but will be offset by Y2Q1.
2f.	Site Preparation	0	Not Applicable at this time.
2g.	Equipment Procurement	25	We procured equipment for 200 miles of IRU fibers we already owned and the expenditures track to about 25% of the original forecasted budget.
2h.	Network Build (all components - owned, leased, IRU, etc)	45	We have formalized agreements and/or built 403 miles of the 887 forecasted miles of our project. 197 are via IRU's from FRC and ERC, 197 from an existing IRU, and 7 miles constructed.
2i.	Equipment Deployment	0	Deployment did not commence by end of quarter as was anticipated on the planned routes but began in early January of Y2Q1.
2j.	Network Testing	22	We are testing the fibers we build as they are constructed, or as they are obtained and ready to put in to service. At the end of the quarter, we had tested 197 of the 887 miles to be deployed
2k.	Other (please specify):	0	Not Applicable

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).
 We received a slight setback from the NC DOT with the denial of a permit on a piece of controlled access highway previously planned to traverse. While this will require a reroute and an addendum to the EA, it is not expected to impact the overall schedule of the project. We are also tracking a concern from our partner FRC with them having to move to sub-recipient status that at the end of the quarter had not been resolved.

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	Not applicable at this time.
New network miles leased	0	We had forecasted 197 miles of fiber to be lit and operated from a previously owned IRU that NTIA funds paid for the equipment to operate. Efforts toward that completion had started but were not finished at the end of the quarter and as such amounts to this 197 mile variance.
Existing network miles upgraded	0	Not Applicable
Existing network miles leased	0	Not Applicable
Number of miles of new fiber (aerial or underground)	0	We started construction later than anticipated due to permit and encroachment delay. However we are catching up in first part of 2011 and have no concerns. At end of quarter we'd place 7 miles of conduit but had not placed fiber yet.
Number of new wireless links	0	Not applicable to our project
Number of new towers	0	Not applicable to our project
Number of new and/or upgraded interconnection points	11	We had forecasted placement of 58 handholds by this date. We were delayed getting to construction due to finalization of EA FONSI, permits, and engineering, but expect to normalize within Y2Q1 and Y2Q2. The 11 noted here are where the handholds have been placed, but fiber didn't get deployed by quarter end.

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	2
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	80

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

The Education and Research Consortium (ERC)
 FRC, LLC, a subsidiary of PalmettoNet

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:

MCNC is not providing wholesale services. The Agreements noted above are part of the IRU swaps that were negotiated and submitted to NTIA for approval and those sites are expected to supply those services

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).

FRC/Palmettonet, 1500 Hampton Street, Suite 101, Columbia, SC 29201 - has been contracted to provide fiber maintenance (locates and break/fix) on the fiber once constructed. They will provide route maintenance on 100% of the newly constructed fiber. On fiber assets that they retain in the new fiber footprint, they will be in a position to provide wholesale services to other wholesale carriers, last

mile carriers and private enterprise. MCNC would be focused on the education, government and public health sectors.

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	Not Applicable
	Providers with signed agreements receiving improved access	0	Not Applicable
	Providers with signed agreements receiving access to dark fiber	2	No other arrangements beyond those previously noted with FRC and ERC have been completed. General talks with interested parties (Zayo and Dukenet Communications most notably) continue. Agreements are signed, but service not yet delivered. Previously these arrangements were noted in access rather fiber in error.
	Please identify the speed tiers that are available and the number of subscribers for each	0	Not Applicable
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Not applicable at this time
	Subscribers receiving new access	0	Not Applicable at this time
	Subscribers receiving improved access	0	Not Applicable at this time
	Please identify the speed tiers that are available and the number or subscribers for each	0	Not Applicable at this time
Residential / Households	Entities passed	0	Not applicable to our project.
	Total subscribers served	0	Not applicable to our project.
	Subscribers receiving new access	0	Not applicable to our project.
	Subscribers receiving improved access	0	Not applicable to our project.
	Please identify the speed tiers that are available and the number of subscribers for each	0	Not applicable to our project.
Businesses	Entities passed	0	Not applicable to our project.
	Total subscribers served	0	Not applicable to our project.
	Subscribers receiving new access	0	Not applicable to our project.
	Subscribers receiving improved access	0	Not applicable to our project.
	Please identify the speed tiers that are available and the number of subscribers for each	0	Not applicable to our project.

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

Not Applicable

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

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

Not Applicable

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
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
We expect to have successfully deployed the first hardware as part of the project between Raleigh and Wilmington. We expect to have received a significant number of all permits/encroachments required on the project in the next quarter and have a minimum of 5 segments either completed or under construction totaling 150 of the planned miles in the project. We expect to placed more equipment orders related to the project as some of the 5 segments referenced are put in to service.

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	35	N/A
2b.	Environmental Assessment	100	N/A
2c.	Network Design	100	N/A
2d.	Rights of Way	100	Because of our intent to pick up our construction pace, we have changed our approach for permit and encroachment application and expect to submit all before end of next quarter.
2e.	Construction Permits and Other Approvals	90	Because of our intent to pick up our construction pace, we have changed our approach for permit and encroachment application and expect to receive a large portion of these approvals back in the quarter and thus ahead of schedule
2f.	Site Preparation	0	N/A
2g.	Equipment Procurement	50	We will be procuring equipment for two specific spans to correspond with completion of construction efforts to have in hand for when fiber is completed, and thus feel we'll be ahead of pace.
2h.	Network Build (all components - owned, leased, IRU, etc.)	70	We have 887 miles of network to deploy as part of the project. As of this quarter we reported 403 complete (7 miles of new, 197 miles of upgrade of existing IRU fibers, 197 miles of newly obtained IRU fibers). We anticipate finalizing IRU's of new fibers for Balsam West, Plateau LLC, and Morris Broadband within the Y2Q1 quarter that will total 98 miles of the proposed network. We also anticipate building approximately 120 miles of new fiber, amounting to a total of 621 miles of the network out of 887 miles to be deployed.
2i.	Equipment Deployment	40	N/A
2j.	Network Testing	33	N/A
2k.	Other (please specify):	0	N/A

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).

With all permits for priority segments in hand at this point, the only major challenge we expect to potentially pose problems with our schedule will be adverse weather.

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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	\$379,500	\$83,808	\$295,692	\$310,802	\$68,637	\$242,165	\$370,802	\$81,887	\$288,915
b. Land, structures, right-of-ways, appraisals, etc.	\$350,000	\$77,294	\$272,706	\$212,373	\$46,900	\$165,473	\$270,829	\$59,810	\$211,019
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$1,397,142	\$308,543	\$1,088,599	\$1,438,478	\$317,672	\$1,120,806	\$1,589,341	\$350,988	\$1,238,353
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$3,470	\$766	\$2,704	\$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	\$31,439,915	\$6,943,153	\$24,496,762	\$223,811	\$49,426	\$174,385	\$8,587,467	\$1,896,446	\$6,691,021
j. Equipment	\$6,415,529	\$4,346,474	\$2,069,055	\$88	\$20	\$68	\$4,105,996	\$3,621,177	\$484,819
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$39,985,556	\$11,760,038	\$28,225,518	\$2,185,552	\$482,655	\$1,702,897	\$14,924,435	\$6,010,308	\$8,914,127
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$39,985,556	\$11,760,038	\$28,225,518	\$2,185,552	\$482,655	\$1,702,897	\$14,924,435	\$6,010,308	\$8,914,127

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: \$0

b. Program Income to Date: \$0