

RECIPIENT NAME:MCNC

AWARD NUMBER: NT10BIX5570011

DATE: 08/08/2011

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) 06-30-2011	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): 08-08-2011	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Construction efforts continued to proceed briskly. With all activities related to engineering/permitting nearly complete, most activities in the quarter related to project oversight of construction and planning efforts around deployment of equipment. At the end of the quarter construction of approximately 310 miles of the 413 engineered conduit miles had been completed, with placement of approximately 105 miles of fiber within that conduit. All remaining planned Indefeasible Rights to Use for fibers were closed with incumbent providers on approximately 33 miles during the quarter. All required permitting for the remainder of the project is nearly complete, with a few railroad permits the outliers. For the July-September quarter we anticipate completing all construction activities and placing in to production service several spans of the recently completed construction. The project is currently about one year ahead of schedule.

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	53	Given where we're at in the execution of contracts, agreements, and conduit placed in the ground, we believe our project is performing slightly ahead of the schedule communicated in the baseline relative to deployment of the mileage forecasted. With 75% of the conduit placed and 25% of the fiber placed, and all significant permits and agreements obtained, we feel we are nearing 75% complete. We will remain conservative at 50%.
2b.	Environmental Assessment	100	N/A
2c.	Network Design	100	N/A
2d.	Rights of Way	100	All right's of way required on the project have now been applied for.
2e.	Construction Permits and Other Approvals	98	At this point, we only lack encroachment agreements/permits from five railroads and the United States Forest Service for the Croatan across the entire footprint of the project. Together these areas represent approximately 5 miles of the entire 413 miles to be constructed as part of the project. All other areas have required construction/encroachment or equivalent permits.
2f.	Site Preparation	0	N/A
2g.	Equipment Procurement	81	We have placed orders for equipment for all segments that are priority in nature, or approximately \$2M of the \$2.6M in the original budget and thus are ahead of the projection in the baseline.
2h.	Network Build (all components - owned, leased, IRU, etc)	66	We have formalized agreements for IRU and built a total of 593 miles of the 901 forecasted miles of our project. 197 are via IRU's from FRC and ERC, 197 from an existing IRU, 61 from the IRU with Morris Broadband, 33 from the IRU's with Balsam and Plateau, and 105 miles constructed. If you factor in the miles of conduit completed, the number would be 798 miles. For the purpose of this report and the percentage noted, we will use the lower value of 593 or 66% complete, which still tracks ahead of our 40% forecast in the baseline. If to the higher number we would be at 88%.
2i.	Equipment Deployment	22	Due to delays in getting started on construction by approximately two quarters, this milestone will lag by about one quarter in reporting. We base the deployment number at 197 miles now operated of the 901 reflecting the placement of equipment between Raleigh and Wilmington. Originally we would have expected to have had Mocksville/Asheville and Rocky Mount/Greenville deployed as well, but the delay in construction did not allow. These spans likely will deploy in late summer and we will be back on track by Y2Q3.
2j.	Network Testing	66	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 593 of the 901 miles to be deployed.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2k.	Other (please specify):	0	N/A

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).

Issues related to execution of the project itself are now limited to construction activities themselves. Needs from NTIA are starting to lessen as we get more closure around how to handle sell and swap of fibers within the project. During the next quarter we expect to bring opportunities to the NTIA on how to leverage our savings we have realized within the project to deploy more miles related to the award.

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	107	In total we have deployed 107 miles of fiber and 310 miles of conduit. While we are behind the number reported in the baseline due to the delay in the start of construction, we anticipate being fully caught up by end of Y2Q3. The construction of the conduit is what takes 90-95% of the time per segment to complete. When the fiber crews get started as the conduit is complete, they are able to complete 2-3 miles a day across the footprint. Both crews are on pace to complete all construction activities by end of September based on forecasts they are currently giving.
New network miles leased	291	Our projections on network miles leased have been inaccurate due to misinterpretation of network miles leased versus network miles upgraded in our reporting efforts. As it relates to leasing (or in our case acquisition under IRU), we have now fully executed all that were planned. The total of 291 is from 197 from ERC and FRC routes communicated in application, 61 from Morris Broadband acquisition, and 33 from the Balsam and Plateau IRU's approved during the project.
Existing network miles upgraded	197	These miles represent fiber that MCNC already had the rights to via IRU and presented in the project and BTOP funded the equipment.
Existing network miles leased	0	NA
Number of miles of new fiber (aerial or underground)	595	We had forecasted 546.5 in our baseline and at this point are ahead of our baseline.
Number of new wireless links	0	NA
Number of new towers	0	NA
Number of new and/or upgraded interconnection points	865	We had projected 160 in our baseline and are well above that. This number is representative of all splice enclosures and hand holds on our new builds as well as acquired fibers that have agreements allowing for interconnect at existing access points like hand holds and splice points.

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	

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	4
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:
 MCNC has signed agreements for an approved swap with ERC and FRC as part of the project that was defined at application. FRC, our subrecipient, has agreed in principle to agreements with Zayo Bandwidth and Dukenet Communications for fibers in the route.

 The negotiated agreements are with ERC for more fibers along the route than originally planned in a different location and with Haywood County Government.

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 the NTIA for approval and those sites are expected to supply those services.

 FRC is currently negotiating for a long term IRU sale of Dark Fiber assets along specific portions of the planned ring build. The potential customer is a company known as Zayo, LLC, a Colorado company. Pricing for the fiber has been offered at a one time IRU fee of \$1.8M, and annual maintenance fees of \$70.19K, or \$5,848 per month. The deal has not yet closed.

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 (Primary Business Contact Mike Baldwin, 1500 Hampton St., Columbia SC., 803-771-7476) has been contracted to provide fiber maintenance (locates and break/fix) on the fiber once construction is complete. 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	2	N/A
	Providers with signed agreements receiving improved access	0	Initial projection in baseline was wrong due to planned swaps being removed from project.
	Providers with signed agreements receiving access to dark fiber	2	0
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
Community Anchor Institutions (including Government institutions)	Total subscribers served	497	We are below projections due to a delay in starting construction. We forecast lighting two priority spans to Asheville, NC and Greenville, NC in the third quarter as construction efforts to those areas are completed and that activity will enable greatly improved access to a large number of CAI's. Numbers presented here were reported in our last quarterly report. There was no new activity this quarter.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	497	We are below projections due to a delay in starting construction. We forecast lighting two priority spans to Asheville, NC and Greenville, NC in the third quarter as construction efforts to those areas are completed and that activity will enable greatly improved access to a large number of CAI's. Numbers presented here

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
			were reported in our last quarterly report. There was no new activity this quarter.
	Please identify the speed tiers that are available and the number or subscribers for each	0	10Gbps shared backbone is available to all of these subscribers with more bandwidth available to be provisioned as required.
Residential / Households	Entities passed	0	NA
	Total subscribers served	0	NA
	Subscribers receiving new access	0	NA
	Subscribers receiving improved access	0	NA
	Please identify the speed tiers that are available and the number of subscribers for each	0	NA
Businesses	Entities passed	0	NA
	Total subscribers served	0	NA
	Subscribers receiving new access	0	NA
	Subscribers receiving improved access	0	NA
	Please identify the speed tiers that are available and the number of subscribers for each	0	NA

7. Please describe any special offerings you may provide (600 words or less).
We are able to provide lambda based point to point based circuits between all NCREN POP's enabled by the new infrastructure.

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).
We anticipate being very close to having all construction completed or close to complete by the end of the September reporting quarter. We additionally expect to begin operating newly constructed fiber paths to Asheville and Greenville and upgrading service to those regions of North Carolina with 10G of IP internet service, as well as the capability to have lambda based connectivity out of those regions.

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	N/A
2b.	Environmental Assessment	100	N/A
2c.	Network Design	100	N/A
2d.	Rights of Way	100	N/A
2e.	Construction Permits and Other Approvals	100	N/A
2f.	Site Preparation	0	N/A
2g.	Equipment Procurement	100	Due to the quicker deployment of the fiber, we anticipate we will have placed orders for all equipment by the end of Y2Q3.
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	We are conservatively projecting completion of all fiber builds in the project by end of the quarter unless we experience an unexpected delay.
2i.	Equipment Deployment	50	We anticipate having all priority segments lit prior to the end of the quarter, which when based on the number of miles in the project, will represent slightly greater than 50% of equipment located in the field.
2j.	Network Testing	100	Due to quicker than expected construction, we feel we will have all fiber deployed, and thus have all fiber tested.
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).

Adverse weather could continue to be something beyond our control that could impact us. We still need to start and complete a 2400 foot river bore in eastern NC that could be challenging. However, we remain confident the crew that will do this work will be successful given they completed one much more difficult in the western portion of our state.

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	\$409,949	\$98,324	\$311,625	\$450,000	\$99,377	\$350,623
b. Land, structures, right-of-ways, appraisals, etc.	\$350,000	\$77,294	\$272,706	\$362,267	\$80,002	\$282,265	\$383,475	\$84,686	\$298,789
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	\$1,750,579	\$386,596	\$1,363,983	\$1,800,000	\$397,510	\$1,402,490
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	\$14,623,077	\$3,914,995	\$10,708,082	\$23,000,000	\$5,079,292	\$17,920,708
j. Equipment	\$6,415,529	\$4,346,474	\$2,069,055	\$3,928,115	\$2,649,089	\$1,279,026	\$4,750,000	\$2,830,593	\$1,919,407
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	\$21,073,987	\$7,129,006	\$13,944,981	\$30,383,475	\$8,491,458	\$21,892,017
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	\$21,073,987	\$7,129,006	\$13,944,981	\$30,383,475	\$8,491,458	\$21,892,017

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
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