

RECIPIENT NAME:MCNC

AWARD NUMBER: NT10BIX5570120

DATE: 02/13/2012

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 NT10BIX5570120	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) 12-31-2011	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): 02-13-2012	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Construction continued this quarter on the first priority segment from Charlotte to Wilmington in the project, as well as beginning construction in the northeast portion of the state. At the end of the quarter we had built 365 miles of conduit, representing approximately 27% of the planned construction efforts. In addition we finalized several IRU's during the quarter bringing our total at the end of the quarter 223 miles in the project. Final engineering efforts continue to finalize the construction plans and any required easements. NTIA formally approved a switch from an IRU to a build over a 57 miles stretch of network between Monroe and Huntersville. In addition, we began construction on placement of fiber along 15 miles of bridges in northeast North Carolina that will connect the Outer Banks back to the mainland.

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	22	This number for completeness is based on dollars spent. While the planning efforts of the project for engineering and permitting represent a great amount of work, they don't represent a great amount of spend, thus less than the 25% forecasted on the baseline. We closed this gap significantly during the quarter as all three of our prime contractors had significant portions of the build in process. Over the next 1-2 quarters you will see this number bypass the baseline relative to number of miles deployed and dollars spent. At this point, we are not concerned with meeting expectations of the project and project overall completion of 67% by end of July 2012 and 100% completion by July of 2013.
2b.	Environmental Assessment	100	NA
2c.	Network Design	88	With some of the required reroutes of our projects pending, our original baseline for miles in the project is now wrong. We anticipate the final number of miles for the project if all reroutes are approved to be 1700 miles. We show approximately 1135 miles fully engineered and 362 miles where IRU's/acquisition are agreed to in principle and working toward finalization, for a total of 1497 miles designed, or 88%. We anticipate by the end of the March quarter if all reroutes are approved that we will virtually be finalized with design, with all design complete by end of June. The variance to baseline relates to those areas where full design has not been completed due to reroutes currently under consideration by NTIA. Percent completeness is based on acquisition and design of miles relative to approved route.
2d.	Rights of Way	82	The permitting process continues to be a challenge in such a large project. We asked our engineering firm to prioritize routes that we wanted to start constructing first for permit as opposed to going project wide. This was required due to the back and forth that DOT was going through in this process. By focusing on certain spans, we had a higher probability for finalizing key segments. Thus, all permits have not yet been applied for. At the end of the quarter we had applied for 150 of the 183 aggregate permits, or 82%. We are slightly behind where we hoped to be at this point but anticipate being on target next quarter. The change we employed continues to be the best approach knowing that some of the routes not yet applied for are 6-9 months away from commencement of construction. Percent completeness is based on number of permits acquired relative to number of permits required.
2e.	Construction Permits and Other Approvals	58	We do not have as many permits obtained at the end of the quarter as expected due to a slower approval rate than anticipated. 107 of 183 required DOT, railroad and municipal permits have been obtained, or 58%. While lower to baseline, because these permits are in areas that are not forecasted for construction until the second half of 2012, this is not a concern. We will be pushing for full permits by end of the March quarter, but realizing that we may slip until the end of June for 100%.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			Percent completeness is based on number of permits acquired relative to number of permits required.
2f.	Site Preparation	7	At the end of the quarter we had received full easements or right of entry for 18 of the 19 locations around the state. We had begun the actual site work at 4 of these locations, and all 18 known locations had final engineering drawings completed. This represents about 1/2 of the work of the project in aggregate of what has been done. We believe we will fully implement all hut locations by end of the second year. Percent completion is based on dollars spent for construction efforts at site relative to budget and is below baseline due to actual construction being slower. We anticipate catching up in the next 1-2 quarters.
2g.	Equipment Procurement	1	In December we completed proof of concept laps with two finalists from our RFP process. We expect to make a decision by end of January 2012 on this award and will be procurement in earnest in February. While we are significantly behind in this line item, because no significant portions of fiber is yet ready, this is not a concern. We expect to be resumed to or exceeding baseline in 1-2 more quarters, or by Y2Q2. Percent complete is based on expenditures relative to budget.
2h.	Network Build (all components - owned, leased, IRU, etc)	21	This number for 21% completeness if based on dollars spent, above our 15% established in baseline. Relative to judging our build "completeness", by the end of the quarter our firm fiber total completed within the project stood at 261 miles. Of this, 40 were existing MCNC assets to be placed in to the project from a previously owned route from Level3, 20 from the BTOP1 project used to tie the round 1 and round 2 networks together, 163 from finalized IRU's, and 38 from completed new builds. This is approximately 15% of the expected 1700 miles (after all required reroutes and final engineering are done). If based on conduit miles constructed, which accounts for the bulk of the time during construction, you would add 329 more miles to the project, for a total of 590 miles, or about 35%. At this point, we are right in line with the baseline established for the project.
2i.	Equipment Deployment	0	Due to delay in finalizing the selection of the equipment manufacturer, we are thus behind in ordering and deployment. While baseline called for 22%, we believe that our baseline was forecasted too aggressively when it was completed. With the first major span expected to complete in the spring of 2012, as well as finalizing of several IRU's, this number will recover over the next 1-2 reporting quarters.
2j.	Network Testing	10	We have tested the IRU fibers received but have not yet tested any of the fibers constructed as full segments are not complete. This represents approximately 10%, slightly below baseline. We will recover relative to baseline reporting by the second quarter of 2012.
2k.	Other (please specify): NA	0	NA

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).

Permitting remains a challenge as we work with the railroads and DOT on the quantity of permits required. The process of having to work through reroutes with the NTIA while a necessary requirement, does create gaps in final designs that have to be approved before full builds can be completed. This slows deployment of fiber in some cases as reels have to be held out where the gaps occur. Timely review of the reroute requests will be helpful to staying on schedule.

Winter weather is upon us and will likely slow us down in some regions, but our contractors are committed to working through it. The volume of materials we are ordering from our material vendor creates several "just in time" arrival of key components like conduit to the field, but thus far, we have not had any issues.

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	38	This represents the number of miles of fiber actually placed. We would be able to account for more were it not for areas where we had to do reroutes to avoid future road projects that had to be taken to NTIA for consideration. We have constructed 367 miles of conduit, far ahead of the 169 miles projected. A slower start to construction by both MCNC and ERC is the primary driver for lower number to baseline. We expect to recover from this by the end of the year 2 reporting period.
New network miles leased	163	Formal agreements with Zayo, BREMCO, Skyline, Pangea, and Greenlight were completed. These represented planned IRU acquisitions from the original proposal, as well as some approved during project by NTIA. We are ahead of baseline for this metric.
Existing network miles upgraded	60	60 miles of existing fiber are secured and ready to be lit when complementary fiber is completed in the project. 40 are from an existing route with Level3 owned by MCNC, and 20 from BTOP1 routes that are complete and will be used to tie the two networks together.
Existing network miles leased	0	NA
Number of miles of new fiber (aerial or underground)	38	We are below baseline of 264. Baseline contained acquired (Indefeasible Right to Use) miles in the calculation and thus all miles associated with the project. We will be below baseline going forward as the numbers reported will be actual construction numbers only.
Number of new wireless links	0	NA
Number of new towers	0	NA
Number of new and/or upgraded interconnection points	38	We keep this number conservative to correspond with actual constructed miles deployed. During the implementation of the construction of conduit, hand holds average about 1 per mile, We will overcome this deficit in the next 1-2 reporting quarters.

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	0
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:

There are no signed agreements as of yet, but there are many discussions occurring between our marketing partner ECC Technologies with carriers about access to the round 2 route.

Due to planned completion dates of specific routes, as well as ongoing discussions by our marketing firm with folks interested in those routes, it is hard to accurately forecast when final agreements could be in place. However, given our current schedule and discussions to date, we anticipate being back on schedule to baseline by Q2Y3.

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:

None available at this time. We anticipate a carrier to gain access in the route in the future, who will offer a fully array of telecom services. To our CAI constituents, we will be offering IP service up to 10Gbps, lambda (circuit) services, as well as dark fiber as requested.

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).
 Not applicable at this time.

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	We forecasted agreements too soon in our baseline based on completion cycle of the build. While it's hard to forecast when any agreements will be signed, we are encouraged by discussions our marketing firm is having with potential carriers. Due to planned completion dates of specific routes, as well as ongoing discussions by our marketing firm with folks interested in those routes, we anticipate being back on schedule to baseline by Q1Y3.
	Providers with signed agreements receiving improved access	0	We forecasted agreements too soon in our baseline based on completion cycle of the build. While it's hard to forecast when any agreements will be signed, we are encouraged by discussions our marketing firm is having with potential carriers. Due to planned completion dates of specific routes, as well as ongoing discussions by our marketing firm with folks interested in those routes, we anticipate being back on schedule to baseline by Q1Y3.
	Providers with signed agreements receiving access to dark fiber	0	We forecasted agreements too soon in our baseline based on completion cycle of the build. While it's hard to forecast when any agreements will be signed, we are encouraged by discussions our marketing firm is having with potential carriers. Due to planned completion dates of specific routes, as well as ongoing discussions by our marketing firm with folks interested in those routes, we anticipate being back on schedule to baseline by Q1Y3.
	Please identify the speed tiers that are available and the number of subscribers for each	0	NA
Community Anchor Institutions (including Government institutions)	Total subscribers served	12	We are right on baseline as we have finalized IRU's with providers for these locations (schools, libraries, and community colleges).
	Subscribers receiving new access	12	We are right on baseline as we have finalized IRU's with providers for these locations (schools, libraries, and community colleges).
	Subscribers receiving improved access	0	NA
	Please identify the speed tiers that are available and the number or subscribers for each	1	Service will be provisioned to these 12 locations at 1Gbps.
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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
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).
 Our network, once deployed, will enable service offerings of 1Gbps to 100Gbps as required. The optronics we expect to deploy will have tremendous growth capability based on the road maps presented to us by the vendor finalists for equipment.

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

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

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
Wilson Community College	Wilson, NC	Community College	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Wilson County Schools	Wilson, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Wilson County Public Library	Wilson, NC	Public Library	No	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Isothermal Community College-Rutherford Campus	Rutherford ton, NC	Community College	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Isothermal Community College-Polk Campus	Columbus, NC	Community College	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Polk County Schools	Columbus, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Rutherford County Schools	Rutherford ton, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Polk County Public Library	Columbus, NC	Public Library	No	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Tri-County Community College-Graham Campus	Robbinsvil le, NC	Community College	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.

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
Jackson County Schools	Sylva, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Swain County Schools	Bryson City, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.
Graham County Schools	Robbinsville, NC	Public School District	Yes	BTOP funds enabled the purchase of existing fiber under IRU to this location. We will be using the fiber to provide up to 1Gbps service to this location.

Project Indicators (Next Quarter)

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

We anticipate finalizing our equipment vendor and begin ordering of equipment. We expect to fully complete all construction activities between Charlotte and Wilmington and make significant progress on Raleigh to Hamlet. We expect to push further in to the north east and north central portions of the state, as well as complete bridge attachment to approximately 15 miles of bridges in the northeast part of the state, as well as the first 6-8 hut deployments completed. Our goal is for 600 miles of fiber conduit to be placed that are part of the project.

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	34	We will be behind in expenditures to baseline by approximately 10% for this quarter. The winter months with required shutdowns around holiday's with DOT and slower permitting will impact the amount of work performed in late December and early January, and thus billings that will occur from our contractors. We expect to be back on pace in February and that will allow us to recover from this variance to budget by the 3rd quarter of 2012. Percent completion is based on dollars spent relative to budget.
2b.	Environmental Assessment	100	NA
2c.	Network Design	90	Depending on timing of the reroute reviews from NTIA, this task could show 100% completion. Percent completeness is based on acquisition and design of miles relative to approved route.
2d.	Rights of Way	90	Depending on timing of the reroute reviews from NTIA, this task could show 100% completion. Percent completeness is based on number of rights of way acquired relative to number required for completion.
2e.	Construction Permits and Other Approvals	90	Depending on timing of the reroute reviews from NTIA, this task could show 100% completion. Percent completeness is based on number of construction permits acquired relative to number required for completion.
2f.	Site Preparation	22	We will still be ahead of schedule and expect to have the first 4-6 locations fully implemented per their now completed construction designs.
2g.	Equipment Procurement	50	Once the vendor has been selected, we anticipate making a large first order so that we can begin receiving the equipment in advance of deployment. We are a bit concerned about potential manufacturing delays and due to that we anticipate making a large order initially for the backbone equipment.
2h.	Network Build (all components - owned, leased, IRU, etc.)	33	We anticipate being right at baseline relative to dollars or slightly ahead based on forecasted efforts for the spring.
2i.	Equipment Deployment	15	We will be behind to baseline for this metric due to a slower than anticipated closing of IRU's and construction start. Deployment of equipment moves fairly briskly, however, and we anticipate recovering in the next 2-3 quarters.
2j.	Network Testing	25	As more of our constructed fiber is deployed, we anticipate catching up on this metric, but acknowledge we will continue to be behind the baseline for another quarter.

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	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2k.	Other (please specify): NA	0	NA

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).

Timely review by the EA team on the required reroutes is of utmost importance. Beyond that, we feel our project is now in full construction mode and timely delivery of materials by our contractors will be critical. Thus far we have not been impacted by fiber delays and have a commitment from our vendor for manufacture of 125k feet per week of fiber, and 135k feet per week of conduit. The continuation of this just in time delivery will be vital to our project finishing this year from a construction point of view. Weather during the winter and spring months could slow us down, but would likely be offset by a typically dry summer.

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	\$757,080	\$183,865	\$573,215	\$823,518	\$200,000	\$623,518	\$845,000	\$205,217	\$639,783
b. Land, structures, right-of-ways, appraisals, etc.	\$5,692,533	\$1,920,062	\$3,772,471	\$405,324	\$166,649	\$238,675	\$1,250,000	\$371,788	\$878,212
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$7,425,748	\$1,803,424	\$5,622,324	\$4,745,461	\$1,152,487	\$3,592,974	\$5,393,000	\$1,309,749	\$4,083,251
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$7,205	\$1,750	\$5,455	\$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	\$85,037,468	\$24,683,797	\$60,353,671	\$17,531,320	\$6,741,088	\$10,790,232	\$28,400,000	\$9,380,665	\$19,019,335
j. Equipment	\$6,971,935	\$1,693,210	\$5,278,725	\$68,019	\$16,519	\$51,500	\$100,000	\$24,286	\$75,714
k. Miscellaneous	\$200,000	\$48,572	\$151,428	\$158,214	\$38,424	\$119,790	\$185,000	\$44,929	\$140,071
l. SUBTOTAL (add a through k)	\$106,091,969	\$30,334,680	\$75,757,289	\$23,731,856	\$8,315,167	\$15,416,689	\$36,173,000	\$11,336,634	\$24,836,366
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$106,091,969	\$30,334,680	\$75,757,289	\$23,731,856	\$8,315,167	\$15,416,689	\$36,173,000	\$11,336,634	\$24,836,366

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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