

RECIPIENT NAME:MCNC

AWARD NUMBER: NT10BIX5570120

DATE: 05/04/2011

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 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) 03-31-2011	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): 05-04-2011	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Activities for the quarter were limited to work on environmental and engineering elements of the project. The activities of the MCNC portions of the project as well as ERC's who is a sub-recipient were tightly coupled due to EA and engineering work being tied together to complete the EA draft for the entire project. Our project team met a critical milestone with the submission of the draft environmental assessment to the NTIA on 2/1/2011. Comments from NTIA were returned the middle of March and at the end of the quarter those questions were being addressed. Engineering efforts on the project began with the entire route having base mapping performed and initial field engineering efforts commencing. By the end of the quarter the first permitting activities had begun with the NC Department of Transportation and various controlling railroads along the route. A fair amount of time has been spent working through overlap issues with other federally funded projects within the state, with the bulk of that work with USDA RUS award winners. During the quarter we awarded a contract to Commscope for materials related to the project that will start to be ordered at which point the environmental assessment results in a FONSI. In addition we opened and closed an RFP for construction of the conduit/fiber. At the end of the quarter selection of those vendors to perform this function were being evaluated. Lastly, discussion of all planned IRU's commenced with those providers that would provide with contracts exchanged and reviewed.

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	3	Baseline % complete for round 2 was calculated based on a percentage of dollars expended. As such, we are behind schedule as only \$2M in costs have been submitted thus far.
2b.	Environmental Assessment	75	Draft submitted on 2/1/11 as required per SAC. By end of quarter we had received and were responding to comments from NTIA for resubmission to NTIA planned for 4/29/11. With initial comments received prior to end of quarter, we feel we're slightly ahead of where we planned at this point.
2c.	Network Design	35	As reported in baseline, the planned network had 1694 miles associated with it. For the purposes of reporting here, we will report on routes actually engineered by our firm, while also adding to it the number of miles where IRU's or existing fibers are confirmed. At the end of the quarter, our firm had completed the engineering design of 2,798,321 feet, or 529 miles. 60 of our planned miles were from the BTOP1 route from Lenoir to Hickory that we would tie in to as well as 37 miles of existing fiber we had previously acquired from Level3. No other IRU's were completely negotiated at this point, so we will not consider them designed until executed. Thus, we consider 589 miles of the 1694 designed, or 35% which is behind schedule by 18%. We are about a quarter behind due to tracking relative to a calendar quarter in our project plan as opposed to realizing that in the Q1 report, we actually only have about 5 weeks of available work time.
2d.	Rights of Way	1	By the end of the quarter we had submitted a right of way package to DOT for one county and approximately 20 railroad crossings. Relative to the number of miles in the entire network this is insignificant, but does amount to 1% of the overall ROW's to be submitted. At this point in the process we are not very far behind the 2% forecasted for this activity.
2e.	Construction Permits and Other Approvals	0	While we had forecasted to have 2% of this activity completed, as of the end of the quarter we had not received any formal approval. With our late start for the rights of way process this is not alarming and we anticipate recovering in Y1Q4 and Y2Q1.
2f.	Site Preparation	0	Agreement work with each site has commenced however none are completed as expected, meaning we have missed 2% mark. Additionally with no clearance on the EA, we could not begin ground disturbing events prior to quarter end.
2g.	Equipment Procurement	0	None had been planned at this point.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2h.	Network Build (all components - owned, leased, IRU, etc)	2	With 37 miles of existing fiber we had acquired designated for the project, we consider 2% complete. BTOP1 fibers designated for the project, while designed, were not fully built, and as such we don't note them here. No IRU's formally signed to transfer title nor had donated conduit been proofed and deployed, but with what's secured and in place, we are slightly ahead of schedule.
2i.	Equipment Deployment	0	None planned.
2j.	Network Testing	2	Network testing occurs on fibers as they are built or acquired meaning this matches the network build section and slightly ahead of schedule.
2k.	Other (please specify):	0	Not applicable to our project.

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).

The size of the project is significant. Performing the EA on the entire footprint of the project and not being able to separate the laterals for the CAI connections from the middle mile to get started made completion of the EA draft a challenge. We are concerned with timeliness of receiving the FONSI in the fourth quarter. We feel if the laterals could have been separated from the trunk aspects of our project, work could begin quicker. Even given this, we still believe completion will not be a concern. The overlap issues have been problematic, especially given that the USDA RUS award winners do not have the same set of special award considerations to live up to, and so thus do not necessarily share the same motivation we do to close the issues out. We continue to aggressively work these 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	0	ERC had anticipated deploying a small amount of fiber to one of it's CAI's in the third quarter had the FONSI been received but this did not happen. The variance to budget is insignificant in quantity.
New network miles leased	0	na
Existing network miles upgraded	0	na
Existing network miles leased	0	na
Number of miles of new fiber (aerial or underground)	0	The provided baseline miles were anticipated to be miles completed by ERC early in the process had we finalized the EA and received FONSI. Given this hasn't occurred construction couldn't start. The variance will be overcome as FONSI is obtained.
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	0	na

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	1
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	4

Indicators	
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:
French Broad Electric Membership regarding a proposed IRU for fibers in their footprint.

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:
Services offered on this network will range from dark fiber sales/leases to 10Gbps provisioned lambdas, with all available speeds between available. See attached.

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).
Not applicable at this time. We anticipate potentially releasing an RFP in the next quarter for identifying a firm to assist in this process.

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	Discussions are ongoing with many interested entities regarding potential access to fibers, but none are imminent. Forecasts here were wrong in that they may have included the planned IRU's of fiber purchases in error.
	Providers with signed agreements receiving improved access	0	Discussions are ongoing with many interested entities regarding potential access to fibers, but none are imminent.
	Providers with signed agreements receiving access to dark fiber	0	na
	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	0	No construction activities have commenced.
	Subscribers receiving new access	0	No construction activities have commenced.
	Subscribers receiving improved access	0	No construction activities have commenced.
	Please identify the speed tiers that are available and the number or subscribers for each	0	No construction activities have commenced.
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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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	No construction activities have commenced.
	Total subscribers served	0	No construction activities have commenced.
	Subscribers receiving new access	0	No construction activities have commenced.
	Subscribers receiving improved access	0	No construction activities have commenced.
	Please identify the speed tiers that are available and the number of subscribers for each	0	No construction activities have commenced.

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 the 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).

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
see attached	na	na	na	na

Project Indicators (Next Quarter)

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

We hope to achieve a FONSI in the next quarter. We hope to have greater than 90% of the route engineered/designed. If FONSI is obtained in May, we believe we can begin construction activities in June in advance of quarter ending. We hope to have greater than 50% right of way's applied for and 25% of construction permits achieved. We anticipate planning a ground breaking activity for July. We hope to execute on two of the IRU agreements we had outlined at project application (Zayo and Blue Ridge Electric) during the quarter securing rights to 107 miles 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	5	We overestimated expenses related to engineering to this point. Until procurement of materials commences and construction activities start, it will be difficult to pass our estimates for expenditures.
2b.	Environmental Assessment	100	If we receive the FONSI in the 4th quarter we will meet the projection.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2c.	Network Design	60	We potentially will be back on track related to this activity, but given where we're at now, we choose to remain conservative. If behind in 4th quarter, we will be at projection by Y2Q1.
2d.	Rights of Way	30	This activity closely tracks the network design. Given some of the pace of permitting at the start of Q4, we believe we'll be ahead of pace on this activity by end of quarter.
2e.	Construction Permits and Other Approvals	10	Construction permits come with successful ROW completion and review by NC DOT in the majority of the cases. Due to applications starting to happen in broader basis by completion of this report in April we believe we'll have closure on some by end of June, but given late start, will still be behind pace. We will recover by end of Y2Q1 we believe.
2f.	Site Preparation	5	Discussions with the community colleges that are providing locations for the project are ongoing. We believe by end of the quarter we will have material agreement with all of these locations which is a small portion of site preparation. The exercised right to locate here from a legal standpoint is a part of the overall activity.
2g.	Equipment Procurement	2	A small amount of equipment procurement may commence in June to light some of the IRU'd fiber in late summer, but cannot commence until FONSI, so this is not a given. Given this uncertainty, we project we'll be behind pace slightly.
2h.	Network Build (all components - owned, leased, IRU, etc.)	9	With execution of IRU's and completion of some of the BTOP1 fiber builds, we believe we'll have approximately 150 of the planned miles secured and thus slightly ahead of schedule.
2i.	Equipment Deployment	0	Given where we're at in the receipt of the FONSI and design, we don't anticipate deployment by end of June, meaning we're behind.
2j.	Network Testing	9	With execution of IRU's and completion of some of the BTOP1 fiber builds, we believe we'll have approximately 150 of the planned miles secured. We will test these fibers as we receive/complete them.
2k.	Other (please specify):	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 receipt of a FONSI. Final guidance from NTIA on how to structure sale/lease/swap of fiber to finalize the subrecipient IRU's of fiber from ERC to MCNC will be crucial. Cooperation from NC DOT on design of route and granting of ROW encroachments is crucial. We are consulting with them on planned traffic improvement plans that could potentially require some reroutes to avoid areas where road widening projects are slated to begin, and we will be learning of these activities over the next 3-6 months. Final execution of the planned IRU's is critical at the front end so as to make sure all planned acquisitions are completed without issue. Beyond that, our engineering firm is performing superbly, and with contracts ready to be signed with contractors and materials contract signed as well, if we have a FONSI in hand in a timely fashion and encroachments from DOT, there is no reason we can't begin construction activities by end of June at the latest. Until solved, the overlap issues with other federal projects, particularly USDA RUS, will be a drag on the project and take a large allocation of time to solve relative to the overall project.

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	\$595,054	\$144,516	\$450,538	\$670,054	\$162,730	\$507,324
b. Land, structures, right-of-ways, appraisals, etc.	\$5,692,533	\$1,920,062	\$3,772,471	\$46,978	\$11,409	\$35,569	\$441,978	\$107,339	\$334,639
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	\$1,887,752	\$458,461	\$1,429,291	\$4,255,352	\$1,033,459	\$3,221,893
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	\$34,025	\$8,263	\$25,762	\$4,394,274	\$1,067,197	\$3,327,077
j. Equipment	\$6,971,935	\$1,693,210	\$5,278,725	\$47,006	\$11,416	\$35,590	\$47,006	\$11,416	\$35,590
k. Miscellaneous	\$200,000	\$48,572	\$151,428	\$0	\$0	\$0	\$100,000	\$24,286	\$75,714
l. SUBTOTAL (add a through k)	\$106,091,969	\$30,334,680	\$75,757,289	\$2,610,815	\$634,065	\$1,976,750	\$9,908,664	\$2,406,427	\$7,502,237
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	\$2,610,815	\$634,065	\$1,976,750	\$9,908,664	\$2,406,427	\$7,502,237

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