

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 NT10BIX5570074	3. DUNS Number 153873930
--	---	--

4. Recipient Organization Contact Network Inc. d/b/a InLine 600 Lakeshore Parkway, Birmingham, AL 35209-6361
--

5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2012	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 Michele Boner Accounting Manager	7c. Telephone (area code, number and extension) 2052788134
	7d. Email Address mboner@inline.com

7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-19-2013
---	--

--

Project Indicators (This Quarter)			
<p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>During this quarter construction maps and detailed drawings were created and used to submit permits to various entities including the Mississippi Department of Transportation and various City and County governments. Railroad permits were applied for and approved. Pole attachment permits were submitted and approved. Mississippi Department of Transportation and City and County permits were also approved and received during this quarter. A few deliveries of fiber were received. Additional Hand Holes/Vaults were also received this quarter. A total of 49 new miles of fiber was constructed bringing our total to 565 miles. Four additional Community Anchor Institutions were connected during this quarter, bringing the total to fifty four Anchor Institutions Connected.</p>			
<p>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).</p>			
	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2a.	Overall Project	92	This is ahead of our anticipated percent complete reported in our baseline.
2b.	Environmental Assessment	100	No variance from baseline
2c.	Network Design	92	Since the baseline was submitted it became evident that the network design will be fluid as we move forward. While the network design is 92% complete, as ride outs and meetings are held with various utilities and local government agencies and as permits are negotiated the network design may need to be updated and/or changed. As a result the actual percent complete in this category varies from our initial baseline report which assumed that we would be working on all sections of the build simultaneously during the first year thus causing the variance between actual and our baseline projections.
2d.	Rights of Way	89	Since the baseline was submitted it became evident to Contact Network Inc. that the design, build and procurement should be conducted in such a way as to accommodate the districts for which we have signed contracts in place for services. Our primary focus for design, engineering, permitting etc. will be on these Community Anchor Institutions. As a result the actual percent complete in this category varies from our initial baseline report.
2e.	Construction Permits and Other Approvals	89	Since the baseline was submitted it became evident to Contact Network Inc. that the design, build and procurement should be conducted in such a way as to accommodate the districts for which we have signed contracts in place for services. Our primary focus for design, engineering, permitting etc. will be on these Community Anchor Institutions. As a result the actual percent complete in this category varies from our initial baseline report.
2f.	Site Preparation	52	There is a variance from our baseline in this milestone category simply based on the number of Community Anchor Institutions connected.
2g.	Equipment Procurement	56	Equipment is being purchased on an as needed basis based on the number of Community Anchor Institutions contracted etc.
2h.	Network Build (all components - owned, leased, IRU, etc)	92	This is ahead of our anticipated percent complete reported in our baseline.
2i.	Equipment Deployment	52	There is a variance from our baseline in this milestone category simply based on the number of Community Anchor Institutions connected.
2j.	Network Testing	52	There is a variance from our baseline in this milestone category simply based on the number of Community Anchor Institutions connected.
2k.	Other (please specify):	0	No variance
<p>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).</p> <p>We are still experiencing delays due to negotiations of Franchise Agreements with various cities and counties as well as with all the</p>			

railroad crossing permits, which are taking on average six weeks to secure and Mississippi Department of Transportation permits we submit. Also, the cost of aerial build has dramatically increased - specifically the annual pole attachment fees and the one time make ready costs. Also, the Electric Power Associations have changed the allocation space where communications are allowed to attach from 40 inches to 84 inches with is either causing us to have to pay for pole change outs or change the build to underground. Also, we are still having issues with the K-12 schools are not freely allowing us to place the telecommunication huts for interconnection on their properties.

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	565	Due to actual contracts signed and the focus being to provide these Community Anchor Institutions service this number varies from our initial baseline projections.
New network miles leased	0	Due to actual contracts signed and the focus being to provide these Community Anchor Institutions service this number varies from our initial baseline projections.
Existing network miles upgraded	14	No variance from baseline
Existing network miles leased	0	No variance from baseline
Number of miles of new fiber (aerial or underground)	565	Due to actual contracts signed and the focus being to provide these Community Anchor Institutions service this number varies from our initial baseline projections.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	21	No Variance from baseline

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	4
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	1
Average term of signed agreements (in quarters)	60

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
PEG Bandwidth, Windstream, Bailey Cable TV, DSL by Air

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:

Our wholesale service offerings include: 10Mbps Private Network; 10Mbps Fiber Connection with Internet Access; 100Mbps Private Network; 100Mbps Fiber Connection with Internet Access; 500Mbps Private Network; 1000Mbps Private Network

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; we do not have a third party operating any part of our network.

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	4	Baseline projections did not include any Broadband Wholesalers or Last Mile Providers receiving new access
	Providers with signed agreements receiving improved access	0	Negotiations are still ongoing.
	Providers with signed agreements receiving access to dark fiber	0	No variance from baseline
	Please identify the speed tiers that are available and the number of subscribers for each	0	10Mbps Private Network-no subscribers; 10Mbps Fiber Connection with Internet Access-one subscriber; 100Mbps Private Network-no subscribers; 100Mbps Fiber Connection with Internet Access-no subscribers; 100Mbps Private Network - 3 subscribers
Community Anchor Institutions (including Government institutions)	Total subscribers served	54	During this quarter we connected four additional Community Anchor Institutions which varies from our baseline projections.
	Subscribers receiving new access	0	No variance from baseline.
	Subscribers receiving improved access	54	During this quarter we connected four additional Community Anchor Institutions which varies from our baseline projections.
	Please identify the speed tiers that are available and the number of subscribers for each	54	Fifty one of the Community Anchor Institutions are receiving 1000Mbps Private WAN connections, twenty of which are also receiving internet access ; none are receiving 500Mbps Private WAN connections; one is receiving 100Mbps Private WAN Connections; one is receiving a 100Mbps Private WAN Connection with Internet Access; one is receiving a 10Mbps Private WAN Connection; none are receiving 10Mbps connections with Internet Access
Residential / Households	Entities passed	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
Businesses	Entities passed	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A

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

N/A

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

8b. If so, please describe the changes (300 words or less).
Our network management practices have not changed.

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	See attached	See attached	See attached	See attached

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
Permits will continue to be submitted and construction will continue. Also, we will be continuing to contact Community Anchor Institutions and presenting quotes/contracts for services. Franchise agreements will continue to be negotiated in municipalities where our next builds will take place and permits will be secured. Once permits/approvals are secured construction will continue. We anticipate installation of 30 miles of new fiber; the lease of additional fiber and to connect an additional 41 Community Anchor Institutions. Negotiations will continue with wholesale broadband or last mile providers.

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	96	This percentage is slightly ahead of our projected baseline report
2b. Environmental Assessment	100	No variance from baseline
2c. Network Design	97	This percentage is slightly ahead of our projected baseline report
2d. Rights of Way	94	Since the baseline was submitted it became evident that the network design will be fluid as we move forward. While the network design is 92% complete, as ride outs and meetings are held with various utilities and local government agencies and as permits are negotiated the network design may need to be updated and/or changed. As a result the actual percent complete in this category varies from our initial baseline report which assumed that we would be working on all sections of the build simultaneously during the first year thus causing the variance between actual and our baseline projections.
2e. Construction Permits and Other Approvals	94	Since the baseline was submitted it became evident that the network design will be fluid as we move forward. While the network design is 92% complete, as ride outs and meetings are held with various utilities and local government agencies and as permits are negotiated the network design may need to be updated and/or changed. As a result the actual percent complete in this category varies from our initial baseline report which assumed that we would be working on all sections of the build simultaneously during the first year thus causing the variance between actual and our baseline projections.
2f. Site Preparation	63	Focus will be on the Institutions that have signed contracts, site work will commence for these entities as contracts permit, thus causing a variance from our baseline projections.
2g. Equipment Procurement	59	Equipment is being purchased on an as needed basis.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2h.	Network Build (all components - owned, leased, IRU, etc.)	96	During this project it has become evident to Contact Network Inc. that the design, build and procurement should be conducted in such a way as to accommodate the end users for which we have signed contracts in place for services. Our primary focus for design, engineering, permitting etc. has been and will continue to be on the Community Anchor Institutions for which we have contracts. Also, we are experiencing delays in the delivery of the fiber optic cable and vaults. While we received a few shipments of fiber during this quarter it was much less than promised. As a result the actual percent complete in this category is a little ahead of our initial baseline report.
2i.	Equipment Deployment	63	Focus will be on the Institutions that have signed contracts, site work will commence for these entities as contracts permit, thus causing a variance from our baseline projections.
2j.	Network Testing	63	Focus will be on the Institutions that have signed contracts, site work will commence for these entities as contracts permit, thus causing a variance from our baseline projections.
2k.	Other (please specify):	0	No variance from baseline

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).

Mississippi Department of Transportation permits and Railroad permits are becoming increasingly difficult to secure. As always in the south, weather could also have an impact on our planned progress.

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	\$93,905	\$18,781	\$75,124	\$93,905	\$18,781	\$75,124	\$93,905	\$18,781	\$75,124
b. Land, structures, right-of-ways, appraisals, etc.	\$768,000	\$153,600	\$614,400	\$768,000	\$153,600	\$614,400	\$768,000	\$153,600	\$614,400
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$216,000	\$43,200	\$172,800	\$121,394	\$24,279	\$97,115	\$150,000	\$30,000	\$120,000
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$359,299	\$71,860	\$287,439	\$239,753	\$47,951	\$191,802	\$250,000	\$50,000	\$200,000
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$21,603,816	\$4,320,763	\$17,283,053	\$21,078,909	\$4,215,781	\$16,863,128	\$21,778,909	\$4,355,782	\$17,423,127
j. Equipment	\$2,865,258	\$573,052	\$2,292,206	\$1,609,309	\$321,862	\$1,287,447	\$1,700,000	\$340,000	\$1,360,000
k. Miscellaneous									
l. SUBTOTAL (add a through k)	\$25,906,278	\$5,181,256	\$20,725,022	\$23,911,270	\$4,782,254	\$19,129,016	\$24,740,814	\$4,948,163	\$19,792,651
m. Contingencies									
n. TOTALS (sum of l and m)	\$25,906,278	\$5,181,256	\$20,725,022	\$23,911,270	\$4,782,254	\$19,129,016	\$24,740,814	\$4,948,163	\$19,792,651

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: \$3,104,443 b. Program Income to Date: \$1,665,250