

RECIPIENT NAME:MCNC

AWARD NUMBER: NT10BIX5570120

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 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) 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).
 Activities of the quarter focused on wrapping up the environmental and engineering efforts of the project. On June 23 MCNC received the FONSI for the project, clearing the way for construction efforts to begin. Formal engineering for the routes of the project continues with prime routes nearing 100% completion. During the quarter MCNC awarded construction contracts to three prime contractors for the project. Negotiations continued during the quarter on contracts related to Indefeasible Rights to Use that were outlined in the original project plan. At end of quarter none had been signed, but two were involved in significant legal editing. Permitting efforts have commenced, but it is very early in the approval process. We expect construction efforts to begin by the end of the July quarter and execution of a number of IRU's to be complete by end of the quarter.

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	8	Our overall project completion forecast was primarily based on miles being completed within the project. Due to not getting started on construction in this quarter as well as not formally completing planned IRU's, we are behind. We're not concerned with making this deficit up over the next 1-2 quarters.
2b.	Environmental Assessment	100	FONSI received on 6/23/11.
2c.	Network Design	75	Based on feedback from our engineering firm on where they are at in the design process, they have about 65% of the project plans done. Offset that with the planned acquisition of IRU's that were in the project not changing, we feel we are right in line with the 77% forecast we had for this item.
2d.	Rights of Way	20	The permitting process has been challenging with NC DOT, and the permitting process with the railroads is always longer in nature and is expected. The challenges of the NC DOT process relate to the permits having to be approved by the central agency in Raleigh as opposed to the individual districts that normally do them. Because we have a statewide footprint, they have enacted a new policy on us to have them reviewed at the state level as opposed to in the districts where the construction is at. This has caused an increased level of back and forth between the state office, the district office, and our engineering firm. We have now prioritized all the counties where we need permits for our construction firm and DOT and asked them to focus on those that are at the front end of our construction time line. At the end of the quarter we had applied for 45 of 222 expected permits, or about 20%. We are slightly behind schedule.
2e.	Construction Permits and Other Approvals	1	We do not have as many permits obtained at the end of the quarter as expected due to a slower approval rate than we had anticipated. We had received only one meaningful permit at the end of the quarter, so are far below where we expected at this point. We expect to recover from this in the second quarter due to a commitment by DOT to help us push the permitting process along now that we have prioritized the counties needed to start construction.
2f.	Site Preparation	0	Slower receipt of FONSI than expected impacted us getting huts deployed. We expect to make some of this difference up in the next reporting quarter. Significant legal work with the locations that are being leveraged has occurred, with agreements in principle for the easement required at about a dozen locations. We anticipate making up this difference over the next 1-2 quarters.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2g.	Equipment Procurement	0	We had expected to have IRU's finalized and ready when receipt of FONSI so as to order equipment associated with operating those fibers at that time. Without receipt of FONSI and with these agreements not finalized we were not in a position to order the equipment. We expect to make up this reporting difference over the next 1-2 quarters.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	We had expected to have IRU's finalized by end of the quarter and thus received approximately 150 of the miles of the project. These didn't happen, and thus we have no fibers acquired or built. We expect to make up this reporting difference by next quarter.
2i.	Equipment Deployment	0	We had expected to have IRU's finalized and ready when receipt of FONSI so as to order equipment associated with operating those fibers. Without receipt of FONSI and with these agreements not finalized we were not in a position to order the equipment and thus deploy. We anticipate making up this difference over the next 1-2 quarters.
2j.	Network Testing	0	As a result of those issues noted with regards to finalizing planned IRU's, and with no construction having commenced, we had no fibers to test. We anticipate making up this reporting difference over the next 1-2 quarters.
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).

The permitting process has proven to be slow because of the size of the project and the fact that it is statewide. We've had this feedback directly from NC DOT. We are working through the process and expect to make up variances that we have in the next quarter. Coordination with the CAI's that will get direct fiber has been a challenge. We had one proposed IRU provider change terms related to our planned acquisition that has forced us to consider a direct build now that we have presented to NTIA. We also have found a few locations on our route that we believe NC DOT will not let us construct on due to controlled access issues, that will require mandatory reroutes. We expect to get closure on these in August and will present findings to NTIA at that time. None put the project at risk, but will require us to move to secondary roads in the same proposed areas in some cases.

We did not receive our FONSI as quickly as we might have hoped. This was due to issues related to our subrecipient performing in our EA corridor that have previously been documented through our performance improvement plan.

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	We originally forecasted FONSI late April and didn't receive until June 23. This put us slightly behind schedule. We would expect to offset within the next two reporting quarters due to having our construction firms beginning work at an expedited pace. We have communicated to them that once we are at full construction capacity, we need to be deploying between 90-100 miles per month between the three prime contractors and the segments we plan to release for construction.
New network miles leased	0	We originally forecasted FONSI late April and didn't receive until June 23. This put us slightly behind schedule. We would expect to offset within the next two reporting quarters. We are confident we will have all planned IRU's completed by the end of the third quarter because we placed a priority on this with the companies and our legal counsel. At the end of the 2nd quarter

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
		we were in round 2 of iterations between our legal counsel and the companies we plan to IRU with. Generally we resolve these issues in 3-4 iterations.
Existing network miles upgraded	0	N/A
Existing network miles leased	0	N/A
Number of miles of new fiber (aerial or underground)	0	We originally forecasted FONSI late April and didn't receive until June 23. This put us slightly behind schedule. We would expect to offset within the next two reporting quarters due to having our construction firms beginning work at an expedited pace. We have communicated to them that once we are at full construction capacity, we need to be deploying between 90-100 miles per month between the three prime contractors and the segments we plan to release for construction.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	We originally forecasted FONSI late April and didn't receive until June 23. This put us slightly behind schedule. We would expect to offset within the next two reporting quarters due to having our construction firms beginning work at an expedited pace. We have communicated to them that once we are at full construction capacity, we need to be deploying between 90-100 miles per month between the three prime contractors and the segments we plan to release for construction.

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:

At the end of the quarter, we had no signed agreements. We had, however, released a marketing partner RFP to determine a potential wholesale carrier to operate on the enabled infrastructure and actively market the fiber.

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.

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	N/A
	Providers with signed agreements receiving improved access	0	N/A
	Providers with signed agreements receiving access to dark fiber	0	N/A
	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	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
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).

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 expect to begin construction on a larger scale during the quarter. We expect to release and close an RFP for equipment to be deployed on the network. We expect to award a contract for marketing services and fiber to commercial entities on the network that we released and closed during the current quarter. We anticipate all formal engineering to mostly complete except for any potential reroutes that may be required due to permitting issues. As part of this, we would expect to begin receiving an abundance of all required construction permits. Lastly we will be holding a virtual statewide ground breaking on 8/12 to celebrate 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	20	Even with a delay to start of construction, we believe that we will recover enough in the next quarter to be back on schedule. If not next quarter, we have no concerns with this being true by the following quarter.
2b.	Environmental Assessment	100	N/A
2c.	Network Design	100	N/A
2d.	Rights of Way	75	Based on the timing of getting permits applied for, we expect to be right at schedule on this.
2e.	Construction Permits and Other Approvals	65	Due to a slower approval process with permitting agencies (primarily NC DOT), we project we will still be slightly behind the original forecast of around 76% complete.
2f.	Site Preparation	15	We will see some more activity toward placement of huts, but it will take us two quarters to catch up due to a slower start. This does not impact our planned execution of the project as we will prioritize these toward areas where construction will start on the physical fiber.
2g.	Equipment Procurement	13	If we complete execution of land easements and IRU's we believe we can in the quarter, this will drive some of our equipment procurement needs as it relates to huts. If that occurs, even with the delay to the start of the project, we expect to be right at our projection on this.
2h.	Network Build (all components - owned, leased, IRU, etc.)	12	If all IRU's that are planned get executed, we will be able to meet our projection.
2i.	Equipment Deployment	13	If we complete execution of land easements and IRU's we believe we can in the quarter, this will drive some of our equipment procurement needs as it relates to huts. If that occurs, even with the delay to the start of the project, we expect to be right at our projection on this.
2j.	Network Testing	12	We will test our fibers that we IRU as we acquire them, and if the IRU's happen, we will meet this projection. With the ramp up start time of our project starting, the projections to the baseline for this and many other areas of the project identified here are a bit fluid.
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).

We believe we will continue to churn through the permit process but hope to make great headway in that regard. By end of next quarter we expect to have applied for most if not all construction permits related to rights of way.

We are hearing some concerns from our materials vendor about timeliness on delivery of materials if we don't forecast our needs well in advance. We believe our approach to the project, which involves our materials contractor represented at all our weekly status calls, will mitigate those issues.

With knowledge of our round 1 build and things to expect during construction, we are prepared to handle these better, but due to the amount of construction that will happen, realize the potential for these is broader. These include interactions with the permitting entities when we get in the field, municipalities as we move through their areas, and landowners concerned with how their property adjacent to right of ways is impacted. While we don't believe that these are challenges, we have realized a couple of opportunities to IRU fibers from incumbent providers for last mile portions of our network to CAI's, and expect to bring these to NTIA for consideration during the quarter. Continued timely engagement from our NTIA team on issues we can't handle will be paramount given the size of our project.

Oversight of the ERC as a subrecipient due to some of the complexities of their project will continue to be a challenge. To mitigate this we are bringing in resource from our engineering firm to engage them with us on a bi-weekly basis. We believe as we finalize the approaches to how they traverse areas where overlap concerns existed that oversight of them will become easier. Right now, there is a lot of time spent working with them in development of these plans.

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	\$696,990	\$191,986	\$505,004	\$800,000	\$194,289	\$605,711
b. Land, structures, right-of-ways, appraisals, etc.	\$5,692,533	\$1,920,062	\$3,772,471	\$127,796	\$31,037	\$96,759	\$427,796	\$103,895	\$323,901
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	\$3,045,045	\$739,522	\$2,305,523	\$4,545,000	\$1,103,803	\$3,441,197
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	\$4,849,166	\$3,661,089	\$1,188,077	\$8,598,716	\$4,571,708	\$4,027,008
j. Equipment	\$6,971,935	\$1,693,210	\$5,278,725	\$47,006	\$11,416	\$35,590	\$297,006	\$72,131	\$224,875
k. Miscellaneous	\$200,000	\$48,572	\$151,428	\$0	\$0	\$0	\$200,000	\$48,572	\$151,428
l. SUBTOTAL (add a through k)	\$106,091,969	\$30,334,680	\$75,757,289	\$8,766,003	\$4,635,050	\$4,130,953	\$14,868,518	\$6,094,398	\$8,774,120
m. Contingencies									
n. TOTALS (sum of l and m)	\$106,091,969	\$30,334,680	\$75,757,289	\$8,766,003	\$4,635,050	\$4,130,953	\$14,868,518	\$6,094,398	\$8,774,120

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