

MORENET FY2010 ANNUAL REPORT





Since I started in the middle of fiscal year 2010, we've seen more changes than in any previous year since MOREnet's inception in 1991. The year was marked by funding challenges, new services and finally, the introduction of a new business model for the future.

Although MOREnet's FY10 appropriation from the General Assembly was approved intact entering the year, withholds soon reduced the budget. By the end of the fiscal year, withholds had reduced available resource to less than half of the state appropriation. During the budget approval cycle for FY11, the entirety of the legislatively approved FY11 appropriation was withheld due to forecasted state revenue shortfalls. Under the direction of the MOREnet Council, the organization implemented a member-funded model with significant changes to both the budget and member fees. Although it represents a major change in the traditional MOREnet approach, member feedback has been positive and member satisfaction remains high. During FY11, thirteen MOREnet members (representing less than two percent of the total membership) decided to leave as a result of the changes. Initial member indications for FY12 show retention rates well in excess of 90 percent as compared to FY11. MOREnet is grateful for the support of the members and believes that this level of support represents the value placed on the services we provide to further education in the state.

MOREnet has historically been one of the places that our members look to for ideas about how technology will impact their operating environments. In that role, MOREnet is introducing services focused at what is now known as "cloud computing." MOREnet refers to these services as "net-centric" and is releasing them over the course of FY11. These services will allow members to offload certain activities to MOREnet servers and locations and include Colocation, Network Storage, Network Backup and Virtualization. MOREnet is very interested in how members envision their future use of technology and is always interested in hearing from you. Developing new products and services members want is a significant part of MOREnet's vision to make sure that we provide the value expected. We look forward to working with you to meet this key objective.

A handwritten signature in black ink that reads "John P. Gillispie". The signature is written in a cursive, flowing style.

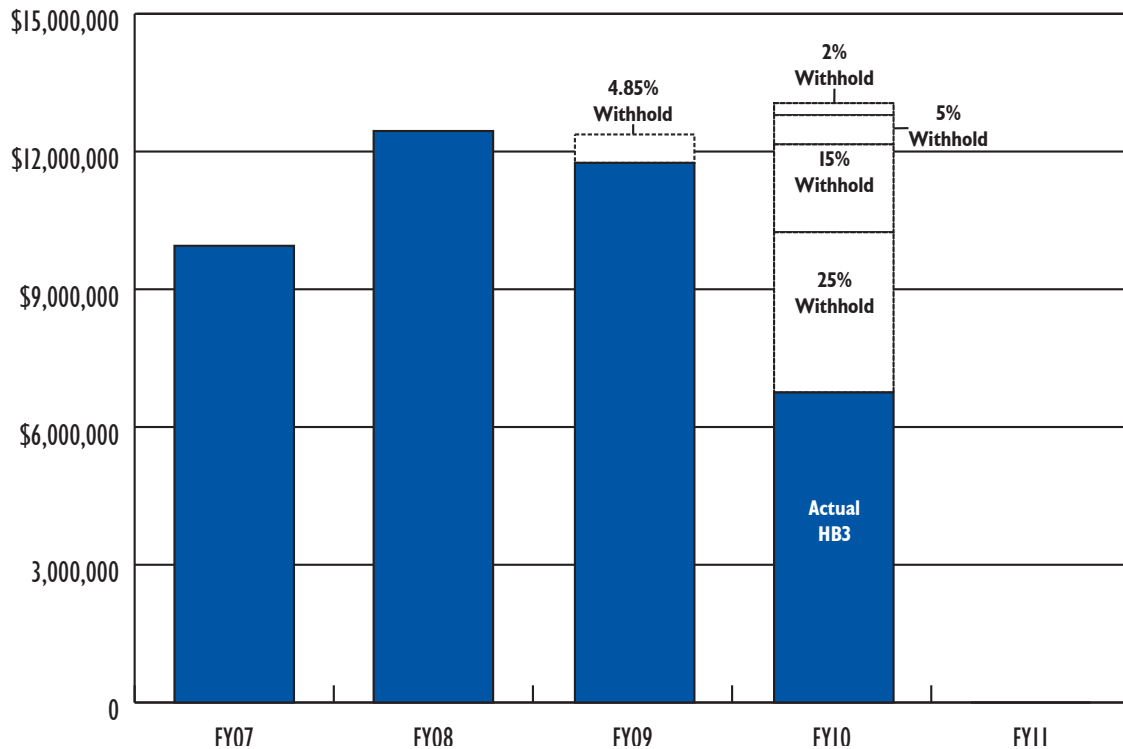
John Gillispie
Executive Director, MOREnet

New Executive Director

On Dec. 23, 2009, MOREnet announced the hiring of John Gillispie as Executive Director, with an official start date of Jan. 11, 2010. Gillispie, who came to MOREnet from state government in Iowa where he served in the dual role of executive director of the Iowa Communications Network and as Iowa's state Chief Information Officer, was hired to replace the outgoing executive director, Bill Mitchell. Prior to Gillispie's service to Iowa, he was in a variety of roles for more than 20 years with the Williams Companies based in Tulsa, Okla. Gillispie received his bachelors degree from Missouri State University and a Masters in Business Administration from Oklahoma State.

Funding

During fiscal year 2010, MOREnet's core appropriation was reduced by a total of 47 percent through several withholds. In mid-June, the state announced that MOREnet's fiscal year 2011 core appropriation would be completely withheld. Following this action, the MOREnet Council met and opted to continue operations for all MOREnet provided services and to preserve the MOREnet consortium by implementing member fee increases and reducing MOREnet's operating budget by \$1.5 million. The graph below illustrates MOREnet's House Bill 3 funding since fiscal year 2007.



Federal Broadband Grant Application

On March 26, MOREnet filed a joint application with Norlight Communications Inc. for Broadband Technology Opportunity Program (BTOP) Comprehensive Community Infrastructure (CCI) round two funds. The application sought an \$87.6 million grant to build and operate a 2,749-mile fiber-optic network that would connect more than 700 anchor institutions throughout Missouri. Awards were announced by Sept. 30, 2010, and the joint application was not chosen as a round two project.

Services

The MOREnet Council approved modifying the MOREnet Service Policies to allow members to procure network connections from third-party vendors while still maintaining membership in MOREnet.

MOREnet technicians began development of several new network-centric services that leverage the robust fiber network and enable members to reduce costs. Slated for launch in fiscal year 2011, these services will allow members to offload certain activities to MOREnet servers and locations. These services include Colocation, Network Storage, Network Backup and Virtualization.

The *kinetic* E-mail and Web Hosting service underwent several upgrades. In July 2010, the current Analog website statistics reporting were enhanced with ReportMagic, giving kinetic users a menu-based report with graph summaries. In August 2010, MOREnet will begin offering kinetic users a free content management system with Drupal.

MOREnet Video Services announced several new services and features. As part of a scheduled technology refresh, Video Services deployed new scheduling software. The new services include:

- Self-scheduling and conference monitoring options from most web browsers, including access for Macs and iPhones.
- Enhanced desktop videoconferencing. Members will have the option to participate in videoconferences directly from their desktop computers.
- On-the-fly conference/lecture recording and play back opportunities.
- Bulletin board features providing members with the ability to promote videoconferences and allow interested parties to sign up.
- Additional capacity to support several hundred videoconference end points and essentially unlimited streaming connections. Enhanced firewall traversal options.

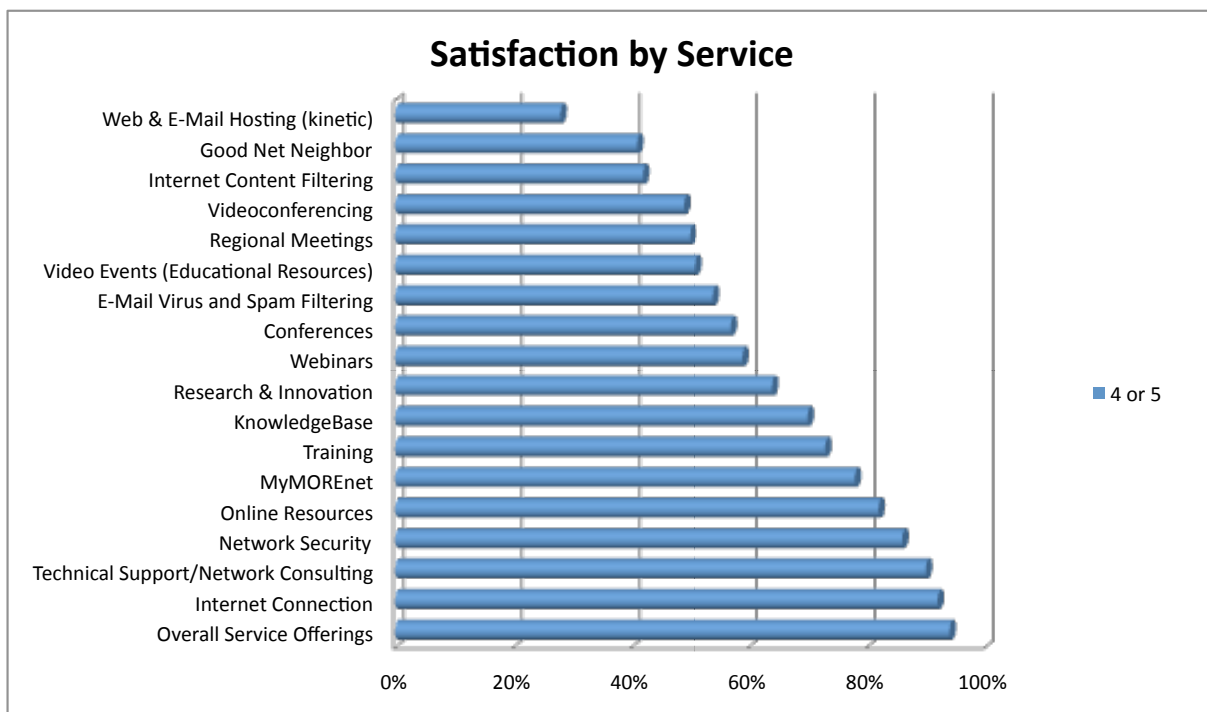
The contract with LearningExpress Library, a comprehensive collection of test-preparation tools, skill-building materials and career resources, was renewed through Sept. 30, 2011.

Core network availability was 99.99 percent for FY2010.

In February of 2010, MOREnet (through University of Missouri Procurement) contracted with several training providers to supply technical and end-user courses not provided by our MOREnet trainers, at a reduced cost.

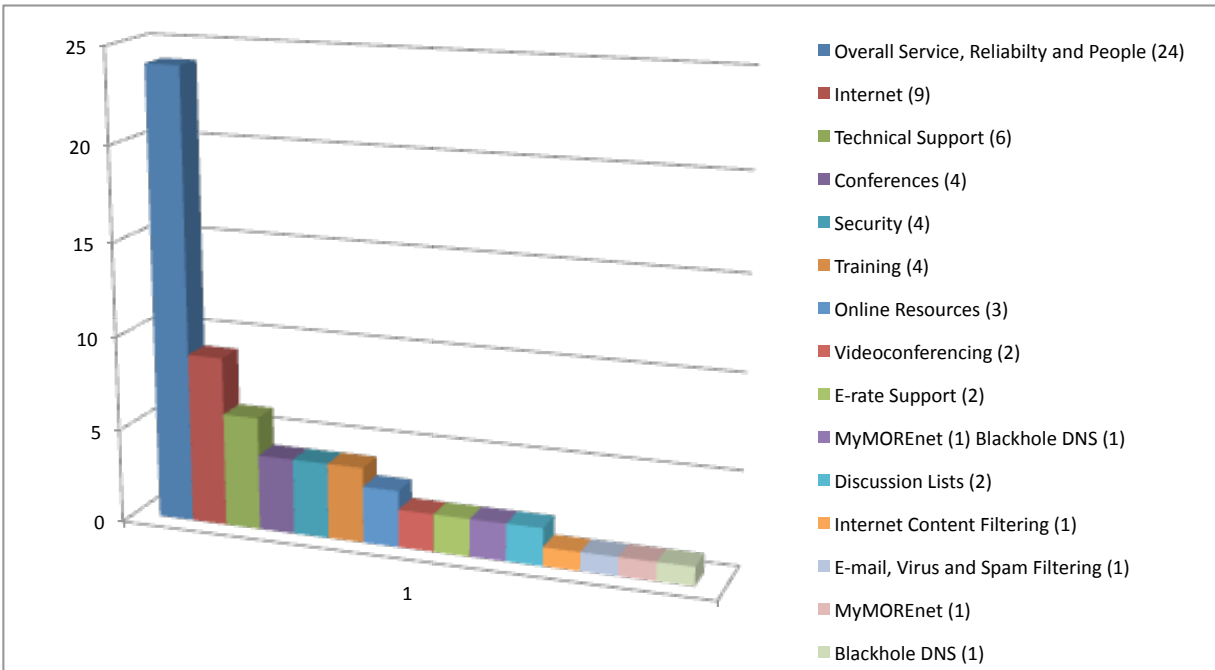
Member Satisfaction

Member satisfaction continued to be high during the 2010 fiscal year, with overall satisfaction rates at 93 percent. Of the survey respondents, 93 percent were also satisfied or very satisfied with MOREnet's value. The graph below indicates what percentage of respondents rated their satisfaction either satisfied or very satisfied.



Focus Groups

MOREnet conducted focus groups in the spring of 2010. In addition to asking for feedback on the technology our member organizations would implement in the next 12 to 24 months, attendees also provided feedback on what services MOREnet should focus on. MOREnet specifically addressed interest in a digital learning environment, MOREnet as a buying club and what drives members' happiness with MOREnet. The graph below indicates what services were selected when participants in the focus groups were asked the question, "What drives your happiness with MOREnet?"



FY10 Actuals (\$ millions)

| | Shared Network | Federal Budget Stabilization | TNP | Public Library Related | Higher Education | Affiliates | Other Fees and Restricted | Total |
|------------------------------------|----------------|------------------------------|---------|------------------------|------------------|------------|---------------------------|---------|
| HB3 (Net withholding) | 2.498 | 1.042 | 2.319 | | 0.580 | | | 6.441 |
| HB12 | | | | 3.109 | | | | 3.109 |
| Other State | | | 0.050 | | | | | 0.050 |
| E-rate ¹ | 1.548 | | 5.130 | 1.189 | | | 0.066 | 7.933 |
| Memberships Fees | | | 2.961 | 0.445 | 0.521 | 0.112 | | 4.039 |
| Network Connectivity Fees | 3.703 | | (1.942) | (0.576) | (0.088) | | | 1.097 |
| Other Fees and Misc. | 0.360 | | 0.040 | 0.003 | 0.040 | 0.250 | 2.742 | 3.435 |
| Revenue Transfers ² | 0.039 | | (1.100) | (0.007) | (0.014) | | (0.018) | (1.100) |
| Total Revenue | 8.148 | 1.042 | 7.458 | 4.163 | 1.041 | 0.362 | 2.790 | 25.004 |
| Telecommunications - Shared | | | | | | | | |
| Telecommunications - Shared | 4.638 | 1.042 | | | | | | 5.680 |
| Telecommunications - Member | 0.001 | | 7.600 | 1.921 | 0.582 | | 1.768 | 11.872 |
| Salaries and Benefits | 3.315 | | 2.073 | 0.732 | 0.380 | 0.133 | 0.451 | 7.084 |
| Operating Expenses | 0.512 | | 0.287 | 0.103 | 0.055 | 0.019 | 0.085 | 1.061 |
| Online Resources | | | 0.113 | 1.394 | | | | 1.507 |
| Other Expenses | 0.001 | | 0.195 | 0.074 | 0.025 | 0.001 | 0.346 | 0.642 |
| Total Expenditures | 8.467 | 1.042 | 10.268 | 4.224 | 1.042 | 0.153 | 2.650 | 27.846 |
| Fund Transfers | | | | | | | | |
| Fund Transfers | (0.573) | | | | | 0.210 | 0.363 | |
| Total Expenditures and Transfers | 7.894 | | 10.268 | 4.224 | 1.042 | 0.363 | 3.013 | 27.846 |
| Revenue over Expenses | | | | | | | | |
| Revenue over Expenses | 0.254 | | (2.810) | (0.061) | (0.001) | (0.001) | (0.223) | (2.842) |

¹ E-rate benefits are allocated according to community. K-12 and public library are based on their tail (local loop) circuit benefits while Shared Network benefits from network aggregation and Internet access circuit benefits are returned to eligible programs.

² FY10 transfers were as follows: TNP transfer to eMINTS (\$1,100,000); REAL support of customized web content application creation and web hosting (\$2,750); REAL support for an 22 (max of 40) Spring Conference registrations (\$4,070); and estimated MERC subsidiary of HELIX conference of (\$8,984, plus 29 HELIX registrations, \$5,365).

| | Measurement | MERC | K-12 TNP | REAL | Affiliate | State Agency | Other | TOTAL |
|---|---|---------|----------|---------|-----------|--------------|--------|----------|
| Members¹ | Participants as of 06/30/2010 | 65 | 519 | 135 | 41 | 1 | 26 | 787 |
| Member Connections² | Total connections as of 06/30/2010 | 94 | 546 | 254 | 243 | 0 | 4 | 1141 |
| Remedy Help Desk Tickets | Application Service Provider | 17 | 476 | 137 | 39 | 272 | 22 | 963 |
| (Number of tickets Created during this period and closed, by Service Family) | Conferences | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Connectivity | 287 | 1438 | 395 | 153 | 27 | 86 | 2386 |
| | Online Learning and Meetings | 420 | 262 | 52 | 476 | 211 | 115 | 1836 |
| | Online Resources | 110 | 296 | 79 | 14 | 1 | 1 | 501 |
| | Security | 305 | 1049 | 260 | 39 | 14 | 96 | 1765 |
| | Training and Support | 84 | 954 | 261 | 34 | 19 | 3 | 1355 |
| | Total Tickets | 1523 | 4475 | 1184 | 755 | 544 | 323 | 8807 |
| | Total attendees ³ | 730 | 4243 | 671 | 275 | 42 | 134 | 6095 |
| | Total contact hours ⁴ | 2147.25 | 12254.40 | 1597 | 1024.25 | 153 | 691.75 | 17867.65 |
| | Total events ⁵ as of 06/30/2010 | 6938 | 13434 | 25 | 38 | 127 | 485 | 21047 |
| Videoconferencing | | | | | | | | |
| MOREnet-hosted Conferences | Total attendees, MITC 2009 | | | | | | | 380 |
| | Total attendees, Advanced Technical Security Symposium 2010 | | | | | | | 153 |
| | Total attendees, HELIX 2010 | | | | | | | 125 |
| | Total attendees, Connections 2010 | | | | | | | 267 |
| Online Resources | Total Gale Discovering Collection searches | 4609345 | 13974758 | 1114660 | 276479 | 35433 | 78909 | 20089584 |
| | Total NewsBank searches | 84168 | 116642 | 191219 | 3507 | 4438 | 1012 | 403986 |
| | Total LearningExpress Library practice tests or courses | 7837 | 42187 | 20098 | 104 | 681 | 2181 | 73088 |

1. Member: Organizations that have been approved to receive services through a MOREnet program structure and that have an active participation agreement in place. These organizations may have multiple sites. The programs are defined based on sponsoring state agencies or non-profit business affiliation.

2. Member Connections: The number of entry points into the MOREnet network for members. MOREnet defines a connection as the type and measurement of maximum bandwidth through each available tail circuit to a given site. The connection contains three components: the physical circuits, logical circuits (which are delivered through the physical circuits), and equipment needed to provide a unique logical path for delivery of data or video services. A "site" is a physical location where MOREnet delivers physical circuits, equipment or services. Tail circuits are the physical circuits between the telecommunications company and the participating organizations' various sites that contribute to their connection to MOREnet.

* Currently MOREnet is supporting 101 connections delivered via DSL.v

3. Individuals attending multiple training sessions within the fiscal year are counted in the "Total number of attendees" each time they attended a session.

4. A contact hour is computed as the total delivery time for each course, multiplied by the number of participants in each course. (For example, a five (5) hour course with 14 attendees totals 70 contact hours.). Total contact hours for all completed training classes are shown.

5. Total videoconferencing events include video events where an organization joined as a host or as a site participant.