

**QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS**

**General Information**

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|--|---|--|
| <b>1. Federal Agency and Organizational Element to Which Report is Submitted</b><br><br>Department of Commerce, National Telecommunications and Information Administration | <b>2. Award Identification Number</b><br><br>NT10BIX5570009 | <b>3. DUNS Number</b><br><br>615121324 |
|--|---|--|

**4. Recipient Organization**  
  
 Merit Network Inc. 1000 Oakbrook Drive  
 Suite 200, Ann Arbor, MI 48104-6815

|  |   |
|--|---|
| <b>5. Current Reporting Period End Date (MM/DD/YYYY)</b><br><br>09-30-2013 | <b>6. Is this the last Report of the Award Period?</b><br><br><input checked="" type="radio"/> Yes <input 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.

|  |   |
|--|---|
| <b>7a. Typed or Printed Name and Title of Certifying Official</b><br><br>Alysia Giatas | <b>7c. Telephone (area code, number and extension)</b><br><br>X |
|  | <b>7d. Email Address</b>  |

|   |  |
|---|--|
| <b>7b. Signature of Certifying Official</b><br><br>Submitted Electronically | <b>7e. Date Report Submitted (MM/DD/YYYY):</b><br><br>02-20-2015 |
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**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**

Merit has completed the REACH-3MC project and has closed out the project.

**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  | 100              | Merit has completed the REACH-3MC Project.  |
| 2b. | Environmental Assessment                                 | 100              | Merit has completed all spending in this category.  |
| 2c. | Network Design   | 100              | Merit has completed all spending in this category.  |
| 2d. | Rights of Way  | 100              | Merit has completed all spending in this category.  |
| 2e. | Construction Permits and Other Approvals                 | 100              | Merit has completed all spending in this category.  |
| 2f. | Site Preparation   | 100              | Merit has completed all spending in this category.  |
| 2g. | Equipment Procurement                                    | 100              | Merit has completed all spending in this category.  |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 100              | Merit has completed all spending in this category.  |
| 2i. | Equipment Deployment                                     | 100              | Merit has completed all spending in this category.  |
| 2j. | Network Testing  | 100              | Merit has completed all spending in this category.  |
| 2k. | Other (please specify): Staffing, Miscellaneous          | 100              | Merit has completed all spending in this category.  |

**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).**

Merit has completed the REACH-3MC project and has closed out the project.

**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      | 1,044 | Merit has completed all REACH-3MC infrastructure construction, which was completed in Q1 in 2013. This field had been tabulated incorrectly previously, and was corrected after an email exchange between Merit Network and the Federal Program Officer in December 2014. |
| New network miles leased        | 0     | No Variance   |
| Existing network miles upgraded | 34    | This field had been tabulated incorrectly previously, and was corrected after an email exchange between Merit Network and the Federal Program Officer in December 2012.   |
| Existing network miles leased   | 0     | No Variance   |

| Indicator  | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)   |
|--|-------|---|
| Number of miles of new fiber (aerial or underground) | 1,044 | Merit has completed all REACH-3MC infrastructure construction, which was completed in Q1 in 2013. This field had been tabulated incorrectly previously, and was corrected after an email exchange between Merit Network and the Federal Program Officer in December 2014. |
| Number of new wireless links                         | 0     | N/A   |
| Number of new towers                                 | 0     | N/A   |
| Number of new and/or upgraded interconnection points | 66    | The project has been completed and Merit has reached the baseline projections.  |

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                     | 3  |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 0  |
| 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:

LYNX Network Group, LLC (fiber strands on all segments)  
 KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)  
 The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)

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 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).

Merit has 3 sub recipients that will participate in this infrastructure project. Each sub recipient will own strands in the network depending on the segment and location of the build.

LYNX Network Group, LLC (fiber strands on all segments)  
 Chris Barber, 4798 Campus Drive, Suite 111 Kalamazoo, MI 49008, Phone: 877.585.5969

KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)  
 Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638

The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)  
 Joe Mattausch, President, 247 S. Main St. Adrian, MI 49221, Phone: 517-266-0402

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   |

| Subscriber Type   | Access Type   | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)   |
|---|---|-------|---|
|   | Providers with signed agreements receiving improved access                                | 0     | N/A   |
|   | Providers with signed agreements receiving access to dark fiber                           | 3     | Merit is providing dark fiber to wholesale providers who will in turn offer last mile services  |
|   | Please identify the speed tiers that are available and the number of subscribers for each | 0     | There are no Merit-defined speed tiers available to the current subscribers because they are all project subrecipients who will be creating their own speed tiers based on the equipment they independently install to light their fiber strands. |
| Community Anchor Institutions (including Government institutions) | Total subscribers served  | 146   | Merit CAI sites that have been connected to the BTOP funded network.  |
|   | Subscribers receiving new access  | 55    | Will be receiving new access due to the REACH-3MC project.  |
|   | Subscribers receiving improved access   | 91    | Merit CAI sites that have been connected to the network. All are receiving improved access over what they had before the REACH-3MC project.   |
|   | Please identify the speed tiers that are available and the number or subscribers for each | 1     | All 146 are receiving a 1GB connection  |
| 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).**

At this time no additional special service offerings are planned that would deviate from the original application Attachment B-Proposed Middle Mile Service Offerings.

**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  | No new anchor sites were connected during this reporting quarter                      |

**Project Indicators (Next Quarter)**

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

Merit Network has completed the REACH-3MC project across the lower peninsula of the State of Michigan. As a result, the state and the communities and organizations within can begin utilizing the benefits of this project. Merit has built or upgraded over 1000 miles broadband infrastructure that will provide broadband connectivity throughout the state. This new infrastructure will provide upgraded service to areas that previously experienced poor connectivity, including areas that may not have even had broadband access. Community Anchor Institutions (CAI) will be connected to the network with a 1 GB connection while universities will be able to receive up to a 10GB connection. This will allow these anchors to collaborate and share data, and perform research in ways they could not do prior to the REACH-3MC project. Universities will now be able to connect to their satellite and remote facilities using the new network to conduct business and research in a more efficient and useful way. K-12 schools will now have more capacity to share resources and class work. Hospitals, libraries, public safety services, among others, will benefit from the new capacity and connectivity to perform their services to their respective communities. The REACH-3MC project has created the possibility for our Sub Recipient partners to offer last mile service to communities and business throughout Michigan that otherwise may not have been able to experience upgraded broadband.

In addition to broadband benefits of the REACH-3MC project, new jobs have been added and communities across the state have received positive economic benefits. Merit has hired additional, full time staff, to oversee the implementation and management of the project from inception to completion. Merit also has added member relationship managers in areas around the state to work with new and existing members on how to best utilize the new network. Throughout the project, Merit staff and contractors visiting communities along the route to oversee the implementation of the project and putting money into small business within those communities. Merit partnered with 7 contractors who each brought on additional staff in order to meet the expectations and timelines necessary to ensure the project would be completed on schedule. Our Sub Recipient partners have hired upward of 20 new staff members as a result of the REACH-3MC project. Power companies in Michigan brought on additional resources to perform make ready in order for Merit to make attachments to poles. The project has given these power companies an opportunity to upgrade their old infrastructure in order to support the new REACH-3MC infrastructure. Lastly, Merit and its Sub Recipient partners have gained immense knowledge in operating and supporting an advanced optical network and technologies.

**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   | 100                      | Merit has completed the REACH 3MC Project.   |
| 2b. | Environmental Assessment                                  | 100                      | Merit has completed all spending in this category.   |
| 2c. | Network Design  | 100                      | Merit has completed all spending in this category.   |
| 2d. | Rights of Way   | 100                      | Merit has completed all spending in this category.   |
| 2e. | Construction Permits and Other Approvals                  | 100                      | Merit has completed all spending in this category.   |
| 2f. | Site Preparation  | 100                      | Merit has completed all spending in this category.   |
| 2g. | Equipment Procurement                                     | 100                      | Merit has completed all spending in this category.   |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 100                      | Merit has completed all spending in this category.   |
| 2i. | Equipment Deployment                                      | 100                      | Merit has completed all spending in this category.   |
| 2j. | Network Testing   | 100                      | Merit has completed all spending in this category.   |
| 2k. | Other (please specify): Staffing, Miscellaneous           | 100                      | Merit has completed all spending in this category.   |

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 02/20/2015

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

**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).**

Merit has completed the REACH 3MC project and has closed out the 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                 | \$733,260           | \$146,652             | \$586,608            | \$855,266  | \$268,658          | \$586,608           | \$855,266   | \$268,658          | \$586,608           |
| b. Land, structures, right-of-ways, appraisals, etc. | \$5,739,050         | \$1,147,810           | \$4,591,240          | \$5,703,683  | \$1,112,443        | \$4,591,240         | \$5,703,683   | \$1,112,443        | \$4,591,240         |
| c. Relocation expenses and payments                  | \$0                 | \$0                   | \$0                  | \$0  | \$0                | \$0                 | \$0   | \$0                | \$0                 |
| d. Architectural and engineering fees                | \$1,422,664         | \$284,533             | \$1,138,131          | \$1,608,230  | \$470,099          | \$1,138,131         | \$1,608,230   | \$470,099          | \$1,138,131         |
| e. Other architectural and engineering fees          | \$1,354,550         | \$270,910             | \$1,083,640          | \$1,207,036  | \$123,396          | \$1,083,640         | \$1,207,036   | \$123,396          | \$1,083,640         |
| f. Project inspection fees                           | \$0                 | \$0                   | \$0                  | \$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                                      | \$26,181,670        | \$5,236,334           | \$20,945,336         | \$26,356,259   | \$5,410,923        | \$20,945,336        | \$26,356,259  | \$5,410,923        | \$20,945,336        |
| j. Equipment   | \$5,883,232         | \$1,176,646           | \$4,706,586          | \$5,966,394  | \$1,259,808        | \$4,706,586         | \$5,966,394   | \$1,259,808        | \$4,706,586         |
| k. Miscellaneous                                     | \$231,266           | \$46,253              | \$185,013            | \$212,403  | \$27,390           | \$185,013           | \$212,403   | \$27,390           | \$185,013           |
| <b>l. SUBTOTAL (add a through k)</b>                 | <b>\$41,545,692</b> | <b>\$8,309,138</b>    | <b>\$33,236,554</b>  | <b>\$41,909,271</b>  | <b>\$8,672,717</b> | <b>\$33,236,554</b> | <b>\$41,909,271</b>   | <b>\$8,672,717</b> | <b>\$33,236,554</b> |
| m. Contingencies                                     |                     |                       |                      |  |                    |                     |   |                    |                     |
| <b>n. TOTALS (sum of l and m)</b>                    | <b>\$41,545,692</b> | <b>\$8,309,138</b>    | <b>\$33,236,554</b>  | <b>\$41,909,271</b>  | <b>\$8,672,717</b> | <b>\$33,236,554</b> | <b>\$41,909,271</b>   | <b>\$8,672,717</b> | <b>\$33,236,554</b> |

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 |
|---|--------------------------------|