

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 02/28/2012

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 NT10BIX5570114	3. DUNS Number 615121324
4. Recipient Organization Merit Network Inc. 1000 Oakbrook Drive Suite 200, Ann Arbor, MI 48104-6815		
5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2011	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 Jamie Nielson	7c. Telephone (area code, number and extension) X	
	7d. Email Address jamien@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-28-2012	

Project Indicators (This Quarter)

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

An agreement with BTOP recipient Enventis was negotiated and signed, and the Duluth conduit installation was completed. Merit continues to work with Allband, a BIP recipient with overlapping segments in Northeast Michigan; a construction agreement was signed. Merit worked with the Bad River Tribe, located in northern Wisconsin, to develop a maintenance agreement, which was signed and approved by the tribe council. The survey required by the Bureau of Indian Affairs in the Bad River reservation area was completed. Merit submitted an AAR request for our new Network Operations Director to replace our former Network Operations Director, who was listed as a key person on Merit's grant application. Merit completed our A-133 audit, which revealed no instances of noncompliance; there were no Federal Program findings. Construction vendors were interviewed, and finalists were selected. Our Central Office RFP and Hut RFP both closed, responses were evaluated, and the finalists were interviewed, and the selections were made. Our project manager met with a large utility that was non-responsive to permit applications, and was able to obtain approvals for outstanding permit requests. Merit completed the Key Project Indicator (KPI) report requested by the NTIA. Five of six Round 2 contracts were signed by subrecipients. Construction began in the Upper Peninsula in Houghton County.

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	9	Engineering was largely completed, and permitting for Round 2 is in full swing. Construction began on small permitted segments; Merit anticipates having all construction crews working at full capacity next quarter.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 550%. This is partially due to an underestimate based on RFP responses we had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since we will continue to incur costs related to the Environmental Assessment, we are considering a revision to the budget to incorporate the latest estimate of the Environmental Assessment cost at completion, which will be around 600%.
2c.	Network Design	73	Since receiving our Finding of No Significant Impact we have proceeded with most of our field engineering. While most of the field engineering is complete, we anticipate continued costs for incorporating redlines and doing final CADs, and the project will be at budget at completion.
2d.	Rights of Way	52	We have prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2e.	Construction Permits and Other Approvals	17	We have prepped and submitted many permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2f.	Site Preparation	4	Sites for the huts have been identified. We have submitted an RFP for the construction of huts, and are in the final stages of the selection process. Merit is also in the process of acquiring easement agreements for the placement of huts.
2g.	Equipment Procurement	3	Merit ordered and received equipment, and placed some of it in the field in the Upper Peninsula. As more of the network is completed, we anticipate placing additional orders.
2h.	Network Build (all components - owned, leased, IRU, etc)	8	Materials for construction began arriving at our warehouse this quarter. Construction began in late December. We anticipate construction will ramp up as larger permitted segments are released for construction.
2i.	Equipment Deployment	8	Merit ordered and received equipment, and placed some of it in the field in the Upper Peninsula. As more of the network is completed, we anticipate placing additional orders.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2j.	Network Testing	0	Network construction has not begun.
2k.	Other (please specify):	10	Now that the project is fully staffed, Merit anticipates gradually coming into line with the Baseline Report by project completion.

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).

We have not experienced any challenges or issues leading to delays unique to this quarter. The length of time it has taken to get our Finding of No Significant Impact and get environmental permits continues to impact the project, but we do anticipate making up for lost time during the second and third quarters in 2012.

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	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
New network miles leased	0	No variance.
Existing network miles upgraded	0	No variance.
Existing network miles leased	0	No variance.
Number of miles of new fiber (aerial or underground)	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	N/A

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	5
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
 KEPS Technologies, Inc. (D.B.A. - ACD.net)
 Boardman River Communications, LLC (BRC)
 CCI Systems, Inc
 Peninsula Fiber Network, LLC (PFN)

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:

No wholesale services are currently being provided.

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).

We anticipate subrecipients will participate in this "condo" build. Each subrecipient will own strands in the build depending on the segment/location of the build.

LYNX Network Group, LLC: Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969

Ownership: Northeastern Corridor and Middle Corridor

KEPS Technologies, Inc. (D.B.A. - ACD.net): Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638

Ownership: All Corridors

Boardman River Communications, LLC (BRC): Gary John, 1801 Boardman Rd., SW, PO Box 17, South Boardman, MI, 49680, Phone: 231-369-2500, 231-492-5594

Ownership: Northern Corridor

CCI Systems, Inc: Joe Esbrook, 105 Kent Street, Iron Mountain, MI, 48901, Phone: 906-776-2866

Ownership: Northeastern Corridor and Middle Corridor

Peninsula Fiber Network, LLC (PFN): David McCartney, 108 W. Superior, Munising, MI, 49862, Phone: 906-226-2010

Ownership: Northern Corridor

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	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
	Providers with signed agreements receiving improved access	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
	Providers with signed agreements receiving access to dark fiber	0	No variance
	Please identify the speed tiers that are available and the number of subscribers for each	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving new access	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving improved access	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
Residential / Households	Entities passed	0	N/A
	Total subscribers served	0	N/A

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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).

None at this time.

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).

Merit anticipates construction moving into full swing. We will select vendors for hut construction, continue to procure optical equipment, and begin to procure switches and routers. Our Finding of No Significant Impact was received approximately two quarters later than we had projected, so many of our key indicators are also two quarters behind. We anticipate making up this difference by the second quarter of 2012, but our projections for next quarter are as follows:

- 7 new network miles deployed
- 56 network miles leased
- 1 community anchor institution subscriber served
- 6 agreements with broadband wholesalers and/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	26	Merit anticipates construction moving into full swing. We will select vendors for hut construction, continue to procure optical equipment, and begin to procure switches and routers. Our Finding of No Significant Impact was received approximately two quarters later than we had projected, so many of our key indicators are also two quarters behind, including new network miles deployed (updated projection: 0), network miles leased (updated projection: 54), and new interconnection points (updated projection: 4). We anticipate having all agreements with broadband wholesalers in place by the end of the next quarter.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 550%. This is partially due to an underestimate based on RFP responses we had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since we will continue to incur costs related to the Environmental Assessment, we are considering a revision to the budget to incorporate the latest estimate of the Environmental Assessment cost at completion, which will be around 600%.
2c.	Network Design	79	While most of the field engineering is complete, we anticipate continued costs for incorporating redlines and doing final CADs, and the project will be at budget at completion.
2d.	Rights of Way	89	We have prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2e.	Construction Permits and Other Approvals	30	We have prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2f.	Site Preparation	23	Merit anticipates being invoiced for site preparation work performed in the previous quarter. We will have increased the number of staff working on site preparation from one individual to four individuals. Our strategy includes prepping each site prior to the arrival of the backbone fiber to the anchor, which allows Merit to complete site preparation more efficiently and in a timely manner.
2g.	Equipment Procurement	22	More optical equipment will be ordered. The procurement process for routers and switches will be completed, and route/switch equipment will be ordered. Merit anticipates being at budget by project completion.
2h.	Network Build (all components - owned, leased, IRU, etc.)	26	Merit has contracts with seven construction firms, each with multiple construction crews, and has begun aerial construction and underground construction across the funded network. Merit anticipates a significant increase in the spending rate in this budget category, and will be at budget by project completion.
2i.	Equipment Deployment	26	Merit has been behind our baseline due to delays in starting from construction. However, with construction actively underway, our engineers will be out in the field deploying equipment, and spending in this category will increase. Merit will be at or close to budget by completion.
2j.	Network Testing	20	Merit has been behind our baseline due to delays in starting from construction. However, with construction actively underway, our engineers will be out in the field testing completed fiber, and spending in this category will increase. Merit will be at or close to budget by completion.
2k.	Other (please specify):	11	Now that the project is fully staffed, Merit anticipates gradually coming into line with the Baseline Report by project completion.
<p>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).</p> <p>We do not project encountering any challenges or issues leading to delays unique to this quarter, with the exception of possible weather delays. The length of time it has taken to get our Finding of No Significant Impact and get environmental permits continues to impact the project, but we do anticipate making up for lost time during the second and third quarters in 2012.</p>			

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	\$621,845	\$124,369	\$497,476	\$153,607	\$30,721	\$122,886	\$261,063	\$52,213	\$208,850
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$30,272	\$6,054	\$24,218	\$30,272	\$6,054	\$24,218
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$4,301,298	\$860,260	\$3,441,038	\$1,861,558	\$372,312	\$1,489,246	\$1,949,940	\$389,988	\$1,559,952
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$732,625	\$146,525	\$586,100	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$723,009	\$144,602	\$578,407	\$0	\$0	\$0	\$4,567	\$913	\$3,654
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$51,151,342	\$10,230,268	\$40,921,074	\$4,227,478	\$845,496	\$3,381,982	\$13,951,704	\$2,790,341	\$11,161,363
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$768,041	\$153,608	\$614,433	\$6,285,648	\$1,257,130	\$5,028,518
k. Miscellaneous	\$158,396	\$31,679	\$126,717	\$394,949	\$78,990	\$315,959	\$522,737	\$104,547	\$418,189
l. SUBTOTAL (add a through k)	\$87,049,114	\$17,409,823	\$69,639,291	\$7,435,905	\$1,487,181	\$5,948,724	\$23,005,931	\$4,601,186	\$18,404,744
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$87,049,114	\$17,409,823	\$69,639,291	\$7,435,905	\$1,487,181	\$5,948,724	\$23,005,931	\$4,601,186	\$18,404,744

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
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