

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 08/11/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570114	<b>3. DUNS Number</b>  615121324
<b>4. Recipient Organization</b>  Merit Network Inc. 1000 Oakbrook Drive Suite 200, Ann Arbor, MI 48104-6815		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  06-30-2011	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Ryan Kunzelman  Grant Compliance Manager	<b>7c. Telephone (area code, number and extension)</b>  7345275739	
	<b>7d. Email Address</b>  kunzelr@merit.edu	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  08-11-2011	

**Project Indicators (This Quarter)**

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

Network fielding is about 90% complete.  
 Over 120 right-of-way permits have been sent to municipalities across the state, and about 50% have been returned.  
 Merit is working through an agreement with Enventis to co-build across the St. Louis Bay.  
 Merit is working with Northeast Service Cooperative to get from the St. Louis Bay to multiple locations in the Duluth, MN area.  
 Merit received all the clearances necessary to submit a final Environmental Assessment.  
 Merit has received a majority of its Davis-Bacon Act wage determinations from the Department of Labor but is awaiting several counties in Wisconsin and Minnesota.  
 Posted a position for Project manager and Environmental Assessor.  
 Merit's revised budget has been approved.

**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	1	Our overall project spending is less than we projected as a result of unexpected delays in the issuance of our Finding of No Significant Impact. Merit believed we would be able to begin field engineering and construction this quarter. Once Merit has clearance to move forward with construction, we believe that we will catch up over the next few quarters.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 474%. 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 700%.
2c.	Network Design	21	We are waiting for our Finding of No Significant Impact to proceed with most of the field engineering, but have attempted to do as much planning as is covered by the revised expenditure plan. Due to weather conditions, pre-construction planning and engineering work wasn't done at the projected pace in the Upper Peninsula and contract renegotiations with our lower peninsula firm are taking longer than anticipated.
2d.	Rights of Way	49	Many permits require an approved engineered route; while we are waiting for the engineering work to be completed and our route to be accepted by the NTIA, we have prepped many permits so they can be sent out as soon as the Finding of No Significant Impact is received and the route is finalized.
2e.	Construction Permits and Other Approvals	0	Many permits require an approved engineered route; while we are waiting for the engineering work to be completed and our route to be accepted by the NTIA, we have prepped many permits so they can be sent out as soon as the Finding of No Significant Impact is received and the route is finalized.
2f.	Site Preparation	0	Merit did not receive the Finding of No Significant Impact, so we could not begin hut site construction. Sites for the huts have been identified and Merit began to negotiate easements.
2g.	Equipment Procurement	0	Merit did not include equipment in our revised expenditure plan, so we requested a pre-Environmental Assessment budget revision. Our sole source was approved at the end of the quarter, and the order will be placed next quarter.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2h.	Network Build (all components - owned, leased, IRU, etc)	0	We anticipated having finalized Indefeasible Right to Use (IRU) Agreements and the Finding of No Significant Impact in place by this point; however, negotiations are underway, and we believe that we will be purchasing the existing infrastructure and beginning construction in the next quarter.
2i.	Equipment Deployment	0	We were waiting for our Environmental Assessment budget approval and sole source approval to order equipment. Equipment has been selected, and will be deployed as soon as it is received and tested.
2j.	Network Testing	0	Network construction has not begun.
2k.	Other (please specify): Staffing, Misc.	7	The construction delays have led to a slower staffing ramp up than originally projected. With the hire of a Project Manager, Environmental Assessor, and several clerks pending, we anticipate a gradually aligning with the Baseline Report.

**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 struggled for several months to work through communication difficulties with Federally recognized tribes, but we were able to develop a plan and we are currently working out a maintenance agreement.

Weather conditions in the Upper Peninsula and Northern Lower Peninsula have made it difficult to complete full engineering and therefore it has taken multiple trips to verify information. To obtain clearance in Wisconsin, Merit was required to do shovel testing at hut site locations during the time of the year when the ground was not frozen. Weather has been the biggest challenge at this point but is clearing up and engineering is progressing quickly.

Completion of the engineering and completion of the Finding of No Significant Impact has hindered our ability to complete permits. Michigan Department of Transportation permit submission has been delayed due to Finding of No Significant Impact approval; the Michigan Department of Transportation relies on the Finding of No Significant Impact to expedite the permit through the environmental review on their end therefore, will only process the permits once the Finding of No Significant Impact is in place.

**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	No variance.
New network miles leased	0	No variance.
Existing network miles upgraded	0	No variance.
Existing network miles leased	0	We are in negotiation with for the proposed leases.
Number of miles of new fiber (aerial or underground)	0	We are in negotiation with for the proposed leases.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	No variance.

**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

Indicators	
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:**  
None at this time.

**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 third party operates (600 words or less).**  
We anticipate 7 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

Great Lakes Comnet, Inc (GLC): John Summerset, 1515 Turf Lane, Suite 100, East Lansing, MI, 48823, Phone: 517-664-1600 x117  
Ownership: All Corridors

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	Merit will provide transport services to service providers at speeds from 10 Mbps to 10 Gbps, including the option to lease dark fiber. We estimate that all providers will connect at a minimum of 1 Gbps.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
<b>Community Anchor Institutions (including Government institutions)</b>	Total subscribers served	0	No variance.
	Subscribers receiving new access	0	No variance.
	Subscribers receiving improved access	0	No variance.
	Please identify the speed tiers that are available and the number or subscribers for each	0	No variance.
<b>Residential / Households</b>	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
<b>Businesses</b>	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).**  
 The Finding of No Significant Impact will be received and the Environmental Special Award Condition will be satisfied. About 1000 permits will be submitted by the end of the quarter and many will be completed. Hut sites will be procured and a Request for Proposals will be issued for Hut Construction. Merit will begin aerial and underground construction. If Merit's sole source requests are approved, materials and fiber will be procured, and a Request for Proposals will be issued for switch/router equipment.

**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	6	Our overall project spending is less than we projected as a result of unexpected delays in the issuance of our Finding of No Significant Impact. Merit believed we would be able to begin field engineering and construction this quarter. Once Merit has clearance to move forward with construction, we believe that we will catch up over the next few quarters.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 474%. 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 cost at completion, which will be around 700%.
2c.	Network Design	27	We are waiting for our Finding of No Significant Impact to proceed with most of the field engineering, but have attempted to do as much planning as is covered by the revised expenditure plan. Due to weather conditions, pre-construction planning and engineering work wasn't done at the projected pace in the Upper Peninsula.
2d.	Rights of Way	66	Many permits require an approved engineered route; while we are waiting for the engineering work to be completed and our route to be accepted, we have prepped many permits so they can be sent out as soon as the Finding of No Significant Impact is received and the route is finalized.
2e.	Construction Permits and Other Approvals	23	Many permits require an approved engineered route; while we are waiting for the engineering work to be completed and our route to be accepted, we have prepped many permits so they can be sent out as soon as the Finding of No Significant Impact is received and the route is finalized.
2f.	Site Preparation	0	Merit did not receive the Finding of No Significant Impact, so we could not begin hut site construction. Sites for the huts have been identified and Merit began to negotiate easements.
2g.	Equipment Procurement	5	Merit did not include equipment in our revised expenditure plan, so we requested a pre-Environmental Assessment budget revision. Our sole source was approved at the end of the quarter, and the order will be placed next quarter.
2h.	Network Build (all components - owned, leased, IRU, etc.)	5	We anticipated having finalized Indefeasible Right to Use Agreements and the Finding of No Significant Impact in place by this point; however, negotiations are underway, and we believe that we will be purchasing the existing infrastructure and beginning construction in the next quarter.
2i.	Equipment Deployment	0	We were waiting for our Environmental Assessment budget approval and sole source approval to order equipment. Equipment has been selected, and will be deployed as soon as it is received and tested.
2j.	Network Testing	0	Network construction has not begun.
2k.	Other (please specify):	17	The construction delays have led to a slower staffing ramp up than originally projected. With the hire of a Project Manager, Environmental Assessor, and several clerks pending, we anticipate a gradually aligning with the Baseline Report.

**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).**

Our progress is largely dependent on receiving the Finding of No Significant Impact; the sooner we are able to begin construction, the

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more progress we will make in the next quarter.

Certain materials have been in short supply and long lead times are anticipated; however, when compliance requirements allow, we will place bulk orders for fiber and materials for the entire network build and set up a facility for storage to ensure all necessary supplies are on hand.

**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	\$109,009	\$21,802	\$87,207	\$173,113	\$34,623	\$138,791
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$9,000	\$1,800	\$7,200	\$9,000	\$1,800	\$7,200
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	\$581,611	\$116,322	\$465,289	\$1,122,880	\$224,576	\$898,304
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	\$0	\$0	\$0
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$51,151,342	\$10,230,268	\$40,921,074	\$62,303	\$12,461	\$49,843	\$2,619,870	\$523,974	\$2,095,896
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$0	\$0	\$0	\$1,412,230	\$282,446	\$1,129,784
k. Miscellaneous	\$158,396	\$31,679	\$126,717	\$289,836	\$57,967	\$231,868	\$242,225	\$48,445	\$193,780
<b>l. SUBTOTAL (add a through k)</b>	\$87,049,114	\$17,409,823	\$69,639,291	\$1,051,759	\$210,352	\$841,407	\$5,579,318	\$1,115,864	\$4,463,755
m. Contingencies									
<b>n. TOTALS (sum of l and m)</b>	\$87,049,114	\$17,409,823	\$69,639,291	\$1,051,759	\$210,352	\$841,407	\$5,579,318	\$1,115,864	\$4,463,755

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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