

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information		
1. Federal Agency and Organizational Element to Which Report is Submitted GOL	2. Award Identification Number NT10BIX5570009	3a. DUNS Number 615121324
		3b. EIN XXXXXXXXXXX
4. Recipient Organization (Name and complete address including country, congressional district, and zip code) Merit Network Inc. 1000 Oakbrook Drive Suite 200, Ann Arbor, MI 48104-6815		
5. Current Reporting Period End Date (MM/DD/YYYY) 09-30-2010	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 Ryan Kunzelman Grant Compliance Manager	7c. Telephone (area code, number and extension) 7345275739	
	7d. Email Address kunzelr@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 11-18-2010	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (150 words or less).
 Merit has satisfied the Environmental Assessment Special Award Condition by receiving a "Finding of No Significant Impact" (FONSI) before the deadline. We have also hired an engineering firm and have started engineering on the project. Merit has started the permitting process to lead us to the construction phase of the project. Merit is also reviewing RFP's for Hardware, Materials, Cable, and Construction. It is anticipated that all decisions will be final early next quarter.

2. Please provide the percent complete for the following key milestones in your project. Write "N/A" in the second 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 (100 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	15	Given the below comments the primary challenge we face is coordinating work all the types of agencies and working through the proper avenues of approval.
2b.	Environmental Assessment	100	None Noted
2c.	Network Design	60	None Noted
2d.	Rights of Way	75	The reason we're not 90% is that final CAD necessary for applications is not available yet from TKNS. We do have most pole attachment agreements in place, though.
2e.	Construction Permits and Other Approvals	40	None Noted
2f.	Site Preparation	0	Given the proper permits are not in place we have not been given the proper clearances to move forward.
2g.	Equipment Procurement	0	Merit will have selected a vendor, but we have changed our purchasing strategy to "just in time". Our baseline plan assumed that equipment would be purchased in advance with a 90-day lead time and warehoused.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	None Noted
2i.	Equipment Deployment	0	None Noted
2j.	Network Testing	0	None Noted
2k.	Other (please specify): Staffing	30	None Noted

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 (150 words or less).

The major challenge that Merit has ran into is the permits with local governments. Many local governments have proposed route changes for various reasons and/or are proposing changes to the rights-of-way agreements. To get through these issues we are reaching out to these municipalities and meeting with them one-on-one to work out the details of the agreements. We are also in the process of developing contracts with our partners on the build. The negotiation of the contracts have been slower than originally anticipated due to the complexities of the project as a whole. To help speed the process we have proposed a fixed cost pricing to alleviate sub-recipients risk of overages on the build. This strategy appears to be appealing to them considering it limits their exposure.

4. Please report the following information regarding network build progress. Write "N/A" in the second 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 (100 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	None Noted
New network miles leased	0	None Noted
Existing network miles upgraded	0	None Noted
Existing network miles leased	0	None Noted
Number of miles of new fiber (aerial or underground)	0	None Noted
Number of new wireless links	0	N/A

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new towers	0	N/A
Number of interconnection points	0	None Noted

For questions 5 and 6 please include information relating to agreements that you are negotiating or have entered into, or that your subrecipient, 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	0

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements. Providers:
 N/A

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. Wholesale services description:
 N/A

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 subrecipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this third party operates (150 words or less).

It is anticipated that 3 sub-recipients will be participating in this "condo" build. Each sub-recipient will own strands in the build depending on the segment/location of the build. The 3 sub-recipients anticipated to participate are as follows:
 LYNX Network Group, LLC: This sub-recipient will own fiber on all segments of the build. Their contact information is as follows:
 Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969
 KEPS Technologies, Inc. (D.B.A. - ACD.net): This sub-recipient will own fiber on all segments of the build. Their contact information is as follows:
 Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638
 The Computer Care Company, Inc. (D.B.A. - TC3Net): This sub-recipient will own fiber from Monroe, MI to Benton Harbor, MI. Their contact information is as follows:
 Joe Mattaucsh, President, 247 S. Main St. Adrian, MI 49221, Phone: 517-266-0402

6. Please provide the data according to the type of subscriber. Write "N/A" 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 (100 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	None Noted
	Providers with signed agreements receiving improved access	0	None Noted
	Providers with signed agreements receiving access to dark fiber	0	None Noted
	Please identify the speed tiers that are available and the number of subscribers for each	0	None Noted
Community Anchor Institutions (including Government institutions)	Total subscribers served	43	None Noted
	Subscribers receiving new access	0	None Noted

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Subscribers receiving improved access	0	None Noted
	Please identify the speed tiers that are available and the number or subscribers for each	43	All 43 at 1 Gbps
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 (150 words or less).
 No additional special service offerings are planned, at this time, to 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 (150 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. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent calendar year. 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 (100 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
N/A	N/A	N/A	N/A	N/A
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 (150 words or less).

Some construction will be able to start during this quarter. We will be making the decision on all RFP's that have been posted and all of the contracts with the vendors and partners will be in place. Merit intends to make decisions on are the Cable, Materials and Construction RFP's in this quarter. A majority of the engineering will be completed and we will have all of the information necessary to initiate route changes throughout.

2. Please provide the percent complete for the following key milestones in your project. Write "N/A" in the second 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 (100 words or less).

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	30	Given the previous quarter's challenges we may not be able to catch up at this point but plan to within the next quarter or the quarter after that.
2b.	Environmental Assessment	100	None Noted
2c.	Network Design	85	None Noted
2d.	Rights of Way	95	None Noted
2e.	Construction Permits and Other Approvals	60	None Noted
2f.	Site Preparation	10	Site preparation is beginning one quarter later than planned due to delays with obtaining permits in Year 1 Q2.
2g.	Equipment Procurement	10	Merit will have selected a vendor, but we have changed our purchasing strategy to "just in time". Our baseline plan assumed that equipment would be purchased in advance and warehoused.
2h.	Network Build (all components - owned, leased, IRU, etc.)	2	None Noted
2i.	Equipment Deployment	5	None Noted
2j.	Network Testing	5	None Noted
2k.	Other (please specify): Staffing	40	None Noted

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 (150 words or less).

Merit anticipates that the route changes resulting from engineering, permit applications, and municipality input will take time to develop and coordinate internally. Approval from the NTIA, considering the Environmental Assessment, will take time to go through review. This may hinder the permitting as well as construction in some areas. As more organizations are getting funding for there Round 2 applications Merit has discovered that we are overlapping with Bloomingdale in the Southwestern region of Michigan. We are currently working with Bloomingdale to propose how we will handle the build route and cost allocation to the NTIA for approval.

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	\$422,027	\$84,405	\$337,622	\$176,369	\$35,273	\$141,096	\$202,512	\$40,502	\$162,010
b. Land, structures, right-of-ways, appraisals, etc.	\$676,200	\$135,240	\$540,959	\$156,546	\$31,309	\$125,237	\$596,076	\$119,215	\$476,861
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$4,703,356	\$940,671	\$3,762,685	\$117,603	\$23,521	\$94,082	\$1,803,778	\$360,756	\$1,443,022
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$97,158	\$19,432	\$77,726	\$243,205	\$48,641	\$194,564
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,398	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$1,696,897	\$339,380	\$1,357,518	\$0	\$0	\$0	\$169,690	\$33,938	\$135,752
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$0	\$0	\$0	\$507,149	\$101,430	\$405,719
j. Equipment	\$5,485,955	\$1,097,192	\$4,388,763	\$156	\$31	\$125	\$548,751	\$109,750	\$439,001
k. Miscellaneous	\$154,827	\$30,965	\$123,862	\$22,699	\$4,540	\$18,159	\$42,699	\$8,540	\$34,159
I. SUBTOTAL (add a through k)	\$41,611,527	\$8,322,306	\$33,289,222	\$570,531	\$114,106	\$456,425	\$4,113,860	\$822,772	\$3,291,088
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of I and m)	\$41,611,527	\$8,322,306	\$33,289,222	\$570,531	\$114,106	\$456,425	\$4,113,860	\$822,772	\$3,291,088

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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