

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 05/24/2011

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) 03-31-2011	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 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): 05-24-2011	

Project Indicators (This Quarter)			
<p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>Merit has submitted the Environmental Assessment and received comments from the NTIA. We are negotiating IRU purchases with the owners of the the Mackinaw Bridge and St. Ignace to Sault Ste. Marie infrastructure. Field engineering has started in the Upper Peninsula, Wisconsin, and Minnesota, and over 100 miles of engineering is complete. Preliminary engineering in the lower peninsula of Michigan is complete.</p>			
<p>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).</p>			
	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 the projected 7% as a result of unexpected delays in the issuance of our FONSI. 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 364%. 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 EA, we are considering a revision to the budget to incorporate the latest estimate of the EA cost at completion, which will be at 721%.
2c.	Network Design	8	We are waiting for our FONSI 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. The number reported in this quarter is lower than last quarter because of the newly issued guidance on percent complete calculations. While our estimate has always been primarily based on cost, previous calculations had also factored in work and progress.
2d.	Rights of Way	0	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 the Right of Way permits so they can be sent out as soon as the FONSI is received and the route is finalized.
2e.	Construction Permits and Other Approvals	0	Permits require an approved engineered route; our ability to move forward depends on having our route accepted by the NTIA so the CAD drawings can be finalized.
2f.	Site Preparation	2	Merit did not receive the FONSI, 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 cannot begin procuring equipment until we receive our FONSI. In addition, we are waiting on a determination on using a sole source justification for equipment vendor selection. However, if the sole source request is approved, we are ready to order optical equipment as soon as the FONSI is received.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	We anticipated having finalized IRU Agreements in place by this point; however, negotiations are underway, and we believe that we will be purchasing the existing infrastructure in the next quarter.
2i.	Equipment Deployment	0	No variance
2j.	Network Testing	0	No variance

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
	2k. Other (please specify): Staffing	3	We have not hired staff at the rate originally projected because we overestimated the staffing levels that would be required for this pre-FONSI stage of the project. In addition, staff have not completed budgeted training, and we have not incurred the cost of increased insurance yet.

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 reinitiated correspondence with certain state agencies to allow more flexibility to switch between aerial and underground construction methods throughout Michigan. This was necessary due to slow response from pole owners as well as the extensive time constraints resulting from make-ready work.

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	Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
Number of miles of new fiber (aerial or underground)	0	Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	The projection for interconnection points 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.

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	7
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 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

Zayo Bandwidth: Essam El-beik, 400 Centennial Parkway, Suite 200, Louisville, CO 80027, Phone: 972-741-5882
 Ownership: Middle 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 ISPs 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.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	No variance.
	Subscribers receiving new access	0	No variance.
	Subscribers receiving improved access	0	No variance.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Please identify the speed tiers that are available and the number or subscribers for each	0	No variance.
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).

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).

Responses to the Environmental Assessment comments will be resubmitted with all finished state correspondence, and we hope to receive the Finding of No Significant Impact (FONSI).

Construction RFP will be posted early next quarter.

Sole source justifications will be submitted to use Round I equipment, fiber and materials vendors for the Round II Project.

Construction in certain areas of the Upper Peninsula will start and IRU purchases will be made.

Hut site construction will be begin.

Field engineering in the Lower Peninsula will begin.

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	4	Our overall project spending will be significantly less than the projected 22% as a result of unexpected delays in the issuance of our FONSI. Even if the FONSI was issued today, any work performed would not be invoiced during 2011 Quarter 2.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we estimate will be at 385% next quarter. 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 EA, we are considering a revision to the budget to incorporate the latest estimate of the EA cost at completion, which will be xx% above the original budget.
2c.	Network Design	28	The bulk of network design costs are incurred during field engineering. To avoid wasting federal funds engineering routes that we may be required to change, we are not beginning the detailed engineering work until our route is approved. Even if the FONSI was issued today, any work performed would not be invoiced during 2011 Quarter 2.
2d.	Rights of Way	36	We are able to send out Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) permits with our EA route, and are beginning that this quarter. Because other permits require an approved engineered route, our ability to move forward with the remaining ROW permits depends on having our route accepted by the NTIA so the CAD drawings can be finalized.
2e.	Construction Permits and Other Approvals	10	Because permits require an approved engineered route, our ability to move forward with the remaining ROW permits depends on having our route accepted by the NTIA so the CAD drawings can be finalized.
2f.	Site Preparation	3	Merit did not receive the FONSI, so we could not begin hut site construction. Sites for the huts have been identified and Merit will continue to negotiate easements. Even if the FONSI was issued today, any work performed would not be invoiced during 2011 Quarter 2.
2g.	Equipment Procurement	0	Merit did not include equipment in our revised expenditure plan, so we cannot begin procuring equipment until we receive our FONSI. In addition, we are waiting on a determination on using a sole source justification for equipment vendor selection. If we order optical equipment this quarter, it is unlikely that we would pay the invoice during 2011 Quarter 2.
2h.	Network Build (all components - owned, leased, IRU, etc.)	3	We anticipated having finalized IRU Agreements in place by this point; however, negotiations are underway, and we believe that we will be purchasing the existing infrastructure. However, construction cannot occur until the FONSI is issued, and will most likely begin in June, towards the end of 2011 Quarter 2.
2i.	Equipment Deployment	0	With construction and equipment purchase approximately one quarter behind schedule, we do not anticipate incurring any costs for deployment this quarter.
2j.	Network Testing	0	With construction and equipment purchase approximately one quarter behind schedule, we do not anticipate incurring any costs for deployment this quarter.
2k.	Other (please specify): Staffing	8	We have not hired staff at the rate originally projected because we overestimated the staffing levels that would be required for this pre-FONSI stage of the project.

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 primary concern is receiving the FONSI and the approval to use a sole source justification in our procurement strategy. The BTOP staff have attended several conference calls and have supported us as we continue to work through environmental issues, but currently our entire project is being held up primarily by our difficulty in obtaining clearances in Wisconsin. The most helpful assistance that the BTOP Program could possibly offer would be revisiting the idea of taking a segmented approach to the EA. If Merit were

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allowed to proceed with construction in Michigan, significant construction progress could be made while we continue to work with state agencies and tribes in Wisconsin and Minnesota.

Given the workload of Round I and Round II grants constraints on resources may slow process. Merit has developed key relationships with its vendors and contractors as well as developing contracts that promote performance and timeliness.

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	\$68,140	\$13,628	\$54,512	\$102,211	\$20,442	\$81,768
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$12,501	\$2,500	\$10,000	\$21,690	\$4,338	\$17,352
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	\$202,896	\$40,579	\$162,317	\$693,731	\$138,746	\$554,985
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	\$529	\$106	\$423	\$1,784,704	\$356,941	\$1,427,764
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$0	\$0	\$0	\$0	\$0	\$0
k. Miscellaneous	\$0	\$31,679	\$126,717	\$246,879	\$49,376	\$197,504	\$341,833	\$68,367	\$273,466
l. SUBTOTAL (add a through k)	\$86,890,718	\$17,409,823	\$69,639,291	\$530,945	\$106,189	\$424,756	\$2,944,169	\$588,834	\$2,355,335
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$86,890,718	\$17,409,823	\$69,639,291	\$530,945	\$106,189	\$424,756	\$2,944,169	\$588,834	\$2,355,335

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