

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 02/24/2011

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>  12-31-2010	<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>  02-24-2011	

**Project Indicators (This Quarter)**

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

Merit has selected two engineering firms to complete the task of our Network Design. Merit's Requests for Proposals (RFP's) was posted on our web site and available to the public. Merit also sent out e-mail notifications to known vendors and organizations. Merit reviewed all RFP's and interviewed several candidates before making its selection. These firms have completed the pre-engineering of the route and are in the process of starting the final engineering. The Environmental Assessment has been moving along as planned and state correspondence has been sent to the multiple agencies as well as permits. Although not all the responses have come back, Merit has received many letters from various organizations at different stages of the process. Merit has been working with several organizations to avoid duplication with other project builds. UW Extension and Eventis are examples of projects Merit is working with to coordinate our builds to reduce costs, accelerate the construction and ultimately utilize the network for our communities.

**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	0	Contract negotiations with engineers and other agencies have put us slightly behind.
2b.	Environmental Assessment	75	None Noted
2c.	Network Design	10	None Noted
2d.	Rights of Way	5	Contract negotiations with the engineering firm took longer than anticipated therefore, we were unable to submit the Rights of Way permits but we have identified the agencies.
2e.	Construction Permits and Other Approvals	0	Contract negotiations with the engineering firm took longer than anticipated therefore, the engineering firm was not able to complete the permits as we had originally anticipated.
2f.	Site Preparation	0	None Noted
2g.	Equipment Procurement	0	None Noted
2h.	Network Build (all components - owned, leased, IRU, etc)	0	Merit was unable to secure the Mackinaw Bridge IRU, as originally anticipated, that would have contributed to this category but negotiation are in process to secure a contract.
2i.	Equipment Deployment	0	None Noted
2j.	Network Testing	0	None Noted
2k.	Other (please specify): Staffing	12	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 (600 words or less).**

The primary issue we have had in the Environmental process is getting clearance from state agencies. In the State of Michigan there have been two individuals out of three that have retired from the SHPO offices therefore the agency does not have the capacity to respond to all the inquiries it has been presented in a timely manner. The other challenge we face is the weather conditions across the State of Michigan, Wisconsin, and Minnesota. These conditions make it difficult to perform many duties in the field.

**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	None Noted

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
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	None Noted
Number of new towers	0	None Noted
Number of new and/or upgraded 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 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
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: 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 (100 words or less). 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 sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).

It is anticipated that 7 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 7 sub-recipients anticipated to participate are as follows:  
 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	None Noted
	Providers with signed agreements receiving improved access	0	None Noted
	Providers with signed agreements receiving access to dark fiber	0	None Noted
Community Anchor Institutions (including Government institutions)	Please identify the speed tiers that are available and the number of subscribers for each	0	None Noted
	Total subscribers served	0	None Noted
	Subscribers receiving new access	0	None Noted
	Subscribers receiving improved access	0	None Noted
Residential / Households	Please identify the speed tiers that are available and the number of subscribers for each	0	None Noted
	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
Businesses	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
	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

7. Please describe any special offerings you may provide (600 words or less).  
N/A

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	Narrative description of how anchor institutions are using BTOP-funded infrastructure

			institution? (Yes / No)	
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 most largest accomplishment Merit will have established by the end of next quarter is draft submission of the environmental assessment. Merit will also have completed some of the field engineering as well as started the procurement procedures for equipment, fiber, materials and construction. Considering field engineering will start permitting will start and preparation for construction will get underway. Merit also anticipates the negotiation for the hut sites to be initiated as well as negotiations for the IRU for the Mackinaw Bridge to resume and the purchase of fiber from St. Ignace to Saute St. Marie. Construction will start if the FONSI is awarded before March and the permits are complete. Although construction is unlikely this quarter Merit feels the process will be streamlined enough to build the fiber at a rapid pace if we are able to complete those two big hurdles.

**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	7	None Noted
2b.	Environmental Assessment	95	None Noted
2c.	Network Design	50	The slow contract negotiations Merit does not feel that we will catch up with Network Design. Weather conditions will also determine the speed at which the engineers will be able to work. Merit feels that next quarter engineering will be up to speed and on track considering the process we have put in place.
2d.	Rights of Way	50	None Noted
2e.	Construction Permits and Other Approvals	10	Merit doesn't feel that we will be up to speed in this category considering the contract negotiations. Merit feels that next quarter permitting will be up to speed and on track considering the process we have put in place.
2f.	Site Preparation	5	None Noted
2g.	Equipment Procurement	10	None Noted
2h.	Network Build (all components - owned, leased, IRU, etc.)	3	None Noted
2i.	Equipment Deployment	0	None Noted
2j.	Network Testing	0	None Noted
2k.	Other (please specify): Staffing	26	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 (600 words or less).**

Some challenges we foresee facing is a lack of resources given the vast amount of work in the State. Given that this industry is growing rapidly via the ARRA grants the capacity of engineers, construction companies, suppliers is being restricted. This may make it difficult to secure these important materials and services without paying a higher amounts and having longer lead times than anticipated. Due to Merit's "high" profile project we have not had these issues but we may be seeing the impact in the next quarter or future quarters to come. Permitting will continue to be our number one obstacle consider work will take place in multiple states given that we are unfamiliar with their practices and procedures. Merit has consulted with firms that are familiar with the process and they will be able to assist us in that process. By assisting us in the process this will help us mitigate these permitting issues. Although Merit will be able to catch up on the amount of work this quarter Merit will not be able to procure all the services that it has initially anticipated given the restriction of funds via the Environmental Assessment SAC. We feel Merit will be able to mitigate this issue in future quarters by catching up given that many if not all agreements will be in place.

### 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	\$33,415	\$6,683	\$26,732	\$64,835	\$51,868	\$12,967
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$0	\$0	\$0	\$12,000	\$9,600	\$2,400
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	\$62,550	\$12,510	\$50,040	\$1,066,871	\$853,497	\$213,374
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	\$1,400	\$280	\$1,120	\$511,913	\$409,531	\$102,383
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$0	\$0	\$0	\$0	\$0	\$0
k. Miscellaneous	\$158,396	\$31,679	\$126,717	\$87,691	\$17,538	\$70,152	\$112,691	\$90,153	\$22,538
<b>l. SUBTOTAL (add a through k)</b>	\$87,049,114	\$17,409,823	\$69,639,291	\$185,056	\$37,011	\$148,044	\$1,768,310	\$1,414,649	\$353,662
m. Contingencies									
<b>n. TOTALS (sum of l and m)</b>	\$87,049,114	\$17,409,823	\$69,639,291	\$185,056	\$37,011	\$148,044	\$1,768,310	\$1,414,649	\$353,662

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