



FIRST PERFORMANCE PROGRESS REPORT 2010

<p>1. Recipient Organization (<i>Name and complete address including zip code</i>) Merit Network, Inc. 1000 Oakbrook Drive Ann Arbor, MI 48104-6794</p>	<p>2. Award Identification Number NT10BIX5570114</p>
<p>3. Performance Narrative (Q1) <i>Please describe your project activities and progress for the first quarter of your award period. This should include a description of federal expenditures to date, key milestones, the primary activities needed to accomplish those milestones, significant project accomplishments, and any delays or challenges. Please use the milestone categories provided in your baseline report (e.g., environmental assessment, design, rights of way) to structure your answer. (500 words or less)</i></p> <p>Overall Project: Merit Network, Inc. has submitted the Revised Expenditure Plan for Pre-Environmental Assessment expenditures.</p> <p>Environmental Assessment: Merit has contracted with the same environmental consulting firm that assisted our organization with the completion of an Environmental Assessment for REACH-3MC I, which was part of the first round of BTOP funding awarded through the American Recovery and Reinvestment Act of 2009 (ARRA). Merit is working with the appropriate officials at the NTIA to coordinate the process of sending out correspondence to the required protection and preservation agencies. Our environmental consulting firm gathered preliminary survey data on wetlands and rare, threatened, and endangered species along the proposed route for incorporation into the Environmental Assessment. Overall, our most significant challenge in completing the Environmental Assessment are time constraints resulting from harsh weather conditions in the upper peninsula of the State of Michigan.</p> <p>Network Design: Merit posted, closed, and began the selection process for a Request for Proposals for the engineering the route.</p> <p>Network Build (All Components – Owned, Leased, IRU, etc.): Merit has started the process of gathering information and constructing contracts.</p> <p>Equipment Procurement, Deployment: Merit began gathering information and determining the necessary requirements and specifications that will be included in our Equipment RFP(s).</p> <p>Other (please specify): Merit began the REACH-3MC project with two individuals, a grant administrator and a project manager, who were currently employed as Merit employees. One additional individual was hired to assist the grant administrator and project manager.</p> <p>General challenges that we have faced in this quarter are related to Federal Security Interest and operating agreements with the sub-recipients. Federal Security Interest in the project has posed different challenges in securing funding for the matching funds given the banks also require a secured interest on the asset as well. The operating agreements with the sub-recipients are currently being constructed to best fit Merits need for oversight and control over the project and the sub-recipients interest in the project as well. Our grants officer is working diligently to help us through these issues and we are confident that this issues will be resolved in the next quarter.</p> <p>The amount of Total Federal Expenditures, including pre-award expenditures, was not drawn down in totality during the first quarter of the grant. The total Federal Expenditures (80% of total costs) including pre-award expenditures at the end of the first quarter is \$94,461.</p>	
<p>4. Performance Projections (Q2) <i>Please describe your anticipated project activities and progress for the next quarter. This should include a description of federal expenditures, key milestones, the primary activities needed to accomplish those milestones, significant project accomplishments, and any potential delays or challenges you foresee. Please use the milestone categories provided in your baseline report (e.g., environmental assessment, design, rights of way) to structure your answer. (500 words or less)</i></p>	

Overall Project: The Revised Expenditure Plan will be approved and we will be able to purchase in accordance with the Special Awards Conditions.

Environmental Assessment: Merit plans to have a majority of the necessary environmental and cultural information gathered for the completion of the Environmental Assessment, as well as many documents of clearance from the proper agencies. Weather conditions in the Upper Peninsula are the most significant challenge Merit faces with the Environmental Assessment completion, and will determine the extent of the time available to complete the EA. Although the Environmental Assessment is not due until February 2011, snow in the Upper Peninsula may prolong field survey work or significant clearances from state agencies. Merit will continue to work hard to complete the EA within the 6 month deadline.

Network Design: Merit will finish reviewing RFP responses and select an engineering firm and engineer the Network Design. The amount of engineering and design completed in this quarter will be dependent upon weather conditions. If mild, we will be able to complete more engineering and design.

Rights of Way: As engineering and design progresses, we will begin to send these type of permits to the proper agents. The main challenge we face is working with the local municipalities in developing the terms and conditions, as well as the number of municipalities from whom rights of way permission must be obtained. Merit is pushing to provide the Michigan Department of Transportation (MDOT) with 100% of Right of Way (ROW) Permit Applications by the end of the quarter, but these applications will be dependent upon completion of engineering.

Network Build (All Components – Owned, Leased, IRU, etc.): The agreements/contracts for purchasing IRU's and owned/existing infrastructure will be negotiated and potentially agreed upon.

Other (please specify): We will be posting and hiring two individuals to support the grant administrator and project manager, as well as posting for one or more individuals for engineering positions.

The Federal Secured Interest is still going to be a foreseeable problem in the next quarter. Security Interest primarily affects our sub-recipient's ability to raise funds for the matching funds of the project. Our sub-recipient operational agreements will continue to be a challenge given the difficult task of balancing what they want out of the build and what we need be compliant with the grant. We will continue to work through these issues with our Grants Officer's assistance as we have in the past.

Merit has identified two projects that are overlapping our project from Superior, WI to Duluth, MN. We are currently working with those two projects to put together a proposal for the NTIA's review. The challenge is to get all parties to agree on the route and operational agreements.

The Total Federal Expenditures (80% of total costs) anticipated for this quarter is \$2,706,929.

5. 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.

5a. Typed or Printed Name and Title of Authorized Certifying Official Karen Smith, Vice President, Finance and Administrative/CFO	5c. Telephone (<i>area code, number and extension</i>) 734-527-5700
	5d. Email Address ksmith@merit.edu
5b. Signature of Authorized Certifying Official Karen A. Smith	5e. Date Report Submitted (<i>Month, Day, Year</i>) 10/26/2010

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