QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Award Identification Number	3. DUNS Number
Department of Commerce, National Telecommunications and Information Administration	NT10BIX5570009	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)	6. Is this the last Report of the Award Period?
03-31-2013	◯ Yes ⦿ 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	7c. Telephone (area code, number and extension)
Jamie Nielson	X
	7d. Email Address jamien@merit.edu

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	05-30-2013

Project Indicators (This Quarter)

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

As of the end of the quarter, almost all of the construction has been completed, but Merit continues to test the network and make the necessary repairs to light the fiber. Merit has completed the build of all CAI sites and they are all connected, with the exception of two that elected not to participate and will be formally removed via Award Action Request.

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	96	The construction and environmental permit delays Merit experienced at the outset of the project has resulted in less spending to date than originally projected. Merit has completed construction and is now working on and completing final testing and any repairs that are necessary.
2b.	Environmental Assessment	100	The Environmental Assessment is at 435% of budget. After our Finding of No Significant Impact was issued, we continued to need to work with the environmental consulting firm and the Michigan Department of Environmental Quality on ways to minimize our project's impact and remain in compliance. Merit also needed to do additional work to obtain environmental approval from the National Telecommunications & Information Administration for route changes. Despite the overrun Merit does not anticipate revising the budget as reported on Form 424C. The Environmental Assessment is a component of the Engineering budget and Merit is currently under budget in that category. Merit is confident that the Engineering budget will be able to absorb the current overrun. There will continue to be minimal charges in this category as we work with agencies on environmental permitting and mitigation.
2c.	Network Design	45	The percentage of completion does not accurately reflect that the network design for fiber optic backbone is complete. Final CADs cannot be produced until construction is complete, so Merit anticipates seeing additional budget funds expended as the project wraps up, and will also contain costs relating to site preparation as well as absorb some of the Environmental Assessment costs.
2d.	Rights of Way	100	Merit has exceeded our budget for the rights-of-way permitting (288%). However, some work may still remain. Merit estimates the percentage at completion will be under 300%.
2e.	Construction Permits and Other Approvals	100	Merit has exceeded our budget for the rights-of-way permitting (288%). However, some work may still remain. Merit estimates the percentage at completion will be under 300%.
2f.	Site Preparation	1	Based on the way we have been categorizing expenses, most site preparation items have been placed in the Network Design category.
2g.	Equipment Procurement	100	Equipment procurement is currently at 102%. All optical hardware has been procured and invoiced, and the procurement process for routers and switches was completed.
2h.	Network Build (all components - owned, leased, IRU, etc)	100	Merit has contracts with seven (7) construction firms. The seven (7) firms have multiple construction crews that are perfored aerial and underground construction across the funded network. Merit is currently at 108% of the Network Build budget and will have final contractor invoices coming in over the next quarter.
2i.	Equipment Deployment	100	Merit is at 129% of the budget amount in this category but anticipates minimal spending in the following quarter as all equipment has been placed.
2j.	Network Testing	53	Construction is completed and some testing has occurred so far. Additional testing will take place over the following quarter.

	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, Miscellaneous**	100	Spending in this category has reached 120% of the budgeted amount. Merit anticipates that there should be minimal expenses in this category over the remainder of the project. Surplus funds from the Network Testing and Network Design categories will cover this cost overrun.

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).

Merit will no longer be connecting two community anchors to our project via BTOP-funded laterals.

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	980	Delays in some of the milestone categories have resulted in a delay in fiber installation. Construction was completed in quarter 1 in 2013.
New network miles leased	0	No Variance
Existing network miles upgraded	34	This field had been tabulated incorrectly previously, and was corrected after an email exchange between Merit Network and the Federal Program Officer in December 2012.
Existing network miles leased	0	No Variance
Number of miles of new fiber (aerial or underground)	980	Delays in some of the milestone categories have resulted in a delay in fiber installation. Construction was completed in quarter 1 in 2013.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	N/A

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	3
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	80

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:

We originally projected having 4 agreements, but only 3 parties chose to sign the agreement.
LYNX Network Group, LLC (fiber strands on all segments)
KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)
The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)

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:
None at this time.

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).
Merit has 3 sub recipients that will participate in this infrastructure project. Each sub recipient will own strands in the network depending on the segment and location of the build.
LYNX Network Group, LLC (fiber strands on all segments)
Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969
KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)
Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638
The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)
Joe Mattausch, President, 247 S. Main St. Adrian, MI 49221, Phone: 517-266-0402

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	N/A
	Providers with signed agreements receiving improved access	0	N/A
	Providers with signed agreements receiving access to dark fiber	3	Merit is providing dark fiber to wholesale providers who will in turn offer last mile services
	Please identify the speed tiers that are available and the number of subscribers for each	0	There are no Merit-defined speed tiers available to the current subscribers because they are all project subrecipients who will be creating their own speed tiers based on the equipment they independently install to light their fiber strands.
Community Anchor Institutions (including Government institutions)	**Total subscribers served**	146	Merit CAI sites that have been connected to the BTOP funded network.
	Subscribers receiving new access	55	Will be receiving new access due to the REACH-3MC project.
	Subscribers receiving improved access	91	Merit CAI sites that have been connected to the network. All are receiving improved access over what they had before the REACH-3MC project.
	Please identify the speed tiers that are available and the number or subscribers for each	1	All 146 are receiving a 1GB connection
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

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	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).

At this time no additional special service offerings are planned that would 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 (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
South Central MI Works-Adrian	Adrian, MI	Other Community Support Organizations	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Adrian College	Adrian, MI	Other Institutions of Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Interlochen Center for the Arts	Interlochen, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Adrian Public Library	Adrian, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Jackson Community College	Adrian, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Sienna Heights University	Adrian, MI	Other Institutions of Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Hillsdale High School	Hillsdale, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Village of Jonesville-Fire Department	Jonesville, MI	Public Safety Entities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Village of Jonesville-Police Department	Jonesville, MI	Public Safety Entities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Village of Jonesville	Jonesville, MI	Other Government Facilities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.

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
Traverse Area District Library	Traverse City, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Boyne City Public Schools	Boyne City, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Charlevoix County	Charlevoix, MI	Other Government Facilities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
East Jordan Public Schools	East Jordan, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Jordan Valley District Library	East Jordan, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
North Country Community Mental Health-Charlevoix	Charlevoix, MI	Medical and Healthcare Providers	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
North County Community Mental Health-Petoskey	Petoskey, MI	Medical and Healthcare Providers	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Charlevoix Public Schools	Charlevoix, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Charlevoix-Emmet ISD	Charlevoix, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
North Central Michigan College	Petoskey, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Northwest Michigan Council of Governments-Petoskey	Petoskey, MI	Other Community Support Organizations	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Mancelona Public Schools	Mancelona, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Mary Johnston Memorial Library	Standish, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Omer Library	Omer, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Au Gres Library	Au Gres, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Tawas City Library	Tawas City, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Iosco-Arenac District Library	East Tawas, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).

During the next quarter, Merit anticipates completing testing on network infrastructure. Merit will be working with our contractors to complete any warranty repair work on network infrastructure before final acceptance. Merit is expecting to connect Round 1 infrastructure to Round 2 infrastructure. Merit will begin working on project closeout, if ready, during the next quarter.

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**	100	The construction and environmental permit delays Merit experienced at the outset of the project has resulted in less spending to date than originally projected. Merit has completed construction and is now working on and completing final testing and any repairs that are necessary. Merit anticipates project completion by the end of the quarter.
2b.	**Environmental Assessment**	100	The Environmental Assessment is at 435% of budget. After our Finding of No Significant Impact was issued, we continued to need to work with the environmental consulting firm and the Michigan Department of Environmental Quality on ways to minimize our project's impact and remain in compliance. Merit also needed to do additional work to obtain environmental approval from the National Telecommunications & Information Administration for route changes. Despite the overrun Merit does not anticipate revising the budget as reported on Form 424C. The Environmental Assessment is a component of the Engineering budget and Merit is currently under budget in that category. Merit is confident that the Engineering budget will be able to absorb the current overrun.
2c.	**Network Design**	46	The percentage of completion does not accurately reflect that the network design for fiber optic backbone is complete. Final CADs cannot be produced until construction is complete, so Merit anticipates seeing additional budget funds expended as the project wraps up, and will also contain costs relating to site preparation as well as absorb some of the Environmental Assessment costs and other overrun costs.
2d.	**Rights of Way**	100	Merit has exceeded our budget for the rights-of-way permitting (288%). However, some work may still remain. Merit estimates the percentage at completion will be under 300%.
2e.	**Construction Permits and Other Approvals**	100	Merit has exceeded our budget for the rights-of-way permitting (288%). However, some work may still remain. Merit estimates the percentage at completion will be under 300%.
2f.	**Site Preparation**	1	Based on the way we have been categorizing expenses, most site preparation items have been placed in the Network Design category.
2g.	**Equipment Procurement**	100	All optical hardware has been procured and invoiced, and the procurement process for routers and switches was completed. Merit anticipates no further spending.
2h.	**Network Build (all components - owned, leased, IRU, etc.)**	100	Merit has contracts with seven (7) construction firms. The seven (7) firms have multiple construction crews that performed aerial and underground construction across the funded network. Merit will receive final invoices and pay them over the next quarter. Merit anticipates being at 112% of this budget category at project end.
2i.	**Equipment Deployment**	100	Merit is at 129% of the budget amount in this category but anticipates minimal spending in the following quarter as all equipment has been placed.
2j.	**Network Testing**	100	Construction is completed and some testing has occurred so far. Additional testing will take place over the following quarter. Merit anticipates being near budget at completion.
2k.	**Other (please specify):** Staffing, Miscellaneous	100	Merit anticipates Spending in this category will reach 126% of the budgeted amount. Merit anticipates that there should be minimal expenses in this category over the remainder of the project. Surplus funds from the Network Testing and Network Design categories will cover this cost overrun.

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).

Merit anticipates the following challenges in the next quarter: Completing testing of sub recipient fibers, connecting the Round 1 and Round 2 project together in the lower peninsula, completing warranty work on network infrastructure while not impacting service, and beginning to close out the project. Merit is working with our sub-recipients on fiber testing to ensure the fibers are acceptable. Merit is also working closely with our contractors on any warranty work to minimize impact on the rest of the network. Merit does not expect any of these tasks to delay project completion.

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.

Cost Classification	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		
	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	$287,656	$57,531	$230,125	$291,325	$58,265	$233,060
b. Land, structures, right-of-ways, appraisals, etc.	$676,199	$135,240	$540,959	$1,486,230	$297,246	$1,188,984	$1,486,230	$297,246	$1,188,984
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	$2,077,535	$415,507	$1,662,028	$2,283,919	$456,784	$1,827,135
e. Other architectural and engineering fees	$1,424,305	$284,861	$1,139,444	$842,147	$168,429	$673,717	$842,147	$168,429	$673,717
f. Project inspection fees	$1,690,497	$338,100	$1,352,397	$1,545	$309	$1,236	$182,630	$36,526	$146,104
g. Site work	$1,696,897	$339,380	$1,357,517	$10,858	$2,172	$8,686	$10,858	$2,172	$8,686
h. Demolition and removal	$0	$0	$0	$0	$0	$0	$0	$0	$0
i. Construction	$25,357,463	$5,071,492	$20,285,971	$29,158,902	$5,831,780	$23,327,122	$29,915,349	$5,983,070	$23,932,280
j. Equipment	$5,485,955	$1,097,192	$4,388,763	$5,757,525	$1,151,505	$4,606,020	$5,757,525	$1,151,505	$4,606,020
k. Miscellaneous	$154,827	$30,965	$123,862	$366,340	$73,268	$293,073	$370,777	$74,156	$296,622
l. SUBTOTAL (add a through k)	$41,611,526	$8,322,306	$33,289,220	$39,988,738	$7,997,747	$31,990,991	$41,140,760	$8,228,153	$32,912,608
m. Contingencies									
n. TOTALS (sum of l and m)	$41,611,526	$8,322,306	$33,289,220	$39,988,738	$7,997,747	$31,990,991	$41,140,760	$8,228,153	$32,912,608

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