

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 08/08/2013

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 6/30/2015

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 NT10BIX5570009	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) 06-30-2013	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 Andrew Frazier	7c. Telephone (area code, number and extension) X	
	7d. Email Address afrazier@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 08-08-2013	

Project Indicators (This Quarter)			
<p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>Merit completed construction on network infrastructure and moved into the testing phase of the project. Warranty work is being worked on to repair any areas of the network infrastructure that are not functioning correctly. As-Built drawings are being finalized for the new network infrastructure. Final acceptance was completed with Bloomingdale communications on the co-build that they participated in with Merit.</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	99	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 is under budget in other areas and should be able to absorb the overage in those categories.
2c.	Network Design	47	The percentage of completion does not accurately reflect that the network design for fiber optic backbone is complete. Final CADs are being produced now that 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 (294%). 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 (294%). 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 performed aerial and underground construction across the funded network. Merit is currently at 109% 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 178% 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 has been faced with challenges in getting As-Built drawings completed but is working closely with contractors and engineering firms to get the drawings completed. Merit has experienced issues coordinating warranty work to take place but is communicating with our Sub-Recipients and with the contractors to have necessary work completed. Testing has shown occasional issues with the fiber where warranty work and repair needs to be made, but that is being coordinated to contractors.

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	1,010	Delays in some of the milestone categories have resulted in a delay in fiber installation. Construction was completed in quarter 1 in 2013 with testing now taking place.
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)	1,010	Delays in some of the milestone categories have resulted in a delay in fiber installation. Construction was completed in quarter 1 in 2013 with testing now taking place.
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, 4798 Campus Drive, Suite 111 Kalamazoo, MI 49008, 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
N/A	N/A	N/A	N/A	No new anchor sites were connected during this reporting quarter

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 and receiving all As-Built drawings for the new network infrastructure. Merit will also be looking to complete testing and request all warranty work to be completed to resolve any outstanding issues. Merit will work with contractors to complete restoration work in construction areas. Merit will be working with municipalities to close out permits and to complete any outstanding tasks. Merit will be preparing to begin the closeout process.

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 is under

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
			budget in other areas and should be able to absorb the overage in those categories.
2c.	Network Design	51	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 (294%). 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 (294%). 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 109% 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	79	Construction is completed and some testing has occurred so far. Testing will be completed by the end of this quarter.
2k.	Other (please specify): Staffing, Miscellaneous	100	Merit anticipates Spending in this category will reach 187% of the budgeted amount. Merit anticipates that there should be some 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 could face difficulties during the coming quarter while working with different municipalities along the route to close out permits. Scheduling remaining testing and warranty work with the contractors and sub recipients could be a challenge but Merit will work with all parties involved to complete in a timely fashion. Preparing for grant closeout may generate issues but Merit will work with our Grant Administrator if any needs/issues come up.

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	\$287,656	\$57,531	\$230,125	\$287,656	\$57,531	\$230,125
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$1,525,958	\$305,192	\$1,220,767	\$1,525,958	\$305,192	\$1,220,767
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	\$2,105,954	\$421,191	\$1,684,763	\$2,249,423	\$449,885	\$1,799,538
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$1,206,147	\$241,229	\$964,918	\$1,349,617	\$269,925	\$1,079,692
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,397	\$1,545	\$309	\$1,236	\$49,368	\$9,874	\$39,494
g. Site work	\$1,696,897	\$339,380	\$1,357,517	\$11,010	\$2,202	\$8,808	\$11,010	\$2,202	\$8,808
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$29,871,066	\$5,974,213	\$23,896,852	\$29,966,712	\$5,993,343	\$23,973,369
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	\$366,435	\$73,287	\$293,148	\$414,257	\$82,849	\$331,407
l. SUBTOTAL (add a through k)	\$41,611,526	\$8,322,306	\$33,289,220	\$41,133,296	\$8,226,659	\$32,906,637	\$41,611,526	\$8,322,306	\$33,289,220
m. Contingencies									
n. TOTALS (sum of l and m)	\$41,611,526	\$8,322,306	\$33,289,220	\$41,133,296	\$8,226,659	\$32,906,637	\$41,611,526	\$8,322,306	\$33,289,220

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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