

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 08/27/2014

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 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) 06-30-2014 | 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): 08-27-2014 | |

| Project Indicators (This Quarter) | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Please describe significant project accomplishments completed during this quarter (600 words or less). Merit has continued restoration and testing across the network where possible. Merit has also resumed the remaining construction in Hancock and Moran Township.</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 | 100 | Construction is nearly complete for Round 2. Merit has installed almost all infrastructure and will continue construction during the next quarter with the hope of completing all outstanding construction. Merit has currently expended 101% of the total project budget and will be committing additional matching funds to supplement the project. |
| 2b. | Environmental Assessment | 100 | Merit has exceeded our Environmental Assessment costs. We are currently at 687% of original budget. This overage is due to the underestimated line item based on Request For Proposal responses to Merit and unexpected challenges in obtaining clearances in Wisconsin and Minnesota. Spending in this category should be complete. |
| 2c. | Network Design | 100 | Since receiving Merit's Finding of No Significant Impact, Merit has completed the required field engineering. Merit anticipates continued costs for incorporating redlines and doing final CADs. Currently Merit is at 249% of the original budget. A portion of site prep expenses and salary has been included in this category. |
| 2d. | Rights of Way | 100 | Since receiving the Finding of No Significant Impact Merit has finalized the route and completed permit submission. Merit is currently at 132% of its original budget. Merit anticipates spending in this category is near complete. |
| 2e. | Construction Permits and Other Approvals | 100 | Since receiving the Finding of No Significant Impact Merit has finalized the route and completed permit submission. Merit is currently at 107% of its original budget. Merit anticipates spending in this category is near complete. |
| 2f. | Site Preparation | 24 | Due to the way Merit has been classifying their expenses, some of these costs are included with Network Design. Site preparation work has been completed. |
| 2g. | Equipment Procurement | 46 | Merit ordered and received equipment, and the equipment has been placed in the field. Costs originally designed for this category have been placed in other categories resulting in being below budget. This category will be able to absorb overages from other areas. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 100 | Construction is near completion. Since construction began in late December 2011, Merit has had a large number of crews working across multiple segments each week. Merit is looking to complete construction in the following quarter. |
| 2i. | Equipment Deployment | 100 | Merit has managed the equipment deployment by ordering, receiving, and placing it as needed. With all equipment placed, there will be minimal spending remaining. |
| 2j. | Network Testing | 100 | Testing is continuing across the network with almost all infrastructure completed. |
| 2k. | Other (please specify): Staffing Miscellaneous | 56 | Staffing has been reported in the Network Design category and may be reallocated back to Other. Expenses will continue in this category and will absorb overrun from other categories. |

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).

Due to the harsh winter, Merit was faced with delays in resuming testing and restoration work while waiting for snow to clear. The same weather issues impacted resuming the remaining construction. Merit is currently working to complete the outstanding construction.

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 | 1,244 | Delays in some of our milestone categories have resulted in holdups in fiber installation. However, construction is near complete. |
| New network miles leased | 0 | No Variance |
| Existing network miles upgraded | 64 | Merit purchased existing fiber along the planned route. |
| Existing network miles leased | 0 | No Variance |
| Number of miles of new fiber (aerial or underground) | 1,244 | Delays in some of our milestone categories have resulted in holdups in fiber installation. However, construction is near complete. |
| 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 | 5 |
| 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:

LYNX Network Group, LLC
 Boardman River Communications, LLC (BRC)
 CCI Systems, Inc
 Peninsula Fiber Network, LLC (PFN)
 Great Lakes Comnet

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 third party operates (600 words or less).

Each sub recipient 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

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

Peninsula Fiber Network, LLC (PFN): David McCartney, 108 W. Superior, Munising, MI, 49862, Phone: 906-226-2010
 Ownership: Northern Corridor

Great Lakes Comnet: Bill Goodfellow, 1515 Turf Lane, Suite 100, East Lansing, MI 48823, Phone: 517-664-1600
 Ownership: North Eastern, Middle, and North 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 | N/A |
| | Providers with signed agreements receiving improved access | 0 | N/A |
| | Providers with signed agreements receiving access to dark fiber | 5 | 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 | 197 | CAI sites that are connected with BTOP funded infrastructure. |
| | Subscribers receiving new access | 85 | Will be receiving new access due to the REACH-3MCII project. |
| | Subscribers receiving improved access | 112 | All CAI sites that have been connected will be receiving improved access thanks to the REACH-3MCII project. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 1 | All 197 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 |
| | Total subscribers served | 0 | N/A |

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

Merit anticipates completing remaining construction on the project. Merit also anticipates being able to continue working on testing throughout the network. Merit will look to continue warranty work on any areas of the new infrastructure that will require repair. Merit will look to light any remaining community anchor sites. Merit will be receiving As-Built drawings for the infrastructure and will begin preparing for closeout once complete. Merit will also be working on a re-budget for the REACH-3MCII project.

Estimated number of miles to be deployed during the quarter: 8

Estimated number of CAIs to be connected during the quarter: 10

Estimated number of Broadband wholesaler/last mile provider agreements to be signed during the quarter: 0

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 | Merit has drawn all ARRA funding and anticipates completing the project in the next quarter. Merit has currently expended 101% of the total project budget and will be committing additional matching funds to supplement the project, expecting to be around 102% of budget. |
| 2b. | Environmental Assessment | 100 | Merit has exceeded our Environmental Assessment costs. We are currently at 687% of original budget. This overage is due to the underestimated line item based on Request For Proposal responses to Merit and unexpected challenges in obtaining clearances in Wisconsin and Minnesota. Spending in this category should be complete. |

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|-----------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2c. | Network Design | 100 | Since receiving Merit's Finding of No Significant Impact, Merit has completed the required field engineering. Merit anticipates continued costs for incorporating redlines and doing final CADs. Merit anticipates spending to continue in the next quarter in this category, with the overrun being absorbed by another category. Merit anticipates spending continuing in the next quarter and will be around 252%. Some project salary has been applied to this category. |
| 2d. | Rights of Way | 100 | Since receiving the Finding of No Significant Impact Merit has finalized the route and completed the necessary engineering work. Permitting is essentially complete. Merit anticipates being near 132% by the end of next quarter. |
| 2e. | Construction Permits and Other Approvals | 100 | Since receiving the Finding of No Significant Impact Merit has finalized the route and completed the necessary engineering work. Permitting is essentially complete. Merit anticipates being near 107% by the end of next quarter. |
| 2f. | Site Preparation | 24 | Site preparation work is essentially complete. Costs have been absorbed in other categories to date. Merit anticipates little spending to occur in this category and will absorb overages from other categories. |
| 2g. | Equipment Procurement | 46 | Merit has ordered equipment. Expenses that were originally budgeted for this category have been applied to other categories. This category will absorb overages from other areas. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 100 | Construction is nearing completion, as soon as next quarter. Merit anticipates continued spending during the next quarter. The overrun should be able to be absorbed into another category. |
| 2i. | Equipment Deployment | 100 | Merit has managed the equipment deployment by ordering, receiving, and placing it as needed. With all equipment placed, there will be minimal spending remaining. |
| 2j. | Network Testing | 100 | Testing is continuing across the network with almost all infrastructure completed. |
| 2k. | Other (please specify): Staffing Miscellaneous | 60 | Staffing has mostly been covered in the Network Design category and may be reallocated back to Other. Expenses will continue in this category and will absorb overrun from other categories. |

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 finishing remaining construction and CAI connections during the coming quarter. As of now, Merit does not anticipate upcoming issues.

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 | \$406,188 | \$193,768 | \$212,420 | \$489,926 | \$277,506 | \$212,420 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$1,116,000 | \$223,200 | \$892,800 | \$362,405 | \$79,346 | \$283,059 | \$362,405 | \$79,346 | \$283,059 |
| 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 | \$6,736,348 | \$1,619,593 | \$5,116,755 | \$6,834,726 | \$1,717,971 | \$5,116,755 |
| 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 | \$29,158 | \$5,832 | \$23,326 | \$29,486 | \$6,160 | \$23,326 |
| g. Site work | \$723,009 | \$144,602 | \$578,407 | \$65,714 | \$13,143 | \$52,571 | \$65,714 | \$13,143 | \$52,571 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$51,151,342 | \$10,230,268 | \$40,921,074 | \$66,277,036 | \$13,705,497 | \$52,571,539 | \$66,402,224 | \$13,830,685 | \$52,571,539 |
| j. Equipment | \$28,244,599 | \$5,648,920 | \$22,595,679 | \$13,304,179 | \$2,681,059 | \$10,623,120 | \$13,321,709 | \$2,698,589 | \$10,623,120 |
| k. Miscellaneous | \$158,396 | \$31,679 | \$126,717 | \$954,939 | \$198,438 | \$756,501 | \$1,039,777 | \$283,276 | \$756,501 |
| l. SUBTOTAL (add a through k) | \$87,049,114 | \$17,409,823 | \$69,639,291 | \$88,135,967 | \$18,496,676 | \$69,639,291 | \$88,545,967 | \$18,906,676 | \$69,639,291 |
| m. Contingencies | | | | | | | | | |
| n. TOTALS (sum of l and m) | \$87,049,114 | \$17,409,823 | \$69,639,291 | \$88,135,967 | \$18,496,676 | \$69,639,291 | \$88,545,967 | \$18,906,676 | \$69,639,291 |

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 |
|-------------------------------------------|--------------------------------|