

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570114

DATE: 11/10/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

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) 09-30-2011	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 Donald J Welch Merit Network Inc.	7c. Telephone (area code, number and extension) 7345275700	
	7d. Email Address don.welch@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 11-10-2011	

Project Indicators (This Quarter)

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

All known permits for Round 2 have been submitted. Merit made the decision to conduct more underground construction using Michigan Department of Transportation right-of-way roads for Round 2. We have completed 95% of the engineering needed for the Upper Peninsula portion of the project and submitted 60% of the Michigan Department of Transportation permits necessary.

Merit has released and closed the RFP for hut construction in the Upper Peninsula and have purchased approximately 90% of the fiber and 80% of all other materials such as conduit. We have selected the construction contractors for Round 2, worked on our waterway crossing with Enventis, completed our Mackinaw Bridge Authority agreement, undergone our A-133 Audit and an NTIA site visit, and completed work on our Davis Bacon Act wage determinations. The sole source Award Action Request for conduit was approved. Merit secured a warehouse facility for improved logistics.

Merit hired a Project Manager and an Environmental Compliance Manager.

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	2	Merit just recently received its notice of our Finding of No Significant Impact and has begun field engineering this quarter. At this point, field engineering is almost complete and permitting has begun so we anticipate a lot of construction work starting next quarter.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 565%. This is partially due to an underestimate based on RFP responses we had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since we will continue to incur costs related to the Environmental Assessment, we are considering a revision to the budget to incorporate the latest estimate of the Environmental Assessment cost at completion, which will be around 600%.
2c.	Network Design	61	Since receiving our Finding of No Significant Impact we have proceeded with most of our field engineering. Much of the pre-construction planning has been completed in both the Upper and Lower peninsula but contract negotiations with our lower peninsula firm is taking longer than anticipated.
2d.	Rights of Way	9	Many permits require an approved engineered route; while we are waiting for the last of the engineering work to be completed we have prepped and submitted many permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2e.	Construction Permits and Other Approvals	15	We have submitted almost 90% of the permits necessary for Round 2 construction since we received our Finding of No Significant Impact. At this point we are waiting for approval from the various permitting entities.
2f.	Site Preparation	2	Sites for the huts have been identified. We have submitted an RFP for the construction of huts and are also in the process of acquiring easement agreements for the placement of said huts.
2g.	Equipment Procurement	0	We have had our sole source approved as well as our pre-Environmental Assessment budget revision and have begun placing orders for equipment.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	We have received our Infeasible Right of Use Agreements as well as our Finding of No Significant Impact and have begun purchasing the existing infrastructure this quarter.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2i.	Equipment Deployment	0	Equipment has been selected and will be deployed as soon as it's received and tested. As of this quarter, since receiving the Environmental Assessment budget approval and sole source approval, the process of purchasing this equipment began this quarter.
2j.	Network Testing	0	Network construction has not begun.
2k.	Other (please specify):	9	With the hire of a Project Manager, Environmental Assessor and several clerks we anticipate a gradual alignment with the Baseline Report.

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).

Completion of the engineering and the receipt of the Finding of No Significant Impacts has allowed us to submit permit applications with the Michigan Department of Transportation so we are just starting to receive approved Right of Way permits for Round 2. Engineering is progressing quickly due to improved weather conditions in both the Lower and Upper Peninsulas, which has allowed us to complete the route however delays in receiving environmental permit approval has hindered our ability to begin 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	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
New network miles leased	0	No variance.
Existing network miles upgraded	0	No variance.
Existing network miles leased	0	We are in negotiations for the proposed leases.
Number of miles of new fiber (aerial or underground)	0	We are in negotiations for the proposed leases.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.

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: None at this time.

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 this third party operates (600 words or less).

We anticipate 7 subrecipients will participate in this "condo" build. Each subrecipient 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

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

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	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
	Providers with signed agreements receiving improved access	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
	Providers with signed agreements receiving access to dark fiber	0	No variance.
	Please identify the speed tiers that are available and the number of subscribers for each	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber. Negotiations for leased fiber are taking longer than anticipated; we are currently having productive conversations, and anticipate being on schedule by next quarter.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving new access	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving improved access	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Delays in some of our milestone categories has resulted in a delay in lighting fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
Residential / Households	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
Businesses	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

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).
We anticipate wrapping up main line engineering and beginning construction. We will select vendors for hut construction, and begin to procure optical equipment. Our Finding of No Significant Impact was received approximately two quarters later than we had projected, so many of our key indicators are also two quarters behind, including new network miles deployed (updated projection: 0), network miles leased (updated projection: 54), and new interconnection points (updated projection: 4). We anticipate having 6 of the 7 projected agreements with broadband wholesalers in place by the end of 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)

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	24	Merit just recently received its notice of our Finding of No Significant Impact and has recently completed all field engineering. Our engineering firm is in the process of drafting the appropriate prints for permit applications. We have submitted all permits for Round 2 based on the prints we've received thus far so we anticipate a heavy construction season starting next quarter.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 565%. This is partially due to an underestimate based on RFP responses we had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since we will continue to incur costs related to the Environmental Assessment, we are considering a revision to the budget to incorporate the latest estimate of the cost at completion, which will be around 600%.
2c.	Network Design	58	Since receiving our Finding of No Significant Impact we have completed most if not all of our field engineering. Permitting has started and some segments are already ready to go from a construction and environmental permit standpoint. The route has been finalized, engineered and assigned segment numbers that will be released to our selected construction contractors. Much of the pre-construction planning has been completed such as material purchases and route engineering in both the Upper and Lower Peninsula.
2d.	Rights of Way	90	Many permits require an approved engineered route; and with most, if not all, of the field engineering complete we will have completed submission of almost all our Rights-of-way permit applications with the appropriate entities. As these permits are approved, we can then start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most if not all of the engineering work necessary.
2e.	Construction Permits and Other Approvals	85	We will have submitted almost all of the permits necessary for Round 2 construction since we received our Finding of No Significant Impact, and will spend this quarter resolving make-ready issues and following up with permitting agencies on permits that have not been issued.
2f.	Site Preparation	27	Sites for the huts have been identified. We have submitted and closed an RFP for the construction of huts and are also in the process of acquiring easement agreements for the placement of said huts. As of today we have almost all of the easement agreements signed and forecast all easement issues resolved by the end of next quarter. We have also started interviewing contractors to construct our huts.
2g.	Equipment Procurement	6	We anticipate ordering the bulk of our equipment in the next quarter, and being invoiced for that order in the quarter after that.
2h.	Network Build (all components - owned, leased, IRU, etc.)	33	We have received our Indefeasible Right of Use Agreements as well as our Finding of No Significant Impact for Round 2. We have begun our negotiations to purchase existing infrastructure in both Michigan and Wisconsin and expect to have those agreements completed by the end of the next quarter. We anticipate doing a significant amount of make-ready work, and beginning underground construction.
2i.	Equipment Deployment	13	Equipment has been selected and will be deployed as soon as it is received and tested. As of this quarter, since receiving the Environmental Assessment budget approval and sole source approval, the process of purchasing this equipment began this quarter.
2j.	Network Testing	25	Network construction has not begun, but with small sections of construction being deployed next quarter we anticipate testing to commence next quarter.
2k.	Other (please specify):	10	With the hire of a Project Manager, Environmental Assessor and several clerks we anticipate a gradual alignment with the Baseline Report.

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).

Completion of the engineering and the receipt of the Finding of No Significant Impacts has allowed us to submit permit applications with the Michigan Department of Transportation so we are just starting to receive approved Right of Way permits for Round 2. We have also applied and received the majority of the Metro Act permits but still see significant work ahead to ensure all small municipalities are represented with an applicable permit. Since the field engineering has been completed, we are waiting to receive the appropriate drawings and prints from our engineering firm so as to apply for necessary permits. However, delays with attaining our environmental permits have hindered our ability to start construction in many places.

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	\$150,325	\$30,065	\$120,260	\$241,846	\$48,369	\$193,477
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$9,000	\$1,800	\$7,200	\$25,133	\$5,027	\$20,106
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	\$1,278,093	\$255,619	\$1,022,474	\$1,628,698	\$325,740	\$1,302,958
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	\$5,601	\$1,120	\$4,481
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$51,151,342	\$10,230,268	\$40,921,074	\$219,126	\$43,825	\$175,301	\$17,203,373	\$3,440,675	\$13,762,698
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$0	\$0	\$0	\$1,605,711	\$321,142	\$1,284,569
k. Miscellaneous	\$158,396	\$31,679	\$126,717	\$374,546	\$74,909	\$299,637	\$354,340	\$70,868	\$283,472
l. SUBTOTAL (add a through k)	\$87,049,114	\$17,409,823	\$69,639,291	\$2,031,090	\$406,218	\$1,624,872	\$21,064,702	\$4,212,941	\$16,851,761
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$87,049,114	\$17,409,823	\$69,639,291	\$2,031,090	\$406,218	\$1,624,872	\$21,064,702	\$4,212,941	\$16,851,761

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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