

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) 12-31-2014	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 Alysia Giatas	7c. Telephone (area code, number and extension) X
	7d. Email Address

7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-24-2015
---	--

--

Project Indicators (This Quarter)

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

During the fourth quarter, Merit completed all construction work and has completed a majority of the testing and repair efforts across the network. Merit also attached the final eight Community Anchor Institutions (CAIs) as part of our BTOP award, and six as part of our sustainability model outside of the BTOP award during this quarter. General monitoring and maintenance of the network is ongoing. Merit has been engaged in preparing documentation for a re-budget request, which is nearing completion.

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	100	Construction is complete for REACH 3MCI. Merit has currently expended 103% of the total project budget and will continue committing additional matching funds to supplement the closeout of the project.
2b.	Environmental Assessment	100	Merit exceeded our Environmental Assessment costs and is currently at 687% of the original budget. This overage is due to the underestimated line item based on Request for Proposal (RFP) responses Merit received, as well as unexpected challenges in obtaining clearances in Wisconsin and Minnesota. All spending in this category is complete.
2c.	Network Design	100	Since receiving Merit's Finding of No Significant Impact, Merit has completed the required field engineering and received all as-builts and Computer-aided design (CAD) drawings. A portion of site prep expenses, repair work and salary has been included in this category. Currently Merit is at 257% of the original budget and will continue committing additional matching funds to cover expenses in this category.
2d.	Rights of Way	100	Since receiving Merit's Finding of No Significant Impact, Merit has finalized the route and completed permit submission. Merit is currently at 132% of its original budget. All spending in this category is complete.
2e.	Construction Permits and Other Approvals	100	Since receiving Merit's Finding of No Significant Impact, Merit has finalized the route and completed permit submission. A portion of testing and repair expenses, which will continue into the next quarter, have been included in this category. Merit is currently at 141% of its original budget and will continue committing additional matching funds to cover expenses in this category.
2f.	Site Preparation	24	Due to the way Merit has been classifying its expenses, some of these costs are included in the Network Design category, resulting in a below budget reporting. Site preparation work is complete and all spending in this category is complete.
2g.	Equipment Procurement	46	Merit ordered and received equipment, which has been placed in the field. Costs originally designed for this category have been placed in other categories, resulting in a below budget reporting. Equipment procurement is complete and all spending in this category is complete.
2h.	Network Build (all components - owned, leased, IRU, etc)	100	Route construction and CAI connections are complete; however testing and repairs continue across the network. A portion of the testing/repair expenses and warehouse expenses, which will continue into the next quarter, have been included in this category. Merit is currently at 128% of its original budget and will continue committing additional matching funds to cover expenses in this category.
2i.	Equipment Deployment	100	With all equipment ordered, received, and placed as needed, all spending in this category is complete.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
	2j. Network Testing	100	Testing is nearing completion across the network. Testing and repair expenses will continue into the next quarter. Due to the way Merit has been classifying its expenses, most of these costs are included in the Network Design, Network Build and Construction Permits categories. All spending in the Network Testing category is complete.
	2k. Other (please specify): Staffing Miscellaneous	62	A portion of staffing expenses has been reported in the Network Design Category, and may be reallocated back to Other. Expenses will continue in this category and it 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).

Merit has completed all construction and CAI connection for REACH 3MCII. Due to winter weather conditions (particularly in the Western Upper Peninsula, Wisconsin and Minnesota) testing and repair efforts have been hampered, but are still in progress throughout the rest of the REACH 3MCII network. Merit does not anticipate needing technical assistance from the BTOP program at this time.

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	1,252	Network construction is 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)	1,252	Fiber construction is 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
 ATI Networks, Inc (formerly known as 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 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.

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 sub-recipients 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	206	CAI sites that are connected with BTOP funded infrastructure
	Subscribers receiving new access	93	CAI sites that are receiving new access due to the REACH-3MCII project
	Subscribers receiving improved access	113	CAI sites that are receiving improved access due to the REACH-3MCII project
	Please identify the speed tiers that are available and the number or subscribers for each	1	All 206 sites 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
	Subscribers receiving new access	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 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.

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
Calumet Public School Library	Calumet, MI	Library	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site
Michigan Technological University	Calumet, MI	Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site
Michigan Technological University KRC - Blizzard	Calumet, MI	Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site
Michigan Technological University KRC - New	Calumet, MI	Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site
Michigan Technological University KRC - Old	Calumet, MI	Higher Education	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site
City of Rogers City	Rogers City, MI	Government	No	This institution is connected to BTOP funded infrastructure but is not yet receiving broadband service from Merit Network, Inc.
Presque Isle District Library	Rogers City, MI	Library	No	This institution is connected to BTOP funded infrastructure but is not yet receiving broadband service from Merit Network, Inc.
Regional Educational Media Center	Hancock, MI	School (K-12)	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).

Final testing and repair of the network is expected to near completion during the next quarter. General monitoring and maintenance of the network, which is an ongoing responsibility, will continue. Merit will continue its outreach to potential Member CAIs to connect them to the network for years to come. During the next quarter, Merit anticipates connecting two CAIs as part of our sustainability model outside of the BTOP award. Merit also has signed agreements in place with nine other CAIs, which we anticipate connecting over the next several months. All documentation required for the re-budget request will be submitted during the next quarter. We do not anticipate signing agreements with any additional broadband wholesaler/last mile providers 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	Merit anticipates expending 104% of the total project budget by the end of next quarter and will continue committing additional matching funds to supplement the closeout of the project.
2b.	Environmental Assessment	100	All spending in this category is complete.
2c.	Network Design	100	Merit anticipates expending 261% of the original budget by the end of next quarter and will continue committing additional matching funds to cover spending in this category.
2d.	Rights of Way	100	All spending in this category is complete.
2e.	Construction Permits and Other Approvals	100	Merit anticipates expending 149% of the original budget by the end of next quarter and will continue committing additional matching funds to cover spending in this category.
2f.	Site Preparation	24	All spending in this category is complete.
2g.	Equipment Procurement	46	All spending in this category is complete.
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Merit anticipates expending 129% of the original budget by the end of next quarter and will continue committing additional matching funds to cover spending in this category.
2i.	Equipment Deployment	100	All spending in this category is complete.
2j.	Network Testing	100	All spending in this category is complete.
2k.	Other (please specify): Staffing Miscellaneous	64	Merit anticipates expending 64% of the original budget by the end of next quarter and will continue committing additional matching funds to cover spending in this category.

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).

Aside from winter weather-related delays in testing and repair, Merit does not anticipate upcoming issues and does not anticipate needing any technical assistance from the BTOP program.

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	\$469,811	\$257,391	\$212,420	\$497,746	\$285,326	\$212,420
b. Land, structures, right-of-ways, appraisals, etc.	\$1,116,000	\$223,200	\$892,800	\$397,130	\$114,071	\$283,059	\$397,130	\$114,071	\$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	\$6,935,654	\$1,818,898	\$5,116,755	\$7,026,499	\$1,909,744	\$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	\$29,158	\$5,832	\$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	\$67,618,492	\$15,046,954	\$52,571,539	\$67,972,709	\$15,401,170	\$52,571,539
j. Equipment	\$28,244,599	\$5,648,920	\$22,595,679	\$13,329,917	\$2,706,797	\$10,623,120	\$13,329,917	\$2,706,797	\$10,623,120
k. Miscellaneous	\$158,396	\$31,679	\$126,717	\$1,026,448	\$269,947	\$756,501	\$1,038,450	\$281,949	\$756,501
l. SUBTOTAL (add a through k)	\$87,049,114	\$17,409,823	\$69,639,291	\$89,872,324	\$20,233,033	\$69,639,291	\$90,357,323	\$20,718,032	\$69,639,291
m. Contingencies									
n. TOTALS (sum of l and m)	\$87,049,114	\$17,409,823	\$69,639,291	\$89,872,324	\$20,233,033	\$69,639,291	\$90,357,323	\$20,718,032	\$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
---	--------------------------------