

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 05/24/2011

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 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) 03-31-2011	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 Ryan Kunzelman Grant Compliance Manager	7c. Telephone (area code, number and extension) 7345275739	
	7d. Email Address kunzelr@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 05-24-2011	

Project Indicators (This Quarter)			
<p>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</p> <p>Merit has submitted Davis Bacon Act wage determinations for approval. 90% of the route engineered has been engineered. All known permitting has been submitted and we are starting to receive approved permits. Merit has meet with multiple pole owners to expedite pole permit approvals and make-ready construction. The Monroe route change was approved. Route changes necessitated by Special Awards Conditions and engineering requirements have been submitted to the Federal Program Officer.</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	9	Based on the more specific guidance issued by the NTIA regarding the percentage calculation, we need to report a lower number in this category than had previously been reported. The combination of delays in several milestone categories has resulted in significantly less spending than we projected; however, once construction is fully underway, we anticipate closing the gap between our current status and the Baseline Plan.
2b.	Environmental Assessment	100	The Environmental Assessment (EA) is actually at 375% of budget, and continues to grow slowly. Since our Finding of No Significant Impact (FONSI) was issued, we have needed and will continue to need to work with our environmental consulting firm on ways to minimize our project's impact in sensitive areas and remain in compliance. Despite the significant overrun, we do not anticipate revising the budget as reported on Form 424C; the EA is a component of the Engineering budget, and we are significantly under budget in that category at this time. We are confident that the Engineering budget will be able to absorb the current overrun, as well as the additional EA costs between now and completion, estimated at 732%.
2c.	Network Design	16	Engineering has cost significantly less than originally budgeted. This is offset by the EA subcategory (split out separately for the purpose of reporting), which has cost significant more than anticipated. The percent complete number, when based solely on financials, does not reflect that network design for the fiber optic backbone is complete aside from occasional route changes required by permit kickbacks. Also, based on the more specific guidance issued by the NTIA regarding the percentage calculation, we need to report a lower number in this category than had previously been reported.
2d.	Rights of Way	100	We have exceeded our budget for rights-of-way permitting (we are at 172%), however, work still remains to be done. We estimate the percentage at completion will be 180%, and the funds will come out of the construction budget. There are several municipalities who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution (CAI) builds and route changes necessitated by schedule or engineering.
2e.	Construction Permits and Other Approvals	100	We have exceeded our budget for construction permitting (we are at 172%), however, work still remains to be done. We estimate the percentage at completion will be 180%, and the funds will come out of the construction budget. There are several pole owners who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution (CAI) builds and route changes necessitated by schedule or engineering.
2f.	Site Preparation	0	We are in the middle of the procurement process for selecting a contractor to perform the site preparation work; we are also still in the process of finalizing central office and community anchor routes. We will be catching up by prepping the site prior to the arrival of the backbone fiber to the anchor, allowing us to get more site preparation complete in

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			a short time frame. Wherever possible, we will save time by purchasing existing entrances to the central office facilities.
2g.	Equipment Procurement	10	We have begun procuring optical equipment. Merit does not want to deploy optical equipment until we are closer to the fiber installation date. Due to a lack of storage capacity in our business office, we feel it is wasteful to order more equipment at this time than we are ready to deploy.
2h.	Network Build (all components - owned, leased, IRU, etc)	2	We are slightly behind on the network build because we are still waiting for the Davis Bacon Act wage determinations to be issued. We have temporarily secured the services of an underground construction firm so that we could begin some construction, but Merit cannot enter into a contract with a construction firm without attaching the applicable wage determinations. We anticipate bringing on several construction crews and beginning aerial construction in the quarter after next (2011 Q3)
2i.	Equipment Deployment	0	Merit has just hired an engineer to deploy and test optical equipment; we anticipate being routinely under budget in this category, since it comprises 36 months of salary. We are so early in the deployment process, it is difficult to assess whether or not the difference will be made up by the end of the project, but I believe that we will be at or close to budget by completion.
2j.	Network Testing	0	Merit has just hired an engineer to deploy and test optical equipment; we anticipate being routinely under budget in this category, since it comprises 36 months of salary. We also have not incurred expense for testing equipment at this time. We are so early in the deployment process, it is difficult to assess whether or not the difference will be made up by the end of the project, but I believe that we will be at or close to budget by completion.
2k.	Other (please specify):	42	We are slightly under budget in this category because engineering staff have not completed the installation training.

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).

Obtaining pole permits and right of way agreements continues to be our biggest challenge. To overcome this challenge, we have been meeting in person with municipalities, pole owners, and our engineering firm to find ways to expedite the application process. For third party make-ready, Merit will pay any fees necessary for construction to start and seek reimbursement from the pole owners when the third parties make payment.

Wage determinations are vital to signing contracts with our construction contractors; Merit has submitted the necessary wage determination paperwork and is awaiting a response from the Department of Labor.

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	19	To ensure compliance with all award requirements, Merit is waiting to receive the applicable Davis Bacon Act wage determinations before working with additional construction crews to install infrastructure.
New network miles leased	0	No variance
Existing network miles upgraded	0	No variance
Existing network miles leased	0	No variance

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of miles of new fiber (aerial or underground)	19	To ensure compliance with all award requirements, Merit is waiting to receive the applicable Davis Bacon Act wage determinations before working with additional construction crews to install infrastructure.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	No variance

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: 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 third party operates (600 words or less).
 We anticipate 3 subrecipients will participate in this infrastructure project. Each subrecipient will own strands in the network depending on the segment and location of the build.

LYNX Network Group, LLC (fiber strands on all segments)
 Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969

KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)
 Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638

The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)
 Joe Mattausch, President, 247 S. Main St. Adrian, MI 49221, Phone: 517-266-0402

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Broadband Wholesalers or Last Mile Providers	Providers with signed agreements receiving new access	0	We have not lit any fiber at this time.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Providers with signed agreements receiving improved access	0	We have not lit any fiber at this time.
	Providers with signed agreements receiving access to dark fiber	0	We have not lit any fiber at this time.
	Please identify the speed tiers that are available and the number of subscribers for each	0	We have not lit any fiber at this time.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	We have not lit any fiber at this time.
	Subscribers receiving new access	0	We have not lit any fiber at this time.
	Subscribers receiving improved access	0	We have not lit any fiber at this time.
	Please identify the speed tiers that are available and the number or subscribers for each	0	We have not lit any fiber at this time.
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
	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).
No additional special service offerings are planned, at this time, to 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	Type of Anchor	Are you also the	Narrative description of how anchor institutions are using BTOP-
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	Area (town or county)	Institution (as defined in your baseline)	broadband service provider for this institution? (Yes / No)	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).
 Construction will be underway for the Benton Harbor to Mackinaw and Mt. Pleasant to Hillman areas of our infrastructure project. Merit will begin to engineer lateral fiber builds to community anchor institutions.

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	12	The combination of delays in several milestone categories has resulted in significantly less spending than we projected; however, once construction is fully underway, we anticipate closing the gap between our current status and the Baseline Plan.
2b.	Environmental Assessment	100	Since our Finding of No Significant Impact (FONSI) was issued, we have needed and will continue to need to work with our environmental consulting firm on ways to minimize our project's impact in sensitive areas and remain in compliance. Despite the significant overrun (estimated to be approximately 400% next quarter), we do not anticipate revising the budget as reported on Form 424C; the EA is a component of the Engineering budget, and we are significantly under budget in that category at this time.
2c.	Network Design	20	Engineering has cost significantly less than originally budgeted. This is offset by the EA subcategory (split out separately for the purpose of reporting), which has cost significant more than anticipated. The percent complete number, when based solely on financials, does not reflect that network design for the fiber optic backbone is complete aside from occasional route changes required by permit kickbacks. The route changes, additional engineering work, and staffing will continue to add between 3% and 5% to the percent complete total on a quarterly basis.
2d.	Rights of Way	100	We have exceeded our budget for rights-of-way permitting (estimated at 173% for next quarter), however, work still remains to be done. There are several municipalities who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution (CAI) builds and route changes necessitated by schedule or engineering.
2e.	Construction Permits and Other Approvals	100	We have exceeded our budget for rights-of-way permitting (estimated at 173% for next quarter), however, work still remains to be done. There are several municipalities who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution (CAI) builds and route changes necessitated by schedule or engineering.
2f.	Site Preparation	0	We are in the middle of the procurement process for selecting a contractor to perform the site preparation work; we are also still in the process of finalizing central office and CAI routes. We will be catching up by prepping the site prior to the arrival of the backbone fiber to the anchor, allowing us to get more site preparation complete in a short time frame. Wherever possible, we will save time by purchasing existing entrances to the central office facilities.
2g.	Equipment Procurement	18	Merit does not want to deploy optical equipment until we are closer to the fiber installation date. Due to a lack of storage capacity in our business office, we feel it is wasteful to order more equipment at this time than we are ready to deploy. However, we will acquire some additional equipment in this quarter.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2h.	Network Build (all components - owned, leased, IRU, etc.)	4	We are slightly behind on the network build because we are still waiting for the Davis Bacon Act wage determinations to be issued. We have temporarily secured the services of an underground construction firm so that we could begin some construction, but Merit cannot enter into a contract with a construction firm without attaching the applicable wage determinations. We anticipate bringing on several construction crews and beginning aerial construction in the next quarter.
2i.	Equipment Deployment	4	Merit has just hired an engineer to deploy and test optical equipment; we anticipate being routinely under budget in this category, since it comprises 36 months of salary.
2j.	Network Testing	3	Merit has just hired an engineer to deploy and test optical equipment; we anticipate being routinely under budget in this category, since it comprises 36 months of salary. We also have not incurred expense for testing equipment at this time.
2k.	Other (please specify):	59	We are slightly under budget in this category because engineering staff have not completed the installation training.

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).

Coordinating several construction companies to keep the work flowing progressing may be challenging. In anticipation, Merit has hired an individual to assist with coordinating construction crews.

Based on the route changes Merit has submitted, we believe it will be very difficult to build in areas that deviate from the approved route. If there are unforeseen engineering or construction problems with the approved route, Merit may have to choose between spending additional time to obtain approval for a route change, or spend additional time and money completing the originally proposed route.

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	\$136,710	\$27,342	\$109,368	\$159,496	\$31,899	\$127,596
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$1,166,334	\$233,267	\$933,067	\$1,169,824	\$233,965	\$935,859
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	\$953,946	\$190,789	\$763,156	\$1,005,946	\$201,189	\$804,756
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$154,417	\$30,883	\$123,533	\$180,153	\$36,031	\$144,122
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,398	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$1,696,897	\$339,380	\$1,357,518	\$0	\$0	\$0	\$0	\$0	\$0
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$582,841	\$116,568	\$466,273	\$1,081,918	\$216,384	\$865,535
j. Equipment	\$5,485,955	\$1,097,192	\$4,388,763	\$542,069	\$108,414	\$433,655	\$987,472	\$197,494	\$789,978
k. Miscellaneous	\$154,827	\$30,965	\$123,862	\$84,935	\$16,987	\$67,948	\$99,091	\$19,818	\$79,273
l. SUBTOTAL (add a through k)	\$41,611,526	\$8,322,306	\$33,289,222	\$3,621,252	\$724,250	\$2,897,000	\$4,683,900	\$936,780	\$3,747,119
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$41,611,526	\$8,322,306	\$33,289,222	\$3,621,252	\$724,250	\$2,897,000	\$4,683,900	\$936,780	\$3,747,119

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