

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 02/23/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570009	<b>3. DUNS Number</b>  615121324
<b>4. Recipient Organization</b>  Merit Network Inc. 1000 Oakbrook Drive Suite 200, Ann Arbor, MI 48104-6815		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  12-31-2010	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Ryan Kunzelman  Grant Compliance Manager	<b>7c. Telephone (area code, number and extension)</b>  7345275739	
	<b>7d. Email Address</b>  kunzelr@merit.edu	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  02-23-2011	

<b>Project Indicators (This Quarter)</b>			
<p><b>1. Please describe significant project accomplishments completed during this quarter (600 words or less).</b></p> <p>Merit was able to construction 15 miles of underground fiber infrastructure placed in existing conduit in Manistee, MI. Merit has announced the selection a construction firm to be one of the several contractors that will be assisting Merit on this build. Merit has announced it's selection of the Cable, Materials and Fiber vendors on the build. Merits Requests for Proposals (RFP's) was posted on our web site and available to the public. Merit also sent out e-mail notifications to known vendors and organizations. Merit reviewed all RFP's and interviewed several candidates before make its selection. 85% of engineering of the route is complete and permitting had started in all corridors of the network. Permitting has been initiated with over half the proper agencies and the process is underway. Merit has also coordinated with Bloomingdale Communications to work out the details of overlap in the Southwest of Michigan. Merit has also applied for a route change to purchase existing fiber in Monroe County. Merit expects cost savings from purchasing existing fiber, as opposed to constructing new fiber, would be allocated to cost overruns in make-ready fees and construction.</p>			
<p><b>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).</b></p>			
	<b>Milestone</b>	<b>Percent Complete</b>	<b>Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)</b>
2a.	Overall Project	30	Give the previous quarter's challenges we may not be able to catch up at this point but plan to within the next quarter and the quarter after that.
2b.	Environmental Assessment	100	None Noted
2c.	Network Design	85	None Noted
2d.	Rights of Way	85	Given that the CAD necessary for applications was not provided from our engineering firm until the middle of December Merit has not received all of the responses from the proper agencies.
2e.	Construction Permits and Other Approvals	45	Our engineering consultant has submitted over 100 permits with errors. The permits are getting fixed and we have set a process in place to detect these errors in the in future.
2f.	Site Preparation	10	Site preparation is still one quarter behind due to permitting problems addressed above.
2g.	Equipment Procurement	10	Merit has received equipment from the selected vendor for multiple locations but Merit has not been billed for the equipment at this point. Merit anticipates deployment in the next quarter after the equipment is properly tested.
2h.	Network Build (all components - owned, leased, IRU, etc)	1	Permitting has been slower that originally anticipated; therefore, we have not had access to construct as much as originally reported.
2i.	Equipment Deployment	0	The equipment that has been purchased but not deployed due to timeing issues. Merit feels the equipment will be deployed early next quarter.
2j.	Network Testing	0	The Network has not been tested considering the Equipment has not be deployed.
2k.	Other (please specify): Staffing	40	None Noted.
<p><b>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).</b></p> <p>Merit anticipates that the route changes resulting from engineering, permit applications, and municipality input will take time to develop and coordinate internally. Approval from the NTIA, considering the Environmental Assessment, will take an unknown amount of time to go through review. This may hinder the permitting as well as construction in some areas. The volume of permitting we are presenting to some agencies is beyond their capacity and subsequently we have been getting a bit of push back from the agencies. We are working through these issues with the agencies by meeting with them on a regular basis.</p>			
<p><b>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).</b></p>			

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	0	None Noted
New network miles leased	0	None Noted
Existing network miles upgraded	0	None Noted
Existing network miles leased	0	None Noted
Number of miles of new fiber (aerial or underground)	0	None Noted
Number of new wireless links	0	None Noted
Number of new towers	0	None Noted
Number of new and/or upgraded interconnection points	0	None Noted

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: N/A

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:

N/A

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).

It is anticipated that 3 sub-recipients will be participating in this "condo" build. Each sub-recipient will own strands in the build depending on the segment/location of the build. The 3 sub-recipients anticipated to participate are as follows:  
 LYNX Network Group, LLC: This sub-recipient will own fiber on all segments of the build. Their contact information is as follows:  
 Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969  
 KEPS Technologies, Inc. (D.B.A. - ACD.net): This sub-recipient will own fiber on all segments of the build. Their contact information is as follows:  
 Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638  
 The Computer Care Company, Inc. (D.B.A. - TC3Net): This sub-recipient will own fiber from Monroe, MI to Benton Harbor, MI. Their contact information is as follows:  
 Joe Mattaucsh, 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)

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	0	N/A
Community Anchor Institutions (including Government institutions)	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
Residential / Households	Please identify the speed tiers that are available and the number of subscribers for each	0	All at 1 Gdps
	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
Businesses	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
	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

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 Area (town or county)	Type of Anchor Institution (as defined in your baseline)	Are you also the broadband service provider for this	Narrative description of how anchor institutions are using BTOP-funded infrastructure

			institution? (Yes / No)	
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 plans to have more construction completed as well as deployment of equipment in the the build areas and potentially other CAI's. Permitting should be coming back with approvals or changes that may be needed. We will also be developing internal procedures to monitor and track the project moving forward with our sub-recipients and vendors. Our main focus for this quarter will be the completion of the permitting process considering this is a critical path to construction.

**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	40	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report. Merit anticipates that in the following quarter or the quarter after that Merit will be back up to speed considering the construction and equipment procurement will accelerate quickly after the permitting is complete.
2b.	Environmental Assessment	100	None Noted
2c.	Network Design	95	None Noted
2d.	Rights of Way	95	None Noted
2e.	Construction Permits and Other Approvals	55	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2f.	Site Preparation	30	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2g.	Equipment Procurement	30	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2h.	Network Build (all components - owned, leased, IRU, etc.)	2	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2i.	Equipment Deployment	5	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2j.	Network Testing	5	Given the struggles in prior quarters we don't feel we will be up to speed with the Baseline Report.
2k.	Other (please specify): Staffing	50	None Noted

**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).**  
 Permitting will continue to be our biggest struggle given the quantity and the capacity of the permitting agencies. We are mitigating this by working with the various agencies to develop a process that is streamlined. Merit has weekly meetings with several permitting agencies to work through these issues. Other struggles will include route changes to be complete given that Merit has not gone through the process at this point and need an extenuating amount of information to complete the request.

**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	\$166,701	\$33,340	\$133,361	\$229,043	\$45,809	\$183,234
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$464,205	\$92,841	\$371,364	\$676,199	\$135,240	\$540,959
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	\$400,953	\$80,191	\$320,762	\$2,873,826	\$574,765	\$2,299,061
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$253,419	\$50,684	\$202,735	\$247,923	\$49,585	\$198,338
f. Project inspection fees	\$1,690,497	\$338,099	\$1,352,398	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$1,696,897	\$339,379	\$1,357,518	\$0	\$0	\$0	\$343,342	\$68,668	\$274,674
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,493	\$20,285,970	\$175,546	\$35,109	\$140,437	\$2,539,621	\$507,924	\$2,031,697
j. Equipment	\$5,485,955	\$1,097,191	\$4,388,764	\$0	\$0	\$0	\$1,645,944	\$329,189	\$1,316,755
k. Miscellaneous	\$154,827	\$30,966	\$123,861	\$72,369	\$14,474	\$57,895	\$88,459	\$17,692	\$70,767
<b>l. SUBTOTAL (add a through k)</b>	<b>\$41,611,526</b>	<b>\$8,322,305</b>	<b>\$33,289,221</b>	<b>\$1,533,193</b>	<b>\$306,639</b>	<b>\$1,226,554</b>	<b>\$8,644,357</b>	<b>\$1,728,872</b>	<b>\$6,915,485</b>
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	<b>\$41,611,526</b>	<b>\$8,322,305</b>	<b>\$33,289,221</b>	<b>\$1,533,193</b>	<b>\$306,639</b>	<b>\$1,226,554</b>	<b>\$8,644,357</b>	<b>\$1,728,872</b>	<b>\$6,915,485</b>

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