

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 05/16/2012

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) 03-31-2012	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 Jamie Nielson	7c. Telephone (area code, number and extension) X	
	7d. Email Address jamien@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 05-16-2012	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Construction in the Bloomington Joint Build area has begun with both underground and aerial construction. Crews are also working in the Southern, Eastern, Western, and Central Corridors. All permit requests have been submitted to the appropriate parties. Merit has all necessary poles for project completion in Make Ready or Final Review. All Fiber for the Round 1 project has been ordered. Merit has received permits from the Michigan Department of Environmental Quality (MDEQ) for Allegan, Berrien, Branch, Cass, St. Joseph, Van Buren, Isabella, Clare, and Gladwin counties.

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	44	Permitting (both construction and environmental) delays have resulted in less spending than originally projected. Multiple construction deployments have commenced this quarter, but have not yet been invoiced, so Merit anticipates closing the gap between our current status and the Baseline Plan in subsequent quarters.
2b.	Environmental Assessment	100	The Environmental Assessment is at 435% of budget. After our Finding of No Significant Impact was issued, we continued to need to work with our environmental consulting firm and the Michigan Department of Environmental Quality (MDEQ) on ways to minimize our project's impact in sensitive areas and remain in compliance. Merit also needed to do additional work to obtain environmental approval from the NTIA for route changes. Despite the overrun, Merit does not anticipate revising the budget as reported on Form 424C; the Environmental Assessment is a component of the Engineering budget, and Merit is under budget in that category at this time. Merit is confident that the Engineering budget will be able to absorb the current overrun. There will continue to be minimal charges in this category as we work with agencies on environmental permitting and mitigation.
2c.	Network Design	32	Engineering has so far cost less than anticipated, and we have had some delays in getting our environmental clearances. The current percent complete does not accurately reflect that network design for fiber optic backbone is complete. Final CADs cannot be produced until construction is complete, so Merit anticipates seeing a significant portion of the budget funds expended in the third and fourth quarters of 2012.
2d.	Rights of Way	100	Merit has exceeded our budget for rights-of-way permitting (269%), however, some work still remains to be done. Merit estimates the percentage at completion will be 300%, which will be absorbed by the construction budget. In addition, Merit may need to submit additional permit applications for community anchor institution builds and route changes necessitated by schedule or engineering.
2e.	Construction Permits and Other Approvals	100	Merit has exceeded our budget for construction permitting (269%), and some work still remains to be done. Merit estimates the percentage at completion will be 300%, which will be absorbed by the construction budget. In addition, Merit may need to submit additional permit applications for community anchor institution builds and route changes necessitated by schedule or engineering.
2f.	Site Preparation	0	Merit has almost completed the process of finalizing central office and community anchor institution routes. A contractor has been selected to perform site preparation work and they are diligently conducting site visits. Some work has been completed this quarter, but Merit was not invoiced during the reporting period. Our strategy includes prepping each site prior to the arrival of the backbone fiber to the anchor, which

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			allows Merit to complete site preparation more efficiently and in a timely manner.
2g.	Equipment Procurement	46	The procurement process for routers and switches was completed, and Merit plans to order this equipment in Q2 2012. Merit anticipates being at budget by project completion.
2h.	Network Build (all components - owned, leased, IRU, etc)	42	Merit has contracts with seven construction firms, each with multiple construction crews, and has begun aerial construction and underground construction across the funded network. Merit anticipates a significant increase in the spending rate in this budget category, and will be at budget by project completion.
2i.	Equipment Deployment	0	Merit has not incurred expense for equipment deployment at this time, because not enough construction has been completed to warrant ordering and placing equipment in the field. However, with construction actively underway, spending in this category will increase, and Merit will be at or close to budget by completion.
2j.	Network Testing	52	Test equipment has been purchased; once more construction is complete, testing will be performed, and the percent complete is projected to be at budget by project completion.
2k.	Other (please specify): Staffing, Miscellaneous	94	Spending in this category has evened out, and we anticipate being at budget by project completion.

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).

The length of time it has taken to get our Finding of No Significant Impact and get permits continues to impact the project, but we do anticipate gaining ground during the second and third quarters in 2012. Merit is still working to obtain the few remaining pole permits and complete make ready prior to construction. Construction was slowed January-March due to weather in northern Michigan, however Merit anticipates completing most of the remaining construction during the spring and summer months.

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	123	Delays in some of the milestone categories has resulted in a delay in fiber installation; however, once construction is fully underway Merit anticipates closing the gap between our Baseline Report and the reported totals.
New network miles leased	0	No variance.
Existing network miles upgraded	50	No variance.
Existing network miles leased	0	No variance.
Number of miles of new fiber (aerial or underground)	173	Delays in some of the milestone categories has resulted in a delay in fiber installation; however, once construction is fully underway Merit anticipates closing the gap between our Baseline Report and the reported totals.
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	3
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:

We originally projected having 4 agreements, but only 3 parties chose to sign the agreement.

LYNX Network Group, LLC (fiber strands on all segments)

KEPS Technologies, Inc. d.b.a. ACD.net (fiber strands on all segments)

The Computer Care Company, Inc. d.b.a. TC3Net (fiber strands from Monroe, MI to Benton Harbor, MI)

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 fiber at this time.
	Providers with signed agreements receiving improved access	0	We have not lit fiber at this time.
	Providers with signed agreements receiving access to dark fiber	0	We have not lit fiber at this time.
	Please identify the speed tiers that are available and the number of subscribers for each	0	We have not lit fiber at this time.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	We have not lit fiber at this time.
	Subscribers receiving new access	0	We have not lit 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)
	Subscribers receiving improved access	0	We have not lit fiber at this time.
	Please identify the speed tiers that are available and the number or subscribers for each	0	We have not lit 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 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 plans to complete additional middle mile fiber installation, and start testing and lighting fiber. Merit will deploy optical equipment and purchase route/switch equipment. Merit's engineers and contractors will be working throughout Michigan to complete the bulk of the inside plant work and connect anchor institutions to the outside plant fiber as it is constructed. Merit will be working with the project's subrecipients to connect to central office facilities, including general installation, wiring, and connecting project-funded central office equipment.

- Estimate of the number of miles you plan to deploy next quarter: 35
- Estimate of the number of CAIs you plan to connect by the end of the next quarter: 3
- Estimate of the number of broadband wholesaler/last mile provider agreements you plan to sign by the end of the next quarter: 3

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	64	Permitting (both construction and environmental) delays have resulted in less spending than originally projected for this quarter. While the overall project completion in terms of spending is still behind, significant progress will be made this quarter in eliminating the variance between the percent complete and the baseline plan. Construction crews will be working at capacity, so we anticipate closing the gap between our current status and the Baseline Plan in subsequent quarters.
2b.	Environmental Assessment	100	The Environmental Assessment is at 440% of budget. After our Finding of No Significant Impact was issued, we continued to need to work with our environmental consulting firm and the Michigan Department of Environmental Quality (MDEQ) on ways to minimize our project's impact in sensitive areas and remain in compliance. Despite the overrun, we do not anticipate revising the budget as reported on Form 424C; the Environmental Assessment 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. There will continue to be minimal charges in this category as we work with agencies on environmental permitting and mitigation.
2c.	Network Design	55	Engineering has so far cost far less than anticipated, and we have had significant delays in getting our environmental clearances. The current percent complete does not accurately reflect that network design for fiber optic backbone is complete. The Engineering teams will continue to work on the route and incorporate redlines. Final CADs cannot be produced until construction is complete, so we anticipate seeing a significant portion of the budget funds expended in the third and fourth quarters of 2012.
2d.	Rights of Way	100	We have exceeded our budget for rights-of-way permitting (273%), however, some work still remains to be done. We estimate the percentage at completion will be 300%, which will be absorbed by the construction budget. In addition, we may need to submit additional permit applications for community anchor institution 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 (273%), however, some work still remains to be done. We estimate the percentage at completion will be 300%, which will be absorbed by the construction budget. In addition, we may need to submit additional permit applications for community anchor institution builds and route changes necessitated by schedule or engineering.
2f.	Site Preparation	34	Merit anticipates being invoiced for site preparation work performed in the previous quarter. We will have increased the number of staff working on site preparation from one individual to four individuals. Our strategy includes prepping each site prior to the arrival of the backbone fiber to the anchor, which allows Merit to complete site preparation more efficiently and in a timely manner.
2g.	Equipment Procurement	64	Most of the dense wave division multiplex (DWDM) equipment will be invoiced this quarter. The procurement process for routers and switches will be completed, and equipment will be ordered. Merit anticipates being at budget by project completion.
2h.	Network Build (all components - owned, leased, IRU, etc.)	61	Merit has contracts with seven construction firms, each with multiple construction crews, and has begun aerial construction and underground construction across the funded network. Merit anticipates a significant increase in the spending rate in this budget category, and will be at budget by project completion.
2i.	Equipment Deployment	33	Merit has been behind our baseline due to delays in starting from construction. However, with construction actively underway, our engineers will be out in the field deploying equipment, and spending in this category will increase. Merit will be at or close to budget by completion.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2j.	Network Testing	68	Test equipment has been purchased; once more construction is complete, testing will be performed, and the percent complete is projected to be at budget by project completion.
2k.	Other (please specify):	96	Spending in this category has evened out, and is now below the Baseline Projection. We anticipate being over budget (114%) by project completion, because we will continue to require administrative staff and incur miscellaneous expenses as long as construction and deployment are underway.

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 does not project encountering any challenges or issues leading to delays unique to this quarter, with the exception of possible weather delays. The length of time it has taken to get our Finding of No Significant Impact and get environmental permits continues to impact the project, but we do anticipate completing most of the remaining construction during the second and third quarters in 2012 and beyond.

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	\$278,384	\$55,677	\$222,707	\$304,291	\$60,858	\$243,433
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$1,822,357	\$364,472	\$1,457,885	\$1,859,775	\$371,955	\$1,487,820
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	\$1,713,394	\$342,679	\$1,370,715	\$2,702,571	\$540,514	\$2,162,057
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$374,950	\$74,990	\$299,960	\$675,643	\$135,129	\$540,514
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,397	\$1,545	\$309	\$1,236	\$125,745	\$25,149	\$100,596
g. Site work	\$1,696,897	\$339,380	\$1,357,517	\$7,140	\$1,428	\$5,712	\$21,419	\$4,284	\$17,135
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$11,302,052	\$2,260,410	\$9,041,642	\$16,997,686	\$3,399,537	\$13,598,149
j. Equipment	\$5,485,955	\$1,097,192	\$4,388,763	\$2,545,586	\$509,117	\$2,036,469	\$3,570,430	\$714,086	\$2,856,344
k. Miscellaneous	\$154,827	\$30,965	\$123,862	\$284,801	\$56,960	\$227,841	\$302,861	\$60,572	\$242,289
l. SUBTOTAL (add a through k)	\$41,611,526	\$8,322,306	\$33,289,220	\$18,330,209	\$3,666,042	\$14,664,167	\$26,560,421	\$5,312,084	\$21,248,337
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$41,611,526	\$8,322,306	\$33,289,220	\$18,330,209	\$3,666,042	\$14,664,167	\$26,560,421	\$5,312,084	\$21,248,337

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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