

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 11/26/2012

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) 09-30-2012	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): 11-26-2012	

Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Merit has received all outstanding forestry and Michigan Department of Environmental Quality permits for this project. Merit is making continued progress with construction, averaging 35-40 miles of completed infrastructure construction per week. Fiber will be blown through once the infrastructure is completed. Merit submitted an Award Action Request to remove some Community Anchor Institutions and replace with more committed Community Anchor Institution sites. The request was approved. Merit has all easements approved for the project. Merit has begun splicing fiber in the southeast and eastern segments of the Round 1 project. Merit obtained 97% of all permits needed for the Round 1 project. Merit held a press event in Monroe, Michigan in July of 2012 celebrating the first lit segment of the project. The event took place at Monroe Community College. Also of significance, Merit has worked with Bloomingdale to complete an overlap area of the project. The overlap area has been mostly completed except for an area affected by a pole permit issue in September 2012.

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	71	The construction and environmental permit delays Merit experienced at the outset of the project has resulted in less spending to date than originally projected. Construction is fully underway and Merit is working quickly towards completing project construction. Merit anticipates having the build completed during the fourth quarter.
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 the environmental consulting firm and the Michigan Department of Environmental Quality on ways to minimize our project's impact and remain in compliance. Merit also needed to do additional work to obtain environmental approval from the National Telecommunications & Information Administration 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 currently under budget in that category. 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	40	The percentage of completion does not accurately reflect that the 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 fourth quarter of 2012. At this point, the engineering costs have been far less than anticipated.
2d.	Rights of Way	100	Merit has exceeded our budget for the rights-of-way permitting (285%). 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 the schedule or engineering.
2e.	Construction Permits and Other Approvals	100	Merit has exceeded our budget for the rights-of-way permitting (285%). 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 the schedule or engineering.
2f.	Site Preparation	0	Merit has 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

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			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	92	All optical hardware has been procured and invoiced, and the procurement process for routers and switches was completed this quarter. Merit anticipates being at budget by project completion.
	2h. Network Build (all components - owned, leased, IRU, etc)	72	Merit has contracts with seven (7) construction firms. The seven (7) firms have multiple construction crews that are performing aerial and underground construction across the funded network. Merit anticipates being at budget by the end of the fourth quarter.
	2i. Equipment Deployment	0	Merit has not incurred expenses for equipment deployment at this time. However, with construction actively underway spending in this category will increase. Merit will be at or close to budget by completion. Major deployments are scheduled during the fourth quarter as construction is completed.
	2j. Network Testing	52	Test equipment has been purchased. As construction is completed testing will be performed. This category is projected to be under budget by project completion due to the scheduling and staffing efficiencies achieved in deploying equipment, site preparation, and testing the network on single runs.
	2k. Other (please specify): Staffing, Miscellaneous	100	Spending in this category has reached 107% of the budgeted amount. Merit anticipates that there should be minimal expenses in this category over the remainder of the project. Surplus funds from the Network Testing and Network Design categories will cover this cost overrun.

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 to get permits continues to impact the project, but we do anticipate completing by the end of the fourth quarter of 2012. Merit is still working to obtain the few remaining pole permits and complete make ready prior to construction. Permitting for Community Anchor Institutions lateral builds may be a challenge, but merit is prepared to work with agencies to expedite issuance of permits or alter the construction method or route within the confines of the approved EA to facilitate the remaining builds. Managing large number of construction crews out in the field performing the build has been challenging. Merit conducts weekly status calls to gather updates regarding the progress to plan ahead for the coming weeks and to identify and resolve any issues that could obstruct the build.

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	441	Delays in some of the milestone categories have resulted in a delay in fiber installation. However, construction is fully underway and Merit anticipates closing the gap between our Baseline Report and the reported totals. In addition to mileage listed, conduit and strand has already been installed along much of the route, and is ready for fiber to be pulled or hung as soon as contiguous stretches are available. Conduit Miles Installed as of Q3 2012: 277 Miles (includes purchased infrastructure) Strand Miles Installed as of Q3 2012: 608 Miles (includes purchased infrastructure)
New network miles leased	0	No variance.
Existing network miles upgraded	85	No variance.

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Existing network miles leased	0	No variance.
Number of miles of new fiber (aerial or underground)	441	Delays in some of the milestone categories have resulted in a delay in fiber installation. However, construction is fully underway and Merit anticipates closing the gap between our Baseline Report and the reported totals. In addition to mileage listed, conduit and strand has already been installed along much of the route, and is ready for fiber to be pulled or hung as soon as contiguous stretches are available.
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 sub recipients will participate in this infrastructure project. Each sub recipient 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)

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	No variance.
	Providers with signed agreements receiving improved access	0	Broadband wholesalers and last mile providers are waiting for contiguous segment of fiber to be installed which Merit anticipates completing in the fourth quarter.
	Providers with signed agreements receiving access to dark fiber	0	Broadband wholesalers and last mile providers are waiting for contiguous segment of fiber to be installed which Merit anticipates completing in the fourth quarter.
Community Anchor Institutions (including Government institutions)	Please identify the speed tiers that are available and the number of subscribers for each	0	Broadband wholesalers and last mile providers are waiting for contiguous segment of fiber to be installed which Merit anticipates completing in the fourth quarter.
	Total subscribers served	4	Merit plans to connect and serve all approved CAIs by the project end date, which is at the end of the quarter ending 12/31/12.
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	4	Merit plans to connect and serve all approved CAIs by the project end date, which is at the end of the quarter ending 12/31/12.
Residential / Households	Please identify the speed tiers that are available and the number of subscribers for each	1	Merit is serving the connected CAI with a 1Gbps connection; the other 3 CAIs did not subscribe to service in the reporting quarter.
	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).
 At this time no additional special service offerings are planned that would 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
Monroe County Library-Ellis Branch	Monroe County	Library	Yes	This institution is connected to BTOP funded infrastructure. Broadband services were being provided during the third quarter of 2012.
Monroe County Library- Mary K. Daume Branch	Monroe County	Library	Yes	This institution is connected to BTOP funded infrastructure. Broadband services were being provided during the third quarter of 2012.

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).

Merit anticipates the completion of infrastructure installation and lighting of fiber in the Bloomingdale joint build, a collaborative project between Merit Network and Bloomingdale Communications, a BTOP recipient, in Southwest Michigan.

Merit is working towards completing backbone construction of the fiber network and blowing fiber through aerial and underground conduit. Once construction and fiber placement are completed Merit will begin testing and lighting fiber in preparation for service.

Merit anticipates deployment of optical equipment in the fourth quarter. Merit's engineers and contractors will be working throughout Michigan to complete the inside plant work and connect Community Anchor Institutions to the outside plant fiber as it is constructed. Merit will be working with the project's sub recipients to connect to central office facilities, including general installation, wiring, and connecting project-funded central office equipment.

Community Anchor sites that received permits by October 1, 2012 are anticipated to be completed by November 1, 2012. Merit anticipates completing Community Anchor Institution sites that are waiting for permits by the end of the quarter.

Merit also anticipates connecting the remaining fifty (50) Community Anchor Institution sites during the fourth quarter of 2012, with at least half of those receiving service during the fourth quarter of 2012. Many Community Anchor Institution sites have been completed, but we are waiting for backbone fiber to pass through so they can be connected.

Estimated Miles to Deploy during Q4 2012:

Strand - 44 Miles

Conduit - 51

Total Completed Miles with Fiber - 526 Miles

Estimated CAI sites to be connected during the Q4 2012:

Connected - 50

Receiving Service-at least 25 will receive service during the quarter, the remaining will begin receiving service after the 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	Construction and environmental permitting delays have resulted in less spending than 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. Additional construction will be complete, allowing equipment deployment, site preparation, and network testing, so we anticipate being near budget at the end of the fourth quarter with some funding available to cover administrative expenses associated with closing out the grant.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
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 the environmental consulting firm and the Michigan Department of Environmental Quality on ways to minimize our project's impact and remain in compliance. 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 currently under budget in that category. 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	70	To date engineering has cost significantly less than anticipated despite delays in getting our environmental clearances. The percentage of completion does not accurately reflect that the network design for fiber optic backbone is complete. The engineering teams will continue to work on the route and incorporate redlines into Merit's Geographic Information System database. Final CADs cannot be produced until construction is complete, so Merit anticipates seeing a significant portion of the budget funds expended in the fourth quarter of 2012. Because we are still waiting on engineering and construction drawings of the route, our projection for next quarter has come in lower than what our projection was in the third quarter.
2d.	Rights of Way	100	Merit estimates the percentage at completion will be 301%. This overrun will be accounted for in the Construction category. Additionally, Merit may need to submit additional permit applications for Community Anchor Institution.
2e.	Construction Permits and Other Approvals	100	Merit estimates the percentage at completion will be 301%. This overrun will be accounted for in the Construction category. Additionally, Merit may need to submit additional permit applications for Community Anchor Institution.
2f.	Site Preparation	100	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 (1) to four (4) 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	100	All equipment has been ordered and Merit anticipates paying final invoices during the fourth quarter and finishing at budget upon completion.
2h.	Network Build (all components - owned, leased, IRU, etc.)	100	Merit has contracts with seven (7) construction firms. The seven (7) firms have multiple construction crews that are performing aerial and underground construction across the funded network. Merit anticipates being at budget by the end of the fourth quarter.
2i.	Equipment Deployment	100	Merit has been behind our Baseline Projection due to construction start delays. Now that construction is actively underway our engineers will be out in the field deploying equipment. Spending in this category will increase. Merit will be at or close to budget by completion.
2j.	Network Testing	100	Test equipment has been purchased. As construction is completed testing will be performed. This category is projected to be under budget by project completion due to the scheduling and staffing efficiencies achieved in deploying equipment, site preparation, and testing the network on single runs.
2k.	Other (please specify): Staffing, Miscellaneous	100	Spending in this category has evened out, and is now below the Baseline Projection. We anticipate being over budget (138%) by project completion. We will continue to require administrative staff and incur miscellaneous expenses as long as construction and deployment are underway. Surplus funds from the Network Testing Company will cover the cost overruns for staffing and miscellaneous expenses.

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).

The length of time it has taken to get our Finding of No Significant Impact and to get permits continues to impact the project, but we do anticipate completing by the end of the fourth quarter of 2012. Time has become a factor with only three (3) months remaining to complete the build, but Merit is working closely with its contractors to make sure that all construction stays on pace and is completed on time. Any last minute permitting that is needed to accommodate Job Change Orders or Field Change Orders could create a timing issue but Merit will work with the appropriate parties to expedite any challenges to reduce impact. Weather could become a factor as construction approaches the winter season, but Merit anticipates the construction being completed prior to winter weather conditions setting in.

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	\$282,459	\$56,492	\$225,967	\$400,926	\$80,185	\$320,741
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$1,937,131	\$387,426	\$1,549,705	\$2,037,131	\$407,426	\$1,629,705
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	\$1,970,122	\$394,024	\$1,576,098	\$3,173,453	\$634,691	\$2,538,763
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$605,456	\$121,091	\$484,365	\$1,424,305	\$284,861	\$1,139,444
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,397	\$1,545	\$309	\$1,236	\$1,690,497	\$338,099	\$1,352,398
g. Site work	\$1,696,897	\$339,380	\$1,357,517	\$7,140	\$1,428	\$5,712	\$1,696,897	\$339,379	\$1,357,518
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$19,451,910	\$3,890,382	\$15,561,528	\$25,357,463	\$5,071,493	\$20,285,970
j. Equipment	\$5,485,955	\$1,097,192	\$4,388,763	\$5,032,749	\$1,006,550	\$4,026,199	\$5,485,955	\$1,097,191	\$4,388,764
k. Miscellaneous	\$154,827	\$30,965	\$123,862	\$303,796	\$60,759	\$243,037	\$323,798	\$64,760	\$259,037
l. SUBTOTAL (add a through k)	\$41,611,526	\$8,322,306	\$33,289,220	\$29,592,308	\$5,918,461	\$23,673,847	\$41,590,425	\$8,318,085	\$33,272,340
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	\$29,592,308	\$5,918,461	\$23,673,847	\$41,590,425	\$8,318,085	\$33,272,340

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