QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Award Identification Number	3. DUNS Number
Department of Commerce, National Telecommunications and Information Administration	NT10BIX5570009	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)	6. Is this the last Report of the Award Period?
12-31-2012	◯ Yes ◉ 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	7c. Telephone (area code, number and extension)
Andrew Frazier	X
	7d. Email Address afrazier@merit.edu

7b. Signature of Certifying Official	7e. Date Report Submitted (MM/DD/YYYY):
Submitted Electronically	02-26-2013

Project Indicators (This Quarter)

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

As of the end of the quarter, 98% of infrastructure is in place relating to the project. Final construction will be wrapping up which includes final fiber placement and splicing. Merit conducted daily calls with contractors to monitor the remaining work to ensure completion. The Bloomingdale project was completed with Merit and Bloomingdale signing off on completed construction for their joint build.   Merit was granted a no cost extension to complete the remaining portion of the project in the subsequent quarter(s).

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	90	The construction and environmental permit delays Merit experienced at the outset of the project has resulted in less spending to date than originally projected. Merit made great progress with construction during the 2012 fourth quarter and is wrapping up the remaining construction to complete the project. Merit anticipates having all construction completed by early 2013.
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	44	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 as the project wraps up, and will also contain costs relating to site preparation as well as absorb some of the Environmental Assessment costs.
2d.	Rights of Way	100	Merit has exceeded our budget for the rights-of-way permitting (288%). However, some work may still remain. 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 (288%). However, some work may still remain. 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	Based on the way we have been categorizing expenses, site preperation items have been placed in the Network Design category.
2g.	Equipment Procurement	100	All optical hardware has been procured and invoiced, and the procurement process for routers and switches was completed. Merit anticipates being at budget by project completion.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2h.	**Network Build (all components - owned, leased, IRU, etc)**	98	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 next quarter.
2i.	**Equipment Deployment**	62	Merit anticipates rounding out spending in the next quarter as equipment is finished being placed and fiber is lit.
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 early 2013. Merit received a no cost extension which will allow us to complete the project and deliver the services we promised to the state of Michigan. 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	966	Delays in some of the milestone categories have resulted in a delay in fiber installation. However, construction increased at a rapid pace during Q3 and Q4 of 2012 and is near complete. Merit anticipates completing the remaining construction work in early 2013.
New network miles leased	0	No variance
Existing network miles upgraded	34	This field had been tabulated incorrectly previously, and was corrected after an email exchange between Merit Network and the Federal Program Officer in December 2012.
Existing network miles leased	0	No variance
Number of miles of new fiber (aerial or underground)	966	Delays in some of the milestone categories have resulted in a delay in fiber installation. However, construction increased at a rapid pace during Q3 and Q4 of 2012 and is near complete. Merit anticipates completing the remaining construction work in early 2013.
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 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)
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	3	Merit is providing dark fiber to wholesale providers who will in turn offer last mile services
	Please identify the speed tiers that are available and the number of subscribers for each	0	Speed tiers that are available will be dependant on what the equipment of the wholesale providers are using.
Community Anchor Institutions (including Government institutions)	Total subscribers served	119	Many CAI sites have been completed and connected, but are not receiving service until Q1 of 2013.
	Subscribers receiving new access	28	Will be receiving new access due to the REACH-3MC project.
	Subscribers receiving improved access	91	Many CAI sites have been completed and connected, but are not receiving service until Q1 of 2013. All are receiving improved access over what they had before the REACH-3MC project.
	Please identify the speed tiers that are available and the number or subscribers for each	1	All 119 are receiving a 1GB connection

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
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).

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
Alpena Regional Medical Center-Atlanta	Atlanta, MI	Hospital	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Atlanta Community Schools	Atlanta, MI	K12	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Beaverton Branch Library	Beaverton, MI	Library	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Beaverton Middle School	Beaverton, MI	K12	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Cass County	Cassopolis, MI	Government	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
City of Hart	Hart, MI	Library	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Coor ISD	Roscommon, MI	K12	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.

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
Glenn Oaks Community College	Centreville, MI	Higher Ed	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Hart Public Library	Hart, MI	Library	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Manistee County Building	Manistee, MI	Government	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Manistee County Library	Manistee, MI	Library	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Manitee County Sheriff and 911 Office	Manistee, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Monroe County Library-Ellis Branch	Monroe, MI	Library	Yes	This institution is connected to BTOP funded infrastructure. Broadband services were delivered during the fourth quarter.
Monroe County Library-Mary K. Daume	Monroe, MI	Library	Yes	This institution is connected to BTOP funded infrastructure. Broadband services were delivered during the fourth quarter.
Montmorency County	Atlanta, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Montmorency Sheriff	Atlanta, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Oceana County	Hart, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Ottawa County Office	Grand Haven, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Pellston Public Schools	Pellston, MI	K12	Yes	This institution is connected to BTOP funded infrastructure. Broadband services were delivered during the fourth quarter.
West Michigan Community Mental Health System	Luddington, MI	Hospital	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Western Michigan University-Southwest Regional Center	Benton Harbor, MI	Higher Ed	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Benzie County	Beulah, MI	Government	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Regional Education Media Center 11-Berrien RESA	Berrien Springs, MI	K12	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter
Western Michigan University-South Haven	South Haven, MI	Higher Ed	Yes	This institution is connected to BTOP funded infrastructure. Broadband services are expected to be provided in the following quarter

Project Indicators (Next Quarter)

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

Merit anticipates completing the remaining construction during Q1 of 2013. Once construction and fiber placement are completed Merit will begin testing and lighting fiber in preparation for service. Merit anticipates deployment of remaining optical equipment in Q1 2013. 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. Merit anticipates

connecting the remaining Community Anchor sites.
Miles Planned to Deploy in Following Quarter - 100% (1,010miles) of all fiber will be deployed Number of CAI's connected in Following Quarter - 100% (57 sites) will be connected

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 was 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 following quarter with some funding available to cover administrative expenses associated with closing out the grant.
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**	100	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 as the project wraps up, and will also contain costs relating to site preparation as well as absorb some of the Environmental Assessment costs.
2d.	**Rights of Way**	100	Merit estimates the percentage at completion will be 288%. 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 288%. 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**	0	Based on the way we have been categorizing expenses, site preperation items have been placed in the Network Design category.
2g.	**Equipment Procurement**	100	All equipment has been ordered and Merit anticipates paying final invoices.
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 has almost all construction completed, and will be wrapping up to begin Q1 2013.
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. Merit is finishing up installing and activating equipment.
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):**	100	Spending in this category has evened out, and is now below the Baseline Projection. We anticipate being over budget (128%) 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).

Weather could impact the project during Q1 of 2013 but it is not expected to provide any notable delays.

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.

Cost Classification	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		
	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	$287,656	$57,531	$230,125	$302,876	$60,575	$242,301
b. Land, structures, right-of-ways, appraisals, etc.	$676,199	$135,240	$540,959	$1,956,183	$391,237	$1,564,946	$1,956,183	$391,237	$1,564,946
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	$2,036,199	$407,240	$1,628,959	$4,808,102	$961,620	$3,846,481
e. Other architectural and engineering fees	$1,424,305	$284,861	$1,139,444	$813,134	$162,627	$650,507	$1,194,511	$238,902	$955,609
f. Project inspection fees	$1,690,497	$338,100	$1,352,397	$1,545	$309	$1,236	$184,160	$36,832	$147,328
g. Site work	$1,696,897	$339,380	$1,357,517	$7,140	$1,428	$5,712	$7,140	$1,428	$5,712
h. Demolition and removal	$0	$0	$0	$0	$0	$0	$0	$0	$0
i. Construction	$25,357,463	$5,071,492	$20,285,971	$26,521,466	$5,304,293	$21,217,173	$27,147,862	$5,429,572	$21,718,289
j. Equipment	$5,485,955	$1,097,192	$4,388,763	$5,588,992	$1,117,798	$4,471,193	$5,640,511	$1,128,102	$4,512,409
k. Miscellaneous	$154,827	$30,965	$123,862	$354,273	$70,855	$283,419	$370,181	$74,038	$296,143
l. SUBTOTAL (add a through k)	$41,611,526	$8,322,306	$33,289,220	$37,566,588	$7,513,318	$30,053,270	$41,611,526	$8,322,306	$33,289,218
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	$37,566,588	$7,513,318	$30,053,270	$41,611,526	$8,322,306	$33,289,218

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