

RECIPIENT NAME: Merit Network Inc.

AWARD NUMBER: NT10BIX5570009

DATE: 11/10/2011

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	2. Award Identification Number NT10BIX5570009	3. DUNS Number 615121324
4. Recipient Organization Merit Network Inc. 1000 Oakbrook Drive Suite 200, Ann Arbor, MI 48104-6815		
5. Current Reporting Period End Date (MM/DD/YYYY) 09-30-2011	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No	
7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.		
7a. Typed or Printed Name and Title of Certifying Official Donald J Welch Merit Network Inc.	7c. Telephone (area code, number and extension) 7345275700	
	7d. Email Address don.welch@merit.edu	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 11-10-2011	

Project Indicators (This Quarter)

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

All known Round 1 permits have been submitted, and 56% of permits for Round 1 have been approved. We just released a southern segment for construction, which is located from Monroe to Adrian, Michigan. Released our last known RFP for the entire project one month ago.

Several overlap agreements were put in place with other ARRA fund recipients.

Merit had our A-133 Audit and we also had an NTIA audit/site visit.

Merit also secured a warehouse facility for improved logistics, hired a Project Manager and an Environmental Compliance Manager.

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	22	Permitting (both construction and environmental) delays have resulted in less spending than originally projected. Once multiple construction deployments commence (which will occur in the very near future) we anticipate closing the gap between our current status and the Baseline Plan.
2b.	Environmental Assessment	100	The Environmental Assessment is actually at 427% of budget. Since our Finding of No Significant Impact was issued, we have needed to work with our environmental consulting firm 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 are no known additional Environmental Assessment charges.
2c.	Network Design	21	While the engineering expense cost less than anticipated, 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 route changes occurred due to changes required by permitting entities.
2d.	Rights of Way	100	We have exceeded our budget for rights-of-way permitting (we are at 237%), however, work still remains to be done. We estimate the percentage at completion will be 250%, and the funds will come out of 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 construction permitting (we are at 237%), however, work still remains to be done. We estimate the percentage at completion will be 250%, and the funds will come out of 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	0	We have almost completed the process of finalizing central office and community anchor institution routes. Last quarter we selected a contractor to perform site preparation work and they are diligently conducting site visits. 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.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2g.	Equipment Procurement	15	We have continued to purchase equipment and have recently opened a 50,000 square foot warehouse in Waters, Michigan to house our equipment. We have also hired a full-time employee to manage the warehouse, receive deliveries and deploy equipment to contractors as necessary.
2h.	Network Build (all components - owned, leased, IRU, etc)	19	We have contracts with seven construction firms, each with multiple construction crews and have begun aerial construction in the Southern region. Other areas of aerial construction are planned to start in the very near future as permits are being approved. We are currently over 60% complete on all Round 1 permits, of which there are 1,256 needed.
2i.	Equipment Deployment	0	We have not incurred expense for equipment deployment at this time. Merit has not completed enough construction to warrant placing equipment in the field. As we are early in the deployment process, Merit will most likely be at or close to budget by completion.
2j.	Network Testing	1	We have incurred a minimal expense for testing equipment this quarter. We are still early in the deployment process, but Merit will likely be close or at budget at completion.
2k.	Other (please specify):	75	We hired a full-time project manager for the entire project as well as a mapping specialist and grants clerk. We are also in the process of hiring another full-time permit coordinator and an additional engineer to conduct site visits and site preparation. We are slightly over budget this quarter due to unforeseen legal expenses.

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).

Merit was required to re-engineer portions of our route, and we are continuing to correspond with our Federal Program Officer and creating supporting documentation on the matter. To get these approvals, Merit has created multiple documents and spreadsheets to explain the changes in great detail. All other challenges and issues are referenced in the above variance narrative. The re-engineering sometimes requires re-submission of permits or delays in permit issuance.

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	57	With various delays in both construction and environmental permitting with multiple entities and to ensure compliance with all award requirements, Merit is waiting until appropriate clearance has been given before working with multiple construction crews to install infrastructure.
New network miles leased	0	No variance
Existing network miles upgraded	0	No variance
Existing network miles leased	0	No variance
Number of miles of new fiber (aerial or underground)	57	With various delays in both construction and environmental permitting with multiple entities and to ensure compliance with all award requirements, Merit is waiting until appropriate clearance has been given before working with multiple construction crews to install infrastructure.
Number of new wireless links	0	N/A
Number of new towers	0	N/A

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Number of new and/or upgraded interconnection points	0	With various delays in both construction and environmental permitting with multiple entities and to ensure compliance with all award requirements, Merit is waiting until appropriate clearance has been given before working with multiple construction crews to install infrastructure.

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.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Providers with signed agreements receiving 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.
	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	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).
 Route changes will be completed or direction will be made to approve at least 50% of these changes.
 Continue to work with pole owners to complete make-ready on poles across the state.
 About 18 Community Anchor Institutions will be connected and multiple Collocation sites will be engineered.
 Merit will build in areas where the Environmental Assessment is consistent with engineering. We project that we will have a total of 69 miles new underground completed.

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	58	We expect to have the remaining permits approved by the end of the next quarter. We also expect to deploy more segments for construction once the delays in permitting (both construction and environmental) are resolved. We also anticipate having all funded community anchors signed up by the end of next quarter. Once multiple construction deployments commence (which will occur in the very near future) we anticipate closing the gap between our current status and the Baseline Plan.
2b.	Environmental Assessment	100	Since our Finding of No Significant Impact was issued, we have needed and will continue to need to work with our environmental consulting firm on ways to minimize our project's impact in sensitive areas and remain in compliance. Despite the significant overrun (estimated to be approximately 427%), 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.
2c.	Network Design	41	While the engineering expense cost less than anticipated, we have had significant delays in getting our environmental clearances. While the engineering is less than we anticipated, we have had significant delays in getting our environmental clearances from the State of Michigan. We have received our federal clearances but state regulations are more stringent. The current percent complete does not accurately reflect that network design for fiber optic backbone is complete. Some re-engineering occurred due to changes required by permitting entities.
2d.	Rights of Way	100	We have exceeded our budget for rights-of-way permitting (estimated at 238% for next quarter), however, work still remains to be done. There are several municipalities who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution builds and route changes necessitated by schedule or engineering.
2e.	Construction Permits and Other Approvals	100	We have exceeded our budget for rights-of-way permitting (estimated at 238% for next quarter), however, work still remains to be done. There are several municipalities who have not approved our permit requests. In addition, we may need to submit additional permit applications for community anchor institution builds and route changes necessitated by schedule or engineering.
2f.	Site Preparation	25	We have almost completed the process of finalizing central office and community anchor institution routes. Last quarter we selected a contractor to perform site preparation work and he is diligently conducting site visits. 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	30	We have not incurred expense for equipment deployment at this time. Merit has not completed enough construction to warrant placing equipment in the field. As we are early in the deployment process, Merit will most likely 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)
2h.	Network Build (all components - owned, leased, IRU, etc.)	64	We have contracts with seven construction firms, each with multiple construction crews and have begun aerial construction in the Southern region. Other areas of aerial construction are planned to start in the very near future as permits are being approved. We are currently over 60% complete on all Round 1 permits, of which there are 1,256 needed.
2i.	Equipment Deployment	50	We have not incurred expense for equipment deployment at this time. Merit has not completed enough construction to warrant placing equipment in the field. As we are early in the deployment process, Merit will most likely be at or close to budget by completion.
2j.	Network Testing	26	We have procured test equipment, but testing hasn't commenced due to construction delays. Merit will most likely be at or close to budget by completion.
2k.	Other (please specify):	84	Legal expenses in previous quarters have been significantly higher than expected.

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).

We anticipate delays due to the length of time it has taken so far to acquire the necessary construction and environmental permits as well as approval of route changes. We are continuing to correspond with our Federal Program Officer and creating supporting documentation on the matter. Certain materials have been in short supply however we have placed all orders for fiber and materials for the entire network build along with securing a 50,000 square foot warehouse to ensure all materials are on hand.

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	\$246,967	\$49,393	\$197,573	\$266,832	\$53,366	\$213,466
b. Land, structures, right-of-ways, appraisals, etc.	\$676,199	\$135,240	\$540,959	\$1,604,156	\$320,831	\$1,283,325	\$1,609,156	\$321,831	\$1,287,325
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	\$1,209,895	\$241,979	\$967,916	\$2,038,706	\$407,741	\$163,095
e. Other architectural and engineering fees	\$1,424,305	\$284,861	\$1,139,444	\$199,857	\$39,972	\$159,885	\$509,677	\$101,935	\$407,741
f. Project inspection fees	\$1,690,497	\$338,100	\$1,352,398	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$1,696,897	\$339,380	\$1,357,518	\$1,545	\$309	\$1,236	\$47,199	\$9,440	\$37,759
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$25,357,463	\$5,071,492	\$20,285,971	\$5,116,034	\$1,023,207	\$4,092,828	\$17,686,214	\$3,537,243	\$14,148,971
j. Equipment	\$5,485,955	\$1,097,192	\$4,388,763	\$825,184	\$165,037	\$660,147	\$1,712,847	\$342,573	\$1,370,293
k. Miscellaneous	\$154,827	\$30,965	\$123,862	\$134,600	\$26,920	\$107,680	\$266,832	\$53,366	\$213,466
l. SUBTOTAL (add a through k)	\$41,611,526	\$8,322,306	\$33,289,222	\$9,338,238	\$1,867,648	\$7,470,590	\$24,137,463	\$4,827,495	\$17,842,116
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$41,611,526	\$8,322,306	\$33,289,222	\$9,338,238	\$1,867,648	\$7,470,590	\$24,137,463	\$4,827,495	\$17,842,116

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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