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	NT10BIX5570114	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?
06-30-2012	○ 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	08-09-2012

Project Indicators (This Quarter)

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

Merit has finalized all remaining easements for the project, including all hut easements. Ground preparation is underway at the hut sites. Merit has installed fiber in the Enventis build area under the St. Louis Bay in Duluth, MN as part of a joint build with Enventis, a BTOP recipient. Merit received their Ottawa National Forest and Hiawatha National Forest Permits. Merit also received all Department of Environmental Quality (DEQ) permits. Property appraisals were conducted for easements at the Bad River Tribe site. Merit connected Round 1 fiber (another BTOP-funded project) to Round 2 fiber at the Mackinaw Bridge. Merit completed procurement for Huts and selected a contractor to place the huts at their final destination. Merit connected Forest Park Schools (Community Anchor Institution) and began servicing them in May 2012. Merit has begun prep work for additional Community Anchor Institution sites. Merit has completed route planning engineering work for the project. Merit formed an environmental inspection team to review/finalize documentation and inspect sites pre/post construction to ensure environmental compliance during the build.

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	24	Construction is in full swing for Round 2 across all segments. Merit anticipates having a significant amount of infrastructure installed over third and fourth quarter.
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 556%. This is partially due to an underestimate based on RFP responses Merit had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since Merit will continue to incur costs related to the Environmental Assessment, Merit is considering a revision to the budget to incorporate the latest estimate of the Environmental Assessment cost at completion, which will be around 600%.
2c.	Network Design	95	Since receiving Merit's Finding of No Significant Impact, Merit has completed the required field engineering. Merit anticipates continued costs for incorporating redlines and doing final CADs, and the project will be at budget at completion.
2d.	Rights of Way	88	Merit has prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving the Finding of No Significant Impact, Merit has finalized the route and completed most of the engineering work necessary for permit submission.
2e.	Construction Permits and Other Approvals	49	Merit has prepped and submitted many permits so they can be approved as Merit starts deploying construction crews. Since receiving the Finding of No Significant Impact, Merit has finalized the route and completed most of the engineering work necessary for permit submission.
2f.	Site Preparation	15	Sites for the huts have been identified. Merit has completed contracts for hut construction and selected a hut vendor. Merit has acquired the easement agreements for the hut placement. Merit anticipates spending in this category to increase over the coming quarter and beyond.
2g.	Equipment Procurement	5	Merit ordered and received equipment, and placed some of it in the field in the Upper Peninsula. As more of the network is completed, we anticipate placing additional orders.
2h.	Network Build (all components - owned, leased, IRU, etc)	30	Materials are still being ordered as construction continues. Construction began in late December 2011. Merit has a large number of crews are working across multiple segments each week. Merit anticipates construction will continue at this pace, aiming to place as much infrastructure as possible before weather limitations occur.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2i.	Equipment Deployment	20	Merit ordered and received equipment, and placed some of it in the field in the Upper Peninsula. As more of the network is completed, we anticipate placing additional orders.
2j.	Network Testing	0	Network construction has begun, testing will take place as equipment is placed and operational.
2k.	**Staffing,** Other (please specify): Miscellaneous	28	Now that the project is fully staffed, Merit anticipates gradually coming into line with the Baseline Report 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 the Finding of No Significant Impact and get permits continues to impact the project, but Merit has increased the pace of construction to make up time during the second and third quarters in 2012. Merit anticipates having a large portion of infrastructure completed before the weather changes later this year. Merit is still working to obtain pole permits and complete make ready prior to construction. Merit is working to obtaining the remaining Right of Way permits and easements from the Bad River Indian Tribe, by making frequent visits with the tribe and working closely with the BIA. Merit is working to obtain outstanding Wisconsin environmental permits so work can be completed on this portion of the project.

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	78	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
New network miles leased	0	No Variance
Existing network miles upgraded	77	Merit purchased existing fiber along the planned route.
Existing network miles leased	0	No Variance
Number of miles of new fiber (aerial or underground)	78	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate 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	6
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:

LYNX Network Group, LLC
KEPS Technologies, Inc. (D.B.A. - ACD.net) -(Signed contract as of June 30, 2012, will drop off project in following quarter)
Boardman River Communications, LLC (BRC)
CCI Systems, Inc

Peninsula Fiber Network, LLC (PFN)
Great Lakes Comnet

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:
No wholesale services are currently being provided.

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 subrecipients will participate in this "condo" build. Each subrecipient will own strands in the build depending on the segment/location of the build.
LYNX Network Group, LLC: Chris Barber, PO Box 237 Kalamazoo, MI 49004, Phone: 877.585.5969
Ownership: Northeastern Corridor and Middle Corridor
KEPS Technologies, Inc. (D.B.A. - ACD.net): Kevin Schoen, 1800 N Grand River Ave Lansing, MI 48906, Phone: 877.422.3638
Ownership: All Corridors (ACD has a signed contract with Merit at the time this quarter ended. They will be dropping off the project next quarter)
Boardman River Communications, LLC (BRC): Gary John, 1801 Boardman Rd., SW, PO Box 17, South Boardman, MI, 49680, Phone: 231-369-2500, 231-492-5594
Ownership: Northern Corridor
CCI Systems, Inc: Joe Esbrook, 105 Kent Street, Iron Mountain, MI, 48901, Phone: 906-776-2866
Ownership: Northeastern Corridor and Middle Corridor
Peninsula Fiber Network, LLC (PFN): David McCartney, 108 W. Superior, Munising, MI, 49862, Phone: 906-226-2010
Ownership: Northern Corridor
Great Lakes Comnet: Bill Goodfellow, 1515 Turf Lane, Suite 100, East Lansing, MI 48823, Phone:517-664-1600
Ownership:North Eastern, Middle, and North Corridor

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	The projection for agreements for this quarter was dependent upon acquiring leased fiber; agreements are in place, but no access is being provided at this time. Merit anticipates coming in line with our baseline over the next two quarters.
	Providers with signed agreements receiving improved access	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber; agreements are in place, but no access is being provided at this time. Merit anticipates coming in line with our baseline over the next two quarters.
	Providers with signed agreements receiving access to dark fiber	0	No variance
	Please identify the speed tiers that are available and the number of subscribers for each	0	The projection for agreements for this quarter was dependent upon acquiring leased fiber; agreements are in place, but no access is being provided at this time. Merit anticipates coming in line with our baseline over the next two quarters.
Community Anchor Institutions (including Government institutions)	**Total subscribers served**	1	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving new access	0	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Subscribers receiving improved access	1	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.
	Please identify the speed tiers that are available and the number or subscribers for each	1	Delays in some of our milestone categories has resulted in a delay in installing fiber; however, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals.

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).

None at this time.

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
Forest Park Schools	**Crystal Falls**	**K12**	**Yes**	**This institution is connected to BTOP funded infrastructure. Broadband services were being provided during the second 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 obtaining remaining environmental and wetlands permits at the Bad River Tribe site as well as easements along the route with the Tribe. Merit anticipates having telecom huts placed in Escanaba, Powers, and Iron Mountain. Merit is hoping to have a significant amount of new infrastructure installed along the Upper Peninsula. Merit anticipates completing and lighting fiber from Oscoda to Harrisville as well as Gaylord to Mackinaw City. Merit plans to have all CAI permits submitted by the end of the quarter as well as all sites in some phase of construction (excluding the sites pending NTIA approval for changes). Merit will focus on overall construction and environmental compliance over the next quarter.

- Network miles expected to be deployed next quarter: 250
- Merit anticipates connecting 20 CAI sites during the next quarter assuming the backbone fiber is in place for the sites to be connected to.

- Agreements in place with Broadband/Last mile providers: Merit currently has six agreements in place, and anticipates one additional. -ACD.net will be dropping off of the project during Q3 2012 and will be reflected as removed in the subsequent reports.		

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	43	Merit anticipates construction increasing and continuing at full speed. We have selected vendors for hut construction, continue to procure optical equipment, and begin to procure switches and routers. Our Finding of No Significant Impact was received approximately two quarters later than we had projected, so many of our key indicators are also two quarters behind
2b.	Environmental Assessment	100	Merit has exceeded our Environmental Assessment (EA) costs; we are currently at 556%. This is partially due to an underestimate based on RFP responses we had received in the past, and partially due to unexpected challenges in obtaining clearances for in Wisconsin and Minnesota. Since we will continue to incur costs related to the Environmental Assessment, we are considering a revision to the budget to incorporate the latest estimate of the Environmental Assessment cost at completion, which will be around 600%.
2c.	Network Design	96	While most of the field engineering is complete, we anticipate continued costs for incorporating redlines and doing final CADs, and the project will be at budget at completion.
2d.	Rights of Way	91	We have prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2e.	Construction Permits and Other Approvals	62	We have prepped and submitted most permits so they can be approved as we start deploying construction crews. Since receiving our Finding of No Significant Impact we have finalized the route and completed most of the engineering work necessary.
2f.	Site Preparation	36	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	29	More optical equipment will be ordered. The procurement process for routers and switches will be completed, and route/switch equipment will be ordered. Merit anticipates being at budget by project completion.
2h.	Network Build (all components - owned, leased, IRU, etc.)	47	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	40	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.
2j.	Network Testing	25	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 testing completed fiber, and spending in this category will increase. Merit will be at or close to budget by completion.
2k.	Other (please specify): Staffing	46	Now that the project is fully staffed, Merit anticipates gradually coming into line with the Baseline Report by project completion.

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 will be working to resolve outstanding environmental permits in Wisconsin but this should not result in significant delays to this quarter. Merit does not project encountering any other significant challenges leading to delays in the coming quarter. the length of

time it has taken to get our Finding of No Significant Impact and get environmental permits continues to impact hte project, but we do anticipate to continue making up ground in the third quarter of 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.

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	$621,845	$124,369	$497,476	$173,948	$34,790	$139,158	$335,745	$67,149	$268,596
b. Land, structures, right-of-ways, appraisals, etc.	$1,116,000	$223,200	$892,800	$82,111	$16,422	$65,689	$636,140	$127,228	$508,912
c. Relocation expenses and payments	$0	$0	$0	$0	$0	$0	$0	$0	$0
d. Architectural and engineering fees	$4,301,298	$860,260	$3,441,038	$2,757,138	$551,428	$2,205,710	$2,966,921	$593,384	$2,373,537
e. Other architectural and engineering fees	$0	$0	$0	$0	$0	$0	$0	$0	$0
f. Project inspection fees	$732,625	$146,525	$586,100	$0	$0	$0	$0	$0	$0
g. Site work	$723,009	$144,602	$578,407	$0	$0	$0	$5,682	$1,136	$4,546
h. Demolition and removal	$0	$0	$0	$0	$0	$0	$0	$0	$0
i. Construction	$51,151,342	$10,230,268	$40,921,074	$16,086,586	$3,217,317	$12,869,269	$24,939,975	$4,987,995	$19,951,980
j. Equipment	$28,244,599	$5,648,920	$22,595,679	$1,362,844	$272,569	$1,090,275	$8,117,094	$1,623,419	$6,493,675
k. Miscellaneous	$158,396	$31,679	$126,717	$498,977	$99,795	$399,182	$559,574	$111,915	$447,659
l. SUBTOTAL (add a through k)	$87,049,114	$17,409,823	$69,639,291	$20,961,604	$4,192,321	$16,769,283	$37,561,131	$7,512,226	$30,048,905
m. Contingencies									
n. TOTALS (sum of l and m)	$87,049,114	$17,409,823	$69,639,291	$20,961,604	$4,192,321	$16,769,283	$37,561,131	$7,512,226	$30,048,905

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