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?
09-30-2013	○ 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	11-22-2013

Project Indicators (This Quarter)

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

Merit received a no cost extension to complete the REACH-3MCII project. Merit is nearly complete with all remaining infrastructure construction, with an estimated 99.7% of infrastructure completed. All lower peninsula fiber infrastructure was completed. Merit has lit all fiber within Michigan. Construction was completed in the Bad River Tribe area of the project, including completed restoration and clean up work. Merit has all Huts placed, activated, and lit.

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**	88	Construction is nearly complete for Round 2. Merit has installed almost all infrastructure and will continue construction during the next quarter with the hope of completing all outstanding construction.
2b.	**Environmental Assessment**	100	Merit has exceeded our Environmental Assessment costs. We are currently at 643% of original budget. This overage is due to the underestimated line item based on Request For Proposal responses to Merit and unexpected challenges in obtaining clearances in Wisconsin and Minnesota. Since Merit will continue to incur small 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 643%.
2c.	**Network Design**	100	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. Currently Merit is at 210% of the original budget. A portion of site prep expenses and salary has been included in this category.
2d.	**Rights of Way**	100	Merit has prepped and submitted many permits so they can be approved as construction crews are deployed. Since receiving the Finding of No Significant Impact Merit has finalized the route and completed most of the engineering work necessary for permit submission. Merit is currently at 178% of its original budget.
2e.	**Construction Permits and Other Approvals**	100	Merit has prepped and submitted many permits so they can be approved as construction crews are deployed. Since receiving the Finding of No Significant Impact Merit has finalized the route and completed most of the engineering work necessary for permit submission. Merit is currently at 103% of its original budget.
2f.	**Site Preparation**	22	Due to the way Merit has been classifying their expenses, some of these costs are included with Network Design.
2g.	**Equipment Procurement**	38	Merit ordered and received equipment, and the equipment has been placed in the field. Costs originally designed for this category have been placed in other categories resulting in being below budget. This category will be able to absorb overages from other areas.
2h.	**Network Build (all components - owned, leased, IRU, etc)**	100	Materials are still being ordered as construction continues. Since construction began in late December 2011, Merit has had a large number of crews working across multiple segments each week. Construction is nearing completion and Merit will continue at an aggressive pace until completed.
2i.	**Equipment Deployment**	100	Merit has managed the equipment deployment by ordering, receiving, and placing it as needed. Merit is currently at 109% of the budget in this category but with all equipment placed, there will be minimal spending remaining.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2j.	Network Testing	47	Network construction is taking place. Testing will continue as equipment is placed and operational and there is continuity across the network.
2k.	Other (please specify): **Staffing, Miscellaneous**	44	Now that the project is fully staffed, Merit anticipates gradually coming into line with the Baseline Report by project completion. Staffing has mostly been covered in the Network Design category and may re-allocated back to Other.

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 has encountered obstacles during the construction process in prior quarters where Merit contractors encountered many areas of hard, underground rock which slowed construction. As a result, contractors have had to dispatch workers and equipment to different areas, stretching resources which lead to a slower pace for construction than expected. Merit has also ran into some difficulties with aerial permits in hard rock areas, but Merit worked with with the appropriate parties to resolve any permitting issues. Merit encountered an issue when the I-43 bridge had shifted in the mud which disrupted Merit's fiber location along the bridge. Merit worked with the appropriate parties to minimize impact on 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	1,235	Delays in some of our milestone categories have resulted in holdups in fiber installation. However, once construction is fully underway we anticipate closing the gap between our Baseline Report and the reported totals. Strand miles completed through Q3 2013: 116 Miles (includes purchased infrastructure) Conduit miles completed through Q3 2013: 1119 Miles (includes purchased infrastructure)
New network miles leased	0	No Variance
Existing network miles upgraded	64	Merit purchased existing fiber along the planned route.
Existing network miles leased	0	No variance
Number of miles of new fiber (aerial or underground)	1,235	Delays in some of our milestone categories have resulted in holdups in fiber installation. 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	5
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
Boardman River Communications, LLC (BRC)
CCI Systems, Inc
Peninsula Fiber Network, LLC (PFN)
Great Lakes Comnet
KEPS Technologies, Inc. (D.B.A. - ACD.net) - Has officially dropped off of the project. Their portion of the network will be taken over by Merit, Peninsula Fiber Network, and 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).
Each sub recipient 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

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	N/A
	Providers with signed agreements receiving improved access	0	N/A
	Providers with signed agreements receiving access to dark fiber	5	Merit is providing dark fiber to wholesale providers who will in turn offer last mile services. KEPS Technologies (ACD.net) has dropped off of the project. Their portion of the project will be taken over by Merit, Peninsula Fiber Network, and Great Lakes Comnet.
	Please identify the speed tiers that are available and the number of subscribers for each	0	There are no Merit-defined speed tiers available to the current subscribers because they are all project subrecipients who will be creating their own speed tiers based on the equipment they independently install to light their fiber strands.
Community Anchor Institutions (including Government institutions)	**Total subscribers served**	133	CAI sites that are connected with BTOP funded infrastructure.
	Subscribers receiving new access	75	Will be receiving new access due to the REACH-3MCII project.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Subscribers receiving improved access	58	All CAI sites that have been connected will be receiving improved access thanks to the REACH-3MCII project.
	Please identify the speed tiers that are available and the number or subscribers for each	1	All 133 are receiving a 1GB connection.
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
Alpena Community College	Alpena, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Alpena Regional Medical Center - Rogers City Radiology	Rogers City, MI	Medical and Healthcare Providers	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
Bay de Noc Community College	Escanaba, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Bay de Noc Community College - West Campus	Iron Mountain, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Bessemer District Library	Bessemer, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Dickinson County	Iron Mountain, MI	Other Government Facilities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Dickinson County Library	Iron Mountain, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Engadine Consolidated Schools	Engadine, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Gladstone School Public Library	Gladstone, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Gogebic CMH	Wakefield, MI	Medical and Healthcare Providers	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Gogebic Community College	Ironwood, MI	Community Colleges	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Gogebic County	Bessemer, MI	Other Government Facilities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Iron Mountain Public Schools	Iron Mountain, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Ironwood Carnegie Library	Ironwood, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Manistique Area Schools/Library	Manistique, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Menominee Area Public Schools	Menominee, MI	Schools (K-12)	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Menominee County	Menominee, mI	Other Government Facilities	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
Menominee County Library - Stephenson	Stephenson, MI	Libraries	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.
MI Works - Onaway	Onaway, MI	Other Community Support Organizations	Yes	This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.

North Central Area Schools - Hermansville	**Hermansville, MI**	**Schools (K-12)**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
North Central Area Schools - Powers	**Powers, MI**	**Schools (K-12)**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
Onaway Area Schools	**Onaway, MI**	**Schools (K-12)**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
Ontonagon Township Library	**Ontonagon, MI**	**Libraries**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
Rogers City Area Schools	**Rogers City ,MI**	**Schools (K-12)**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
Spies Public Library	**Menominee, MI**	**Libraries**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
Wakefield Public Library	**Wakefield, MI**	**Libraries**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**
West Iron District Library	**Iron River, MI**	**Libraries**	**Yes**	**This institution is connected to BTOP funded infrastructure to provide broadband connectivity to the anchor site.**

Project Indicators (Next Quarter)

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

Merit anticipates completing remaining construction on the project. Merit also anticipates being able to continue working on testing throughout the network. Merit will look to begin warranty work on any areas of the new infrastructure that will require repair. Merit will look to light any remaining community anchor sites. Merit will be receiving As-Built drawings for the infrastructure and will begin preparing for closeout once complete.

Estimated number of miles to be deployed during the quarter: 2
Estimated number of CAI's to be connected during the quarter:11
Estimated number of Broadband wholesaler/last mile provider agreements to be signed during the quarter: 0

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	Merit expects construction to continue be at or near completion. The Finding of No Significant Impact was received approximately two (2) quarters behind the projected date thus many of our key indicators are also two (2) quarters behind.
2b.	**Environmental Assessment**	100	Merit has exceeded our Environmental Assessment costs. We are currently at 643% of original budget. This overage is due to the underestimated line item based on Request For Proposal responses to Merit and unexpected challenges in obtaining clearances in Wisconsin and Minnesota. Since Merit will continue to incur minor 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 643%.
2c.	**Network Design**	100	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. Merit anticipates spending to continue in the next quarter in this category, with the overrun being absorbed by another category. Merit anticipates spending continuing in the next quarter and will be around 231%. Some project salary has been applied to this category.
2d.	**Rights of Way**	100	Merit has prepped and submitted most permits for approval as construction crews are deployed. Since receiving the Finding of No Significant Impact Merit has finalized the route and completed the necessary engineering work. Merit anticipates being near 214% by the end of next quarter.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2e.	**Construction Permits and Other Approvals**	100	Merit has prepped and submitted most permits for approval as construction crews are deployed. Since receiving the Finding of No Significant Impact Merit has finalized the route and completed the necessary engineering work. Merit anticipates being at 124% of budget during the next quarter.
2f.	**Site Preparation**	29	Merit anticipates additional spending in the coming quarter as sites are being completed as backbone fiber passes by.
2g.	**Equipment Procurement**	38	Merit is had ordered equipment. Expenses that were originally budgeted for this category have been applied to other categories. This category will absorb overages from other areas.
2h.	**Network Build (all components - owned, leased, IRU, etc.)**	100	Merit has contracts with seven (7) construction firms, each with multiple construction crews, and is continuing aerial construction and underground construction across the funded network. Merit anticipates continued spending during the next quarter and will likely be over budget. The overrun should be able to be absorbed into another category.
2i.	**Equipment Deployment**	100	Merit has been behind our Baseline Report due to delays in the start of construction. However, with construction actively underway, our engineers will be field testing completed fiber, and spending in this category will increase. Merit will be at or close to budget by project completion.
2j.	**Network Testing**	61	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 Miscellaneous	60	The project is now fully staffed and Merit anticipates a gradual alignment with the Baseline Report by project completion. Some staffing costs has been allocated to Network Design rather than this category which is part of the reason our spending is low.

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 project testing over the next quarter as winter weather nears. Merit could face challenges in completing the As-Built drawings but anticpates working through any issues that may occur. Getting fiber testing and accepted could be a challenge as well but Merit should be able to work through any issues with the appropriate parties.

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	$228,844	$45,769	$183,075	$289,971	$57,994	$231,977
b. Land, structures, right-of-ways, appraisals, etc.	$1,116,000	$223,200	$892,800	$403,689	$80,738	$322,951	$1,314,318	$262,864	$1,051,454
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	$5,726,327	$1,145,265	$4,581,062	$6,423,027	$1,284,605	$5,138,422
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	$12,227	$2,445	$9,782	$13,721	$2,744	$10,977
g. Site work	$723,009	$144,602	$578,407	$52,390	$10,478	$41,912	$207,215	$41,443	$165,772
h. Demolition and removal	$0	$0	$0	$0	$0	$0	$0	$0	$0
i. Construction	$51,151,342	$10,230,268	$40,921,074	$58,455,899	$11,691,180	$46,764,719	$66,985,690	$13,397,138	$53,588,552
j. Equipment	$28,244,599	$5,648,920	$22,595,679	$10,928,246	$2,185,649	$8,742,597	$10,945,260	$2,189,052	$8,756,208
k. Miscellaneous	$158,396	$31,679	$126,717	$844,380	$168,877	$675,503	$869,912	$173,982	$695,930
l. SUBTOTAL (add a through k)	$87,049,114	$17,409,823	$69,639,291	$76,652,002	$15,330,401	$61,321,601	$87,049,114	$17,409,822	$69,639,292
m. Contingencies									
n. TOTALS (sum of l and m)	$87,049,114	$17,409,823	$69,639,291	$76,652,002	$15,330,401	$61,321,601	$87,049,114	$17,409,822	$69,639,292

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