

RECIPIENT NAME:COM Net, Inc.

AWARD NUMBER: NT10BIX5570072

DATE: 11/19/2012

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

### QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

#### General Information

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570072	<b>3. DUNS Number</b>  957284334
<b>4. Recipient Organization</b>  COM Net, Inc. 13888 County Road 25 A, Wapakoneta, OH 45895-8316		
<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  09-30-2012	<b>6. Is this the last Report of the Award Period?</b>  <input type="radio"/> Yes <input checked="" type="radio"/> No	
<b>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.</b>		
<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Timothy Berelsman	<b>7c. Telephone (area code, number and extension)</b>  X	
	<b>7d. Email Address</b>  tberelsman@cniteam.com	
<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  11-19-2012	

**Project Indicators (This Quarter)**

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

**Community Outreach:**

Com Net (CNI) met with city, state and county officials to secure necessary permits, pursued township road agreements, met with healthcare representatives to provide transport solutions between hospitals, medical clinics and practitioner offices. CNI met with the City of Dayton to demonstrate available services. CNI continued to meet with higher education and K-12 institutions.

**CAI Connections:**

CNI finalized the connectivity upgrade to one (1) K-12 Institution, improved four (4) K-12 Institutions' and one Education Service Center's service from a shared 1 Gbps to a dedicated 1 Gbps, delivered new service to one K-12 Institution who, previously, was not directly served by a broadband provider and provided new Ethernet service to connect a District Library back to OPLIN in Columbus. CNI continued to place access points with service loops in road R-O-W adjacent to CAI properties reducing lead time and expense once the CAI is ready to commit.

**Broadband Wholesalers and Last Mile Providers:**

CNI entered into an agreement with the City of Bowling Green and six (6) last mile providers. Com Net was in negotiations with eight (8) additional Wholesale and Last Mile Providers.

**Equipment Procurement and Deployment:**

CNI installed six (6) Cyan Chassis in preparation for turn-up. CNI is upgrading and cutting into service city-pairs as diverse fiber routes are complete to avoid single points-of-failure and to ensure adequate facilities are in place to eliminate/minimize interruptions. CNI cut city-pairs into service for Bascom to Findlay and Bascom to Sycamore. Turn-up of additional city-pairs was deferred to the Q4 2012 to allow for completion of contiguous routes required to avoid single points-of-failure.

**Network Design and Permitting:**

Design with permit application was submitted on 580.5 route miles and 431.3 miles were completed through permitting and released for construction. This does not include 12.7 miles in the Toledo Metro Area for which sub recipient, ZAYO is managing the construction. This route is currently pending completion of Make Readies. CNI constructed three new PoPs and augmented an existing PoP. A potential issue is that field crews have expressed concerns over surface level rock in three areas.

**Site Preparation:**

CNI completed the site preparation work at three new, unmanned PoP sites and augmentation of another. Bringing these sites into service is projected to be completed during Q4 2012.

**Network Build-Out:**

Construction continued to lag behind the required build-out schedule due to outstanding aerial make readies; a higher percentage of bored plow operations; and delays with permitting authorities. By the end of quarter, KG Myers has subcontracted with outside directional drilling contractors and is working to close the construction gap. These additional crews were required to meet timelines due to directional drilling being a slower process than plow or aerial installations.

**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	46	Positive Variance of 1% versus prior quarter projection with a negative 30% variance versus baseline. Work-in-Progress continued to show a significant backlog with \$4.5 Million in unliquidated obligations at the end of the quarter. The 46% Project Completion Rate represents a 9% gain from prior quarter.
2b.	Environmental Assessment	100	All future activity by environmental consultant shall be considered part of construction and/or as a construction permit or other approval.
2c.	Network Design	74	Positive Variance of 8% versus prior quarter with a negative 17% variance versus baseline. Major design activities will be drawing to a close in the first part of the 4th quarter of 2012. The majority of the activity by the route, design and permitting firm will be in the tracking of

	<b>Milestone</b>	<b>Percent Complete</b>	<b>Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)</b>
			<p>permitting and addressing design concerns with the authority(s) having jurisdiction.</p>
2d.	<b>Rights of Way</b>	58	<p>Negative Variance of 9% versus projections and a negative variance of 20% versus baseline. Rights-of-Way lagged behind schedule as Com Net continued to address concerns with the City of Springfield and the Ohio Department of Transportation in an effort to secure contiguous permitted sections for construction.</p>
2e.	<b>Construction Permits and Other Approvals</b>	55	<p>Negative Variance of 1% versus prior quarter projections and a negative variance of 33% versus baseline. The negative variance versus baseline was primarily driven by higher than expected permitting costs with the City of Springfield and Clarke County versus our short range outlook. The negative variance versus baseline is partially due to timing issues in securing permits, as well as a marginally favorable performance in actual permitting costs versus budget.</p>
2f.	<b>Site Preparation</b>	41	<p>Site Preparation showed an increase of 30% from prior quarter with a positive variance versus prior quarter projections of 13% with a negative variance versus baseline of 47%. The positive variance versus prior quarter projections was driven by a faster turn around time than projected by site preparation contractors from completion of work to billing. At the end of the quarter, Com Net was waiting on final inspection of its Huntsville, OH Point-of-Presence prior to installation of the electrical hookup. Findlay and Wood County were strictly pending electrical hook-up by the local utility. The allocation of space at Com Net's wholly owned subsidiary, Independents Fiber Network, site in Lima, OH was pending electrical specification from sub-recipient OARnet before being applied to the project.</p>
2g.	<b>Equipment Procurement</b>	62	<p>A 1% positive variance versus prior quarter projections and a negative 21% variance versus budget. The large variance versus budget is primarily driven by Com Net's decision to equip all Cyan chassis with switched layer 2 packet Metro Ethernet capabilities and reduce the number of sites equipped with MPLS network equipment. This is being implemented as a favorable network architecture over a multi-node MPLS network for the coverage area. This design change will be reflected in an upcoming route modification to be submitted by Com Net.</p>
2h.	<b>Network Build (all components - owned, leased, IRU, etc)</b>	39	<p>Favorable variance of 2% versus prior quarter projections and a negative 24% variance versus baseline. The favorable variance versus prior quarter was driven through the completion of multiple sub-contractor awards made by KG Myers to increase the number of directional drilling crews active on the project. Com Net monitored the procurement process utilized by KG Myers to ensure compliance with program requirements. KG Myers completed the procurement process and issued award to three sub-contractors with sub-contractor crews deployed to the field in early September.</p>
2i.	<b>Equipment Deployment</b>	33	<p>Positive variance of 5% versus budget and a negative 59% variance versus baseline. The positive variance was insignificant and represents an on target performance. The negative variance versus baseline is driven by the fact that equipment is not considered to be fully deployed until the city-pair nodes are cut into service, therefore a significant portion remains as work-in-progress as Com Net waits for fiber routes to be constructed. In addition, sub-recipient OARnet continues to focus on its 100 Gbps network deployment in Northeast Ohio, as Com Net awaits splice work by MERIT and Level3 before releasing fiber facilities to</p>

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			OARnet for its management and operation. In addition, ZAYO's deployment of equipment continues to be delayed until the major segments of Toledo-to-Lima and Lima-to-Dayton are completed, which are not projected for completion until late 2012/early 2013.
	2j. Network Testing	100	As disclosed in the prior quarter projections, Com Net is experiencing an overrun in network testing/inspection costs as we release partial segments in order to allow for the activation of service to Community Anchor Institutions prior to full segment completion. The budget overrun for network testing will be offset through savings in the areas of equipment procurement and network build.
	2k. Other (please specify):	100	Project Management and Administrative Reporting liquidated expenses of 80% for a negative variance versus projections of 3% and a positive variance versus baseline of 8%. The negative variance versus projections is actually favorable as it indicates that project management expenses ran 3% less than projected at the end of 2nd quarter and represents a gap closure against baseline projections. Contract Sales continued to be negatively impacted by the network build being behind schedule versus baseline and prior quarter projections. The negative variance versus the prior quarter was impacted by delays in permitting in certain areas of the segments under construction, which prevented us from completing contiguous segments required for serving certain Community Anchor Institutions. Com Net was, however able to make some progress with respect to contract sales during the quarter posting a 7% gain from the prior quarter. Operation Support progress based on liquidated expenses showed no gain for the quarter, a negative 13% versus prior quarter projections and a negative 80% versus baseline. This is related to two factors. The first is that Com Net did not draw federal funds for the implementation of plant and trouble on its NISC iVUE billing platform as originally planned. The reason for this was due to the fact that NISC is a cooperative and NISC was requiring additional administrative work prior to entering into a contract with Com Net. Com Net determined that the additional administrative expense negated the benefit of using federal funds against the plant and trouble module upgrades. Finally, as Com Net has previously communicated, mapping records continue to be maintained by Sigma Technologies as Com Net's Route Design and Permitting Firm with final transfer to occur during the last quarter of the project.

**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).**

Most issues were adequately addressed above. The major area where technical assistance from the BTOP program may be useful is in the expedited handling of a planned route modification to be submitted by Com Net during the upcoming quarter. The level of need will increase significantly if it becomes necessary for Com Net to implement a route change to utilize right-of-way along a US highway or Interstate due to an inability to secure right-of-way with municipal, township and county authorities.

**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)

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	367	No variance versus projections and a 145.55 mile variance versus baseline. The rate of progress is expected to increase based on the sub-contracting of additional directional drilling crews along with the continued operation of 4 plow trains and ZAYO's build of facilities in the Toledo Metro area. Based on conduit being leased and existing innerduct placed and ready for cable placement, Com Net is confident of completion by June 30, 2013 barring any unforeseen weather delays.
New network miles leased	1	This indicator is expected to deviate from baseline for the balance of the project based on upcoming route modifications and the reclassification of network miles from new network miles leased to existing network miles leased following completion of the project improvement Plan at the end of 2011.
Existing network miles upgraded	313	Negative Variance versus baseline, which was 1011.8. The gap was closed marginally in the quarter and will continue to be closed as the Cyan city-pairs are cut-over to service.
Existing network miles leased	667	Negative Variance versus baseline, which was 1011.8. The gap, however, was closed significantly and will continue to be closed as the fiber is leased in preparation for cut-over of the Cyan city-pairs throughout the balance of the quarters remaining in the project period.
Number of miles of new fiber (aerial or underground)	367	Same comments as provided for network miles deployed.
Number of new wireless links	0	Not Applicable
Number of new towers	0	Not Applicable
Number of new and/or upgraded interconnection points	27	Two additional sites added in the current quarter in Walnut Grove and Sycamore. Interconnection points continue to lag behind baseline in parallel with delays in build-out.

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	32
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	8
Average term of signed agreements (in quarters)	50

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers: Wholesale and Last Mile Providers signed during the 3rd quarter of 2012 include: Fort Jennings Telephone Company, Ridgeville Telephone Company, McClure Telephone Company, Ogden Telephone Company, Sand Creek Telephone Company, Bowling Green Municipal Electric and an undisclosed customer of ZAYO Group.

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:

Com Net's offering of Ethernet Transport Services is focused on ELINE; ELAN; and dual-homed satellite to primary and disaster recovery hub site connectivity. Com Net has defined these services, along with a series of qualifying discounts, that are determined on an individual case basis. The availability of GigEPAC fiber facilities managed and operated by Com Net is limited on two-major segments at the present time. This is on the segment from Toledo-to-Lima and Lima-to-Dayton where Com Net manages 48 of the 96

fiber and ZAYO Group manages the remaining 48 fiber. In the 48 fiber that Com Net manages over these two segments, Com Net has committed a majority of the fiber for serving Community Anchor Institutions, establishing Ethernet Network-to-Network mid-span points of interconnect and reserved additional fiber for quotes to other prospective customers that are still outstanding. On these two major segments, the balance of the remaining dark fiber have been assigned as reserved for service upgrades and new connections with Community Anchor Institutions. The monthly lease of fiber facilities has not been offered to date. To date, sub-recipients and OARnet have not placed GigEPAC facilities managed and operated by their respective companies into service so no documented pricing plans are available for the sub-recipient managed facilities.

**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).**

Sub recipients, ZAYO (400 Centennial Parkway, Suite 200, Louisville, CO 80027; 1.303.381.4683) and the Ohio Academic Resources Network (OARnet) (1224 Kinnear Road; Columbus, OH 43212;614.292.9191), will be designated to operate a portion of the network on activation of designated spans for which the providers will be responsible for operating certain fibers. The specific portion of the network will be detailed on activation. To date, no such portions of the network are available for release to the sub recipients' operations.

**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	5	Positive Variance to baseline. Bowling Green Municipal Electric receives fiber connectivity to the south with connectivity to Findlay, OH and Lima, OH and beyond.
	Providers with signed agreements receiving improved access	22	Positive Variance to baseline.
	Providers with signed agreements receiving access to dark fiber	5	ZAYO reported undisclosed customer would be receiving access to dark fiber; and therefore, accounts for the increase from prior quarter.
	Please identify the speed tiers that are available and the number of subscribers for each	4	Rate limited 10 Gbps and 1 Gbps port connectivity for network-to-network interfaces and 10 and 100 Mbps User Network Interface Port and Ethernet Transport Service as purchased by wholesalers.
Community Anchor Institutions (including Government institutions)	Total subscribers served	55	This represents a gain of seven from the prior quarter as committed activations with Community Anchor Institutions were limited for the quarter.
	Subscribers receiving new access	6	This represents a gain of two from the prior quarter. Community Anchor Institutions continue to lag behind the original baseline for two reasons. The primary reason is due to the fact that the original baseline was based on the network build-out commencing on March 1, 2011, which did not start until approximately July 1, 2011. The second is due to an inability to secure firm service order commitments due to term commitments the target entity entered into in order to maintain its existing service.
	Subscribers receiving improved access	49	One upgraded from wireless and four upgraded from shared 1 Gbps port to dedicated 1 Gbps ports.Community Anchor Institutions continue to lag behind the original baseline for two reasons. The primary reason is due to the fact that the original baseline was based on the network build-out commencing on March 1, 2011, which did not start until approximately July 1, 2011. The second is due to an inability to secure firm service order commitments due to term commitments the target entity entered into in order to maintain its existing service.
	Please identify the speed tiers that are available and the number or subscribers for each	10	4 at 5 Mbps; 6 at 10 Mbps; 12 at 20 Mbps; 7 at 50 Mbps; 13 at 100 Mbps; 1 at 200 Mbps; 1 at 300 Mbps; 1 at 800 Mbps; 5 at 1000 Mbps; and 4 unsubscribed
Residential / Households	Entities passed	0	N/A
	Total subscribers served	0	N/A

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

Com Net has no special offering to report this quarter.

**8a. Have your network management practices changed over the last quarter?**  Yes  No

**8b. If so, please describe the changes (300 words or less).**

Com Net's management practices have not changed from the prior quarter.

**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
Marion Local High School	Maria Stein, OH	Schools (K-12)		Upgraded to Fiber from unlicensed wireless.
Logan County District Library	Bellefontaine, OH	Libraries	No	Previously served via legacy T1-TDM over copper. New Provider/Service with Ethernet to the Premises site for OPLIN.
Van Buren High School	Van Buren, OH	Schools (K-12)	No	Improved to dedicated 1 Gbps fiber port from shared 1 Gbps trunk port.
McComb High School	McComb, OH	Schools (K-12)	No	Improved to dedicated 1 Gbps fiber port from shared 1 Gbps trunk port.
Liberty Benton High School	Findlay, OH	Schools (K-12)	No	Improved to dedicated 1 Gbps fiber port from shared 1 Gbps trunk port.
Elida High School	Elida, OH	Schools (K-12)	No	New Service delivered directly to Elida Administration building. Previously not served directly by a broadband provider. Relied on Intracampus link managed by the school.

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
Allen County ESC	Lima, OH	Schools (K-12)	No	Improved to dedicated 1 Gbps fiber port from shared 1 Gbps trunk port.

**Project Indicators (Next Quarter)**

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

**CAI Connections:**

Com Net will be conducting on-going follow-up with its originally identified Community Anchor Institutions in an effort to secure firm commitments for service. Com net will continue to pursue additional Community Anchor Institutions through a Broadband Service Partner, wholesaler and, when no such option exists, on a direct basis to secure commitments to utilize the Com Net backhaul facilities. Com Net is projecting an increase in the total number of CAIs served by 5 in Q4 2012. This remains behind Baseline as Com Net will focus efforts on turning-up city pair connections in preparation for aggressive growth in the number of improved CAIs during Q1 2013.

**Broadband Service Providers and Wholesale Agreements/Connectivity:**

Com Net plans to execute three (3) additional agreements with Broadband Wholesalers and/or Last Mile Providers in order to reach identified Community Anchor Institutions.

**Site Preparation:**

Com Net plans to bring one (1) augmented, unmanned and three (3) new, unmanned PoPs into service during Q4 2012, as well as initiate site preparation at two (2) leased sites.

**Equipment Procurement and Deployment:**

Com Net will focus on the finalization of deployment through cut-over of city-pairs during the 4th quarter of 2012, deferring additional equipment purchase and installation until 2013. Com Net will be working with OARnet on the deployment of equipment in preparation for the Lima-Hillsdale and Lima-Findlay city-pair turn-ups for OARnet's management.

**Network Design and Permitting:**

Com Net's design and permitting activities have been extended into the 4th quarter of 2012 as we continue to work with Authorities Having Jurisdiction to secure permits allowing the desired method of construction. Activities will continue as we look at route modifications to address permitting timelines and budget concerns.

**Network Build-Out:**

Com Net plans to assist OARnet in lighting dark fiber facilities from Lima-to-Hillsdale that will be improved through OARnet's operation and management of the facilities and to work with OARnet to secure the entrance facilities to their collocation Point-of-Presence in Findlay, OH. Com Net also plans on completing 96 miles of new construction. The upgrade of existing facilities and lease of new facilities will be dependent on the success rate in turning-up additional city-pairs.

**Administration:**

Com Net plans to submit a second route modification request to NTIA as part of its efforts to finalize firm design plans for the balance of the network build-out, as soon as, we receive the report from our Environmental Firm.

**Community Outreach:**

Com Net will meet with State Senators and State Representatives to provide an update on the status of our project.

**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	61	Com Net is planning an aggressive build-out plan for the final quarter of 2012 with 15% progress over prior quarter. This plan is highly dependent on favorable weather. The aggressive plan is made possible through the additional equipment and labor available to the project through KG Myers subcontracting efforts along with Com Net's pursuing permits and release to KG Myers on all portions of segments where the Authority Having Jurisdiction is

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
			permitting the use of direct plow installation.
2b.	<b>Environmental Assessment</b>	100	All future activity by environmental consultant shall be considered part of construction and/or as a construction permit or other approval
2c.	<b>Network Design</b>	86	Com Net will continue to engage Sigma Technologies in association with route design and permitting activities on its pending route modification, as well as, to work with Authorities Having Jurisdiction to obtain outstanding permits and work through any issues that may arise in order to ensure construction crews have adequate mileage permitted for the scheduling of crews.
2d.	<b>Rights of Way</b>	72	Com Net is projecting the spread between baseline and quarterly projections to remain the same as prior quarter with the bulk of the closure to occur in the 1st and 2nd quarter of 2013.
2e.	<b>Construction Permits and Other Approvals</b>	64	Permits and other approvals continue to lag behind baseline as the Authorities continue to issue permits marginally ahead of construction. This measurement against liquidated expenses, also, tends to be impacted by the fact that expenses for construction permits and other approvals continue to run favorable to budget.
2f.	<b>Site Preparation</b>	56	Site Preparation work in the upcoming quarter is projected to be limited to outstanding invoices and clean-up work in association with the Wood County, Findlay and Huntsville new construction sites, as well as finalization of power requirements allowing for the transfer of space at Independents Fiber Networks site in Lima, OH. In addition, Com Net will be finalizing the lease of space in Springfield, OH rather than the construction of a new site moving this site to an unfunded operating expense, as well as a capital lease for space at a remote shelter in West Milton, OH. On completion of these activities, Com Net will have one new construction site remaining for completion in the spring in Greenville, OH.
2g.	<b>Equipment Procurement</b>	70	Com Net's procurement of MPLS network equipment is pending a route modification, which will reduce the amount of equipment to be procured based on Com Net's election to reduce the number of MPLS Network nodes in the regional network. In addition, the acquisition of equipment for the final hut, as well as for ZAYO to equip its PoP sites on its managed routes, will not occur until the Spring of 2013.
2h.	<b>Network Build (all components - owned, leased, IRU, etc.)</b>	56	A 31% negative variance versus baseline, but with an 18% increase over prior quarter, which represents significant progress for the final quarter of the year. This 18% increase from the prior quarter is driven by the fact that, throughout the quarter, KG Myers will have four plow trains with accompanying directional drilling crews, as well as thirteen additional directional drilling crews active on the project. Com Net has, also, secured ~7 miles of existing conduit along with an additional 7 miles of currently placed but unoccupied innerduct for the placement of cable during the quarter. ZAYO is projected to upgrade a portion of its aerial plant in the Toledo metropolitan area during the quarter. Finally, since the baseline is measured against liquidated expenses, the percent of progress will increase at a faster pace per mile of cable placed as construction costs increase with the build approaching the Metropolitan areas of Toledo, Dayton, Springfield and Columbus.
2i.	<b>Equipment Deployment</b>	47	Com Net is projecting the cut-over of Cyan city-pairs during the upcoming quarter, which will move additional equipment from Work-in-Progress to the active working network. This will result in a 14% progress rate over prior quarter, but a negative variance versus budget of 53% as ZAYO is not expected to deploy its equipment until the Spring of 2013 and the deployment of equipment by OARnet during the quarter remains questionable.
2j.	<b>Network Testing</b>	100	As disclosed in the prior quarter projections, Com Net is experiencing an overrun in network testing/inspection costs as we release partial segments in order to allow for the activation of service to Community Anchor Institutions prior to full segment completion. The budget overrun for network testing will be

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
			offset through savings in the areas of equipment procurement and network build.
2k.	Other (please specify):	100	Project Management and Administrative Reporting liquidated for a positive variance versus baseline of 7%. The 7% positive variance versus baseline is down from 8% from the prior quarter, which represents further gap closure against baseline projections. Contract Sales is projected to continue to be negatively impacted by the network build posting an 8% gain from the prior quarter for a 5% negative variance versus baseline. Operation Support progress based on liquidated expenses is projected to show no gain for the quarter. This continues to be related to two factors. The first is that Com Net did not draw federal funds for the implementation of plant and trouble on its NISC iVUE billing platform as originally planned. The reason for this was due to the fact that NISC is a cooperative and NISC was requiring additional administrative work prior to entering into a contract with Com Net. Com Net determined that the additional administrative expense negated the benefit of using federal funds against the plant and trouble module upgrades. Finally, as Com Net has previously communicated, mapping records continue to be maintained by Sigma Technologies as Com Net's Route Design and Permitting Firm with final transfer to occur during the last quarter of the project.

**3. Please describe any challenges or issues anticipated during the next quarter that may impact planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).**

The largest challenge for the quarter is related to permitting adequate mileage to allow for deployment of additional crews.

At this stage of the project, due to timeline constraints, Com Net is pursuing the path of least resistance for securing additional permits, which will result in unfavorable variances versus budget due to the higher than budgeted portion of the route that authorities will require be installed through the directional drilling operation with the potential for rock sawing in certain areas. The directional drilling operation with limited rock sawing is unfavorable financially due to its slower rate of progress and therefore, higher cost.

In order to partially offset these increases, Com Net continues to analyze potential route changes to make use of right-of-way along US Highways and Interstates. Com Net will require technical assistance from NTIA to ensure the Environmental Assessment and other documentation required as part of the route modification can be reviewed in an expedited fashion.

At the same time, Com Net will continue to aggressively pursue the completion of make readies in order to finalize route segments that have open aerial spans, as well as, route segments with aerial spans that have yet to be started. In the event Com Net is successful in securing completed make readies on aerial spans, then we will be able to exceed our network build-out projections.

Connecting Higher Education Institutions continues to be a challenge because they must renew contracts with their existing carriers before we have reached their areas due to the nine month construction delay.

**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	\$186,863	\$75,013	\$111,850	\$522,939	\$138,716	\$384,223	\$576,201	\$152,844	\$423,357
b. Land, structures, right-of-ways, appraisals, etc.	\$1,497,801	\$542,165	\$955,636	\$528,660	\$135,929	\$392,731	\$607,772	\$156,270	\$451,502
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$1,536,325	\$368,718	\$1,167,607	\$1,140,111	\$273,627	\$866,484	\$1,298,558	\$311,654	\$986,904
e. Other architectural and engineering fees	\$282,530	\$84,759	\$197,771	\$229,476	\$61,837	\$167,639	\$241,685	\$65,127	\$176,558
f. Project inspection fees	\$130,000	\$31,200	\$98,800	\$209,449	\$50,267	\$159,182	\$274,349	\$65,844	\$208,505
g. Site work	\$205,600	\$61,680	\$143,920	\$74,709	\$22,329	\$52,380	\$118,475	\$35,410	\$83,065
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$30,306,281	\$7,831,123	\$22,475,158	\$11,587,812	\$3,036,779	\$8,551,033	\$16,657,215	\$4,365,302	\$12,291,913
j. Equipment	\$8,758,868	\$3,877,761	\$4,881,107	\$5,587,352	\$3,042,442	\$2,544,910	\$6,463,092	\$3,519,304	\$2,943,788
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>l. SUBTOTAL (add a through k)</b>	\$42,904,268	\$12,872,419	\$30,031,849	\$19,880,508	\$6,761,926	\$13,118,582	\$26,237,347	\$8,671,755	\$17,565,592
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$42,904,268	\$12,872,419	\$30,031,849	\$19,880,508	\$6,761,926	\$13,118,582	\$26,237,347	\$8,671,755	\$17,565,592

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