

RECIPIENT NAME:COM Net, Inc.

AWARD NUMBER: NT10BIX5570072

DATE: 08/08/2012

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	2. Award Identification Number NT10BIX5570072	3. DUNS Number 957284334
4. Recipient Organization COM Net, Inc. 13888 County Road 25 A, Wapakoneta, OH 45895-8316		
5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2012	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No	
7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.		
7a. Typed or Printed Name and Title of Certifying Official Timothy Berelsman	7c. Telephone (area code, number and extension) X	
	7d. Email Address tberelsman@cniteam.com	
7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 08-08-2012	

Project Indicators (This Quarter)

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

Community Outreach:

Com Net (CNI) conducted a public meeting to discuss construction as required by a county engineer, worked with village officials to secure private easements, pursued township road agreements and met with village and county officials to secure necessary permits. CNI met with healthcare representatives to provide transport solutions between hospitals, medical clinics and practitioner offices. CNI met with State Agency CIOs to demonstrate available services. CNI continued to meet with higher education and K-12 institutions.

CAI Connections:

CNI finalized the connectivity upgrade to its first higher education institution. Turn-ups for the quarter were minimal as most entities deferred activation until later in 2012. CNI expanded new construction facilities in preparation for turning-up several K-12 institutions and public libraries that have committed to upgraded service for the start of the school year. CNI secured commitments from Physician Offices looking for connectivity to area hospitals/healthcare networks in Q3 2012. 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 agreements with 2 providers and put 2 new city pair combinations into service, allowing CNI to execute on commitments with 2 providers to deliver new access services.

Equipment Procurement and Deployment:

CNI cut over services to the DWDM backhaul network with equipment purchased and installed last quarter. 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 Lima-to-Walnut Grove and Walnut Grove-to-Sycamore. Turn-up of additional city pairs was deferred to the Q3 2012 to allow for completion of contiguous routes required to avoid single points-of-failure.

Network Design and Permitting:

CNI received "make ready" notices of completion for several aerial spans by quarter end. These notices allow CNI to complete several contiguous route segments required for CAI turn-ups during Q3 2012. CAD was completed on 492 route miles, with permit applications submitted on 416 miles and 375 miles completed through permitting and released for construction. CNI received approval to proceed with the construction of three new PoPs and the augmentation of one existing PoP after a delay by the AHJ to address the sustained wind rating of one of the planned facilities. The route design firm reported a breakthrough in securing permits with townships in a county pending construction. The route design firm expressed concerns with the permit progress in two counties and one city, which may require further assistance by CNI.

Site Preparation:

CNI completed the procurement process to select a standalone site preparation firm to provide services at three new, unmanned PoP sites and augmentation of another. Actual work was delayed until Q3 2012 due to delays in building approval. The site work is projected to be completed during Q3 2012.

Network Build-Out:

Construction fell behind the required build-out schedule due to outstanding aerial make readies; a higher percentage of bored plow operations; delays with permitting authorities; and the inability to secure contiguous route mileage need to deploy an additional plow train. By the end of quarter, Com Net was working with KG Myers to subcontract boring operations in order to close the construction gap. Additional boring crews are required to meet timelines due to boring operation being a slower process than plow or aerial installations. The increased percentage of bored underground construction versus plow will result in unfavorable performance versus budget, however given the defined timeline for completion, authorization has been provided to proceed.

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)
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	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
	2a. Overall Project	37	Negative variance versus baseline of 31% and negative variance versus 2012 Q1 PPR of 3%. Construction or Network Build-out is the controlling factor in performance versus budget. The lack of contiguously permitted route mileage using the slit trench method of construction negatively impacted the ability to add a fourth plow train. In order to obtain permits in a timely fashion, we are also experiencing a higher call-out rate for boring operations in comparison to slit trench. This is being addressed through the procurement process to bring on additional boring crews and equipment through sub-contracting. The inability to secure significant contiguous route mileage is resulting in the movement of crews, which in turn results in multiple segments remaining as Work-in-Progress with a higher than expected level of unliquidated obligations.
	2b. Environmental Assessment	100	All future activity by environmental consultant shall be considered part of construction and/or as a construction permit and other approval.
	2c. Network Design	62	Negative variance versus baseline of 18% and negative variance versus 2012 Q1 PPR of 17%. The route design firm encountered permitting issues with 4 townships, 2 counties and 4 municipalities that required a concerted effort by all involved to allow enough mileage to be released for construction to keep crews active. This issue was alleviated at the end of the quarter. A change order was agreed to extending the design period on several segments based on this redirection of resources. Network design activities will be adjusted to close the gap, however securing permits with authorities at two counties continue to pose a risk to the planned routes.
	2d. Rights of Way	54	Negative variance versus baseline of 24% and positive variance versus 2012 Q1 PPR of 9%. At the end of the quarter Com Net secured permits for right-of-ways on two outstanding townships along with accelerated approval on planned route construction in Hancock, Putnam and Henry Counties. At the end of the quarter, right-of-ways with two townships, three municipalities and two counties continued to pose concerns. The concerns were in respect to underground construction method being permitted and the associated impact on timeline and budget. The alternative would be to identify, EA, design and construct a different route(s) following a US Highway or Interstate. A decision was pending at the end of the quarter.
	2e. Construction Permits and Other Approvals	52	Negative variance versus baseline of 32% and positive variance versus 2012 Q1 PPR of 14%. At the end of the quarter, Com Net received notice of completion on several outstanding make readies associated with aerial construction. Com Net, also, experienced higher than originally projected permitting expenses in Monroe County, Michigan, which drove liquidated expenses to a higher level than forecasted.
	2f. Site Preparation	11	Negative variance versus baseline of 77% and negative variance versus 2012 Q1 PPR of 3%. Although this line item remains significantly behind budget, it is a relatively low percentage of the overall project and the actual project hours required for completion are minimal. Activity on site preparation did not commence in line with expectations due to a delay in securing a building permit with a single authority as they evaluated the sustained wind rating of the planned structures. The final permit was secured at the end of the quarter and work will be scheduled for the completion of 3 new sites and the augmentation of a fourth existing site during the upcoming quarter.
	2g. Equipment Procurement	55	Negative variance versus baseline of 16% and negative variance versus 2012 Q1 PPR of 4%. The completion of contiguous route segments continued to be delayed due to the lack of permits for full completions of the released construction segment. As a result, Com Net held on the purchase of additional equipment until the third quarter of 2012. In addition to Com Net's managed and operated network facilities, OARnet

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
			procured a significant portion of the electronics equipment that it will manage and operate as part of the project.
2h.	Network Build (all components - owned, leased, IRU, etc)	29	Negative variance versus baseline of 26% and negative variance versus 2012 Q1 PPR of 1%. Although the percentage does not look significant, Com Net's inability to secure a significant amount of contiguous mileage for construction resulted in us not being able to deploy a fourth plow train, thereby resulting in us giving up some of the gains made during the 1st quarter of 2012 and negatively impacting dependent milestones. This can be seen in the significant increase in unliquidated obligations due to incomplete route segments, which is projected to continue into the upcoming quarter. From a liquidated expense perspective, progress will increase at an accelerated rate as construction moves into more congested areas to the south with Miami, Montgomery and Clarke counties; and to the north in the Toledo metro areas where costs were budgeted at a higher rate per mile. Rural construction costs per mile are, also, budgeted to increase as we move into areas on the northern and southern end of the build-out that have significant rock and granite at or near ground level.
2i.	Equipment Deployment	18	Negative variance versus baseline of 70% and negative variance versus 2012 Q1 PPR of 13%. The negative variance on equipment deployment was driven by the fact that contiguous fiber segments were not available to allow us to cut over connectivity between city pairs. Due to the lack of fiber facilities between nodes, equipment deployment activities were delayed until the third quarter of 2012 for efficiency purposes by allowing the equipment to be deployed and city pairs cut over into service through a single visit by the manufacturer.
2j.	Network Testing	88	Positive variance versus baseline of 50% and negative variance versus 2012 Q1 PPR of 5%. Network testing expenses continue to run at a higher rate than originally projected due to the need to accept partial passive route segments in order to progress the project toward completion. Although the run rate is higher than budgeted, it was below projections primarily due to delays in testing associated with the cut over of city pairs and the completion of services to Community Anchor Institutions that occurred during the quarter.
2k.	Other (please specify): Pre-Award Acceptance and Application	100	Project Management and Administrative Reporting liquidated expenses of 73% versus a baseline of 63% and projections of 76%. This was primarily driven by a reduction in the involvement of professional services in negotiating agreement with authorities having jurisdiction over right-of-ways. Contractual Sales Solutions performed favorable to baseline with Broadband wholesalers and last mile providers while service activation to Community Anchor Institution flat lined during the quarter. Contractual sales were at 52% compared to a baseline of 63% and projection of 55%. The operation support systems continues to perform significantly below budget at 20% versus a baseline of 100% and prior quarter projections of 23%. This continues to be based on Com Net's election not to request federal funding of plant and trouble module upgrades to its legacy customer care and billing system. As well as our continued decision to defer the internalization of a mapping system until the end of the project. During the construction period, Com Net will utilize remote access into the system maintained by the route design and permitting firm.

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).

All issue 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)
New network miles deployed	287	A negative variance versus baseline of 185.25 and a negative variance versus prior quarter projection of 55 miles. This negative variance results in Com Net showing a completion date for the placement of fiber cable of June 21, 2013. This variance was driven by the inability to secure a significant number of permits to allow the deployment of a 4th plow train. This problem is expected to persist for the majority of the 3rd quarter of 2012; therefore, the projection is for a minimal increase in new miles deployed from 287 to 367. Additional crews will be added to the project in the later portion of the third quarter to accelerate boring options, which are expected to become significant in the balance of the build-out.
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	244	Negative variance versus baseline which was 951.2. During the quarter, Com Net was unable to upgrade 68 miles from Walnut Grove to 535 Scherers Court due to a single point of failure issue that can not be resolved until outstanding make readies are addressed and a short aerial span is constructed. In addition, another 53 miles are pending upgrade for operation and management by OARnet, once OARnet secures entrance facilities to the space in which their equipment is co-located.
Existing network miles leased	388	Negative variance versus baseline which was 951.2. Com Net has additional mileage to be leased pending the upgrade to the current mileage leased but not yet upgraded. This includes an upgrade to existing network miles that will be managed and operated by OARnet between Lima, OH and Hillsdale, MI.
Number of miles of new fiber (aerial or underground)	287	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	25	Interconnection points continues to lag behind baseline as it is dependent on completion of new construction. Initial gap closure plan to secure permits for a significant quantity of consecutive miles to allow for the deployment of a fourth plow train was not successful. Com Net is now pursuing alternative plan to sub-contract with additional boring crews due to time constraints and continued issues in securing permits for the direct plow method of construction.

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	25
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	10

Indicators	
Average term of signed agreements (in quarters)	49

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 2nd quarter of 2012 include the Ayersville Telephone Company and Waldron Telephone Company.

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 indefeasible right to use GigEPAC fiber facilities managed and operated by Com Net is limited strictly to those entities who enter into an agreement to jointly serve community anchor institutions through a mid-span point-of-interconnection with Com Net. 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).
 Subrecipients 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	4	Positive Variance to baseline. This is the network-to-network interface established with One Community in Worthington, Ohio; the network-to-network interface established with CISP in Toledo, OH; the ELAN service established with OARnet with between Lima, OH and Worthington, OH; the Ethernet Network-to-Network Interface (ENNI) established with Level3 in Toledo, OH; and the jointly provided Ethernet mid-span point-of-meet with BIP recipient, Sycamore Telephone Company in Wyandot County.
	Providers with signed agreements receiving improved access	17	This represents no change from the prior quarter. Com Net still plans to offer improved access on completion of the build-out obligations of Com Net as part of the GigEPAC project.
	Providers with signed agreements receiving access to dark fiber	4	This represents no change from the prior quarter. Com Net continues to only provide access to Dark Fiber to broadband wholesalers and last mile providers who agree to jointly serve Community Anchor Institutions through a mid-span meet point-of-interconnection.
	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	48	This represents a gain of one from the prior quarter as committed activations with Community Anchor Institutions were limited for the quarter.
	Subscribers receiving new access	4	No change from prior quarter.
	Subscribers receiving improved access	44	Additional customer receiving an upgrade from OC3 SONET connectivity to a rate limited 1 Gbps Ethernet port connection.

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Please identify the speed tiers that are available and the number or subscribers for each	10	4 at 5 Mbps; 5 at 10 Mbps; 8 at 20 Mbps; 6 at 50 Mbps; 13 at 100 Mbps; 1 at 200 Mbps; 1 at 300 Mbps; 1 at 800 Mbps and 5 at 1000 Mbps
Residential / Households	Entities passed	0	NA
	Total subscribers served	0	NA
	Subscribers receiving new access	0	NA
	Subscribers receiving improved access	0	NA
	Please identify the speed tiers that are available and the number of subscribers for each	0	NA
Businesses	Entities passed	0	NA
	Total subscribers served	0	NA
	Subscribers receiving new access	0	NA
	Subscribers receiving improved access	0	NA
	Please identify the speed tiers that are available and the number of subscribers for each	0	NA

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
Ohio Northern University	Ada, OH	Higher Education	No	To establish broadband connection to the Ohio Academic Research Network (OARnet) as a member company.

Project Indicators (Next Quarter)

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

Community Outreach:

Com Net will continue to schedule meetings with community leaders in order to ensure that we have their cooperation, as well as, to determine potential opportunities. Com Net will meet with state legislators in Columbus to provide them with updates on our project's status.

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 plans to provide improved connectivity to a minimum of one (1) library, eight (8) K-12 schools, two (2) health care facilities, two (2) higher education institutions and one (1) other Community Anchor Institution (CAI) for a total of 14 additions for the upcoming quarter.

Broadband Service Providers and Wholesale Agreements/Connectivity:

Com Net plans to execute eight (8) additional agreements with Broadband Wholesalers and/or Last Mile Providers in order to reach identified Community Anchor Institutions.

Site Preparation:

Com Net plans to complete site preparation and place prefabricated huts on three (3) new, unmanned sites that will serve as Points-of-Presence, as well as, complete the augmentation of space at one legacy, unmanned point-of-presence.

Equipment Procurement and Deployment:

Com Net will procure and deploy Dense Wave Division Multiplexing equipment at 11 additional Points-of-Presence.

Network Design and Permitting:

Com Net's design and permitting activities have been extended into the 3rd 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 plan to secure dark fiber facilities from Lima-to-Hillsdale that will be improved through OARnet's operation and management of the facilities; to work with OARnet to secure the entrance facilities to their collocation Point-of-Presence in Findlay, OH, which will allow them to light and assume operation and management of the two dark fiber from Lima-to-Findlay; and to cut-over of a minimum of 2 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. Com Net will, also, be working with KG Myers Construction to ensure that they follow procurement procedures when sub-contracting with firms that provide boring equipment and labor.

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	45	This projection represents an 8% increase over prior quarter and a negative 31% versus baseline.
2b.	Environmental Assessment	100	Initial Environmental Assessment is complete. All future services will be for route modification, which will be recorded as a construction permit and other approval expense or a construction expense depending on point of origination of change order.
2c.	Network Design	66	This projection represents an 4% increase over prior quarter and a negative 25% versus baseline.
2d.	Rights of Way	67	This projection represents an 13% increase over prior quarter and a negative 11% versus baseline.
2e.	Construction Permits and Other Approvals	56	This projection represents an 4% increase over prior quarter and a negative 32% versus baseline.
2f.	Site Preparation	28	This projection represents an 17% increase over prior quarter and a negative 60% versus baseline.
2g.	Equipment Procurement	61	This projection represents an 6% increase over prior quarter and a negative 22% versus baseline.
2h.	Network Build (all components - owned, leased, IRU, etc.)	37	This projection represents an 8% increase over prior quarter and a negative 26% versus baseline.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2i.	Equipment Deployment	28	This projection represents an 10% increase over prior quarter and a negative 64% versus baseline.
2j.	Network Testing	100	This projection represents an 31% increase over prior quarter and a positive 51% versus baseline. This is consistent with Com Net's project improvement plan whereby we indicated that network testing would exceed budget due to the need to test and accept partial route segments in order to satisfy Community Anchor Institution commitments.
2k.	Other (please specify): Application and Pre-Acceptance Period	100	Pre-Award Acceptance and Application is 100% complete from a liquidated obligations perspective, which represents a 0% variance versus baseline. Project Management and Admin Reporting is projected to be 83% complete. Contractual Sales Solutions is projected to be 60% complete, which represents a negative 3% variance to baseline. Operation Support Systems are projected to be 33% complete, which represents a 67% negative variance to baseline.

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 gap closure versus baseline on the network build-out and dependent milestones.

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 boring operation. The boring operation is unfavorable financially as it results in incremental innerduct usage and labor costs due to its slower rate of progress. Com Net will assist KG Myers in identifying qualified sub-contractors to assist with the increased mileage to be installed through boring and utilize administrative resources as necessary to complete any necessary route modifications.

In order to partially offset these increases, Com Net is analyzing 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.

Com Net continues to seek clarification on the method for counting Community Anchor Institutions based on the fact that the GigEPAC application was founded on last mile services being secured through Broadband Service Providers who agree to jointly serve Community Anchor Institutions through a mid-span point-of-interconnect and by purchasing from Com Net's suite of wholesale Broadband Provider Operation Support Services. The numbers reported for second quarter of 2012 do not include Community Anchor Institutions (CAIs) that are passed by with an access point at the boundary between the public right-of-way and property of the CAI. This analysis was still outstanding based on the need to provide staff with further clarification on qualifying CAIs for reporting purposes. This analysis is being deferred until the 2012 Q3 PPR report.

