

RECIPIENT NAME:COM Net, Inc.

AWARD NUMBER: NT10BIX5570072

DATE: 02/15/2013

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) 12-31-2012	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): 02-15-2013	

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 State Senators and State Representatives to provide an update on the status of the project during the fourth (4th) quarter of 2012. CNI continued to meet with city, state and county officials to secure necessary permits, pursued township road agreements, met with health care 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 two (2) K-12 institutions, improved connectivity to two (2) health care facilities, improved service to one (1) correctional institution and established new fiber access connectivity with one municipal utility-owned fiber network. 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. The upgrades implemented with K-12 institutions is resulting in the expansion of bring-your-own-device (BYOD) initiatives by school districts in western Ohio.

Broadband Wholesalers and Last Mile Providers:

CNI entered into agreements with nine (9) wholesalers and last mile providers during the quarter. This represented new access in the case of five of the agreements and improved access in the case of four of the agreements. One of the agreements included supplying the provider with a 2-fiber tail in association with managed network services.

Equipment Procurement and Deployment:

CNI installed nine (9) Cyan Chassis in preparation for turn-up. CNI turned-up the following city pairs during the quarter: Huntsville (Indian Lake Region-Russells Point)-to-Lima, Lima-to-Findlay, Findlay-to-Wood County (Bowling Green) and Van Wert-to-Paulding (Antwerp). Turn-up of additional city-pairs was deferred to Q1 2013 to allow for finalization of a software revision to the internal operating system of the Cyan DWDM equipment.

Network Design and Permitting:

Design with permit application was submitted on 625 route miles and 569.6 miles were completed through permitting and released for construction. This includes 12.7 miles in the Toledo Metro Area for which sub recipient, ZAYO is managing the construction. CNI constructed three new PoPs and augmented an existing PoP. The design and permitting firm continues to be engaged with field crews to address changes in permits by authorities having jurisdiction, ground conditions preventing the planned method of construction and/or to address outstanding make ready issues.

Site Preparation:

CNI brought into service three new, unmanned PoP sites and an augmented site by cutting over the associated city-pairs for which the majority of site-preparation was completed in the third quarter of 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; unfavorable weather conditions and delays with permitting authorities. By the end of the quarter, KG Myers' sub-contractors had completed the awarded work, and KG Myers was holding on further awards until permits were finalized on two other segments. In order to close the construction gaps against project timelines, additional crews will be added as receipt of approved permits and weather allows.

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	58	Negative variance of 3 percent versus prior quarter projections and a negative variance of 21 percent against baseline. The current project expenditures are expected to be 8.77 percent under budget. When compared against projected expenditures through the end of the award period, the percent of completion is 63 percent or a positive 2 percent variance versus prior quarter projections.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
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	83	Negative variance of 3 percent versus prior quarter projections and a negative variance of eight percent versus baseline. Requests by authority having jurisdiction of route design changes, outstanding route modifications with NTIA and bedrock conditions preventing underground construction are extending network design activities.
2d.	Rights of Way	69	Negative variance of 3 percent versus prior quarter projections and a negative variance of twenty-three percent versus baseline. Finalization of rights-of-way is dependent on satisfaction of route changes that are currently pending route modification review by NTIA.
2e.	Construction Permits and Other Approvals	61	Negative variance of 3 percent versus prior quarter projections and a negative variance of thirty-three percent versus baseline. Finalization of construction permits and other approvals is dependent on satisfaction of route changes that are currently pending route modification review by NTIA.
2f.	Site Preparation	71	Positive variance of 15 percent versus prior quarter projections and a negative variance versus baseline of twenty-nine percent. Significant progress was made in finalizing site preparation by completing hut facilities in Wood County (Bowling Green), Findlay and Huntsville (Indian Lake Region-Russells Point).
2g.	Equipment Procurement	68	Negative variance of 2 percent versus prior quarter projections and a negative variance of thirty-two percent versus baseline. At the end of the quarter, CNI had procured all Cyan DWDM chassis. The outstanding equipment still to be purchased includes CNI's MPLS Network Equipment, as well as, OARnet's equipment for lighting the fiber facilities for which it will be responsible for managing as part of the project and ZAYO's electronics and collocation hardware required for the fiber facilities for which it will be responsible for managing as part of the project.
2h.	Network Build (all components - owned, leased, IRU, etc)	52	Negative variance of 4 percent versus prior quarter projections and a negative variance of thirty-five percent versus baseline. This is the category with the largest dollar value. Zayo made significant progress on its Toledo route construction for the quarter completing all but a half mile that requires conduit repair. It was projected a portion of the expenses associated with this construction would have been liquidated in the 4th quarter of 2012, but they continue to be held until the ~0.5 mile of conduit can be repaired and ~1.5 mile of cable placed between access points. There were, also, several CNI managed routes that were fully constructed by year-end, however invoicing was not received for processing by year-end.
2i.	Equipment Deployment	33	Negative variance of 14 percent versus prior quarter projections and a negative sixty-seven percent variance versus baseline. Cutover of the Cyan DWDM chassis was delayed for a pending minor software release. It was put on-hold when it was determined that activation prior to the release would result in a service interruption once the release was implemented.
2j.	Network Testing	100	Zero variance versus prior quarter projections and baseline, however network testing is running over budget due to the partial acceptance and activation process being followed to satisfy project timeline requirements. Inspection activities will continue for the balance of the project; therefore, additional overruns will occur. However, in the scope of the entire project, the network testing budget category dollar amount is insignificant and, therefore, will not adversely impact the overall project budget.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2k.	Other (please specify): Application and Award Acceptance Period, Project Management and Project Administrative Reporting, Contract Sales and Operation Support Systems	100	Application and award acceptance period budget continues to be closed at one-hundred percent complete. Project Management and Administrative Reporting ran three percent under projections, which was positive as administrative reporting continues to become more efficient, allowing us to close on early overruns in reporting time and expense. Contractual sales continue to lag behind with community anchor institutions primarily in the area of higher educational institutions due to timing and lack of firm commitments. Operational support systems will continue to lag behind as CNI continues to have Sigma Technologies maintain mapping records as its Route Design and Permitting Firm with final transfer to occur during the last quarter, as well as, its decision not to utilize federal funds on the NISC plant and trouble module upgrade.

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 the outstanding route modifications CNI submitted during the quarter, along with any subsequent route modifications required due to ground conditions, change requirements by authorities having jurisdiction over locate right-of-ways and/or other unforeseen circumstances outside of our control.

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	439	A negative variance of 19 miles versus prior quarter projections and a 149.67 mile negative variance versus baseline. This gap will be closed in the upcoming quarter as the original baseline plan projected no new construction progress during the third quarter of the 3rd year of the project. At year end 2012, approximately 6.4 miles of innerduct were placed without cable placed. This, factored with unfavorable outside plant construction weather for half of December, accounted for the delta versus projections. CNI is projecting the placement of 70 miles of cable in the first quarter of 2013.
New network miles leased	1	No variance versus prior quarter projections and a negative 63.09 mile variance versus baseline. CNI is projecting the lease of 33 new miles during the 1st quarter of 2013 pending approval of the current route modification request and an additional 9.9 miles in the 2nd quarter of 2013. The balance of 20.19 new leased miles will remain as a discrepancy against the baseline until numbers are trued-up with route modification associated with the change in the planned new fiber IRU to downtown Lima, Ohio; reduction in route miles IRU'd Springfield-to-Dayton and discrepancy due to the joint build fiber miles with BIP recipient, Sycamore Telephone Company, at the time of baseline accounted for under new leased miles but moved to new construction following the 2011 project improvement plan review since they were being deployed under a joint build arrangement. The Sycamore joint build mileage totaling 16.35 miles is strictly being recorded as new network miles deployed, which was offset by the 18.7 route mile reduction leaving the total new construction miles at ~632 compared to a baseline of ~634. The balance of the delta on new leased miles is included as part of an outstanding route

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
		modification on the planned Springfield-to-Dayton and downtown Lima new network mileage lease.
Existing network miles upgraded	313	This represent no change from prior quarter and a 698.8 negative variance versus baseline. CNI suspended network miles upgraded through the cut-over of city pairs to the Cyan DWDM equipment, with the exception of those needed to serve a community anchor institution, until a software release was available to avoid a service-affecting upgrade outage. CNI plans to proceed with city pair cut-overs in the third week of January 2013. CNI is currently projecting to upgrade 200 miles in the 1st quarter of 2013.
Existing network miles leased	667	This represent no change from prior quarter and a 698.8 negative variance versus baseline. CNI suspended network miles upgraded through the cut-over of city pairs to the Cyan DWDM equipment, with the exception of those needed to serve a community anchor institution, until a software release was available to avoid a service-affecting upgrade outage. CNI plans to proceed with city pair cut-overs in the third week of January 2013. CNI is currently projecting to lease an additional 250 network miles in the 1st quarter of 2013.
Number of miles of new fiber (aerial or underground)	439	A negative variance of 19 miles versus prior quarter projections and a 149.67 mile negative variance versus baseline. This gap will be closed in the upcoming quarter as the original baseline plan projected no new construction progress during the third quarter of the 3rd year of the project. At year end 2012, approximately 6.4 miles of innerduct were placed without cable being placed. This, factored with unfavorable outside plant construction weather for half of December, accounts for the delta versus projections. CNI is currently projecting the placement of 70 miles of cable in the first quarter of 2013.
Number of new wireless links	0	NA
Number of new towers	0	NA
Number of new and/or upgraded interconnection points	34	Favorable variance to baseline of 21.

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	37
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	1
Average term of signed agreements (in quarters)	45

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers: During the quarter, CNI finalized agreements or agreed to establish new access or upgrade access agreements with the Champaign Telephone Company; Columbus Grove Telephone Company, a Fairpoint Communications Property; Buckeye Telesystem; US Signal; and Securus Technologies. For a historical listing of interconnect agreement executed with broadband wholesalers and last mile providers see separate attachment upload due to 100 word limitation.

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: CNI's offering of Ethernet Transport Services is focused on ELINE; ELAN, ETREE and dual-homed satellite to primary and disaster recovery hub site connectivity. CNI offers wholesale last mile connectivity with Internet Access Port and Bandwidth for the service providers' resale use. CNI, also, offers managed fiber-tail service, which is the management of a fiber-tail to a customer location or a

mid-span meet-point interconnect or customer provided access facility through CNI's network operation center to deliver jointly provided lit services. The availability of GigE PLUS fiber facilities managed and operated by CNI is limited on two major segments at the present time. This is on the segment from Toledo-to-Lima and Lima-to-Dayton where CNI manages 48 of the 96 fiber and ZAYO Group manages the remaining 48 fiber. In the 48 fiber CNI is managing over these major metro segments, it has committed a majority of the fiber for serving Community Anchor Institutions, establishing Ethernet Network-to-Network mid-span meet-point interconnects and reserved additional fiber for quotes to wireless carrier sites that are in various states of award. On these two major segments, the use of the remaining dark fiber is reserved for satisfying the primary purpose of the grant, which is to serve Community Anchor Institutions and to bring broadband to unserved and underserved rural areas. The monthly lease of fiber facilities has not been offered to date.

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; and therefore, no service schedule or pricing information is included related to the sub-recipients' service offerings.

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	10	Securus, Champaign Telephone Company, AVETEC, MediaCom and INDATEL Services will be receiving new access to the area covered through the GigE PLUS project coverage area.
	Providers with signed agreements receiving improved access	26	Buckeye, Columbus Grove Telephone Company, XO and US Signal will be receiving improved access over the previous connection(s) used for access to the area covered by the GigE PLUS project.
	Providers with signed agreements receiving access to dark fiber	5	No change from prior reporting period.
	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. Enhanced Ethernet Transport Service Ports are now available where an enhanced port includes Internet Access connectivity and bandwidth.
Community Anchor Institutions (including Government institutions)	Total subscribers served	61	This represents an increase of six from the prior quarter as committed activations with Community Anchor Institutions were limited for the quarter. Several Community Anchor Institutions elected to maintain service with their legacy provider based on them receiving cost reductions for upgraded service from the incumbent provider.
	Subscribers receiving new access	6	No change from prior quarter.
	Subscribers receiving improved access	55	One upgrade from wireless, one new customer provided access 1 Gbps port interface, one new subscriber for CNI provided Internet Access Service and three receiving improved connectivity through fiber-to-the-premises through a committed data rate on a 1 Gbps port connection.
	Please identify the speed tiers that are available and the number or subscribers for each	10	4 at 5 Mbps; 8 at 10 Mbps; 13 at 20 Mbps; 8 at 50 Mbps; 14 at 100 Mbps; 1 at 200 Mbps; 1 at 300 Mbps; 1 at 800 Mbps; 5 at 1000 Mbps and 4 uncommitted to a data rate on their port connectivity.
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

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 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).
 CNI, after receipt of a customer request, began offering Enhanced Ethernet Transport Service Ports. An Enhanced Ethernet Transport Service Port includes Internet Access Connectivity and Bandwidth for the customer resale use. CNI has expanded its network reach through connectivity to 350 E. Cermak Street in Chicago, Illinois through dense wave division multiplexing with lit service termination to the INDATEL Services' Ethernet Exchange. This Ethernet Exchange allows for direct peering with Content Delivery Network (CDN) providers that has resulted in a marked improvement in CNI's Dedicated Internet Access service as noted by several wholesale service provider customers.

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

8b. If so, please describe the changes (300 words or less).
 CNI'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
Correction Commission of Ohio	Hicksville, OH	Other Government Facilities	No	Service Provider customer is using the connection to deliver Dedicated Internet Access service to the Correction Commission of Ohio facility in Hicksville, Ohio.
Doctor Wesley Hedges	Tiffin, OH	Medical and Healthcare Provider	No	Fiber-to-the-Premises connectivity to a 1 Gbps office port with transport to major healthcare facilities in the Toledo metro area.
Doctor Joel D. Knerr	Ottoville, OH	Medical and Healthcare Provider	No	Fiber-to-the-Premises connectivity to a 1 Gbps office port with transport to major healthcare facilities in Van Wert, Ohio.
Antwerp Local Schools	Antwerp, OH	Schools (K-12)	No	Improved service from unlicensed wireless to Fiber-to-the-Premises with Ethernet Transport Services to the Antwerp Local Schools' Information Technology Center.
Bowling Green Middle School	Bowling Green, OH	Schools (K-12)	No	Improved service with Fiber-to-the-Premises to a dedicated 1 Gbps office port with Ethernet Transport Service to the Bowling Green Local Schools' Information Technology Center.
Bowling Green Utilities Commission	Bowling Green, OH	Other Government Facilities	No	In a public-private partnership CNI has established a mid-span meet-point between its fiber facilities and fiber facilities of the network owned and operated by the City of Bowling Green Utilities Commission. At the present time, the Bowling Green Utilities Commission has not elected to established a committed

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
				information rate on the port facilities CNI has dedicated for this

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 Incorporated (CNI) will be conducting on-going follow-up with its originally identified Community Anchor Institutions in an effort to secure firm commitments for service. CNI 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 CNI backhaul facilities. CNI currently has contractual commitments with 11 Community Anchor Institutions (CAIs) with a requested in-service date of June 30, 2013, which CNI will continue to pursue based on the customer's desired in-service date. CNI expects to complete the implementation with 3 additional CAIs during the upcoming quarter.

Broadband Service Providers and Wholesale Agreements/Connectivity:
 CNI plans to execute one (1) additional agreement with Broadband Wholesalers and/or Last Mile Providers in order to reach identified Community Anchor Institutions by the end of the project period.

Site Preparation:
 CNI plans to install equipment at two (2) leased sites in preparation for bringing them into service during the first part of the 2nd quarter of 2013. CNI plans to complete site acquisition and EA work on a planned PoP site in Greenville, Ohio during the quarter to allow for site preparation and installation work to occur in the second quarter of 2013.

Equipment Procurement and Deployment:
 CNI will progress equipment deployment and city-pair cut-over independent of the status of the outstanding software revision for the Cyan DWDM chassis in order to meet project timeline in association with existing route miles leased and upgraded.

Network Design and Permitting:
 CNI's design and permitting activities will continue in a support role throughout the length of the project with major design initiatives drawing to a close. The design and permitting firm will continue to work with authorities having jurisdiction on change orders as required.

Network Build-Out:
 CNI plans to continue 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. CNI is rojecting the placement of 70 new miles of cable, lease of 33 new miles, lease of 200 existing miles and upgrade of 250 miles in the first quarter of 2013.

Administration:
 CNI will provide follow-up information as required by NTIA on its outstanding route modification and technology changes as part of its efforts to complete the project by the end of the second quarter of 2013.

Community Outreach:
 CNI will provide a status update on the GigE PLUS project at the January Connect Ohio meeting. CNI will use this meeting to introduce its new GigE PLUS trademark and logo. CNI, also, plans to increase its general outreach initiatives by increasing press releases on the project as more sites are cut into service, participation in industry trade shows and other general advertising activities through the efforts of Katie Etgen, who joined the company in December in a marketing position.

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	72	Negative 23 percent variance versus baseline. Variance is reduced by 5 percent when evaluated against CNI's forecasted project expenditure total, which is 8.77 percent under budget.
2b.	Environmental Assessment	100	No Variance.

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2c.	Network Design	99	Positive 2 percent variance versus baseline. This indicates that network design and supporting permit application expenses may exceed budget by a marginal amount. This is based on route changes being requested by authorities having jurisdiction, as well as, having to address areas where underground construction is encountering rock, preventing cost effective underground construction.
2d.	Rights of Way	78	Negative variance of 20 percent versus baseline. This negative variance based on liquidated expenses is partially offset by the fact that the budget category from an expense perspective is projected to come in under budget.
2e.	Construction Permits and Other Approvals	70	Negative variance of 30 percent versus baseline. This negative variance based on liquidated expenses is partially offset by the fact that the budget category from an expense perspective is projected to come in under budget
2f.	Site Preparation	80	Negative variance of 20 percent versus baseline. This budget category will remain open; and therefore, behind baseline until project completion as the Greenville hut site preparation activity is not projected to conclude until the final quarter of the project.
2g.	Equipment Procurement	72	Negative variance of 28 percent versus baseline. This negative variance will persist through the final quarter of the project as CNI's purchase and deployment of MPLS Network equipment is currently pending NTIA approval of a technology change. In addition, ZAYO has indicated it will not be installing equipment until the final quarter of the project to light the facilities in the GigE PLUS project that ZAYO will be responsible for managing.
2h.	Network Build (all components - owned, leased, IRU, etc.)	68	Negative variance of 22 percent versus baseline. This variance will persist as CNI does not project completing construction activities until June 2013.
2i.	Equipment Deployment	55	Negative variance of 55 percent versus baseline. This variance is driven by CNI's decision to hold on the cut-over of city-pairs on the Cyan DWDM equipment until the next software version is released, as well as, due to the delays in equipment procurement, upon which equipment deployment is dependent.
2j.	Network Testing	100	No variance, however this is due to unfavorable performance on expenses versus budget as this category is in an overrun state.
2k.	Other (please specify): Application and Award Acceptance Period, Project Management and Project Administrative Reporting, Contract Sales and Operation Support Systems	100	Application and award acceptance period budget continues to be closed at one-hundred percent complete. Project Management and Administrative Reporting are expected to still run ahead of baseline primarily due to the rate of expenditure early in the project associated with reporting administration. Contractual sales will continue to lag behind with Community Anchor Institutions as we continue to work to secure commitments. Operational support systems will continue to lag behind as CNI continues to have Sigma Technologies maintain mapping records as its Route Design and Permitting Firm with final transfer to occur during the last quarter, as well as, CNI's decision not to utilize federal funds on the NISC plant and trouble module upgrade.

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 anticipated for the quarter is related to dealing with conditions and events that are outside of our control, which includes the winter and spring weather conditions.

At this stage of the project, due to timeline constraints, CNI continues to pursue the path of least resistance for securing additional permits. This 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, CNI continues to analyze potential route changes to make use of right-of-way along alternative roadways; however this window of opportunity will close early in the upcoming quarter. CNI 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, CNI will continue to aggressively pursue the completion of make readies in order to finalize route segments that

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have open aerial spans, as well as, route segments with aerial spans that have yet to be started. In the event CNI is successful in securing completed make readies on aerial spans, then we will be able to exceed our network build-out projections.

Connecting Community Anchor 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. The goal of directly connecting and serving Community Anchor Institutions has and continues to present challenges to CNI's management of the project as its original application was based on serving as an exclusive backhaul provider of Ethernet Transport Services with all connections to Community Anchor Institutions and non-provider facilities provided through a local broadband service partner. CNI fully expects to make modifications in the listing of Community Anchor Institutions to be served prior to the end of the project.

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	\$574,245	\$151,029	\$423,216	\$607,310	\$165,798	\$441,512
b. Land, structures, right-of-ways, appraisals, etc.	\$1,497,801	\$542,165	\$955,636	\$659,388	\$172,551	\$486,837	\$757,993	\$205,934	\$552,059
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	\$1,289,194	\$309,407	\$979,787	\$2,018,933	\$504,734	\$1,514,199
e. Other architectural and engineering fees	\$282,530	\$84,759	\$197,771	\$242,814	\$65,038	\$177,776	\$242,814	\$65,038	\$177,776
f. Project inspection fees	\$130,000	\$31,200	\$98,800	\$253,027	\$60,726	\$192,301	\$259,921	\$64,980	\$194,941
g. Site work	\$205,600	\$61,680	\$143,920	\$74,709	\$22,329	\$52,380	\$91,871	\$28,377	\$63,494
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$30,306,281	\$7,831,123	\$22,475,158	\$15,367,047	\$3,962,741	\$11,404,306	\$20,205,928	\$5,412,615	\$14,793,313
j. Equipment	\$8,758,868	\$3,877,761	\$4,881,107	\$6,239,273	\$3,211,420	\$3,027,853	\$6,658,258	\$3,337,116	\$3,321,142
k. Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$42,904,268	\$12,872,419	\$30,031,849	\$24,699,697	\$7,955,241	\$16,744,456	\$30,843,028	\$9,784,592	\$21,058,436
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$42,904,268	\$12,872,419	\$30,031,849	\$24,699,697	\$7,955,241	\$16,744,456	\$30,843,028	\$9,784,592	\$21,058,436

2. Program Income: Please provide the program income you listed in your application budget and actuals to date through the end of the reporting period.

a. Application Budget Program Income: \$0	b. Program Income to Date: \$0
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