

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

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| 1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration | 2. Award Identification Number NT10BIX5570018 | 3. DUNS Number 014409657 |
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4. Recipient Organization

Critical Hub Networks, Inc 1314 Ponce De Leon Ave.
Ste. 400, San Juan, PR 00907-4047

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| 5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2013 | 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.

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| 7a. Typed or Printed Name and Title of Certifying Official Karen Elizabeth Larson Vice President | 7c. Telephone (area code, number and extension) 7877289000 |
| | 7d. Email Address kmarazzi@caribe.net |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-23-2013 |
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Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 During the previous quarter, the PRBI project activities included: (a) Terrestrial Wireless Network Testing: All links deployed. Testing and optimization of terrestrial wireless network. (b) Interconnection Agreements: Ongoing negotiations are in place with broadband providers, government agencies and other community anchor institutions on interconnection agreements. (c) Peering & Provisions: Continued negotiations of peering agreements with network & content providers in MIA-NAP. (d) Provisioning: Continuity of provisioning of interconnections with broadband providers. (e) PRBI-TU: Engineering design of interconnection points completed. Procurement of equipment as per approved design for fiber optic network activation. Installation of equipment and fiber splicing at interconnection points along TU route in progress.

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 | 99 | Extension received in Feb 2013 to permit expansion of project to include PRBI-TU segment. |
| 2b. | Environmental Assessment | 100 | No variance |
| 2c. | Network Design | 100 | Actual 102%, due to new design work on PRBI-TU segment |
| 2d. | Rights of Way | 100 | No variance |
| 2e. | Construction Permits and Other Approvals | 0 | NA |
| 2f. | Site Preparation | 100 | Actual 101%, due to project expansion to include PRBI-TU segment |
| 2g. | Equipment Procurement | 98 | Variance due to expansion of project |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 99 | Variance due to expansion of project |
| 2i. | Equipment Deployment | 87 | Variance due to expansion of project |
| 2j. | Network Testing | 84 | Variance due to expansion of project |
| 2k. | Other (please specify): | 0 | NA |

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).

In Q1-2013, Critical Hub received approval for a project modification for the PRBI-TU Segment. In order to facilitate our completion of this new segment, Critical Hub was also granted a project extension in Q1-2013 until September 31, 2013. Any delays are due to our ongoing activities related to the project modification.

NOTE: In our Q1-2013 PPR, we reported a total federal fund expenditure of \$25,444,264. The correct expenditure in Q1-2013 was \$25,439,916. This error was revised in the SF425 for Q1-2013, but we were unable to revise the Q1 2013 PPR. Rather, we were advised to note this error in our Q2-2013 PPR. For that reason, the federal funds reported to be expended in Q2-2013 appears less than was was expended in Q1-2013. The correct federal fund expenditure for equipment in Q1-2013 was 1,384,965. The correct federal fund expenditure for site work in Q1-2013 was 505,327

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 | 207 | No variance |
| New network miles leased | 3,901 | No variance |
| Existing network miles upgraded | 0 | No variance |

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|---|
| Existing network miles leased | 0 | No variance |
| Number of miles of new fiber (aerial or underground) | 0 | No variance |
| Number of new wireless links | 22 | Additional links |
| Number of new towers | 21 | Additional towers due to route change approvals |
| Number of new and/or upgraded interconnection points | 23 | Additional interconnection points due to route change approvals |

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 | 17 |
| Number of agreements currently being negotiated with broadband wholesalers or last mile providers | 8 |
| Average term of signed agreements (in quarters) | 12 |

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers: Liberty Cablevision, Worldnet, Xecure, Aeronet, AWV, Big Dog, OSNet, AT&T, Puerto Rico Webmasters (PRW), Tropical Networks, Columbus Networks, CoquiTel, Nustream and Inteco have established interconnectivity. We have signed interconnection and are pending the last mile construction for Orizon Wireless, VPNet, and Yiga Corp. All interconnection agreements are with last mile service providers which are obtaining PRBI interconnectivity for use in offering their own broadband Internet services.

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:

PRBI provides middle-mile transit and peering services to broadband service providers. In addition, PRBI also provides peering services to Critical Community Anchor Institutions and Government Agencies. See attachment for confidential wholesale pricing.

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).

N/A

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|---|-------|--|
| Broadband Wholesalers or Last Mile Providers | Providers with signed agreements receiving new access | 0 | No variance |
| | Providers with signed agreements receiving improved access | 17 | Agreements signed with 17 providers - no variance from baseline. 14 network interconnections are currently active. Pending last mile and port activation by three remaining broadband providers which have signed interconnection agreements |
| | Providers with signed agreements receiving access to dark fiber | 0 | No variance |
| | Please identify the speed tiers that are available and the number of subscribers for each | 3 | Three (3) port sizes are offered for wholesale interconnections - 100M, 1G and 10G. PRBI has agreements for three 10G interconnections, four 1G interconnections, and ten 100M interconnections. |

| Subscriber Type | Access Type | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|--|-------|---|
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 1 | Baseline calculations for CAI served included connectivity via interconnected last mile providers. Currently, there is one direct CAI connection to the Puerto Rico Department of Health - PRHIN. |
| | Subscribers receiving new access | 0 | No variance |
| | Subscribers receiving improved access | 1 | Baseline calculations for CAI served included CAIs served by interconnected last mile providers. Due to NTIA revised guidance, only direct-connect CAIs are now being reported. We request to revise the baseline to reflect this guidance. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 1 | Services are available from 10Mbps to 1Gbps |
| Residential / Households | Entities passed | 0 | N/A |
| | Total subscribers served | 0 | N/A |
| | Subscribers receiving new access | 0 | N/A |
| | Subscribers receiving improved access | 0 | N/A |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A |
| Businesses | Entities passed | 0 | N/A |
| | Total subscribers served | 0 | N/A |
| | Subscribers receiving new access | 0 | N/A |
| | Subscribers receiving improved access | 0 | N/A |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | N/A |

7. Please describe any special offerings you may provide (600 words or less).
 PRBI offers peering services in Puerto Rico and Florida. These services allow for the local exchange of traffic between networks. Peering is available for community anchor institutions such as schools, libraries, health care providers and non-profit organizations, government organizations and broadband providers.

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

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

9. Community Anchor Institutions:
 Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions) connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure (300 words or less).

| Institution Name | Service Area (town or county) | Type of Anchor Institution (as defined in your baseline) | Are you also the broadband service provider for this institution? (Yes / No) | Narrative description of how anchor institutions are using BTOP-funded infrastructure |
|------------------|-------------------------------|--|--|---|
| None | NA | NA | NA | NA |

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
 During the next and final quarter, Critical Hub will successfully complete the PRBI project. In particular, we anticipate the following accomplishments: (a) Terrestrial Wireless Network Deployment: Completion of fixed wireless terrestrial network. (b) PRBI-TU Network Expansion: Activation of the PRBI-TU fiber optic network span extending through the Tren Urbano railway system. (c) Interconnection Agreements: Continuity of execution of interconnection agreements with broadband providers. (d) Network Interconnectivity: Continued negotiations of peering agreements with network & content providers in MIA-NAP. (e) Provisioning: Continuity of provisioning of interconnections with broadband providers, and with peered network & content providers at MIA-NAP. (f) Community Outreach: Continued work with other ARRA recipients, government agencies, broadband providers and other community leaders to promote the expansion & adoption of broadband in the island, and to promote local peering. (g) Closeout: Completion of necessary documentation prior to end of award period. Preparations for final audit.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Planned Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the next reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

| | Milestone | Planned Percent Complete | Narrative (describe reasons for any variance from baseline plan or any other relevant information) |
|-----|---|--------------------------|--|
| 2a. | Overall Project | 100 | Extension approved through September 30, 2013. |
| 2b. | Environmental Assessment | 100 | No variance |
| 2c. | Network Design | 100 | Project completion date: September 30, 2013 |
| 2d. | Rights of Way | 100 | No variance |
| 2e. | Construction Permits and Other Approvals | 0 | NA |
| 2f. | Site Preparation | 100 | Project completion date: September 30, 2013 |
| 2g. | Equipment Procurement | 100 | Project completion date: September 30, 2013 |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 100 | Project completion date: September 30, 2013 |
| 2i. | Equipment Deployment | 100 | Project completion date: September 30, 2013 |
| 2j. | Network Testing | 100 | Project completion date: September 30, 2013 |
| 2k. | Other (please specify): | 0 | NA |

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).
 (a) Weather. In the event that any adverse weather conditions impact Puerto Rico, the project's progress may be affected. (b) External Deliverables. If any external contractor/supplier incurs delays, impedes access, or does not fulfill their duties, it will impact our ability to complete the project on time. The new PRBI-TU segment depends on the operator of the Tren Urbano system providing us with access to TU's ROW. (c) Procurement Delays. Weather may impact the shipment of equipment to Puerto Rico. In the event that a vendor experiences delays or backorders on materials or equipment necessary for activation of the PRBI-TU segment, it will impact our ability to complete the project on time.

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 | \$462,500 | \$0 | \$462,500 | \$416,157 | \$0 | \$416,157 | \$449,313 | \$0 | \$449,313 |
| b. Land, structures, right-of-ways, appraisals, etc. | \$27,151,000 | \$5,840,000 | \$21,311,000 | \$27,246,000 | \$5,840,000 | \$21,406,000 | \$27,246,000 | \$5,840,000 | \$21,406,000 |
| c. Relocation expenses and payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| d. Architectural and engineering fees | \$1,331,091 | \$0 | \$1,331,091 | \$899,369 | \$0 | \$899,369 | \$931,434 | \$0 | \$931,434 |
| e. Other architectural and engineering fees | \$4,500 | \$0 | \$4,500 | \$4,500 | \$0 | \$4,500 | \$4,500 | \$0 | \$4,500 |
| f. Project inspection fees | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| g. Site work | \$538,370 | \$0 | \$538,370 | \$511,340 | \$0 | \$511,340 | \$511,340 | \$0 | \$511,340 |
| h. Demolition and removal | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| i. Construction | \$622,031 | \$0 | \$622,031 | \$884,108 | \$0 | \$884,108 | \$912,112 | \$0 | \$912,112 |
| j. Equipment | \$2,149,732 | \$760,950 | \$1,388,782 | \$2,151,559 | \$766,425 | \$1,385,134 | \$2,151,559 | \$766,425 | \$1,385,134 |
| k. Miscellaneous | \$29,571 | \$5,475 | \$24,096 | \$57,058 | \$0 | \$57,058 | \$57,058 | \$0 | \$57,058 |
| l. SUBTOTAL (add a through k) | \$32,288,795 | \$6,606,425 | \$25,682,370 | \$32,170,091 | \$6,606,425 | \$25,563,666 | \$32,263,316 | \$6,606,425 | \$25,656,891 |
| m. Contingencies | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| n. TOTALS (sum of l and m) | \$32,288,795 | \$6,606,425 | \$25,682,370 | \$32,170,091 | \$6,606,425 | \$25,563,666 | \$32,263,316 | \$6,606,425 | \$25,656,891 |

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: \$707,551 |
|---|--------------------------------------|