

**QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS**

**General Information**

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| <b>1. Federal Agency and Organizational Element to Which Report is Submitted</b><br><br>Department of Commerce, National Telecommunications and Information Administration | <b>2. Award Identification Number</b><br><br>NT10BIX5570018 | <b>3. DUNS Number</b><br><br>014409657 |
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| <b>4. Recipient Organization</b><br><br>Critical Hub Networks, Inc 1314 Ponce De Leon Ave.<br>Ste. 400, San Juan, PR 00907-4047 |
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|--|---|
| <b>5. Current Reporting Period End Date (MM/DD/YYYY)</b><br><br>12-31-2011 | <b>6. Is this the last Report of the Award Period?</b><br><br><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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| <b>7a. Typed or Printed Name and Title of Certifying Official</b><br><br>Karen Elizabeth Larson<br><br>Vice President | <b>7c. Telephone (area code, number and extension)</b><br><br>7877289000 |
|   | <b>7d. Email Address</b><br><br>kmarazzi@caribe.net                      |

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|---|--|
| <b>7b. Signature of Certifying Official</b><br><br>Submitted Electronically | <b>7e. Date Report Submitted (MM/DD/YYYY):</b><br><br>02-13-2012 |
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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 Network Deployment: A route change was submitted to the NTIA Grants Office in October, and was approved in November. Negotiations for tower sites ongoing. Two additional tower agreements were executed. Completion of procurement process for licensed wireless network equipment. Purchase Order was issued in December following route change approval. (b) Interconnection Agreements: Execution of one new interconnection agreement with a Broadband Provider. Execution of interconnection agreement with the Puerto Rico Department of Education for peering for approximately 1475 schools. Ongoing negotiations with broadband providers, government agencies and other community anchor institutions. (c) Peering & Provisions: Continued negotiations of peering agreements with network & content providers in MIA-NAP. 49 organizations peered in total. (d) Employee recruiting: 1 new recruitment took place - Jr. Network Engineer. Employee recruiting is ongoing. (e) Provisioning: Continuity of provisioning of interconnections with broadband provider networks and change orders. 2 new providers were activated (f) Community Outreach: Implementation of Community Outreach plan. Meetings held with other ARRA and BTOP recipients, educational institutions, government representatives and agencies seeking collaboration to support the expansion of broadband usage.

**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  | 93               | 2% variance from baseline  |
| 2b. | Environmental Assessment                                 | 100              | No variance from baseline  |
| 2c. | Network Design   | 83               | 1.8% variance from baseline due to redesign and engineering of network and preparation of route change.  |
| 2d. | Rights of Way  | 100              | Actual Milestone Value: 101.78%. Exceeded 100% due to expansion of network route in approved route change and acquisition of additional tower sites. |
| 2e. | Construction Permits and Other Approvals                 | 0                | NA   |
| 2f. | Site Preparation   | 92               | 4% variance from baseline due to pending route change approval.  |
| 2g. | Equipment Procurement                                    | 55               | 33% variance due to hold on equipment procurement pending route change approval.   |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 99               | No variance from baseline  |
| 2i. | Equipment Deployment                                     | 38               | 15% variance due to pending route change approval.   |
| 2j. | Network Testing  | 22               | 13% variance due to pending route change approval.   |
| 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).**

All Equipment Procurement related to the RF Network was put on hold pending the route change approval. In December, a purchase order was issued and we anticipate delivery in Q1 2012. If payment for the equipment is issued in Q1 2012, we will catch up to our original projected Equipment Procurement milestone in the next quarterly PPR.

**4. Please report the following information regarding network build progress. Write "0" in the Total column and "N/A" in the Narrative column if your project does not include this activity. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (600 words or less).**

| Indicator | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|-----------|-------|---|
|           |       |   |

| Indicator  | Total | Narrative (describe your reasons for any variance from the baseline plan or any other relevant information) |
|--|-------|---|
| New network miles deployed                           | 0     | Variance due to pending route change request.   |
| New network miles leased                             | 3,901 | No variance   |
| Existing network miles upgraded                      | 0     | No variance   |
| Existing network miles leased                        | 0     | No variance   |
| Number of miles of new fiber (aerial or underground) | 0     | No variance   |
| Number of new wireless links                         | 0     | Variance due to pending route change request.   |
| Number of new towers                                 | 0     | Variance due to pending route change request.   |
| Number of new and/or upgraded interconnection points | 2     | Variance due to pending route change request.   |

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                     | 12 |
| 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: OSNet, Worldnet, Liberty Cablevision, AWW, Xecure, Aeronet, Big Dog and Columbus Networks have already established interconnectivity. The other four (4) pending networks are in the process of constructing/preparing their last mile to the PRBI interconnection site or are pending the completion of the terrestrial middle-mile network spans to their desired interconnection point. Due to competitive purposes, the names of the providers who have signed agreements will be released upon successful activation of interconnection.

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 will provide middle-mile transit and peering services to broadband service providers. In addition, PRBI will also provide peering services to Critical Community Anchor Institutions and Government Agencies.

5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).

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      | 8     | Variance due to on-going last mile construction and preparations by broadband providers with signed interconnection agreements. |
|  | Providers with signed agreements receiving access to dark fiber | 0     | No variance   |

| 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 | 8     | Services are available from 100Mbps to 1Gbps+   |
| Community Anchor Institutions (including Government institutions) | Total subscribers served  | 0     | Calculations for Community Anchor Institutions served included connectivity to be provided via interconnected last mile providers. Providers will report their interconnected CAI's in Q1 2012. |
|   | Subscribers receiving new access  | 0     | No variance   |
|   | Subscribers receiving improved access   | 0     | Calculations for Community Anchor Institutions served included connectivity to be provided via interconnected last mile providers. Providers will report their interconnected CAI's in Q1 2012. |
|   | Please identify the speed tiers that are available and the number of subscribers for each | 0     | No variance   |
| 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 will be offering peering services, both in Puerto Rico and in Florida. These services will allow for the local exchange of traffic between networks. Peering will be 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 |
|------------------|-------------------------------|--|--|---|
|                  |                               |  |  |   |

| 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  |
|------------------|-------------------------------|--|--|--|
| N/A              | N/A                           | N/A  | N/A  | Calculations for Community Anchor Institutions served included connectivity to be provided via interconnected last mile providers. |

**Project Indicators (Next Quarter)**

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

During the next quarter, we anticipate the following accomplishments: (a) Terrestrial Network Deployment: Receipt & acceptance of RF Network Equipment. Initiation of deployment of terrestrial wireless network infrastructure. Assuming the approval of licensed frequencies early in quarter and receipt of equipment, we will complete 3 links, equal to 24 miles. (b) Interconnection Agreements: Execution of one (1) new interconnection agreement with a Broadband Provider. Execution of interconnection agreement with the Puerto Rico Department of Health for peering with the Puerto Rico Health Information Network (PRHIN). Continued negotiations with broadband providers, government agencies and other community anchor institutions. (c) Employee recruiting: recruitment of 2-3 new positions related to the deployment of the terrestrial network. (d) Provisioning: Continuity of provisioning of interconnections with broadband providers. Planning & coordination for the activation of PRHIN and Department of Education's network interconnectivity. We plan to activate interconnection with one (1) CAI (PRHIN). In addition, we anticipate receiving the reports from interconnected broadband providers on the number of CAIs which their last-mile broadband network serves. The PRBI project is not directly interconnecting most CAIs, rather we are working with broadband providers who will deploy the last mile network services to CAIs.

**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   | 97                       | No variance from baseline  |
| 2b. | Environmental Assessment                                  | 100                      | No variance from baseline  |
| 2c. | Network Design  | 93                       | 6% variance from baseline due to redesign and engineering of network and preparation of route change.  |
| 2d. | Rights of Way   | 100                      | Actual Milestone Value: 101.78%. Exceeded original budget due to expansion of network route in approved route change and acquisition of additional tower sites. Program Income will be used to fund additional costs.  |
| 2e. | Construction Permits and Other Approvals                  | 0                        | NA   |
| 2f. | Site Preparation  | 95                       | 2% variance from baseline.   |
| 2g. | Equipment Procurement                                     | 100                      | Actual Milestone Value 104%. This milestone has exceeded the original budget because of (a) additional equipment costs due to approved route change and (b) increase in valuation of an in-kind contribution as approved by the grants office and will be booked this quarter. Program Income will be used to fund the necessary equipment for the route change. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 99                       | No variance from baseline  |
| 2i. | Equipment Deployment                                      | 45                       | Variance of 17% due to route change approval process. Equipment has been procured, and we anticipate the receipt in middle of quarter, and initiation of deployment at end of quarter.   |
| 2j. | Network Testing   | 38                       | 8% variance due to route change and delays in equipment deployment.  |
| 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: Due to the nature of many facility accommodations activities, such as construction, in the case that any adverse weather conditions impact the Island, the project progress might be affected. (b) External Contractors Deliverable: If any external contractor/supplier/vendor incur in delays or does not fulfill the established plan - deliverable - it also affects the project outcome. In order to reduce risk of contractor/supplier in compliance, we are limiting what we contract our and supervising work on a regular basis. (c)

RECIPIENT NAME:Critical Hub Networks, Inc

AWARD NUMBER: NT10BIX5570018

DATE: 02/13/2012

OMB CONTROL NUMBER: 0660-0037

EXPIRATION DATE: 12/31/2013

Approval of Licensed Frequencies - in the event that any of our licensed frequencies are not approved this quarter, it will affect the anticipated deployment of the network.

**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            | \$257,731  | \$0            | \$257,731     | \$285,793   | \$0            | \$285,793     |
| 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          | \$383,009  | \$0            | \$383,009     | \$505,971   | \$0            | \$505,971     |
| 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            | \$483,496  | \$0            | \$483,496     | \$538,370   | \$0            | \$538,370     |
| h. Demolition and removal                            | \$0               | \$0                   | \$0                  | \$0  | \$0            | \$0           | \$0   | \$0            | \$0           |
| i. Construction                                      | \$622,031         | \$0                   | \$622,031            | \$479,948  | \$0            | \$479,948     | \$622,031   | \$0            | \$622,031     |
| j. Equipment   | \$2,149,732       | \$760,950             | \$1,388,782          | \$1,165,387  | \$578,380      | \$587,007     | \$2,291,410   | \$978,380      | \$1,313,030   |
| k. Miscellaneous                                     | \$29,571          | \$5,475               | \$24,096             | \$37,959   | \$0            | \$37,959      | \$41,825  | \$0            | \$41,825      |
| <b>l. SUBTOTAL (add a through k)</b>                 | \$32,288,795      | \$6,606,425           | \$25,682,370         | \$30,058,030   | \$6,418,380    | \$23,639,650  | \$31,535,900  | \$6,818,380    | \$24,717,520  |
| m. Contingencies                                     | \$0               | \$0                   | \$0                  | \$0  | \$0            | \$0           | \$0   | \$0            | \$0           |
| <b>n. TOTALS (sum of l and m)</b>                    | \$32,288,795      | \$6,606,425           | \$25,682,370         | \$30,058,030   | \$6,418,380    | \$23,639,650  | \$31,535,900  | \$6,818,380    | \$24,717,520  |

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: \$65,685 |
|---|-------------------------------------|