

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 NT10BIX5570033	3. DUNS Number 141249024
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4. Recipient Organization

Iniciativa Tecnologica Centro Oriental (INTECO) Turabo University St.189 KM3.3, Gurabo, PR 00778-3030

5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2010	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No
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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 Oscar Jimenez-Martir	7c. Telephone (area code, number and extension) 7879612001
	7d. Email Address ojimenez@intecopr.com

7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-22-2011
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Project Indicators (This Quarter)

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

Special Award Conditions (SAC) accomplishments.
 Issuance and on time submission of ARRA Report for 3rd Quarter 2010. Report was approved.
 Issuance and on time submission of BTOP Progress Quarterly Report for 3rd Quarter 2010. Report was approved.
 Issuance and on time submission of Federal Transaction Report (SF-425) for 3rd Quarter 2010.
 Environmental Assessment (EA) Special Award Condition (SAC) accomplishments.
 Final revision of Environmental Assessment (EA) was submitted.
 A Finding of No Significant Impact (FONSI) was obtained from BTOP-NTIA.
 FONSI was approved and signed on 11/23/2010 by the Director of Compliance and Audit, BTOP.
 Overall Project accomplishments.
 Network design and spectrum site locations reviewed, commercial tower availability reviewed and design documents were updated.
 Commenced development of RFQ / RFP technical documents for the design, permitting and construction of new site builds.
 Initiated timetable and milestone developments of project planning for procurement requests for next three months.
 Attended all conference calls, e-mails and/or webinars scheduled by NTIA as well as providing all answers to the Action Requests received from Grants on Line (GOL) and/or Federal Reporting.gov.

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	4	Variance of 7% process for completion of EA "Environmental Assessment" held up. During the quarter received Environmental Assessment, FONSI approval (Finding of No Significant Impact)
2b.	Environmental Assessment	100	No variance from baseline.
2c.	Network Design	100	No variance from baseline.
2d.	Rights of Way	25	Variance of 25% Due to network redesign
2e.	Construction Permits and Other Approvals	5	Variance of 45% due to delay in completing EA "Environmental Assessment".
2f.	Site Preparation	0	Variance of 20% due to delay in completing EA "Environmental Assessment".
2g.	Equipment Procurement	0	Variance of 5% due to delay in completing EA "Environmental Assessment".
2h.	Network Build (all components - owned, leased, IRU, etc)	0	Variance of 5% due to delay in completing EA "Environmental Assessment".
2i.	Equipment Deployment	0	Variance of 5% due to delay in completing EA "Environmental Assessment".
2j.	Network Testing	0	No variance from baseline.
2k.	Administration and Project Management (17%) Other (please specify): Federal Grant Expenditures (4.1%)	0	Variance of 10% due to delays in EA-FONSI completion Variance of 22.9% due to delay in completing EA "Environmental Assessment".

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).

- (1) Delay in completing EA (Environmental Assessment) process. We received the different inputs required during this quarter and obtained the EA-(Environmental Assessment) FONSI (Finding of No Significant Impact) approval.
- (2) Some of the original sites locations of the fifteen existing towers to be leased, as well as some of the eight towers to be built, had

to be changed. The change of placement of some towers in the network didn't change the scope of the project, but the EA "Environmental Assessment" submission with updated site locations was needed. We wanted to have the final design verified and completed and the EA process completed with updated locations which we were able to achieve.

(3) The original baseline was prepared based on the planning and execution of activities, not based upon measurement of cash disbursement, which uses cash spent versus project total cash as the project progress measurement method. A number of planning elements such as permits, design, contacting, proposal evaluation, negotiation, lead times for equipment, lead times for construction and installation take a lot preliminary work /time and do not require a large amounts of cash disbursement. Therefore the progress made in the project, measured with the cash disbursement method is not recognized. We are taking steps to meet both planning activities and cash disbursement requirements in order to comply with the SAC goal of more than 70% completion of the project, as measured in money drawdown's , within the initial two year time span of the project and 100% completion in the three years of the project.

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	0	No variance from baseline.
New network miles leased	0	No variance from baseline.
Existing network miles upgraded	0	No variance from baseline.
Existing network miles leased	0	No variance from baseline.
Number of miles of new fiber (aerial or underground)	0	No variance from baseline.
Number of new wireless links	0	No variance from baseline.
Number of new towers	0	No variance from baseline.
Number of new and/or upgraded interconnection points	0	No variance from baseline.

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	0
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	0
Average term of signed agreements (in quarters)	0

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:

Not Applicable. Pre Construction Stage.

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:

No wholesale services are currently being offered at this stage.

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).

No designated third party.

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 from baseline.
	Providers with signed agreements receiving improved access	0	No variance from baseline.
	Providers with signed agreements receiving access to dark fiber	0	No variance from baseline.
Community Anchor Institutions (including Government institutions)	Please identify the speed tiers that are available and the number of subscribers for each	0	No variance from baseline. For all providers dedicated internet access at 2/1 mbps symmetrical, 6/2 mbps and 9/3 mbps.
	Total subscribers served	0	No variance from baseline.
	Subscribers receiving new access	0	No variance from baseline.
	Subscribers receiving improved access	0	No variance from baseline.
Residential / Households	Please identify the speed tiers that are available and the number of subscribers for each	0	No variance from baseline.
	Entities passed	0	N/A. No variance from baseline.
	Total subscribers served	0	N/A. No variance from baseline.
	Subscribers receiving new access	0	N/A. No variance from baseline.
	Subscribers receiving improved access	0	N/A. No variance from baseline.
Businesses	Please identify the speed tiers that are available and the number of subscribers for each	0	No variance from baseline. For all subscribers, 2/1 mbps, 6/2 mbps and 9/3 mbps dedicated internet access and Metro E.
	Entities passed	0	No variance from baseline.
	Total subscribers served	0	No variance from baseline.
	Subscribers receiving new access	0	No variance from baseline.
	Subscribers receiving improved access	0	No variance from baseline.

7. Please describe any special offerings you may provide (600 words or less).
 Not applicable at this stage; Pre construction.

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

8b. If so, please describe the changes (300 words or less).
 Not applicable at this stage; Pre construction.

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	Cental East Region of PR	NONE	N/A	Any anchor institution is connected to network. Pre-construction stage.

Project Indicators (Next Quarter)

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

Milestone #1 Overall Project

Activities Q1-2011

1. Deployment and service delivery of INTECO's Middle Mile Network as approved by NTIA-BTOP (5% completion)

Milestone #4 Rights of Ways

Activities Q1-2011

1. Identification, research of right of way requirements and acquisition agreements. Identification of space allocation, Negotiation and contract signing (65% completion).

Milestone #5 Construction Permits and Other Approvals

Activities Q1-2011

1. Issue Request for proposal for competitive process, Evaluation and selection of entity to complete Puerto Rico permits required. Applications completion, packaging and submittals and/or data gathering; produce and file additional information requested and/or conduct meetings, coordination and clarifications and obtain permits and/or endorsement approvals PR Permits Administration, PR Planning Board, Electric Energy Authority and PR Telecommunications Regulation Board among others (20% completion).

Milestone #11 Other

Activities Q1-2011

1. Administration and Management works (5% completion).
2. Total Federal Expenditures = \$659,285.

Will receive funds from Key Stakeholder, the Puerto Rico Government for matching funds for the project, meeting the committed funds needed for this year. Total funds received are \$1.2 Million (35%) of matching funds required. the Puerto Rican Government has reiterated their commitment to complete all the matching funds in the next two years.

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	5	Variance of 23%. Completion of EA "Environmental Assessment" held up
2b.	Environmental Assessment	100	No variance from baseline. Done; already completed.
2c.	Network Design	100	No variance from baseline. Done; already completed.
2d.	Rights of Way	65	Variance of 15% Due to network redesign
2e.	Construction Permits and Other Approvals	20	Variance of 60% due to delay in completing EA "Environmental Assessment".
2f.	Site Preparation	0	Variance of 50% due to delay in completing EA "Environmental Assessment".
2g.	Equipment Procurement	0	Variance of 10% due to delay in completing EA "Environmental Assessment".
2h.	Network Build (all components - owned, leased, IRU, etc.)	0	Variance of 10%, due to delay in completing EA "Environmental Assessment".
2i.	Equipment Deployment	0	Variance of 10%, due to delay in completing EA "Environmental Assessment".

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2j.	Network Testing	0	No variance from baseline.
2k.	Other (please specify): Administration and Project Management (20%) Federal Grant Expenditures (5%)	0	Variance of 16%. Variance of 23% due to delay in completing EA "Environmental Assessment".

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).

1. In the process of obtaining rights of way we have found three sites of towers to be built that had issues that impeded their use. Three alternate sites have been identified. Contact with Federal agencies on new sites has been initiated, once feedback is received, the Environmental Assessment will be updated. The new sites are in the same municipalities and neighborhoods as the original sites. The environmental site conditions are the same including flora and fauna, soils, hydrology, ect.. The change in coordinates does not impact the planning stage. The permitting process will integrate these changes for evaluation and permit requirements for the site.

2. Strategy to catch up and meet substantial completion on project.

a. We have developed a quadrant strategy, dividing out network of 23 towers into four quadrants. We are assigning priorities to two quadrants where we will initialize the installation of equipment and eventually initiate operations in these areas first. The initial two quadrants have 14 existing towers, 3 new towers and the command center. The site preparation for these 17 sites and all the equipment for all sites will be purchased in 2011 which will assure substantial completion of expenditures for the project within the initial two year requirement.

b. We have updated our project management tasks and the activities with latest information and experiences. Activities are being reviewed to integrate steps and assure the completion of the acquisition and installation of the equipment and the network.

3. The original baseline was prepared based on the planning and execution of activities, not based upon measurement of cash disbursement, which uses cash spent versus project total cash as the project progress measurement method. A number of planning elements such as permits, design, contacting, proposal evaluation, negotiation, lead times for equipment, lead times for construction and installation take a lot preliminary work /time and do not require a large amounts of cash disbursement. Therefore the progress made in the project, measured with the cash disbursement method is not recognized. Also initiation of procurement activities were not started until EA was approved in compliance with special award requirement. We are taking steps to meet both planning activities and cash disbursement requirements in order to comply with the SAC goal of more than 70% completion of the project, as measured in money drawdown's, within the initial two year time span of the project and 100% completion in the three years 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	\$1,202,000	\$0	\$1,202,000	\$490,455	\$0	\$490,455	\$560,285	\$0	\$560,285
b. Land, structures, right-of-ways, appraisals, etc.	\$4,805,650	\$3,412,500	\$1,393,150	\$4,000	\$4,000	\$0	\$30,000	\$30,000	\$0
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$178,000	\$0	\$178,000	\$0	\$0	\$0	\$35,000	\$0	\$35,000
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
g. Site work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$2,038,396	\$0	\$2,038,396	\$0	\$0	\$0	\$0	\$0	\$0
j. Equipment	\$7,489,453	\$0	\$7,489,453	\$44,000	\$0	\$44,000	\$64,000	\$0	\$64,000
k. Miscellaneous	\$630,175	\$0	\$630,175	\$0	\$0	\$0	\$0	\$0	\$0
l. SUBTOTAL (add a through k)	\$16,343,674	\$3,412,500	\$12,931,174	\$538,455	\$4,000	\$534,455	\$689,285	\$30,000	\$659,285
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$16,343,674	\$3,412,500	\$12,931,174	\$538,455	\$4,000	\$534,455	\$689,285	\$30,000	\$659,285

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