

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 NT10BIX5570096 | 3. DUNS Number 789438293 |
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| 4. Recipient Organization Virgin Islands Public Finance Authority 32-33 Kongens Gade, St. Thomas, VI 00802-0430 |
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| 5. Current Reporting Period End Date (MM/DD/YYYY) 06-30-2011 | 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.

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| 7a. Typed or Printed Name and Title of Certifying Official Julito Francis | 7c. Telephone (area code, number and extension) (340) 714-1635 |
| | 7d. Email Address jafrancis@usvipfa.com |

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| 7b. Signature of Certifying Official Submitted Electronically | 7e. Date Report Submitted (MM/DD/YYYY): 08-30-2011 |
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Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 Significant accomplishments for this period include finalizing vendor selection for major portions of the network construction and project implementation. These include the Carrier Ethernet Equipment vendor, UDT; the Operations System Support/Business Support System vendor, ETI; the underground materials (conduits, flowable fill, fiber, fiber splice enclosures) suppliers, WESCO and WallComm. Also, we concluded our negotiations with the Indefeasible Right of Use vendor Global Crossing and undersea cable supplier, Alcatel-Lucent. Also note that the routes associated with these negotiations are under review by the NTIA. Finally, over 90% of the of the permits have been received that will allow us to start major construction in the upcoming quarter.

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 | The major reasons for the variance from the base plan include the process time required for documentation justifying the route change modifications we submitted. Also, we have not yet concluded our negotiation with VIWAPA for the use of their in-Kind assets. |
| 2b. | Environmental Assessment | 100 | No Variance from the base line plan. |
| 2c. | Network Design | 22 | Billings from our Engineering Firm, AEG are lagging. With the constriction of cash flow, we have been slow to fund some tasks. |
| 2d. | Rights of Way | 0 | We have a reduction in expenditures in this category since a decision has been made to locate over 80% of FAP sites on Government property. this will reduce the need to expend major funds in this category. From a project perspective this indicator is not behind but the project is behind financially for this category. |
| 2e. | Construction Permits and Other Approvals | 95 | Our ability to submit many of the permits requests together has put us ahead of schedule on this milestone. |
| 2f. | Site Preparation | 0 | Although we are behind in this category (0% versus the 35% planned completion), we intend to be on pace over the next quarter, since these site preparations were submitted and in batches. |
| 2g. | Equipment Procurement | 2 | Contract negotiations with the major equipment vendor were delayed due to several factors including scope of work finalization, delivery milestones, and carrier ethernet equipment orders. |
| 2h. | Network Build (all components - owned, leased, IRU, etc) | 0 | Although there is a variance here (0% versus the planned 15%), we will catch up once construction starts due to the many existing facilities that will come on board once the WAPA MOU is executed. |
| 2i. | Equipment Deployment | 0 | This variance of 10% is directly attributable to the delays in equipment negotiations and ordering. We expect to erase the variance in the upcoming quarter. |
| 2j. | Network Testing | 0 | Our baseline plan of 10% has been impacted by the equipment and network build delays. Achievement of this milestone will ameliorate as milestones 2h and 2i progress. |
| 2k. | Other (please specify): | 0 | The baseline plan states 15%. Achievement against this milestone is directly related to supporting activities for the direct build out, equipment deployment, and IRU purchase completion. Once these related items are back on track, then activities under this category will be once again on schedule. |

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).
 The major challenge we faced during this quarter was not being able to obtain the approval from the NTIA on the IRU route change modifications. After the initial discussions of the route change in March of this year, formal definition and submission of a comprehensive Supplemental Information Request (SIR) was presented to NTIA in May and detailed discussions continue. The process requires extensive discussions and exchanges between the NTIA and the project team. These discussions and clarifications

directly impact the achievement of significant milestones around the route and network build. Also, the grant award is a reimbursement grant for allowable costs. This also impacts our cash flow and ability to prepay or be proactive for critical acquisitions related to this project. These factors will continue to be challenging as we manage the project and seek to strike a balance between milestone achievement and payment for services. We are resolute in the success of this project, nonetheless, and believe that as we gain credible achievement on the project many of these restrictions placed on a new grantee will be removed. We are resolute in the success of this project, nonetheless, and believe that as we gain credible achievement on the project many of these restrictions placed on a new grantee will be removed.

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

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 | 2 |
| Average term of signed agreements (in quarters) | 40 |

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
None Yet.

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:
None Yet.

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 from baseline plan. |
| | Providers with signed agreements receiving improved access | 0 | No variance from baseline plan. |
| | Providers with signed agreements receiving access to dark fiber | 0 | No variance from baseline plan. |
| | Please identify the speed tiers that are available and the number of subscribers for each | 0 | No variance from baseline plan. |
| Community Anchor Institutions (including Government institutions) | Total subscribers served | 0 | No variance from baseline plan. |
| | Subscribers receiving new access | 0 | No variance from baseline plan. |
| | Subscribers receiving improved access | 0 | No variance from baseline plan. |
| | Please identify the speed tiers that are available and the number or subscribers for each | 0 | No variance from baseline plan. |
| 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).

N/A

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 THIS QTR. | NONE | NONE | NONE | NONE THIS QTR. |

Project Indicators (Next Quarter)

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

We anticipate completing the alpha testing our our major Carrier Ethernet Equipment and initial installation of this equipment at the aggregation points in Miami and New York. We also, anticipate completion of two super Fiber Access Points (FAPs) and the completion of the initial duct bank system from the Global Crossing cable landing station on St. Croix to the Super FAP on St. Croix. We also anticipate receiving final approval from the NTIA on the IRU route modification changes which will enable us to execute the 15-year IRU contract with Global Crossing.

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 | 43 | No variance from the baseline plan. Despite where we are in the current quarter, we believe we can make up the stagger very quickly with the execution of the IRU contracts and MOA with VIWAPA. Other material purchases for the underground network system and the beginning of major construction for the FAPs and the underground duct bank system will pick up pace over the next three months. |
| 2b. | Environmental Assessment | 100 | No variance from the baseline plan. |
| 2c. | Network Design | 100 | No variance from the baseline plan. |
| 2d. | Rights of Way | 50 | We expect to have have a significant reduction in expenditures in this category since a decision has been made to locate over 80% of FAP sites on Government property. this will reduce the need to expend major funds in this category. |
| 2e. | Construction Permits and Other Approvals | 100 | We anticipate being ahead of the baseline plan on this milestone. |
| 2f. | Site Preparation | 50 | No variance from the baseline plan. |
| 2g. | Equipment Procurement | 35 | No variance from the baseline plan. |
| 2h. | Network Build (all components - owned, leased, IRU, etc.) | 25 | No variance from the baseline plan. Execution of the Global Crossing IRU contracts and finalizing the MOA with WAPA will result in over 25% of the network being built. |
| 2i. | Equipment Deployment | 25 | No variance from the baseline plan. |
| 2j. | Network Testing | 25 | No variance from the baseline plan. |
| 2k. | Other (please specify): n/a | 25 | No variance from the baseline plan. |

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).

Being on "reimbursement only" for allowable costs in negatively impacting our cash-flow and ability to prepay or or be proactive in any of our critical acquisitions related to this project. This will continue to cripple our ability to achieve major project milestones over the remainder of this project.

