

Special Award Conditions

Award Number: NT10BIX5570130

Amendment Number: 3

1) Special Award Condition - Trillion (NT10BIX5570130)

The recipient must satisfactorily address the following special award conditions no later than March 9, 2012. Pursuant to 15 C.F.R. ? 24.43, Enforcement, failure to provide adequate documentation to NTIA and to the NOAA Grants Office to support these conditions will result in the suspension of this award on March 9, 2012.

1) Performance Progress: While your CAP response provided additional information regarding your progress to date and anticipated progress through the end of the award period, as well as the functional responsibilities of the entities involved in the project, it raised additional concern about the costs incurred to date. To date more than \$9 million of Federal funds have been expended on the project, and minimal progress has been made on permitting, equipment and materials procurement, and construction of the planned wireline and wireless network. Despite the fact that Trillion received its FONSI on June 3, 2011, the Performance Progress Report (PPR) submitted earlier this week indicates that only 10 new miles of conduit have been deployed along with the 29 miles constructed by Troy Cablevision of the total 2,200 new miles that Trillion agreed to deploy for its award. The report indicates no CAI connections or last mile service provider agreements, as well as no progress on the fiber-to-the-home (FTTH) connections or any of the wireless network components of the proposed project.

2) Budget and Match Status: The information and documentation provided in your CAP response to address NOAA?s and NTIA?s concerns regarding your organization?s ability to complete the project with the remaining budget and capacity to complete the project on schedule, given the limited time remaining on the award and complicated nature of the project. As part of its CAP response review, NTIA discovered additional concerns with the proposed loan funding that is planned for the project and the feasibility of a bond issue that would be an alternate source of match. By March 9, 2012, Trillion must provide evidence that it has secured a source of funds to meet its cost-share requirement on the award.

A. NTIA has identified several significant concerns with the planned loans from Independence Bank and Broadway Capital, including the fact that the forecasted closing date for both funding vehicles has continually been pushed back. On October 6, 2011, the Trillion team met with NTIA?s Assistant Secretary, Lawrence Strickling and indicated that the loan had closed and the match issue had been resolved. Since that time, the date for closing the loan has continually been pushed back. In the CAP response, Trillion stated that the loan would close by January 31, 2012, but that date has passed and the loan has still not closed.

In addition, the documentation provided regarding the loan terms and conditions revealed that the draft agreements do not adequately reflect the federal interest and NTIA?s first priority lien in the assets. Per the Department of Commerce Standard Terms and Conditions, Trillion would need Grants Office approval to move forward with the current arrangement. To address these concerns, please provide the following:

- ? Documentation that guarantees the (b) (4) funds must be applied to the BTOP project and cannot be used for other purposes;
- ? Documentation of A2D?s authority to enter into these agreements on behalf of Trillion and SCABC;

- ? Due Diligence and business plan documents supporting the (b) (4) loan;
- ? Documentation from the lending institutions outlining which portions of the funding would be a loan and which would be an equity interest;
- ? A formal request, under the Department of Commerce Standard Terms and Conditions, for approval to proceed with the terms and conditions outlined in the loans; and
- ? An updated timeline for resolving these issues and closing on the (b) (4) loan.
- ? Detailed explanation of the non federal share of expenditures reported on the SF425 for the period ending December 31, 2011.

B. The CAP response noted a "Plan B" for obtaining matching funds (b) (4) by SCABC . Please provide additional information on this option, including the documentation outlined below:

- ? A description of SCABC's authority to enter into such funding vehicles on the behalf of counties served by the proposed network, but not part of SCABC currently;
- ? Additional detail on the work that has been completed (b) (4) .
- ? Supporting due diligence documents that have been provided to , such as .

3) Schedule and Implementation: The information and documentation provided in your CAP response to address NOAA's and NTIA's concerns regarding your organization's ability to complete the project with the remaining award period is insufficient. The deployment plan provides some level of detail regarding your plans to construct the backbone and last mile components of your network, but the level of information and specificity provided to address NOAA's and NTIA's concerns regarding the required level of progress across the various core network elements (e.g., core middle mile, last mile CAI connectivity, Fiber To The Home, and WiMax enabled wireless services) to achieve the project's goals within the remaining award period is lacking. Specifically, given the complexity and size and depth of the proposed network's deployment, the proposed project schedule is likely not achievable given the time remaining in the award period. In addition, the deployment plan provided lacks granular information on the WiMax and 700 MHz components of your project. To address these concerns, please provide additional information on how you will complete your project and implement the proposed mitigations within the remaining award period. In addition to updating your deployment plan, please address the following concerns:

- A. Additional detail on how the mitigation plans described would be implemented in the coming months and your project management approach for implementing these mitigations. For example, the response states that Trillion plans to hire additional crews, but there is no detail on the timeframe for hiring the crews or how the additional crews would impact the overall project budget.
- B. A detailed list of spending by vendor, including a snapshot of key deliverables, and a description of which vendors will be involved in implementing the network.
- C. An update on the channel strategy to monetize the proposed network's assets. Will this be primarily a wholesale "carriers carrier" network, or do you also intend to offer retail services directly? What channel business development

activities have occurred to date? If available, please provide an update business plan including detailed pro forma financial projections.

D. A description of how Trillion, or its project partners, will obtain the requisite approvals from landowners to trench laterals in the compressed schedule. Is there a sales force to accomplish this task? What details on product offerings do you show potential customers?

E. The schedule for deployment of WiMax and the proposed coverage area. Will WiMax enabled services also be sold solely on a wholesale basis? Have the requisite spectrum licenses been secured? What types of CPE will be supported and who owns the product roadmap for these?

F. A description of which entities involved in the project have experience in the following areas: constructing fiber networks, constructing WiMax networks, operating a telecom network, billing customers, and providing customer service.

G. The proposed organizational structure for operating the network and the related headcount by key function.

4) Organizational Capacity: Based on recent calls with NTIA, we are concerned that there is a lack of coordination and communication amongst the subrecipients on this award. Given the expertise that each organization intended to bring to the project, please explain how Trillion will appropriately manage the parties to ensure a successful project?

Due Date: 03/03/2012