



UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration  
ACQUISITION AND GRANTS OFFICE

May 22, 2012

Ralph Brown  
Trillion Communications Corporation  
4000 Farr Dr.  
Bessemer, AL 35022-4836

Re: Broadband Technology Opportunities Program (BTOP)  
Trillion Communications Corporation (Trillion) South Central Alabama Broadband Commission  
(Grant Award No. NT10BIX5570130)  
Suspension and Notice of Termination of Award

Dear Mr. Brown:

The purpose of this letter is to advise you that the National Oceanic and Atmospheric Administration (NOAA) Grants Office has suspended your organization's grant (Grant Award No. NT10BIX5570130) effective immediately and may terminate this award on July 23, 2012. The National Telecommunications and Information Administration (NTIA) recommended these actions to the NOAA Grants Office because of your organization's recurring and ongoing material noncompliance with the terms and conditions of the award, including serious program and financial deficiencies pertaining to your organization's inability to: provide the required non-federal matching funds for the project; adhere to the approved project implementation schedule described in your award; and adequately address NTIA's concerns regarding program performance and organizational capacity to effectively administer the award.

**REASON FOR SUSPENSION AND NOTICE OF TERMINATION:** On February 8, 2012, NOAA issued a Stop Work Order and 30-day Notice of Suspension of your BTOP award. On March 9, 2012, NOAA and NTIA timely received your organization's corrective action plan (CAP) response. However, this CAP response does not adequately address the multiple concerns raised by NOAA and NTIA in previous correspondence.

The February 8, 2012 letter from the NOAA Grants Office required your organization to provide a CAP response with specific details regarding performance progress, budget and match status, schedule and implementation, and organizational capacity. NTIA thoroughly reviewed your March 9, 2012, CAP response and found it to be substantially deficient in addressing the Agency's concerns regarding those issues.

On March 13-15, 2012, NTIA and NOAA staff conducted an advanced site visit with key officials from Trillion and its partners to review invoices, assess how federal funds had been utilized, and ensure that any grant-funded property had been properly secured. During our advanced site visit, we discovered that the equipment at the storage facility in Hayneville, Alabama, is being kept outside and uncovered in a fenced and locked yard. We are concerned that the current storage of this equipment does not adequately secure the BTOP-funded equipment and that the equipment may be at risk of loss, damage, or theft due to the inadequate storage. During our advanced site visit we also raised concerns regarding the allowability of costs related to certain invoices, including those of sub-recipient, A2D.

NTIA therefore recommended that NOAA suspend your award immediately and terminate the award 60 days from the date of this letter, if the revised CAP response is insufficient.

**RESULT:** As a result, your award is suspended immediately and NOAA may terminate your organization's award 60 days from the date of this letter due to recurring and ongoing matters of material noncompliance with the terms and conditions of the award, unless you provide revised CAP responses that comprehensively addresses all of NOAA's and NTIA's concerns noted below. *See* 15 C.F.R. § 14.62(a)(3).

Costs that you incur during the suspension or after the termination of your award are not allowable unless expressly authorized by the NOAA Grants Office, in consultation with NTIA. At this juncture, the only costs the NOAA Grants Office and NTIA authorize your organization to incur, on an agency review basis, are reasonable costs for project reporting and the reasonable costs incurred to secure equipment acquired under this grant (grant-acquired equipment). Such grant-acquired equipment includes assets at all sites, including, but not limited to, A2D facilities in Atlanta, Georgia and Hayneville, Alabama, as well as the Level 3 site in Marion Junction, Alabama. In addition, any grant-acquired vehicles must also be secured during the pendency of this action. Please contact your Federal Program Officer (FPO) and Grants Specialist if you require funding to remove grant-funded equipment from either A2D or Level 3 facilities. *See* 15 C.F.R. §§ 14.34(g), 14.62(c). Other costs resulting from obligations which Trillion properly incurred before the effective date of the suspension may be allowable if such costs were necessary and not reasonably avoidable, and otherwise satisfy the requirements set forth in 15 C.F.R. § 14.62(c).

In the case of delinquent financial or progress reports, a debt will be established representing the amount drawn down during the period covered by the report.

**EQUIPMENT/PROPERTY SECURITY:** As provided in 15 C.F.R. part 14 and the terms and conditions of this award, NTIA retains a federal interest in all grant-acquired equipment. On or before June 5 2012, Trillion must submit a detailed inventory of all equipment and materials purchased under the award, including specifications, model numbers, serial numbers, VIN numbers, cost, and current secured storage location (*e.g.*, address). *See* Appendix D for example.

Trillion is also required under 15 C.F.R. part 14 and the terms and conditions of this award to ensure adequate safeguards are in place to maintain and to prevent loss, damage, or theft of grant-acquired equipment. Specifically, 15 C.F.R. § 14.31 requires your organization to maintain equivalent (or better) insurance coverage for the grant-acquired equipment as it maintains on property in which it owns outside of the award. In addition, your organization is hereby directed to secure the facility in Hayneville, Alabama with 24-hour security in order to safeguard the high-value and other grant-acquired equipment stored there. Other equipment acquired under the grant, such as vehicles and electronics, may require different action to ensure that they are adequately safeguarded. NOAA also requires that you provide written confirmation that you have secured all grant-funded property. Please contact your Grants Specialist for further details. If your organization fails to safeguard the grant-acquired equipment subject to the Federal Interest, it will be responsible for reimbursing the Department of Commerce for the Federal share of the current fair market value of acquiring replacement property.

**REQUIRED CORRECTIVE ACTION:** Trillion must submit a detailed description of its plan to come back into compliance with the terms and conditions of its award and to implement its project within its remaining award term. Upon receipt of these items, NTIA will evaluate the sufficiency of Trillion's response with respect to fulfilling the requirements of its award terms and conditions. Outlined below are the deficiencies in the current CAP response that must be addressed.

1. **Performance Progress.** Your CAP response is deficient because it inadequately addresses NOAA and NTIA's concerns regarding the overall lack of 2,200 miles of fiber deployment (*i.e.*, very little conduit installation [only 30 miles], no Trillion-installed

fiber, no community anchor institution connections, no service provider agreements, no fiber-to-the-home connections, and no WiMax activity). In particular:

- a. The CAP response provides no insight into the five- to six-month delay between obtaining the FONSI and securing the required permits.
- b. The CAP response provides insufficient documentation (*i.e.*, no detailed project plan) to support Trillion's claim that just prior to the stop work order, it planned "to accelerate and advance project efforts exponentially."

2. **Budget and Match Status.** Your CAP response is also deficient because it fails to provide evidence that Trillion had secured a source of funds to meet its cost-share requirement on the award by March 9, 2012.

- a. For many months, Trillion pursued financing from (b) (4). Despite Trillion's repeated claims that a loan from (b) (4) would close soon or had already closed, the CAP response reveals that Trillion is no longer pursuing the (b) (4) at this time. Trillion also has not secured the nearly (b) (4) in anticipated funding from (b) (4). The CAP response's narrative and the attached documentation from (b) (4) provide inconsistent information about the timeline for closing on the loan, and the response includes no due diligence and business plan documents which would support the proposed funding.
- b. Trillion has also failed to demonstrate that the three potential new sources of match it identified are viable and allowable.

i. (b) (4)

ii.

- c. The response does not include the requested supporting due diligence documents that were provided to (b) (4) and NTIA can observe no measurable progress on the (b) (4) at this time.
- d. Trillion failed to submit a detailed inventory of all equipment and materials purchased under the award, including specifications, model numbers, serial numbers, VIN numbers, cost, and current secured storage location (*e.g.*, address).
- e. Finally, NOAA and NTIA have serious concerns about the allowability and reasonableness of the amounts that Trillion has paid to its subrecipient, A2D,—concerns which apply equally to the A2D in-kind contribution presented in the CAP response.

3. **Schedule and Implementation.** Your CAP response is also deficient because it fails to demonstrate Trillion's ability to complete the project within the remaining award period.

- a. Important components of Trillion's plan to mitigate construction delays lack detailed strategies for successful execution and proposed timelines. For example, based on the proposed SCABC organization chart, it is unclear who would fill the various roles and how long the process of identifying qualified staff and hiring them into the organization would take. The response outlines a plan to hire general contractors to lead overall construction activities for each county, without

detailed information on the timeline or budget impact for this contractor hiring process. Trillion also implies that general contractors would be responsible for securing the required approvals and permits from landowners to trench last mile access connections, but it does not explain how the general contractors would do so.

- b. Several tables included in the response raise significant concerns or lack necessary details. For example, the response includes a table outlining milestones by county (without identifying which row matches which county) and showing that all network segments will be complete by March 30, 2013. The response provides no details showing how these forecasts were developed or why they are achievable. The response indicates that Trillion will develop a new detailed construction schedule but does not specify exactly when this schedule will be completed.

(b) (4)

- c. The response also provides insufficient information to address other concerns raised in the CAP. For example, the CAP requested that Trillion identify entities within its broader organizational project structure that have relevant experience in the construction and deployment of WiMax networks, billing customers, and providing customer service. However, the response identifies only a few individuals and fails to connect those individuals' experience adequately to the activities listed in the CAP. Trillion also provides very little information in response to the CAP's request for the proposed organizational structure, with associated headcount, for operating the network once fully deployed.

4. **Organizational Capacity.** Your CAP response is deficient because it lacks specifics about the impact of annulling or significantly modifying existing contracts on the existing project schedule and budget. For example, Trillion noted that it would modify a number of contracts in order to achieve cost savings to accelerate construction with additional contractors. The CAP response fails to provide details about the proposed contract modifications, including any project impacts.

In addition, two subrecipients, A2D and SCABC, submitted alternative CAP responses directly to NTIA. NTIA notified Trillion that it would not consider these responses part of the official CAP response, and Trillion agreed that the SCABC and A2D responses should not be included as part of its response. As a result, NTIA did not include the SCABC and A2D alternative CAP responses in its analysis of Trillion's CAP response. These separate submissions indicate a lack of management control over the project.

Your organization must provide all additional information necessary to address these CAP items under the following deadlines (*See Appendix A for additional explanation*):

1. On or before June 5, 2012, Trillion must provide NOAA and NTIA with the following information:
  - a. A copy of the current business plan and supporting documents;
  - b. An inventory of the assets purchased to date and the work product produced to date with the federal and matching funds;
  - c. A summary of the go forward plan to execute on the grant award, including any changes in the implementation approach, technology and/or business model;
  - d. Copies of all due diligence and business plan information provided to lending institutions in support of securing the cash match; and
  - e. Copies of all invoices and supporting documentation for A2D, A-Plus Community Solutions, and Laurel Yancey.

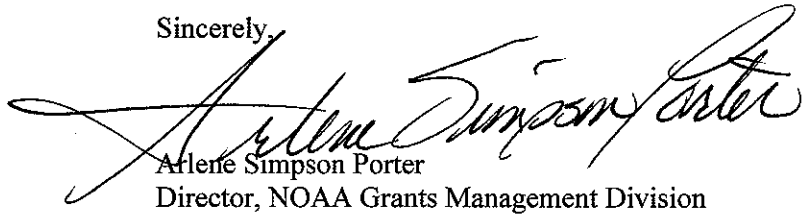
2. On or before July 5, 2012, Trillion must provide NOAA and NTIA with the following information:
  - a. Letter of intent for financing;
  - b. Letter of intent with the lead project construction management entity and all other key deployment partners;
  - c. A granular, specific project plan showing how Trillion intends to complete the project during the remaining Federal grant period of performance;
  - d. A detailed budget forecast and a detailed budget narrative on how Trillion intends to complete the network's deployment with the balance of the remaining Federal grant available;
  - e. Plan for operating the network post-construction;
  - f. Copies of all due diligence and business plan information showing the on-going, long-term financial and operational sustainability of the project; and
  - g. Organizational charts identifying all parties involved in the project and their respective roles and responsibilities, including reference and contact information.
  
3. On or before July 13, 2012, Trillion must provide NOAA and NTIA with the following information:
  - a. A copy of the fully executed Definitive Agreement, and all other loan documentation from the lending institution, for the cash match;
  - b. A copy of the fully executed agreement(s) with the lead project construction management entity and all other key network deployment partners; and
  - c. Detailed network maps and a listing of the Community Anchor Institutions (CAIs), neighborhoods and/or streets to receive broadband services.

Please work with your FPO, Max Fainberg, if you have any questions or require any additional clarification. Failure to respond in a timely, sufficient, and comprehensive manner may result in the termination of the award due to material noncompliance.

The current award will be revised to include a term and condition which will require your organization to submit a comprehensive CAP. Thank you for your cooperation and assistance with this matter.

Your award is hereby suspended and if the revised CAP is insufficient, the award may be terminated on July 23, 2012.

Sincerely,



Arlene Simpson Porter  
Director, NOAA Grants Management Division

Enclosure

cc: Lawrence Strickling  
Anthony Wilhelm  
Laura Dodson  
Aimee Meacham  
Max Fainberg  
Alan Conway  
Larry Jenkins

Award Details:

Award Number: NT10BIX5570130

Program Officer: Max Fainberg

Program Office: National Telecommunications and Information Administration (NTIA)

Award Period: 08/01/2010-07/31/2013

Project Title: South Central Alabama Broadband Commission (SCABC - CCI)

Recipient Name: Trillion Communications Corp.

Grants Officer: Larry Jenkins

## Appendix A

### Key Details for Deliverables due on or before June 5, 2012

| Deliverable   | Representative Examples /Comments  |
|---|--|
| 1) A copy of the current business plan and supporting documents   | <ul style="list-style-type: none"> <li>○ Pro forma financial projections</li> <li>○ Go-to market plans</li> <li>○ Product and Service Level Agreement (SLA) information</li> <li>○ Summary information on discussions with potential wholesale customers to date</li> </ul>  |
| 2) Inventory of the assets purchased to date and the work product produced to date with the federal and matching funds                                    | <ul style="list-style-type: none"> <li>○ Outside plant materials stored in Hayneville, AL</li> <li>○ Construction equipment &amp; vehicles stored in Hayneville, AL</li> <li>○ Broadband equipment housed in and/or being tested in Atlanta, GA</li> <li>○ Broadband network infrastructure and equipment in the Level 3 site in Marion Junction, AL</li> <li>○ Work product produced by all other sub-recipients and vendors</li> </ul> |
| 3) A summary of the go forward plan to execute on the grant award, including any changes in the implementation approach, technology and/or business model | <ul style="list-style-type: none"> <li>○ Narrative summary providing an overview of the business plan</li> <li>○ Products and services to be offered</li> <li>○ Key customers and beneficiaries</li> <li>○ Technology to be deployed</li> <li>○ Business model</li> </ul>  |
| 4) Copies of all due diligence and business plan information provided to the lending institution in support of securing the cash match                    | <p>Should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>○ Pro forma financial projections</li> <li>○ Inter-company agreements</li> <li>○ All relevant 3rd party agreements</li> <li>○ Recipient/sub-recipient and contractor agreements</li> </ul>  |
| 5) Copies of all invoices and supporting documentation for A2D, A-Plus Community Solutions, and Laurel Yancey.  | <p>Including but not limited to</p> <ul style="list-style-type: none"> <li>○ Time sheets for personnel and labor costs</li> <li>○ Supporting documentation and explanation for all travel related expenses</li> <li>○ Supporting receipts where an invoice is not available</li> </ul>   |

## Key Details for Deliverables due on or before July 5, 2012

| Deliverable   | Representative Examples/Comments  |
|---|---|
| 1) Letter of intent for financing   | Key funding terms and conditions including, but not limited to: <ul style="list-style-type: none"> <li>○ Expected Agreement execution date</li> <li>○ Any conditions on the release of funds</li> <li>○ Acknowledge the 1<sup>st</sup> lien position of the federal government</li> </ul>   |
| 2) Letter of intent with the lead project construction management entity and all other key network deployment partners  | <ul style="list-style-type: none"> <li>○ Information on the directly relevant experience of the contractor(s)</li> <li>○ Identify the lead Program Manager(s), including a copy of that persons resume, a list of projects previously managed under that persons direction, and contact information for references for those projects</li> </ul>  |
| 3) A granular, specific project plan showing how Trillion intends to complete the project during the remaining Federal grant period of performance.                                   | <ul style="list-style-type: none"> <li>○ Capture all key milestone dates, as well as project dependencies and interdependencies (critical path items)</li> <li>○ Broken out by geographical network segments, and technology deployed (e.g., fiber middle mile, fiber last mile CAI, fiber last mile residential, WiMax for wireless, etc.)</li> <li>○ Address all network deployment life-cycle activities including, but not limited to: network engineering and design, rights of way/permitting process, CAI/last mile and middle mile core network build out survey activity, physical plant construction activity, RF engineering and tower colocation activity for wireless build-out, utility enablement (power, access roads, etc.), network electronics deployment, logical network design, testing and turn-up, OSS/BSS enablement and integration, service provider integration, and upstream provider integration (transit provider).</li> </ul> |
| 4) A detailed budget forecast and a detailed budget narrative on how Trillion intends to complete the network's deployment with the balance of the remaining Federal grant available. | The budget forecast should be broken out quarterly, by major line item expense category including, but not limited to: <ul style="list-style-type: none"> <li>○ Network design, engineering and environmental and historic preservation services</li> <li>○ Rights of way and franchise agreement fees</li> <li>○ Construction, OSP materials &amp; permitting</li> <li>○ Fiber optic cable</li> <li>○ Broadband network equipment</li> <li>○ Customer premise equipment</li> <li>○ Tower leases</li> <li>○ WiMax equipment</li> <li>○ Network Operations Center</li> <li>○ OSS/BSS systems</li> </ul>  |
| 5) Plan for operating the network post-construction.  | <ul style="list-style-type: none"> <li>○ Executive Management</li> <li>○ Sales</li> <li>○ Marketing</li> <li>○ Finance</li> <li>○ Human Resources</li> <li>○ Network Operations</li> <li>○ Product Management</li> <li>○ Legal</li> <li>○ Billing/Customer Care/Trouble Management</li> </ul>   |
| 6) Copies of all due diligence and business plan information showing the on-going, long-term financial and operational sustainability of the project                                  | Supporting financial projections should include, but not limited to <ul style="list-style-type: none"> <li>○ Detailed sales plan, profit and loss forecast, cash flow forecast, balance sheet forecast; forecasts should be fully synchronized with the revised network construction plan and consistent with the term of the grant award</li> </ul>  |



| Deliverable  | Representative Examples/Comments  |
|--|---|
|  | <ul style="list-style-type: none"> <li>○ Identifying funding sources for the ongoing operational, capital, and working capital expenses after the close out of the Federal grant</li> </ul>   |
| <p>7) Organizational charts identifying all parties involved in the project and their respective roles and responsibilities – along with reference and contact information</p> | <ul style="list-style-type: none"> <li>○ Overall project management</li> <li>○ Financing for match obligation</li> <li>○ Broadband network design &amp; engineering (physical &amp; logical)</li> <li>○ Rights of way and franchise agreements</li> <li>○ OSP construction &amp; permitting</li> <li>○ OSS/BSS integration</li> <li>○ Broadband network electronics deployment</li> <li>○ Service provider integration</li> <li>○ Broadband network testing and turn-up</li> <li>○ RF Engineering and site acquisition</li> </ul> |

## Key Details for Deliverables due on or before July 13, 2012

| Deliverable   | Representative Examples /Comments  |
|---|--|
| <p>1) A copy of the fully executed Definitive Agreement, and all other loan documentation from the lending institution, for the cash match</p>          | <p>Should include:</p> <ul style="list-style-type: none"> <li>○ All key funding terms and conditions</li> <li>○ Specifying the date, and under what circumstances, the full amount of the funds will be made available to Trillion</li> <li>○ Documentation from the lending institution clarifying which portion of the funding is a loan, which portion is equity, and/or which portion is convertible debt</li> <li>○ Specific details on whether the cash match is secured or unsecured in nature. If the loan is secured, provide additional information on which assets, or which mechanism, is securing the match.</li> <li>○ Identifying the presence of any contingencies such as supplemental funding sources or request for waiver of 1st lien position (the Federal interest)</li> </ul> |
| <p>2) A copy of the fully executed agreement(s) with the lead project construction management entity and all other key network deployment partners.</p> | <ul style="list-style-type: none"> <li>○ Key construction milestones for all network segments and technologies deployed, including any performance penalties</li> <li>○ Date construction crews can be deployed</li> <li>○ Contingencies related to deliverables from Trillion</li> <li>○ Ramp time frame to maximum construction crews on the project</li> <li>○ Cost per mile or linear foot and any contingencies related to terrain or other conditions</li> <li>○ Davis Bacon requirements</li> <li>○ Environmental and Historic Preservation requirements</li> </ul>   |
| <p>3) Detailed network maps and a listing of the CAIs, neighborhoods and/or streets to receive broadband services</p>                                   | <ul style="list-style-type: none"> <li>○ Detailed network maps illustrating the core middle mile deployment, residential and CAI last mile wireline and wireless deployments, network PoPs, proposed IP transit and wholesale customer interconnection points, tower sites for WiMax deployment, and the communities to be served.</li> <li>○ List of CAIs to be connected, streets to receive fiber to the home</li> </ul>  |

## Appendix D

### SAMPLE Trillion BTOP Project Inventory as of May XX, 2012

| Item Description              | Manufacturer | Make/Model /Specifics          | Serial Number/VIN Number     | Quantity  | Purchase Date | Purchase Price | Location                                  |
|-------------------------------|--------------|--------------------------------|------------------------------|---|---------------|----------------|---|
| <b>Fiber/Materials</b>        |              |                                |                              |   |               |                |   |
| Fiber Optic Cable             | OFS          | 144 Count, armored Singlemode, | 123 XXXXXX                   | 5 reels at 24,000 feet per reel; 1 reel at 12,540 feet, etc | 01/01/12      | \$ 163,000     | Hayneville, AL                            |
| Conduit (2")                  | Company B    |                                |                              | 14 full reels at 12,500 feet per reel                       | 01/01/12      | \$ 110,100     | Hayneville, AL                            |
| <b>Construction Equipment</b> |              |                                |                              |   |               |                |   |
| Quad Track Plows              | Ditch Witch  | Model 3NZY                     | VIN XXX<br>VIN XXX<br>VINXXX | 3   | 11/01/11      | \$ 510,000     | Hayneville, AL                            |
| Construction Vehicles         | Ford         | F150                           | VINXXX;                      | 1   | 01/01/11      | \$ 40,000      | Atlanta, GA – A2D Parking lot             |
| <b>Electronics</b>            |              |                                |                              |   |               |                |   |
| GPS Reciever Device           | Trimble      | 5800                           | XXXXXX                       | 1   | 02/01/12      | \$1,845,300    | Atlanta, GA – A2D Facility secure storage |