

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

**General Information**

<b>1. Federal Agency and Organizational Element to Which Report is Submitted</b>  Department of Commerce, National Telecommunications and Information Administration	<b>2. Award Identification Number</b>  NT10BIX5570130	<b>3. DUNS Number</b>  039872192
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**4. Recipient Organization**

Trillion Communications Corp. 4000 Farr Dr.  
 , Bessemer, AL 35022-4836

<b>5. Current Reporting Period End Date (MM/DD/YYYY)</b>  06-30-2012	<b>6. Is this the last Report of the Award Period?</b>  <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.

<b>7a. Typed or Printed Name and Title of Certifying Official</b>  Dawit Aynachew	<b>7c. Telephone (area code, number and extension)</b>  X
	<b>7d. Email Address</b>  DAynachew@hoskinscpas.com

<b>7b. Signature of Certifying Official</b>  Submitted Electronically	<b>7e. Date Report Submitted (MM/DD/YYYY):</b>  08-23-2012
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**Project Indicators (This Quarter)**

**1. Please describe significant project accomplishments completed during this quarter (600 words or less).**  
 a. Submitted June 2012 CAP Response to NOAA/NTIA.  
 b. Transferred Grant-funded construction equipment and material to secure facility in Hope Hull Alabama.  
 c. Hired Washington DC-based to assist in developing Corrective Action Plan and preparing comprehensive responses to NOAA's May 22 letter.  
 d. Terminated Sub-Recipient, from the project.  
 e. Issued General Contractor RFP for the project's Design/Build activity. Held Pre-Bid Construction conference with potential GCs.

**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	15	The Project's drawdown system was suspended and a stop-work order was put into place pending National Telecommunications and Information Administration (NTIA) review of the Corrective Action Plan (CAP).
2b.	Environmental Assessment	100	N/A
2c.	Network Design	15	The original schedule/plan was to complete the Engineering and Design by 'phase". Although the engineering for Phase 1 has been completed, the additional effort to complete the remaining designs for phases 2-9 were postponed due to the suspension of the federal funds. A Request for Proposal (RFP) will be issued to a select universe of General Contractors (GCs) to solicit a pricing model for a Design/Build solution.
2d.	Rights of Way	55	Prior to the stop work order, property leases for all Network Operational Centers (NOC) were pending execution.
2e.	Construction Permits and Other Approvals	15	Prior to the stop work order, Trillion received commitments from Alabama Department of Transportation to minimize permit review time. In addition, ALDOT has agreed to meet with Trillion's newly-acquired General Contractor to discuss methods for ensuring an efficient permitting process.
2f.	Site Preparation	35	As a result of the work stoppage, all construction material have been moved/relocated to a secured warehouse facility. The new facility is gated and monitored via cameras placed throughout the facility.
2g.	Equipment Procurement	14	As a result of the suspension of the project, no construction activity has occurred since February 9, 2012. There was no need to exceed the requirement to purchase additional equipment until the network construction activity continues. A revised 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 are underway. This analysis will be completed by July 13th.
2h.	Network Build (all components - owned, leased, IRU, etc)	8	The Project has been suspended, including Trillion's ability to drawdown funds to obtain components for the build out. A stop-work order was put into place pending National Telecommunications and Information Administration (NTIA) review of the Corrective Action Plan (CAP).
2i.	Equipment Deployment	7	The only Network Equipment deployed is co-located at a secured facility in Dallas County. No additional equipment has been installed since the Work Stop Notification. All network equipment have been transferred to a secure warehouse facility located in the Hope Hull Alabama vicinity. The equipment was originally staged in an open fenced-in construction yard, in Hayneville Alabama. An inventory of all equipment was taken during the transfer.

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2j.	Network Testing	12	The original testing included fiber interoperability testing with service provider(s) from the co-location facility in Dallas County Alabama to the test site in Atlanta GA. "Testing" involved measuring the stability of the design, as well as validating the system's architecture. In light of the current funding suspension, as well as the sub-recipient's removal from the project, no testing was performed during this period and all equipment is being removed from the sub-recipient's office location in Atlanta, GA.
2k.	Other (please specify): Project/ Construction Notification	35	Project Notification continued to be a significant effort. The Trillion initiated Stakeholder and Community meetings that were necessary to ensure the area was aware of the construction effort. Meetings were held with Alabama Governor's office , Alabama Department of Transportation (ALDOT), Congressmen, Senators and other political leaders to discuss the status of the project and to solicit their support. Trillion continued to schedule meetings with Political Oversight Committees, Media Outlets and Broadband Stakeholders. In light of the current suspension of the federal funds and work stoppage, efforts in this area continued due to the importance of keeping the community aware of the status of the project. Additional emphasis was placed on the finalizing any Corrective Action Plan Responses and securing the federal assets.

**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 Trillion Comprehensive Community Infrastructure (CCI) Project's funding remained in "suspension status". A letter was forwarded to Trillion from the Director of National Oceanographic and Atmospheric Administration (NOAA) advising the company of the suspended federal funds. Trillion responded with its Corrective Action Plan (CAP) on June 5, 2012 which provided details, schedules and proactive measures to ensure timely completion of the project. Trillion discussed the results of its efforts in its response to NOAA's May 22 Letter, as well as provided more detail in response to specific issues slated for discussion in its planned July 5 and July 13, 2012 responses. An immediate action taken by Trillion was the company retained the services of a Washington-based consulting firm to assist it with developing a Corrective Action Plan and preparing comprehensive responses to NOAA's May 22 letter. The new firm has a wealth of federal grant compliance, telecommunications and technology, and business planning expertise, including specific experience with BTOP award recipients, and Trillion has already benefitted greatly from their involvement and insight. An Action Plan has been developed and will be initiated to accelerate the overall construction effort. The goals and objectives include the following challenges: Finalizing the Cash Match/In-Kind plans, developing a feasible SCABC Organizational Structure, Construction Scheduling, Viability and Accountability. Each of these has been communicated and shared with NTIA. Additionally, Trillion began collaborating with the Minority Business Development Agency (MBDA) to ensure the action plans and proposals meet the expectations of NTIA. The MBDA and its National Director are providing direct support, MBDA Funded Center resources, guidance and counsel to Trillion in an effort to complete the CAP requirements and to implement an effective action plan for the project. By executing the proposed solutions, and through the support of the new consultant and MBDA, we will be able to successfully complete the project within the time frame stipulated in the Grant's Special Awards Conditions (SAC) document.

**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	29	Work was stopped due to the suspension of the Project. Fifteen miles of additional fiber conduit were installed prior to the suspension. Therefore, a total of 25 miles of conduit have been installed. An Action Plan, a revised 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 is being finalized.
New network miles leased	0	Work was stopped due to the suspension of the Project. An Action Plan was developed to accelerate the construction, once the suspension has been lifted.

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Existing network miles upgraded	0	N/A
Existing network miles leased	0	N/A
Number of miles of new fiber (aerial or underground)	29	Work was stopped due to the suspension of the Project. Twenty-nine (29) miles of fiber (90% aerial) have been installed by Troy Cable as part of our Joint Build Agreement. An Action Plan was developed to accelerate the construction, once the suspension has been lifted.
Number of new wireless links	0	Work was stopped due to the suspension of the Project. An Action Plan was developed to accelerate the construction, once the suspension has been lifted.
Number of new towers	0	Work was stopped due to the suspension of the Project. An Action Plan was developed to accelerate the construction, once the suspension has been lifted.
Number of new and/or upgraded interconnection points	0	Work was stopped due to the suspension of the Project. An Action Plan was developed to accelerate the construction, once the suspension has been lifted.

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	1
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:  
No new providers to report at this time.

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 new services to be reported at this time.

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).

South Central Alabama Broadband Commission (SCABC) - Sub Recipient  
Attention: Chairman Charlie King (SCABC Board Chairman)  
Phone: (334-412-9096)  
Network sales and marketing, service provider management.

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	To be served in subsequent quarters after Suspension lifted

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
	Providers with signed agreements receiving improved access	0	To be served in subsequent quarters after Suspension lifted
	Providers with signed agreements receiving access to dark fiber	0	To be served in subsequent quarters after Suspension lifted
	Please identify the speed tiers that are available and the number of subscribers for each	0	To be served in subsequent quarters after Suspension lifted
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving new access	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving improved access	0	To be served in subsequent quarters after Suspension lifted
	Please identify the speed tiers that are available and the number or subscribers for each	0	To be served in subsequent quarters after Suspension lifted
Residential / Households	Entities passed	0	To be served in subsequent quarters after Suspension lifted
	Total subscribers served	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving new access	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving improved access	0	To be served in subsequent quarters after Suspension lifted
	Please identify the speed tiers that are available and the number of subscribers for each	0	To be served in subsequent quarters after Suspension lifted
Businesses	Entities passed	0	To be served in subsequent quarters after Suspension lifted
	Total subscribers served	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving new access	0	To be served in subsequent quarters after Suspension lifted
	Subscribers receiving improved access	0	To be served in subsequent quarters after Suspension lifted
	Please identify the speed tiers that are available and the number of subscribers for each	0	To be served in subsequent quarters after Suspension lifted

**7. Please describe any special offerings you may provide (600 words or less).**  
 The SCABC network will be an open access platform. Its wholesale customers will use this network to deliver services to retail customers, including CAIs, businesses, and residential users. In addition, SCABC will provide nonrevenue-generating "On-Net" services, akin to a "Community Intranet," that will provide local information and content to those end users who are connected to the network but who choose not to subscribe to broadband Internet access or other retail commercial services. Trillion and, prior to its departure, its Sub-Recipient, have had extensive discussions with potential wholesale customers, including Level 3 Communications, Internet2, Knology, Time Warner Telecom, Magnolia Belle, Troy Cablevision, and Baldwin County, as well as a possible collaboration with American Tower. These efforts were summarized in Trillion's March 9, 2012 (pp. 19-22) response to NOAA's February 8, 2012 letter.

**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
N/A	N/A	N/A	N/A	N/A

**Project Indicators (Next Quarter)**

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

a) Trillion will issue a Request for Proposal to selected General Contractors that will be responsible for the Design/Build. The project will centralize and control all construction activities via one General Contractor (GC). Trillion will oversee all construction activity.

b) Once the RFP process is completed and the General Contractor (GC) selected, Trillion will enter into an Master Service Agreement and Notice To Proceed agreement with a design-build contractor. Trillion will submit a copy of the bid response, as well as a revised project plan, organizational chart, and copies of key personnel of the selected GC(s) with the next scheduled CAP Response.

c) Trillion directed its contractors to immediately to stop all work under the Grant Award, by letter dated February 9, 2012. One contractor completed its blueprint for transferring ownership of the network to SCABC at the conclusion of the Grant Award period of performance, in addition to certain other tasks within its agreed Statement of Work.

d) Publish Procurement Document to assist in the selection of the General Contractor.

e) Because the market for services is constantly evolving, Trillion will undertake a comprehensive review of its business plan, pro forma financial projections, demand forecasting, rate study, and go-to-market strategy for services using the SCABC network.

f) A Project "Accelerated Construction Plan" will be implemented to ensure the project meets ARRA Completion Date.

g) Trillion will collaborate with its consulting firm and its subcontractors to review, update, and validate its Marketing assumptions to expand and refine its business strategy, rate study, and go-to-market plans to ensure sustainability of the network. Trillion's revised business model will be based on the intent that SCABC will provide wholesale connectivity to retail providers of broadband Internet access and related services, which in turn will serve Community Anchor Institutes, businesses, and residential customers within the network footprint.

h) Begin the project's Design/Build phase.

i) Number of Community Anchor Institutions planned to connect = 0. (Rationale same as "g" above)

j) Number of broadband wholesaler/last mile provider agreements you plan to sign = 0. (Rationale same as "g" above)

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	24	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2b.	Environmental Assessment	100	N/A
2c.	Network Design	20	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.



	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2d.	Rights of Way	57	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2e.	Construction Permits and Other Approvals	18	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2f.	Site Preparation	40	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2g.	Equipment Procurement	19	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2h.	Network Build (all components - owned, leased, IRU, etc.)	12	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2i.	Equipment Deployment	11	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2j.	Network Testing	18	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.
2k.	Project/ Other (please specify): Construction Notification	42	Work was cancelled due to the Project's suspension and the stop work order initiated by NTIA and NOAA. An accelerated schedule has been developed to ensure the project completes its deliverable by the end of the project period.

**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) Because Trillion recently terminated its relationship with two formerly central members of its project team, Trillion's go-forward plan to execute the Grant Award is currently being revised. Trillion will be assuming many of the project management responsibilities formerly discharged by its Sub-Recipient. In addition, with the departure of another key contractor, Trillion will rely on alternative resources, to the extent required, for the technical assistance that firm was to provide.
- b) Davis-Bacon Act Wage Determinations are being finalized for several planned Heavy Construction Labor Employee positions. The wage rates proposed will adhere to the appropriate wages, as defined by the Department of Labor for each county.
- c) The Non-Federal Match component must be finalized to ensure Grant deliverables are met.
- d) Finalize restructuring the Project's Core Team, as defined by the Corrective Action Plan.
- e) Implement an action to continually monitor the security and implement protection measures for the Material and Equipment currently staged in Hope Hull. These measures will remain in place during and after the suspension period.
- f) Revise the Sub-Recipient Agreement between Trillion and South Central Alabama Broadband Commission. This document will reflect roles, responsibilities and assignments for SCABC.
- g) Develop a comprehensive Notification and Stakeholder manual.
- h) Finalize the revised realigned budget, the detailed project plan and the organization charts that includes resumes of key SCABC and General Contractor personnel, as well as a revised Comprehensive Forecast and Financial Model.

### 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	\$1,761,710	\$386,312	\$1,375,398	\$1,375,232	\$0	\$1,375,232	\$1,434,485	\$59,253	\$1,375,232
b. Land, structures, right-of-ways, appraisals, etc.	\$349,577	\$316,756	\$32,821	\$0	\$0	\$0	\$35,333	\$29,945	\$5,388
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$100,000	\$18,780	\$81,220	\$0	\$0	\$0	\$11,982	\$1,827	\$10,155
e. Other architectural and engineering fees	\$10,379,021	\$3,254,926	\$7,124,095	\$5,433,088	\$567,019	\$4,866,069	\$5,831,217	\$965,148	\$4,866,069
f. Project inspection fees	\$444,335	\$139,077	\$305,258	\$0	\$0	\$0	\$31,087	\$6,263	\$24,824
g. Site work	\$19,589,925	\$6,006,703	\$13,583,222	\$1,262,765	\$7,000	\$1,255,765	\$2,086,908	\$655,255	\$1,431,653
h. Demolition and removal	\$43,200	\$13,522	\$29,678	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$1,371,989	\$429,433	\$942,556	\$200,000		\$200,000	\$660,547	\$27,893	\$632,654
j. Equipment	\$22,470,612	\$6,668,780	\$15,801,832	\$3,050,372	\$365,524	\$2,684,848	\$7,122,130	\$1,590,458	\$5,531,672
k. Miscellaneous	\$29,746,611	\$9,764,147	\$19,982,464	\$1,361,424	\$15,278	\$1,346,146	\$3,674,151	\$439,477	\$3,234,674
<b>l. SUBTOTAL (add a through k)</b>	\$86,256,980	\$26,998,436	\$59,258,544	\$12,682,881	\$954,821	\$11,728,060	\$20,887,840	\$3,775,519	\$17,112,321
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>n. TOTALS (sum of l and m)</b>	\$86,256,980	\$26,998,436	\$59,258,544	\$12,682,881	\$954,821	\$11,728,060	\$20,887,840	\$3,775,519	\$17,112,321

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
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