



Via Electronic Mail and Overnight Mail

April 7, 2016

Mr. Ronald Cassel  
Matrix Design Group, Inc.  
11 Melanie Ln., Unit 14  
East Hanover, NJ 07936

Re: Broadband Extensions Program Grant

Dear Mr. Cassel:

Pursuant to our email correspondence to you of March 23, 2016, we are following up with you directly on the matter of Matrix/Millennium's ("Matrix's" or the "Grant Applicant's") proposals for the Broadband Extensions Program grants that the Massachusetts Technology Collaborative ("MassTech") is administering through its Massachusetts Broadband Institute ("MBI").

The information that Matrix provided on January 29, 2016, like much of the information in Matrix's prior responses to MBI during the grant application review and due diligence process, was materially deficient. In a letter dated December 24, 2015, MBI provided a list of questions to Matrix seeking information on Matrix's experience in operating broadband networks, its approach to serving the broadband needs of the residents of Montague and Hardwick, the resources that Matrix would leverage, and financial data that would enable the MBI to assess the sustainability of the proposed projects. Mr. Eric Nakajima sent an email message to Mr. Lynch on January 27, 2016 reinforcing the critical nature of the information sought by the MBI. In his email, Mr. Nakajima highlighted MBI's need for "additional information on how Matrix would operate and sustain broadband networks in Hardwick and Montague, including, but not limited to, a description of how Matrix would stand up operations and approach the provisioning of service in these towns."

In a January 13, 2016 meeting with MassTech/MBI representatives, you indicated that Matrix could answer the MBI's questions without disclosing proprietary information. Rather than answer the questions in the MBI's December 24<sup>th</sup> letter, Matrix submitted a four page document to the MBI on January 29<sup>th</sup>, titled "Rural FTTH Fiber Business Plan Summary for Newco". This business plan summary is essentially a skeletal description of how a new company might approach this project in general terms, including a tentative fee schedule. The information in the business plan summary is cursory in nature and does not answer many of the questions in MBI's December 24<sup>th</sup> letter.

The level of information submitted by Matrix is of particular concern because it is clear from Matrix's submissions to date that it has never operated a residential broadband network before,

let alone one in a rural area. If Matrix was a large public company with substantial demonstrated experience and resources, the situation might be different. However, as it stands, Matrix's continued reluctance to answer the MBI's questions with specific information is problematic. It is not even clear at this point whether Matrix would be the actual entity contracting with MassTech. One of Matrix's earlier submissions, for example, spoke in terms of setting up a separate LLC without detailing whether the obligations of that LLC would be guaranteed by Matrix or Millennium, the company described as Matrix's "sister" company. While it is likely that MBI would require a guarantee, we cannot effectively address this issue without an answer to MBI's previous questions about exactly how Matrix proposes to approach the work in Hardwick and Montague.

MBI is in the final stages of wrapping up and concluding its due diligence process with respect to Matrix, which includes obtaining additional information on Matrix's prior experience with Massachusetts towns. We need to move forward with the grant program. To expedite this matter we have followed up on some of the key questions that we previously posed to Matrix. We have included additional questions that stem from our growing concerns based on the existing record and prior statements of Matrix officials. Therefore, we are offering Matrix a final opportunity to submit information to MBI that addresses and clarifies Matrix's relevant experience, financial capacity and resources, approach to operating networks in Hardwick and Montague, and the sustainability of the proposed projects in those towns. Please respond to the following questions by 5:00 p.m. on Monday, April 18, 2016. Your responses should be submitted directly to me by electronic mail at [baldino@masstech.org](mailto:baldino@masstech.org).

1. The Grant Applicant has stated to MBI in writing that it does not have specific experience owning and operating a network such as the one proposed for Montague and Hardwick that would serve residential customers. The Grant Applicant, in its RFQ response, indicates that it operates networks for enterprise customers and municipalities. Given the Grant Applicant's lack of experience in serving residential customers please provide detailed, specific information on the Grant Applicant's proposed plan for operating and providing services in Montague and Hardwick that MBI has previously requested, specifying the staffing model and assets that it intended to use, identifying insourced and outsourced components of those assets, listing firms that would assume outsourced responsibilities, and addressing the particulars of the following business issues:

- NOC services
- Marketing and sales
- Installation
- Provisioning
- Billing
- Customer Support
- Backhaul integration, traffic shaping, and content delivery
- Regulatory Obligations

2. The Grant Applicant has stated to MBI that the network it proposes to design, construct, and operate would not be sustainable unless Matrix operates a network that passes a minimum of 1,000 households. On that issue, please provide a financial pro-forma that includes the detailed line item capital and operating expense budgets to demonstrate sustainability of the network that

Matrix proposes to design, construct, and operate for Hardwick and Montague, and all conditions, limitations, or requirements that will need to be satisfied to meet that budget.

3. Identify precisely the entity that would contract with MassTech to receive the grant funds and the entity that would own the network under your proposal. Please identify the ownership structure of that entity and its relationship to Matrix Design Group and Millennium Communications Group. Also specify what form of surety of that entity's continuing performance the Grant Applicant will provide to ensure that the project is successful in the face of financial or sustainability challenges. Specifically, confirm whether Matrix is proposing to provide a parental performance guaranty, letter of credit, performance bond, and/or similar guarantees of performance, and provide details on the Grant Applicant's financial ability to underwrite such a guaranty, including a balance sheet and two years' of reviewed or audited financial statements attesting to such financial strength.

4. Identify all third parties that Matrix would utilize or expects to utilize as suppliers or subcontractors to the entity receiving the grant funds. Also, please identify any third parties that currently have or in the future would have a financial interest in (i) the proposed projects; (ii) the network; or (iii) the entity receiving the requested grant funds.

5. The Grant Applicant should respond to the following questions and may also submit any additional information that addresses its experience in operating networks that it considers similar to those proposed for Montague and Hardwick:

- a. Provide examples of any other systems where you have operated and/or currently operate a network with operating requirements, features, or volumes of traffic similar to the proposed networks in Montague and Hardwick.
- b. Identify any broadband service, consumer or otherwise, for which Matrix operates a network operating center ("NOC"). Please describe the capabilities and assets that will be leveraged for NOC facilities that would support the network in Montague and Hardwick.
- c. Provide examples of any existing pricing/packaging/promotions that you have offered to customers of the networks you are operating that you consider most similar to those proposed for Montague and Hardwick.

Please be advised that the information you submit will be made publicly available, including but not limited to, by posting the information on the MBI website as per MBI's standard practice in connection with this grant program.

Thank you for your interest in this grant program.

Sincerely,



Michael Baldino

Associate General Counsel and Director of Board Relations