

MILLENNIUM
COMMUNICATIONS GROUP INC.

Federal GSA Schedule #70
Contract # GS-35F-0220R
NJ State WSCA Contract #73979
Universal Spin # 143007785

May 16, 2016

Elizabeth Copeland
Associate General Counsel, Massachusetts Technology Collaborate
Deputy Director, Massachusetts Broadband Institute
75 North Drive
Westborough, MA 01581

Dear Ms. Copeland:

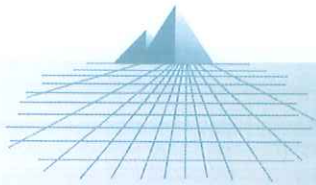
Last week, we received a copy of the Massachusetts Broadband Institute Staff Recommendation Regarding Matrix and Comcast Grant Proposals for Montague and Hardwick, dated May 4, 2016 (hereinafter the "Report") from one of our FTTH clients in Massachusetts. It is not clear to me why the Massachusetts Broadband Institute ("MBI") staff chose not to forward a copy of the Report to us directly, given the efforts we have undertaken to respond to the Request for Qualifications and follow-up requests for additional information, and especially in light of the Report's negative comments regarding my company.

We are disappointed with the Report's conclusions and recommendation that MBI choose Comcast, instead of Matrix Design Group, Inc. ("Matrix"), for funding in connection with the expansion of broadband service in the towns of Montague and Hardwick. We are concerned that a number of statements in the Report do not accurately reflect the qualifications and experience of Matrix and its affiliate Millennium Communications Group (together, "MM").

While not meant to be a point-by-point rebuttal of the Report's factual assertions or conclusions, this response addresses several areas in which we believe MM is not fairly or accurately characterized in the Report, including MM's financial stability and resources and the dispute resolution process on the Town of Leverett project. Although MM was not made aware that these two areas were deemed significant during the due diligence performed by the staff of MBI and its consultants (and MM was not asked or given an opportunity to provide additional information concerning these areas), they appear to receive inordinate attention in the Report. For these reasons, we feel compelled to respond.

Financial Stability and Resources

The Report states that "publicly available information on Millennium's financial condition suggests that it could very well not withstand the financial strain on it by these kinds of out-of-pocket losses in the initial years of operating the new network..." Report, p. 5. Yet, it appears the sole basis for that conclusion was a single entry on a Dun & Bradstreet "dashboard" dated April 14, 2016. The Dun & Bradstreet entry shows only two categories, "risk of debt write-off" and "cash flow" risk, and they provide no empirical data – only a conclusory label on a range from "low risk" to "high risk."



MILLENNIUM COMMUNICATIONS GROUP INC.

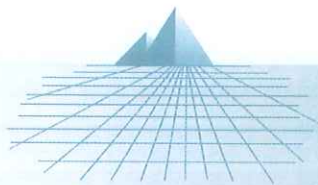
No information regarding the source of the Dun & Bradstreet entry is given. More importantly, as is implicitly acknowledged in the Report, Millennium is a privately-held company that is not obligated to report any financial information to Dun & Bradstreet or any other credit agency or any public organization or entity. And at no time before issuing the Report did MBI or its consultants ask Millennium or Matrix for bank or trade references, which should have been part of any due diligence process. MM made repeated offers to provide additional financial information subject to standard confidentiality provisions to protect MM's trade secrets, to which MBI did not respond.

The Leverett Project

The discussion of the Town of Leverett project is of particular concern, because it mischaracterizes both the nature of the disagreement that arose between Millennium and the Town (which was later resolved) and the successful completion of the project. It appears that MBI and its consultant, Tilson Technology Management, Inc. ("Tilson"), either failed to consider available information regarding that disagreement or chose to ignore it. For example, the Report references the Town's arbitration counterclaim, but omits any reference to Millennium's arbitration demand, which presents Millennium's side of the story, including the Town's failure to make timely payments and other breaches of the construction agreement. It should be obvious to anyone reviewing a counterclaim that it was preceded by a claim presenting the other party's case. Yet, the Report makes no mention of Millennium's claims, and the Tilson review mischaracterizes them, apparently based on comments by an unnamed source in Leverett. Neither MBI nor Tilson asked Matrix or Millennium about the disagreement with Leverett. Nor did they provide Matrix or Millennium an opportunity to address comments by their unnamed source or even suggest that the disagreement may be a factor in MBI's decision-making process.

If MBI had sought a response from MM regarding the Leverett dispute resolution process it would have learned some significant factual information that should have been considered in connection with MM's proposal for the Montague and Hardwick projects. First, the Leverett project was ultimately a success, and Town officials have publicly praised the completed network and the quality of the work. The disagreements between the Town and Millennium, including the issues raised in the arbitration process, did not relate to the quality of completed construction work on the network, and, furthermore, at the conclusion of the project, the Town formally agreed and publicly stated that it was satisfied with the quality of the completed work.

Second, Millennium negotiated at length with the Town of Leverett in an attempt to resolve their differences and avoid litigation. Much of the difficulty on the job was caused by deficiencies in the project design prepared either by the town, or the Town's design engineer, including the omission of several roads and homes, failure to disclose critical design and construction obligations during the bid process and other failures to prepare conditions, not least of which was the Town's failure to deliver to MM the required pole licensing in a timely fashion, severely delaying the construction schedule. However, Millennium managed to overcome these challenges and keep the project on target for completion. A disagreement arose when the Town stopped making payments for completed work and refused to pay for additional work outside the initial scope of the contract, which Millennium believed was a breach of the Town's obligations under the construction contract and a violation of Massachusetts public construction statutes governing the project. Only after repeatedly engaging with Town representatives in an effort to resolve the disagreement, Millennium asserted a claim for arbitration, which was the sole dispute mechanism provided in the contract (as opposed to mediation or use of a third party neutral). The Town made a number of unsupported allegations in its counterclaim and in statements to Millennium's surety that were refuted by Millennium. No arbitrator ever decided or ruled on the strength or weakness of any of the



MILLENNIUM COMMUNICATIONS GROUP INC.

allegations made by the parties in the arbitration, because the parties settled their differences, with the Town agreeing to make payments and neither side admitting any liability to the other.

Third, and most significantly, the Report fails to recognize that Millennium and Leverett were able to settle their dispute and proceed with the successful completion of the project. Payment disputes on construction projects are not uncommon; the important question is how the disputes are resolved. Here, they were resolved by settlement, without protracted litigation.

These facts are significant to an evaluation of the Leverett project, and yet they are omitted from MBI's assessment in the Report.

Role of Tilson Technology Management, Inc.

MBI's consultant Tilson provided a negative review of the MM proposal and recommended that MBI favor Comcast with the grant. But Tilson's conclusory comments regarding Millennium's financial condition, its discussion of the Leverett project, and, in particular, its mischaracterization of the dispute resolution process in that project, raise serious questions about the review conducted by Tilson. It is disturbing that Tilson in its review cites allegations made in the Town's arbitration counterclaim without, apparently, reviewing or considering other available information regarding the arbitration proceeding, such as Millennium's initial demand. And Tilson did not at any time seek comment or information from Millennium regarding the Leverett project. Simply put, Tilson's excessive reliance on such one-sided sources of information cannot be the basis for a fair or accurate review of MM's qualifications.

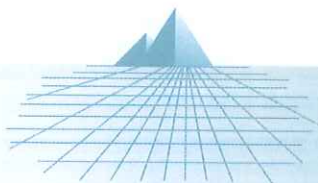
In addition, given its involvement as the owner's project manager on the MassBroadband 123 project (a project that has been the subject of considerable litigation), Tilson's views on such matters may not be completely separable from its own experiences and interests. Tilson states its review is conducted "independently, as Tilson does not have a relationship with Comcast, Matrix, or the towns of Hardwick and Montague." Yet, that statement is not entirely consistent with Tilson's role on the project bringing middle-mile broadband to Hardwick and Montague. Further, as a firm providing broadband network planning, design, construction, and project management services in the Northeast, Tilson is a competitor of MM, with employees who have had direct involvement with MM in past projects. Given these factors, MBI's choice of Tilson to review the MM and Comcast proposals for Montague and Hardwick creates at least the appearance of a conflict of interest, which should have been addressed by MBI.

Support for Matrix and Millennium in Montague and Hardwick

One unfortunate consequence of MBI's recommendation to award the grant to Comcast is that this decision ignores the preferences of the people of Montague and Hardwick who stand to benefit from the broadband expansion projects. The Select Boards of the two towns voted unanimously in February 2016 to approve the plans submitted by MM. Support for MM's plans is based in part on the fact that MM offers better technology to more people (and a greater percentage of the unserved population), while giving the towns more control over the operation of the network. Significantly, when given the choice, Montague and Hardwick did not support Comcast, with whom they have some experience.

Millennium and Matrix appreciate the support they have received from Montague, Hardwick, and other towns in western Massachusetts, and look forward to working cooperatively with these communities in areas where MM's expertise may be helpful.

Failure to Discuss Company History and Plans



MILLENNIUM COMMUNICATIONS GROUP INC.

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The Report fails to discuss the plan put forth by each company. For example, while it briefly discusses the fact that Millennium is not asking for money directly from MBI (instead MBI would be giving money directly to the towns to offset their obligations), the Report suggests that this would be a violation of the grant process. It goes on to state that the grantee needs to be a service provider, which ignores the example of Leverett, where MBI awarded in excess of \$760,000 to the town directly, to offset their make-ready and construction expenses.

The Report fails to mention that MM would be the design build operator on the network for a period of 20 years, after which the network would be turned over to the town for a cost of \$10.00. It also fails to mention that the towns have the ability at any time during the 20 year period to purchase the network at a predetermined figure, decreasing year to year. These aspects of MM's plans, which increase sustainability and would bring obvious benefits to the towns, support MBI's mission of bringing sustainable broadband service to unserved communities.

There is no mention of Comcast's plan, or the amount of money Comcast would be seeking to build the networks. Also absent is any mention of Comcast's reputation in the region, inclusive of their customer service record, items on which MM was apparently judged harshly, despite considerable evidence to the contrary. Lastly, while not disclosed, undoubtedly, the Comcast plan has no path to ownership of the network by the towns, a proposition that has been driven home by past MBI officials as an essential condition of the grant process.

Conclusion

Thank you for your consideration of the matters presented in this response to MBI's report. We welcome the opportunity for constructive dialogue with MBI on these issues as plans for the expansion of broadband service in western Massachusetts continue.

Sincerely,

Ronald M. Cassel
CEO