

# 2016 ANNUAL REPORT



PROVIDING ENTERPRISE  
DATA CENTER, NETWORK & VOICE SERVICES TO  
MICHIGAN BUSINESSES



FIBER

FIXED WIRELESS

HOSTED IP PBX

DATA CENTERS



## COMPANY OVERVIEW

This year, 123Net has celebrated its 20th anniversary! It is our commitment to providing our customers with a superior experience, through our advanced network and dedicated customer service, which set us apart from our competitors and allows us to persevere in the rapidly changing telecommunications environment. Our focus remains on developing the strategies, technologies and talent to continue to provide premium transport, voice, collocation, and fixed wireless services to Michigan businesses.



## PROVIDING ENTERPRISE DATA CENTER, NETWORK & VOICE SERVICES TO MICHIGAN BUSINESSES

### DATA CENTER SERVICES

123Net's owns and operates four Tier 3, world-class, SOC 2/Type 2 / HIPAA / PCI-DSS, SSAE-16 compliant, carrier-neutral data centers; three in Southfield, Michigan and one in Grand Rapids, Michigan.



Dual fiber entrances, an efficient climate controlled environment and generator backed-up facilities guarantee 99.99% Network uptime. Multiple power options include 120V, 208V, single and three phase AC and -48V DC. Dual Ethernet, power feeds and in-cabinet Fast Ethernet are available.

Saleable options include a half cabinet, a full cabinet, or a customer private cage built to suit. The company's High Capacity IP network connects you to multiple global transit carriers including Level 3, Hurricane Electric, Cogent, Verizon, XO, and Comcast.

### NETWORK SERVICES

#### DEDICATED INTERNET

123Net delivers optimal Internet speed, security, and reliability throughout Michigan over a state wide, ring protected, Gigabit fiber network. The connection is managed in-house, assuring high-performance connectivity and an IP backbone that utilizes our BGP blended bandwidth in a carrier neutral format.



#### ETHERNET SERVICES

Ethernet provides a secure, reliable, high-performance environment that helps companies manage their data growth and securely access their network resources. Utilize Ethernet Private Line (EPL) or Virtual Private Line (EVPL).

#### MPLS

123Net's MPLS service is a secure, private networking solution for multi-location businesses delivered over any type of access circuit including fiber, wireless, T1, and EoC.

#### DARK FIBER

123Net's Dark Fiber provides IT staff complete control over network management. Increase speed without incurring additional fees. Secure, scalable and flexible solution that is available through new or existing fiber construction.

### VOICE SERVICES

As a Competitive Local Exchange Carrier, or "CLEC," 123Net provides traditional voice circuit interface with a variety of different PBX systems.



#### HOSTED IP PBX

123Net's Hosted IP PBX provides telephone calls over an IP data network. All conversations are sent as data packets, cutting costs and making management simple. The platform is secured in 123Net's own Tier 3 Data Centers in Southfield and Grand Rapids.



## PROVIDING ENTERPRISE DATA CENTER, NETWORK & VOICE SERVICES TO MICHIGAN BUSINESSES

### PRI

The company's Primary Rate Interface (PRI) service delivers an all-digital signal. The service comes equipped with many popular features and is compatible with virtually all FAX and alarm systems on the market. It supports DID (direct inward dialing) allowing for direct connections to employee's extensions. PRIs offer 23 Bidirectional B-Channels (Bearer) and one D-channel (Data). The D-channel handles signaling and call control requirements while the remaining 23 B-Channels remain free for concurrent voice calls. The PRI is a time tested method of delivering high quality voice to business callers.

### SIP TRUNKING

123Net's SIP product is compatible with most newer digital PBX phone systems that support SIP Trunking. Customers enjoy all of the features and benefits of a PRI at a fraction of the cost. SIP is a 100% TCP/IP product.

### DYNAMIC VOICE SERVICE

Utilize voice and data simultaneously. Bandwidth is dynamically allocated as needed: When voice calls end, additional bandwidth is made immediately available for data, increasing Internet access speeds, while prioritizing voice traffic.

### TRANSPORT

123Net offers high-quality, high-speed Internet connections that can easily be customized to meet the needs of small to large size businesses.

123Net's SONET-protected, 3500 mile, 100G IP fiber optic network connects to global transit carriers including Level 3, Hurricane Electric, Cogent, Verizon, XO, Comcast, and others. The long haul optical network contains more than 90 nodes and uses Wavelength Division Multiplexing (DWDM) technology to maximize bandwidth capacity. Multiple Internet uplinks also provide stable connectivity throughout the network.

### FIBER

123Net's privately owned and managed fiber infrastructure with redundant, self-healing architecture delivers guaranteed 99% availability. 123Net has the infrastructure to transport DS1, DS3, OC-n and Ethernet circuits. The optical ring configuration provides 50ms failover times in the event of a fiber cut.

- Up to 100Gbps Circuits (99.99% SLA)
- MEF standards to deliver Carrier Class Metro Ethernet solutions
- Designed to deliver ultra-low latency connectivity
- Custom diverse entrance builds available
- 3000+ Fiber Route Miles
- 92 Nodes across Michigan
- Dark Fiber Solutions



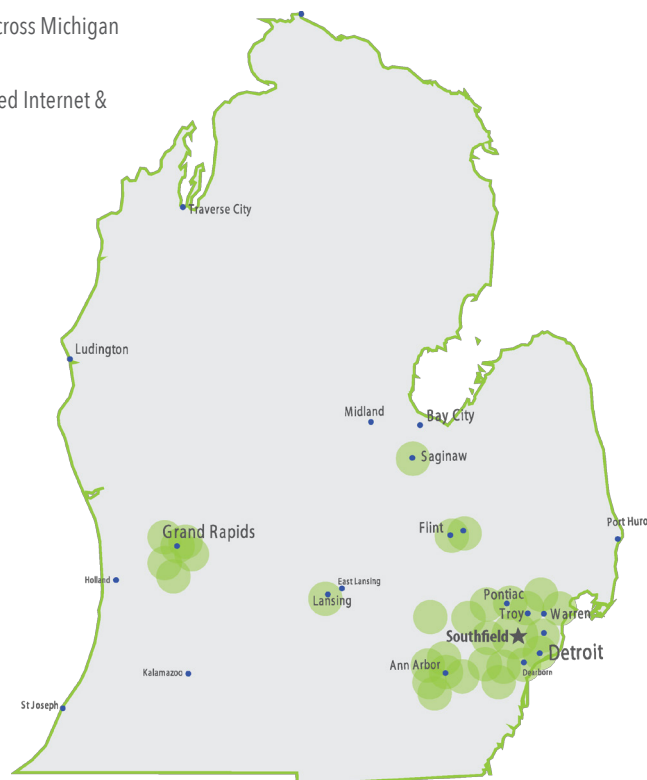
## PROVIDING ENTERPRISE DATA CENTER, NETWORK & VOICE SERVICES TO MICHIGAN BUSINESSES

### FIXED WIRELESS

123Net also offers its own fourth generation fixed wireless network, which delivers dedicated, symmetrical high-capacity bandwidth to businesses and institutions. The network circumvents terrestrial ILEC telephone company infrastructure for optimal reliability, stability and security. It operates exclusively on interference-free FCC licensed frequencies with secure, encrypted paths. In addition to making high capacity bandwidth available to locations previously unserviceable, many of the company's customers utilize this wireless connection for redundant backup.

Fixed Wireless Internet services from 123Net are available in many Metro Detroit areas including Wayne, Macomb, Oakland and Washtenaw County. The technology utilizes MIMO, OFDM, Packet Prioritization and other QoS features that until this point have never been commercially available in Metro Detroit.

- Up to 5Gbps speeds (99.99% SLA)
- 50+ Wireless Point-of-Presence(PoP) sites across Michigan
- 128-bit AES Encrypted data transport
- Primary and backup connectivity for Dedicated Internet & Ethernet Services
- Rapid deployment in 7-14 days
- Emergency/Short term deployments
- Campus Wireless Solutions



## 2016 HIGHLIGHTS

123Net's milestones and exciting announcements begin with the continuation of financial stability and strength. We continue to re-invest in our technology, infrastructure and our team. As the company expands its footprint throughout Michigan, businesses are learning more and more about 123Net's services.



### FINANCIAL STRENGTH

123Net is a privately owned company. This allows us to focus on providing long-term value to customers by having the infrastructure and financial strength to respond quickly and decisively to growth opportunities.

**Increased Revenue and Profits** – Following the company's trend over the last 20 years, revenue has organically increased in 2016. With cost control as a priority, the bottom line has also increased.

**Customer Acquisition** – In 2016, we gained over 150 new customers. Our customer base is broad and includes major social media hosts, Internet Service Providers (ISPs) and IT companies as well as a variety of business enterprises, school systems, universities, hospitals, municipalities.



## 2016 HIGHLIGHTS

## TECHNOLOGY &amp; NETWORK

Our network quality remains a vital competitive advantage, therefore network upgrade and expansion are a high strategic priority. 123Net made significant capital expenditures in 2016 to establish a network that exceeds customer demands.

## TRANSPORT - FIBER &amp; FIXED WIRELESS

- 123Net employs its own fiber construction crew which correlates to faster builds and service turn up. In 2016, we met our goal of significantly expanding our fiber footprint. We added 27 new employees to the fiber department, obtained 4 drills, and acquired 119 new fiber customers.
- We built over 100 miles of fiber throughout Michigan, including, commercially dense areas like Farmington Hills, West Bloomfield, Pontiac, Kentwood, Madison Heights, Warren, Detroit, Wayne, and Taylor. In total, this expansion has increased the 123Net network to 3500+ route miles of fiber in the state.
- Detroit Internet Exchange, a 123Net initiative, has partnered with EdgeConneX to offer additional direct route connectivity with reduced latency to Detroit metro area.

## DATA CENTER

- The main highlight of 2016 was the opening of 123Net's advanced 20,000 sq. ft. data center at 24700 Northwestern Hwy, 123Net's headquarters. The data center offers ultra-efficient technologies to optimize its network, power, security, and cooling capabilities.
- After a rigorous third party review of the company's policies and procedures, 123Net has earned a SOC II Type 2, HIPPA, PCI-DSS compliance during 2016 for all four data centers.
- Google connectivity became available in Detroit in 123Net's data center. We became the host of a node on a large worldwide network.

SOC 2 TYPE 2<sup>™</sup>

## FIXED WIRELESS

- The wireless network was enhanced by investing in several cabinet and network improvements. We added 4 additional Point of Presence Sites (POPs) in Detroit, Shelby Township, Farmington Hills, and Dearborn, bringing the total POPs to 50 sites.
- We deployed the CBNL LMDS network which provides 123Net with the ability to deliver up to 250MB symmetrical service on a licensed PtMP platform. 123Net is the first user of this platform in the state and was 9th overall in the United States.
- 123Net is proud to provide fixed wireless internet services to the Cobo Convention and Exhibition Center in Detroit, which is the largest expo center in Michigan and the home of the North American International Auto Show.

## VOICE

- 123Net became our own Toll Free RESPORG, LRE01, by gaining access to the SOMOS 800SMS database.
- We also added least cost routing to switching platforms and migrated inbound toll free traffic to a new provider.
- Most notably for our customers, we migrated international destinations calls to new provider and have implemented a fraud detection algorithms to prevent fraudulent international traffic.

## 2016 HIGHLIGHTS

### OUR TEAM

123Net encourages teamwork and aligning employee efforts toward a common definition of success; customer loyalty.

### NEW EMPLOYEES

In 2016, 123Net expanded its workforce by hiring 43 employees; the majority to support the growth of the fiber business segment. These functions include project managers, permit specialists, fiber system designers, splicers, foremen and operators.

### COMMUNITY INVOLVEMENT

123Net has participated in hosting Data Center tours for the Detroit IT User Group's Annual Youth in IT Day. The company continues to support the education of Metro Detroit's aspiring students. We also remain committed to our internship program which allows college students to gain real-world experiences. Furthermore, 123Net was a participating TEDx Sponsor. The TEDx Program is designed to help communities, organizations and individuals to spark conversation and connection through local TED-like experiences.

### EMPLOYEE BONUSES

We believe in a culture and environment that is based on employee appreciation. In order to reward our employees, we implemented a performance based bonus.

### AGENTS

123Net has achieved success by recruiting and retaining a strong base of wholesale and agent partners. In 2016, we partnered with 10 new agents.



### RECOGNITION

123Net was named to Metropolitan Detroit's 101 Best and Brightest Companies to Work For by the Michigan Business and Professional Association for the second year in a row.





## LOOKING AHEAD...

- 123Net is positioned to continue its past successes by focusing on growth and re-investment in infrastructure.
- Increased fiber footprint in Michigan.
- Expanding our Data Center facilities in Southfield, as well as, Grand Rapids locations.
- Introducing newer, streamlined technology & services.
- Building out our world-class teams to continue to provide best-in-class support and services to all our customers.



WE LOOK FORWARD TO PROVIDING PREMIER DATA CENTER, NETWORK & VOICE SERVICES TO MICHIGAN BUSINESSES.