ATTN: Richard Laager Midwest Internet Cooperative Exchange, LLC c/o Cologix 511 11<sup>th</sup> Ave S #450 Minneapolis, MN 55411

ATTN: Ms. Gaiser Room 4520 Group 7821 Internal Revenue Service Exempt Organizations PO Box 2508 Cincinnati, OH 45201

Fax: 855-202-6940

July 21, 2017

Ms. Gaiser:

Below is my response to your information request letter, dated June 27, 2017.

My understanding from our phone call on June 27 is that the IRS intends to deny a 501(c)(6) application and asks us to reclassify under 501(c)(12). I have attached the updated forms accordingly.

If any of my response is unclear or you have any further questions, please do not hesitate to contact me.

Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts relating to the request for information, and such facts are true, correct, and complete.

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Richard Laager Chief Manager Midwest Internet Cooperative Exchange

Form **1024** (Rev. September 1998) Department of the Treasury Internal Revenue Service OMB No. 1545-0057

If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully. A User Fee must be attached to this application.
If the required information and appropriate documents are not submitted along with Form 8718 (with paymen
of the appropriate user fee), the application may be returned to the organization.

### Complete the Procedural Checklist on page 6 of the instructions.

Part I. Identification of Applicant (Must be completed by all applicants; also complete appropriate schedule.) Submit only the schedule that applies to your organization. Do not submit blank schedules.

Check the appropriate box below to indicate the section under which the organization is applying:

- a Section 501(c)(2)—Title holding corporations (Schedule A, page 7)
- b Section 501(c)(4)—Civic leagues, social welfare organizations (including certain war veterans' organizations), or local associations of employees (Schedule B, page 8)
- c 🔲 Section 501(c)(5)—Labor, agricultural, or horticultural organizations (Schedule C, page 9)
- d 🔲 Section 501(c)(6)—Business leagues, chambers of commerce, etc. (Schedule C, page 9)
- e Section 501(c)(7)—Social clubs (Schedule D, page 11)
- f 🔲 Section 501(c)(8)—Fratemal beneficiary societies, etc., providing life, sick, accident, or other benefits to members (Schedule E, page 13)
- g 🔲 Section 501(c)(9)—Voluntary employees' beneficiary associations (Parts I through IV and Schedule F, page 14)
- h 🗌 Section 501(c)(10)—Domestic fratemal societies, orders, etc., not providing life, sick, accident, or other benefits (Schedule E, page 13)
- i Section 501(c)(12)—Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations (Schedule G, page 15)
- i Section 501(c)(13)—Cemeteries, crematoria, and like corporations (Schedule H, page 16)
- k Section 501(c)(15)—Mutual insurance companies or associations, other than life or marine (Schedule I, page 17)
- I Section 501(c)(17)-Trusts providing for the payment of supplemental unemployment compensation benefits (Parts I through IV and Schedule J, page 18)
- m 🔲 Section 501(c)(19)—A post, organization, auxiliary unit, etc., of past or present members of the Armed Forces of the United States (Schedule K, page 19)
- n Section 501(c)(25)—Title holding corporations or trusts (Schedule A, page 7)

1a	Full name of organization (as shown in org	2 Employer identification nur none, see Specific Instruct	nber (EIN) ( : <b>tions</b> on p	if age 2)		
	Midwest Internet Cooperative Excha	27 3681095				
1b	c/o Name (if applicable)			3 Name and telephone number contacted if additional infor		
	C/O Cologix					
1c	Address (number and street) 511 11th Avenue S		Room/Suite <b>450</b>	Richard Laager		
1d	City, town or post office, state, and ZIP + Instructions for Part I, page 2.	4 If you have a foreign addr	ess, see <b>Specific</b>			
	Minneapolis, MN 55411			(218)436-5203		
1e	Web site address www.micemn.net	4 Month the annual accou December	Inting period ends	5 Date incorporated or for 09/20/2010		
6	Did the organization previously apply for reco If "Yes," attach an explanation.	gnition of exemption under this C	ode section or under	any other section of the Code?	2 Yes	No
7	Has the organization filed Federal income If "Yes," state the form numbers, years fil	tax retums or exempt organiz ed, and Internal Revenue offic	ation information re e where filed.	turns? .	☐ Yes	No No
8	Check the box for the type of organization THE APPLICATION BEFORE MAILING.	on. ATTACH A CONFORMED	COPY OF THE COP	RESPONDING ORGANIZING	DOCUME	NTS TO
a	Corporation— Attach a copy of the appropriate state office	Articles of Incorporation (inclue cial; also attach a copy of the		nd restatements) showing app	roval by th	e
b		Trust Indenture or Agreement,				
c	other evidence that the	rticles of Association, Constituti e organization was formed by a	on, or other creating loption of the docurr	document, with a declaration (spectrum) and the second sec	see instructi Also include	ions) or a copy
	of the bylaws. If this is a corporation or an unincorporat	od accordiation that has not ve	t adopted bylaws c	heck here		
	I declare under the penalties of periup	that I am authorized to sign this	application on behalf o	f the above organization, and that	I have exam	ined
	this application, neluding the accomp	anying schedules and attachments	, and to the best of m	y knowledge it is true, correct, and	i complete.	
SIG		Cł	nief Manager	<u></u> Э	017-0	>7-2
HEF		(Ту	pe or print name and t	itle or authority of signer)	(Date)	
*********						

For Paperwork Reduction Act Notice, see page 5 of the instructions.

Cat. No. 12343K

### Part II. Activities and Operational Information (Must be completed by all applicants)

1 Provide a detailed narrative description of all the activities of the organization-past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

MICE, the Midwest Cooperative Internet Exchange, was formed in 2010. MICE is a volunteer-run Internet exchange point (IX or IXP). Running the IX is MICE's sole activity. Members donate their time and skills to configure, maintain, upgrade, and troubleshoot the equipment. Members maintain the mailing list and update the website.

An IX consists of infrastructure (these days, Ethernet switches) to which many different networks connect to exchange traffic. These networks can be of any type: commercial Internet Service Providers (ISPs) serving customers, individual businesses, government entities, educational institutions, etc. An IX allows these networks to exchange traffic with each other.

The defining characteristic of the Internet is that it consists of inter-network connections. An IX allows many networks to connect to each other through the same infrastructure, which is significantly more efficient than networks connecting to each other individually. An IX levels the playing field a bit, as it effectively aggregates small networks. That is, a large network might not see value in peering with an individual small network, but they can see value in peering with many small networks at once. Both the small networks and and the large networks, and all of their end users, benefit in this arrangement.

All but the very largest networks have to buy "transit". This is the term for when a network connects to another, typically larger, network and pays them to transport traffic. An IX allows networks to reduce the amount of transit they have to purchase, thus reducing their cost.

Without an IX, there would be fewer connections. An IX thus increases the reliability and resiliency of the Internet,

benefiting the public at large. If there are fewer connections, those connections will (on average) be farther apart geographically. Imagine two people are at their homes or businesses. They are exchanging traffic with each other. This traffic could be anything. They might be playing a game, using video chat, or sharing files with each other. They might be across the street from each other. But, depending on their ISPs, the traffic could have to cross multiple states. In the formation of MICE, this was described as "the Chicago problem". Traffic from one Minnesota ISP to another Minnesota ISP often had to go through Chicago. With an IX in Minneapolis, the traffic takes a shorter route. A shorter route means it gets there faster with less chance of congestion. Faster is important for some types of traffic, like video games. Avoiding congestion is important for real-time traffic. Congestion causes things like video tiling and audio calls breaking up.

Avoiding congestion is also important for high-bandwidth applications like video streaming. Content providers such as Netflix, Google, Akamai, etc. are examples of networks that connect to MICE. By avoiding congestion, they provide consumers a better experience.

An IX creates a virtuous cycle. As more networks with end users connect, the IX becomes more attractive for content providers. As more content providers connect, the IX becomes more attractive for networks with end users. The more networks that connect to the IX, the more everyone wins.

The equipment of MICE was donated. Originally, this consisted of a single switch, but now MICE has three switches. The switches reside in rack space at the 511 Building, a carrier hotel in Minneapolis, MN. A carrier hotel is a building where many networks connect. The rack space, electrical power, and cooling are donated by the datacenter operator. MICE also operates two servers in the rack, which facilitate networks exchanging routing information.

MICE also allows for "remote switches", or "extensions". These are switches which connect to MICE's switches, but are operated by other entities in different locations. The current remote switches are all in the same building, but more than one entity is in the process of setting up switches in other buildings. This effort expands the networks who can participate at the IX.

MICE has an active email discussion list, where members can communicate with each other. MICE holds quarterly meetings of the membership with in-person and remote call-in options. Annually, at a membership meeting, the membership elects an unpaid board of directors (on staggered 3-year terms). Member lists, meeting minutes, and other documents are available at: http://www.micemn.net

2 List the organization's present and future sources of financial support, beginning with the largest source first.

In kind donation of space and power - Cologix

In kind donation of hardware - Cooperative Network Services, Juniper, Arcustech, ipHouse, Minnesota VoIP, NU-Telecom, Jeremy Lumby, Compudyne, Arista A more detailed list of donations is available at: http://www.micemn.net/donations.html

Starting in 2017, MICE charges port fees for those connecting directly to our core switches, as outlined at: http://micemn.net/services.html

### Part II. Activities and Operational Information (continued)

**3** Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.	<b>b</b> Annual compensation
Reid Fishler, Director, 2417 Jericho Tpke, Suite 321, Garden City Park, NY 11040	0
Richard Laager, Chief Manager, 1111 Oakland Park Road, Thief River Falls, MN 56701	0
Jason Hanke, Director, 320 East Liberty Street, Mankato, MN 56001	0

- 4 If the organization is the outgrowth or continuation of any form of predecessor, state the name of each predecessor, the period during which it was in existence, and the reasons for its termination. Submit copies of all papers by which any transfer of assets was effected.
  NA
- 5 If the applicant organization is now, or plans to be, connected in any way with any other organization, describe the other organization and explain the relationship (e.g., financial support on a continuing basis; shared facilities or employees; same officers, directors, or trustees).
  NA
- 6 If the organization has capital stock issued and outstanding, state: (1) class or classes of the stock; (2) number and par value of the shares; (3) consideration for which they were issued; and (4) if any dividends have been paid or whether your organization's creating instrument authorizes dividend payments on any class of capital stock.

NA

7 State the qualifications necessary for membership in the organization; the classes of membership (with the number of members in each class); and the voting rights and privileges received. If any group or class of persons is required to join, describe the requirement and explain the relationship between those members and members who join voluntarily. Submit copies of any membership solicitation material. Attach sample copies of all types of membership certificates issued.

A member shall operate an internet protocol network which has an approved direct or indirect connection to MICE switches or be an operator of approved equipment with an indirect connection or an operator of a co-location data center.

8 Explain how your organization's assets will be distributed on dissolution.

Upon the winding up and dissolution of the Company, the assets of the Company remaining after payment of, or provision for payment of, all debts and liabilities of the Company shall be distributed to all who were members, in proportion to the amount of business done with each, so far as practical.

# Part II. Activities and Operational Information (continued)

	•		
9	Has the organization made or does it plan to make any distribution of its property or surplus funds to shareholders or members?	✓ Yes its member	
10	Does, or will, any part of your organization's receipts represent payments for services performed or to be performed? . If "Yes," state in detail the amount received and the character of the services performed or to be performed. MICE operates an Internet exchange, which allows members to communicate with each other. Startin charge port fees. Port fees assessed total \$41,255 with \$30,810 of that having been received.	✔ Yes g in 2017,	No Ne
11	Has the organization made, or does it plan to make, any payments to members or shareholders for services performed or to be performed?	Yes	V No
12	Does the organization have any arrangement to provide insurance for members, their dependents, or others (including provisions for the payment of sick or death benefits, pensions, or annuities)?	Yes	✓ No
13	Is the organization under the supervisory jurisdiction of any public regulatory body, such as a social welfare agency, etc.?	🗌 Yes	V No
14	Does the organization now lease or does it plan to lease any property?	🗌 Yes	No No
15	Has the organization spent or does it plan to spend any money attempting to influence the selection, nomination, election, or appointment of any person to any Federal, state, or local public office or to an office in a political organization? If "Yes," explain in detail and list the amounts spent or to be spent in each case.	Yes	✓ No
16	Does the organization publish pamphlets, brochures, newsletters, journals, or similar printed material?	🗹 Yes	🗌 No

# Part III. Financial Data (Must be completed by all applicants)

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

		<b>(a)</b> Curr	ent Tax Year	3 Prior Tax Years	or Proposed Budge	t for Next 2 Years	
	Revenue	From To	<u>January</u> July	(b) 2016	(c) 2015	(d) 2014	<b>(e)</b> Total
1	Gross dues and assessments of members						
2	Gross contributions, gifts, etc		250	2,400	3,000	250	5,900
3	Gross amounts derived from activities related to the organization's exempt purpose (attach schedule) (Include related cost of sales on line 9.) Gross amounts from unrelated business activities (attach schedule)		38,005				38,005
5	Gain from sale of assets, excluding inventory items (attach schedule)						
6	Investment income (see page 3 of the instructions)						
7	Other revenue (attach schedule).						
8	Total revenue (add lines 1 through 7)		38,255	2,400	3,000	250	43,905
	Expenses						
9	Expenses attributable to activities related to the organization's exempt purposes		301	835	2,477	2,286	5,899
10	Expenses attributable to unrelated business activities						
11	Contributions, gifts, grants, and similar amounts paid (attach schedule).						
12	Disbursements to or for the benefit of members (attach schedule)						
13	Compensation of officers, directors, and trustees (attach schedule)						
14	Other salaries and wages.						
15	Interest						
16	Occupancy						
17	Depreciation and depletion						
18	Other expenses (attach schedule)		001				
19	Total expenses (add lines 9 through 18)		301	835	2,477	2,286	5,899
20	Excess of revenue over expenses (line 8 minus line 19)		37,954	1,565		-2,036	38,006

# **B.** Balance Sheet (at the end of the period shown)

	Assets		nt Tax Year <b>July</b>
1		1	34,327
2	Accounts receivable, net	2	10,445
3		3	
4	Bonds and notes receivable (attach schedule)	4	
5	Corporate stocks (attach schedule).	5	
6	Mortgage loans (attach schedule)	6	
7	Other investments (attach schedule)	7	
8	Depreciable and depletable assets (attach schedule)	8	
9	Land	9	
10	Other assets (attach schedule)	10	
11	Total assets	11	44,772
	Liabilities		
12	Accounts payable	12	
13	Contributions, gifts, grants, etc., payable	13	
14	Mortgages and notes payable (attach schedule)	14	
15	Other liabilities (attach schedule)	15	
16	Total liabilities.	16	0
	Fund Balances or Net Assets		
17	Total fund balances or net assets	17	44,772
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18	44,772
	If there has been any substantial change in any aspect of the organization's financial activities since the end of the period check the box and attach a detailed explanation.		

# Schedule G Organizations described in section 501(c)(12) (Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations)

- 1 Attach a schedule in columnar form for each tax year for which the organization is claiming exempt status. On each schedule:
- **a** Show the total gross income received from members or shareholders.
- **b** List, by source, the total amounts of gross income received from other sources.
- 2 If the organization is claiming exemption as a local benevolent insurance association, state:
- **a** The counties from which members are accepted or will be accepted.

### NA

- b Whether stipulated premiums are or will be charged in advance, or whether losses are or will be paid solely through assessments.
   NA
- **3** If the organization is claiming exemption as a "like organization," explain how it is similar to a mutual ditch or irrigation company, or a mutual or cooperative telephone company.

MICE operates an Internet exchange, which allows various Internet Protocol networks to communicate with each other.

The Internal Revenue Service has determined administrively that "Internet access" is exempt under 501(c)(12). See IRM 7.25.12.9.2 (08-09-2006): https://www.irs.gov/irm/part7/irm\_07-025-012.html

4	Are the rights and interests of members in the organization's annual savings determined in proportion to their business with it?	🖌 Yes	🗌 No
	If "Yes," does the organization keep the records necessary to determine at any time each member's rights and interests in such savings, including assets acquired with the savings?	🖌 Yes	🗌 No

5 If the organization is a mutual or cooperative telephone company and has contracts with other systems for long-distance telephone services, attach copies of the contracts.

# Instructions

Mutual or cooperative electric or telephone companies should show income received from qualified pole rentals separately. Mutual or cooperative telephone companies should also show separately the gross amount of income received from nonmember telephone companies for performing services that involve their members and the gross amount of income received from the sale of display advertising in a directory furnished to their members.

Do not net amounts due or paid to other sources against amounts due or received from those sources.

	2017	2016	2015	2014	2013	2012	TOTAL
Ordinary Income/Expense							
Income							
Annual Port Fees							
100G Port	10,927.40	0.00	0.00	0.00	0.00	0.00	10,927.40
10G Port	27,077.41	0.00	0.00	0.00	0.00	0.00	27,077.41
Total Annual Port Fees	38,004.81	0.00	0.00	0.00	0.00	0.00	38,004.81
Contributions							
Member	250.00	2,100.00	3,000.00	250.00	0.00	14,100.00	19,700.00
Non-Member	0.00	300.00	0.00	0.00	0.00	0.00	300.00
Total Contributions	250.00	2,400.00	3,000.00	250.00	0.00	14,100.00	20,000.00
Total Income	38,254.81	2,400.00	3,000.00	250.00	0.00	14,100.00	58,004.81
Expense							
Business Expenses							
Legal & Accounting	0.00	0.00	2,457.00	1,978.50	0.00	0.00	4,435.50
<b>Business Registration Fees</b>	300.00	756.00	0.00	300.00	0.00	0.00	1,356.00
Total Business Expenses	300.00	756.00	2,457.00	2,278.50	0.00	0.00	5,791.50
Operations							
Equipment/Support	0.00	0.00	0.00	0.00	1,502.77	0.00	1,502.77
Merchant/Bank Service Fees	1.00	70.20	20.00	7.55	0.00	0.00	98.75
Supplies	0.00	8.55	0.00	0.00	0.00	0.00	8.55
Other	0.00	0.00	0.00	0.00	9,359.16	0.00	9,359.16
Total Operations	1.00	78.75	20.00	7.55	10,861.93	0.00	10,969.23
Total Expense	301.00	834.75	2,477.00	2,286.05	10,861.93	0.00	16,760.73
Net Ordinary Income (Profit Margin)	37,953.81	1,565.25	523.00	-2,036.05	-10,861.93	14,100.00	41,244.08

## Contributions

Minnesota VoIP

\$250

## Port Fees

Customer	Port	Amount	Paid	Member
5 Nines	1G Port	\$0	\$0	Y
Acentek	10G Port	\$250	\$250	Y
Advanced Integrated Tech	1G Port	\$0	\$0	Y
Airstream	10G Port - 2	\$1,250	\$1,250	Y
Akamai	10G Port - 3	\$3,000	\$3,000	Y
mazon	10G Port - 2	\$1,250	\$1,250	Y
rvig	10G Port - 2	\$1,250	\$1,250	Y
tomic Data	1G Port	\$0	\$0	Y
roadband Visions	10G Port	\$250	\$250	Y
DW/Berbee	1G Port	\$0	\$0	Y
harter	10G Port	\$250	\$250	Y
laimLynx	1G Port	\$0	\$0	Y
loudflare	10G Port - 2	\$1,250	\$1,250	Y
NS	10G Port - 3	\$2,250	\$2,250	Y
ode42	10G Port	\$250	\$250	Y
ompudyne	10G Port	\$250	\$250	Y
onsolidated Communications	10G Port	\$250	\$250	Y
akota Carrier Network	10G Port	\$250	\$250	Y
ataBank	10G Port	\$250		Y, once connected
mergent Networks	10G Port	\$250	\$250	Y
astly	10G Port - 2	\$1,250		Y
igamonster	10G Port	\$133	\$133	Y, once connected
oogle	10G Port - 6	\$5,025		Y
reat Plains Communications	10G Port - 2	\$1,250	\$1,250	Y
BC	10G Port	\$250	\$250	Y
СМС	10G Port	\$250	\$250	Y
oyos Consulting	10G Port	\$250	\$250	Y
urricane Electric	10G Port - 2	\$1,250	\$1,250	Y
nplex	1G Port	\$0	\$0	Y
itegra Telecom	10G Port	\$250		Y
trovex	1G Port	\$0	\$0	Y, once connected
House	1G Port	\$0	\$0	Y
/Desk	1G Port	\$0	\$0	Y
aguar Communications	10G Port	\$250	\$250	Y

Limelight Networks	10G Port	\$250		
Long Linos	10C Dort		¢250	Y
Long Lines	10G Port	\$250 \$250	\$250 \$250	Y
LTD Broadband	10G Port	\$250	\$250	Y
Visionary Communications (formerly Mammoth)	10G Port	\$250	<b>*~-~</b>	Y
Mankato Networks	10G Port	\$250	\$250	Y
North Star Fiber (formerly MDU Ethernet)	1G Port	\$0	\$0	Y
Minnesota VoIP	10G Port	\$250	\$250	Y
Netflix	100G Port - 2	\$6,000	\$6,000	Y
Neutral Path Comm	10G Port - 2	\$1,250	\$1,250	Y
Nextera	1G Port	\$0	\$0	Y
Northern Lights GigaPoP	10G Port - 3	\$2,250	\$2,250	Y
NU-Telecom	10G Port	\$250	\$250	Y
OneNet USA	1G Port	\$0	\$0	Y
inteliquent (formerly Onvoy Voice)	10G Port	\$250	\$250	Y
Paragon	1G Port	\$0	\$0	Y
Radio Link Internet	10G Port	\$250	\$250	Y
Savage Communications	10G Port	\$250	\$250	Y
South Dakota Networks	10G Port	\$250	\$250	Y
Supranet	1G Port	\$0	\$0	Y
TDS	10G Port	\$250		Y
Unggoy Broadband	10G Port	\$250	\$250	Y
University of Wisconsin	10G Port	\$250	\$250	N (per WI state law)
US Internet	10G Port	\$250	\$250	Y
US Internet	100G Port	\$1,927	\$1,927	Y
Vast Broadband	10G Port	\$250	\$250	Y
Velocity Telephone	1G Port	\$0	\$0	Y
Verizon Digital Media Services	10G Port - 2	\$1,250		Y, once connected
Verus Corporation	1G Port	\$0	\$0	Y
OneNeck (formerly VISI)	1G Port	\$0	\$0	Y
Wikstrom Telephone Company	10G Port	\$250	\$250	Y
Yahoo!	10G Port - 2	\$1,250		Y
Yomura Corporation	10G Port	\$169		Y
Zayo	10G Port	\$250		Y
2		\$41,255	\$30,810	-

Open IX Inc	\$300.00
Hoyos Consulting	\$2,100.00
	\$2,400.00

US Internet	\$1,000.00
Hurricane Electric	\$1,000.00
Arvig	\$1,000.00
	\$3,000.00

TDS Telecom

\$250.00 \$250.00

Cologix	\$5,000.00
SDN	\$5,000.00
Paul Bunyan Comm	\$500.00
CNS	\$500.00
Arvig	\$3,100.00
	\$14,100.00