

# LEARN

LONESTAR EDUCATION AND RESEARCH NETWORK

## Annual Report September 2010

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# *LEARN Member Organizations*

*Baylor College of Medicine*

*Baylor University*

*Lamar University*

*National Weather Service*

*Northeast Texas Consortium*

*Prairie View A&M University*

*Rice University*

*Sam Houston State University*

*Southern Methodist University*

*Stephen F. Austin State University*

*Texas A&M Health Science Center*

*Texas A&M University*

*Texas A&M University - Corpus Christi*

*Texas A&M University System*

*Texas Association of Community Colleges*

*Texas Christian University*

*Texas Education Telecommunications Network*

*Texas State University - San Marcos*



*Texas Tech University*

*Texas Tech University System*

*Texas Woman's University*

*University of Houston System*

*University of North Texas System*

*University of Texas - Pan American*

*University of Texas at Arlington*

*University of Texas at Austin*

*University of Texas at Dallas*

*University of Texas at El Paso*

*University of Texas at San Antonio*

*University of Texas Health Science Center at Tyler*

*University of Texas Health Science Center at Houston*

*University of Texas Health Science Center at San Antonio*

*University of Texas MD Anderson Cancer Center*

*University of Texas Medical Branch*

*University of Texas Southwestern Medical Center*

*University of Texas System*



# 2010 Executive Committee



*Chair:*

*Maurice Leatherbury  
University of North Texas System*



*Executive Director:*

*Mike Phillips  
LEARN*



*Secretary:*

*Marg Knox  
University of Texas System*



*Treasurer and Chair of  
Finance Committee:*

*Suzanne Montague  
University of Texas at Arlington*



*Chair Elect:*

*Kamran Khan  
Rice University*



*Past Chair 2009:*

*C. Van Wyatt  
Texas State University - San  
Marcos*



*Chair of Governance and  
Participation Committee:*

*Stephen Riter  
University of Texas at El Paso*



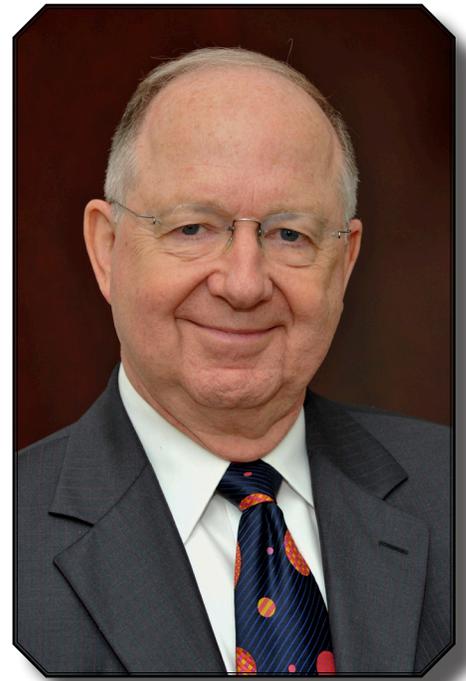
*Chair of Operations and  
Services Committee:*

*Pierce Cantrell  
Texas A&M University*



# *Letter from the Chair*

*Maurice Leatherbury*  
*University of North Texas System*



On behalf of the LEARN Board of Directors, I'm pleased to present the organization's Annual Report for 2010. Building on the strong foundation that LEARN built in its first seven years of existence, our statewide consortium of educational institutions and affiliated organizations continued to expand the reach of its 3,000-mile network as well as the relationships with the educational, public service, and research institutions throughout Texas as well as with other nearby regional research networks over the past year. LEARN now connects over 93% of the students in public higher education in Texas and over 58% of all students in higher education in the state. In addition to the higher education institutions that LEARN serves, our network also connects over 400 independent school districts in the state.

LEARN now has 36 members, including the recently-added National Weather Service Regional Office in Ft. Worth, and its network reaches from El Paso to Beaumont and from Brownsville to Lubbock. LEARN is truly a state treasure that provides a critical resource for Texas' economic, educational, and cultural future.

Some highlights of LEARN's accomplishments in the past year are our hosting of the Internet2 Fall Member Meeting in San Antonio, our Executive Director's leadership role in national organizations such as National LambdaRail and The Quilt, our growing importance to regional networking in the Southwest and South through our alliances with sister regional optical networks in surrounding states, and our fostering of several efforts that led to federal grants that will expand Internet access through community anchor institutions to citizens across the state.

LEARN's primary mission is to serve the research and educational missions of our member organizations, and that mission is being accomplished through the strong ties that have been forged through the years as we've developed a robust and reliable data network. Indicative of the behind-the-scenes things that LEARN does to support the research and education mission is our sponsorship of the Identity Management Federation of Texas, an effort that is crucial for the seamless sharing of computing resources among our member institutions. The IdMF allows a researcher in one institution, for example, to log into a computer on a different campus by using the familiar user ID and password that he/she uses on his or her home campus. In short, LEARN enables more than just passing bits across fiber optic lines across Texas and the world.

We are very proud of our accomplishments and I personally want to thank the entire LEARN Board and staff for their diligent efforts to improve the state of networking and collaboration in Texas.

# *Letter from the Executive Director*

*Mike Phillips*  
**LEARN**



As our Annual Report reflects, LEARN is an important strategic asset that brings a world of opportunity to Texans. LEARN's accomplishments are a result of the vision and collaborative nature of our members, public and private sector partners, and colleagues. Although we have a history of accomplishment, our focus remains on the current and future needs of the students, faculty, researchers and the public we serve.

During the past year, in support of the public service element of our mission, we entered into a new partnership with the National Weather Service. We are excited to welcome the National Weather Service as a member of LEARN. This new partnership is important to providing critical weather forecasts and warnings that foster a safe, healthy and weather-wise society.

The North Texas GigaPop merged with LEARN during the past year. The merger aligns a number of organizations in the Dallas – Ft. Worth metroplex with LEARN to create operational and administrative efficiencies that leverage resources to support network enabled services that meet the needs of Texans.

Supporting partnerships with colleagues outside of Texas was a significant part of our efforts during the past year. We continued our leadership and support of national organizations such as Internet2, National Lambda-Rail, The Quilt, StateNets, and the InCommon Federation. Last fall, we were honored to host the Internet2 Fall Member Meeting in San Antonio. This conference brought people together from around the world to share ideas, to learn from one another, and collaborate. Hosting this important meeting brought recognition and prestige to Texas. This year, we also developed exciting new partnerships with other regional optical networks to develop and align services that support our mutual needs in Texas, Arkansas, Oklahoma, Louisiana, Alabama, and Georgia. Additionally, we were selected to play an important role in establishing the AmLight Central corridor between the United States and Mexico that is a critical part of connecting the research and education networks in the Western Hemisphere.

During the past year, the National Telecommunications and Information Administration (NTIA) administrated the national Broadband Technology Opportunity Program (BTOP) grant program to expand the availability of broadband infrastructure in support of the National Broadband Plan. LEARN was represented on the Texas Broadband Task Force created by the Department of Agriculture, which was designated by the Governor as the coordinating entity in Texas. The NTIA has funded a number of projects that will support the broadband needs of Texas. These projects represent a significant investment and an opportunity to align mutual interests with our partners to support the broadband needs of Texas for many years to come.



# LEARN Overview & History

The Lonestar Education And Research Network (LEARN) is a consortium of 36 organizations throughout Texas that includes public and private institutions of higher education, community colleges, the National Weather Service, and K-12 public schools. The consortium, organized as a 501(c)(3), connects these organizations, and over 500 affiliated organizations, together with high performance optical network services to support their research, education, healthcare and public service missions. LEARN is also a part of a national community of research optical networks, and provides Texas connectivity to the national and international research and education networks.

## Creating LEARN

In 2003, a series of meetings were held to forge a shared vision concerning the value of creating a unifying high performance optical network for higher education in Texas. Despite the significant challenges that lay ahead, a consensus soon emerged among higher education leaders that it was strategically important to create an organization dedicated to high performance networking in Texas.

In the summer of 2003, the Texas Legislature endorsed the concept of providing the initial investment of \$7.5 million dollars to construct the proposed optical network for Texas. The legislature also endorsed the concept of funding a \$2.5 million proposal to develop a grid computing collaborative among the five universities in the Texas Internet Grid for Research and Education (TIGRE). While both projects were authorized by the Legislature, the grants were to be awarded under the auspices of the Texas Enterprises Fund (TEF), if authorized by the Governor, Lieutenant Governor and the Speaker of the House.

In the fall of 2003, it was decided to use the Texas GigaPoP as the 501(c)(3) structure for the new statewide organization that later became LEARN. In January 2004, the officers of the new organization were installed at a Board meeting on the Southern Methodist University campus in Dallas. The new organization was officially named "LEARN: Lonestar Education And Research Network". Therefore, at that meeting, LEARN was created with a 30 member Board of Directors.

During 2004, LEARN worked with the offices of the Governor, Lieutenant Governor, Speaker of the House and the Department of Information Resources (DIR) as they studied the merit of authorizing a TEF grant for the optical network project. In the fall of 2004, the elected leadership offices announced that the State of Texas would support funding a TEF grant. The TEF grant provided the initial capital funds to acquire dark fiber and equipment or leased wavelengths for a "triangle" backbone connecting, Dallas, College Station, Houston, San Antonio and Austin with additional connections to El Paso, Lubbock, Denton, Tyler/Longview, Beaumont, Galveston and Corpus Christi.

### *LEARN's Vision*

*To be the premier organization providing advanced network services for research, education, health care and economic development throughout Texas. LEARN will be a national model for organizations that serve institutions of higher education. We will provide leadership in creating global networking initiatives.*

On February 28, 2005, the Governor signed the TEF grant agreement to provide \$7.28 million in funding for the optical network project. LEARN now had the organizational, political and financial means to begin deploying the optical network for Texas.



*Clair Goldsmith, who played an important role in creating LEARN, was honored by the LEARN Board of Directors in June.*

## Organization & Governance

LEARN's Board of Directors manages the overall affairs of the corporation. Committees of the Board have been formed to oversee specific areas of LEARN. The standing committees of the Board include: Finance, Governance and Participation, and Operations and Services. Additionally, an Audit Committee consisting of three Board members and an independent advisor monitors the activities of the annual independent audit. The Board also creates ad hoc committees of the Board, as necessary.

Within the authority delegated by the Board, the Executive Committee develops the Board agendas and conducts the affairs of LEARN, between meetings of the Board. The Executive Committee is comprised of the elected officers of the corporation and the Chairs of the three standing committees. The elected officers of LEARN include: the Executive Director, Chair, Chair Elect, Past Chair, Treasurer and Secretary. Other than the Executive Director, the officers are elected from the members of the Board of Directors.

The day-to-day business of LEARN is managed by the Executive Director of the corporation, who is elected by the Board and serves at their pleasure. The Executive Director employs and supervises a professional technical and administrative staff to conduct and manage operations.

The Technical Advisory Group (TAG) is comprised of representatives, with extensive technical expertise, from our member institutions. TAG members are appointed by the LEARN Board member from the institution they represent. The TAG Chair is elected by the TAG members. TAG is an advisory body to the Board, Executive Director and LEARN's Chief Technologist. TAG serves an important role in helping shape LEARN's infrastructure, operations and portfolio of services.

## Network Infrastructure

In collaboration with the public and private sector, LEARN's network spans over 3,000 miles across Texas. LEARN is built on dense wavelength division multiplexing (DWDM) optical technology. This technology provides the capability to transport multiple high capacity signals over a shared optical fiber by using the different color wavelengths of a laser light. DWDM is a state-of-the-art technology that is very scalable and permits LEARN to leverage the initial investment by adding additional capacity at marginal costs.

LEARN is built on agreements with the private sector that provide the long-term use of optical dark fibers and/or long term leases of optical wavelength capacity. When dark fiber is conveyed via an indefeasible right to use (IRU) agreement, LEARN provides the infrastructure to "light" the fiber and can add additional capacity, as needed. In wavelength capacity agreements, the service provider provides the infrastructure and bandwidth under the terms and conditions of the agreement.



*Akbar Kara  
LEARN Chief Technologist*



*Willis Marti  
Chair, Technical Advisory  
Group (TAG)*



*Points of presence are strategically located throughout Texas to provide customers with access to LEARN.*



## Membership & Network Services

Each of the member institutions of LEARN pays \$22,000 per year in dues, which funds the general administration of LEARN. Members are entitled to appoint an individual to the Board of Directors and to acquire network services from LEARN at member rates.

Network services are enabled based on the needs of individual members and collaborations among our members. Unlike the membership dues, network services are funded by the members who consume the services. Network service rates are set at levels to enable and sustain current and future network requirements. Network services include:

- Layer 1 Transport Services Between LEARN Points of Presence (POP),
- Switched Layer 2 Services,
- Routed Layer 3 Services,
- Connection Gateways to the National LambdaRail and Internet2 National Research and Education Networks,
- Colocation Services at LEARN Facilities, and
- Commodity Internet Services.



*The Technical Advisory Group assists LEARN in designing our technology infrastructure.*

To support our commodity Internet service offering, LEARN has received a Service Provider Identification Number (SPIN) with the Universal Service Administration Company. Acquiring a SPIN number permits our school, library, and rural health customers to receive significant discounts, they are eligible to receive through the Universal Services Fund.

The Board and the staff are committed to ensuring LEARN remains a customer focused organization. Enhancing our portfolio of services is a cornerstone of the strategic priorities, which are guiding our current initiatives. There is a broad consensus among our members that continuing to expand the scope of services, which are available from LEARN, creates operational efficiencies, provides additional options for customers, supports collaboration, and enhances the overall value of LEARN.



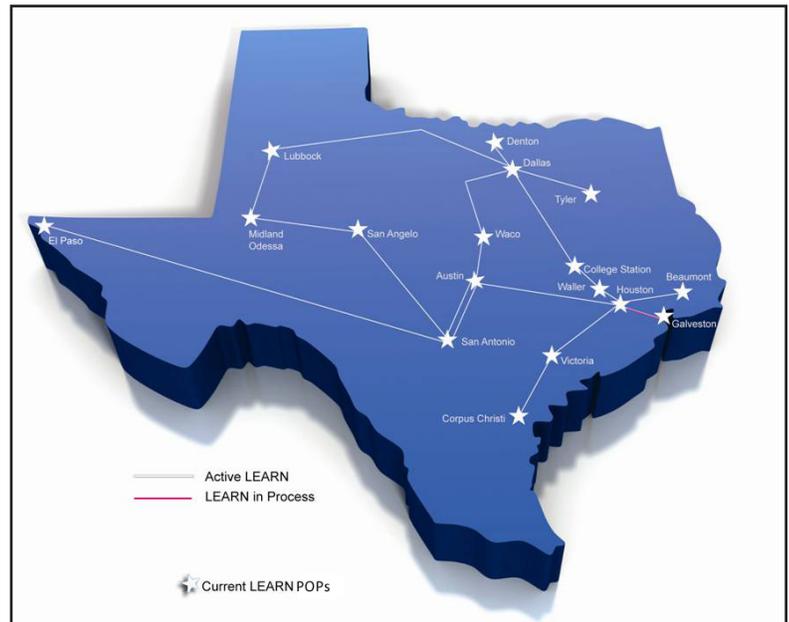
# Activities & Accomplishments

During the past year, LEARN has continued to build partnerships to enhance the strategic value of LEARN to Texas. LEARN is a very diverse and talented consortium with a history of success, but a focus on the future. Highlights from the past year include:

## Expanding Access

LEARN's network is an important strategic asset that enables Texans the opportunity to serve, collaborate, innovate, and compete throughout the world. LEARN, in partnership with the public and private sectors, has deployed high performance network services on 3,000 miles of fiber in Texas. Network points of presence have been established in many locations throughout the network that serve as customer access points to our network enabled services. To enhance the value of the network, LEARN connects to other networks in Texas, regionally, nationally and internationally. This network of networks allows us to leverage existing investments and broaden the utility and value of the network services that are available to the LEARN community.

## LEARN'S NETWORK TOPOLOGY



This year in collaboration with the University of North Texas (UNT), LEARN completed its optical deployment to connect Denton to our statewide network. This would not have been possible without the generous support of UNT, which will be hosting a LEARN point of presence on their campus. Additionally, in partnership with the Texas Tech University System and private sector partners, LEARN deployed an optical metro system in Lubbock and a LEARN point of presence on the campus of Texas Tech University (TTU). This project would not have occurred without the financial support of TTU and their willingness to host a point of presence on their campus for LEARN and its customers.

During the past year, in collaboration with Texas A&M University and the University of Houston, LEARN deployed a connection between Corpus Christi and San Antonio to provide a back up path to protect critical services serving Victoria and Corpus Christi. This mitigates the impact of service disruptions on the Houston to Corpus Christi path of the network that result from a fiber cut, equipment failure or a storm.

LEARN also began deploying DWDM metro systems in Dallas, San Antonio and Houston to connect, establish, and protect strategic points of presence for our customers. These metro systems will enable us to leverage these investments for many years to meet the long term demands of our customers. These systems were an important part of new partnerships, which have been established with Internet2, other regional optical networks in the southwest, and international research and education networks in Mexico and Central America.

During the past year, the National Telecommunication and Information Administration (NTIA) administered the national Broadband Technology Opportunity Program (BTOP) grant program to fund broadband technology projects. The projects that have been awarded provide significant partnership opportunities to extend our



network of networks. Five projects that were funded are particularly noteworthy for the LEARN community:

- *Texas Pipes* – This project will provide high speed broadband access to all 11 Texas A&M University System universities, the Texas A&M Health Science Center, and communities served by the A&M System. Through a public-private partnership with five independent rural telephone and cable television companies in Texas, the City of Corpus Christi, the Texas Department of Public Safety (DPS), and the Texas A&M System, this grant will fund construction of a fiber optic network capable of supporting up to 40 gigabit of network traffic per second. Grant funds will also enhance public safety by increasing broadband capabilities for campus police departments. The Texas Pipes project will leverage the existing broadband infrastructure of the Texas A&M System’s Trans-Texas Videoconferencing Network (TTVN) by building new connections to LEARN that will reach currently underserved areas of Texas.
- *East Texas Medical and Educational Fiber Optic Network* – This project will provide high speed broadband services to educational, healthcare, and government organizations across a 13 county area in eastern Texas. By deploying over 659 miles of new fiber, the project will connect 190 community anchor institutions to network enabled services. A key focus area of the project includes connecting hospitals and other healthcare providers to one another and the University of Texas Health Science Center at Tyler (UTHSCT), which serves as the region’s hub for medical care and education. With LEARN’s point of presence on the campus of UTHSCT these connections will extend throughout Texas.
- *Rio Grande Valley Fiber Network* – This project will provide high-speed broadband access to 23 community anchor institutions affiliated with higher education institutions in the Rio Grande Valley. Key partners included in the project are the University of Texas Health Sciences Center in San Antonio, the University of Texas Brownsville, the University of Texas Pan American, and VTX Communications. This project will build on the existing Rio Grande Valley Network, created by a partnership between VTX, Texas A&M University System, and the University of Texas System, that connects to LEARN in Corpus Christi and San Antonio.
- *Connect Southwest Texas* – This project will provide broadband services to 203 community anchor institutions including community colleges, universities, K-12 schools, healthcare institutions, workforce centers, libraries, public safety agencies and the McDonald Observatory. Under the leadership of Education Service Center 18 and the Permian Basin Regional Planning Commission, this public-private partnership will provide broadband services in a 19 county area covering over 37,445 square miles, which includes vast areas of rural southwest Texas.
- *U.S. UCAN* – This national project was awarded to Internet2 and National LambdaRail (NLR) to construct a national backbone that will serve as the foundation for a U.S. Unified Community Anchor Network (UCAN). The purpose of the project is to provide a national backbone to link with regional community anchor networks like LEARN to provide high performance national networking to support 200,000 community anchor institutions across the U.S. The project will deploy 100 gigabit national research and education (R&E) routers in Dallas, Houston, San Antonio, and El Paso, and will create a new national R&E network segment between Dallas and Nashville.



*BTOP grants bring jobs to Texas and help meet our broadband needs.*

## National Weather Service Partnership

The National Weather Service (NWS) and LEARN recognizes the critical importance of collaboration with public, private and academic partners to achieve our mutual public service mission. Nearly 5,000 National Weather Service scientists, forecasters, technicians and support personnel work closely with the emergency management community, media and other partners to prepare for and mitigate the impacts of natural or man-made events. Weather prediction and warnings help protect our nation's infrastructure; and climate forecasting contributes to the management of the nation's water resources, energy supply and food security.

During the next decade, weather, water, climate and environmental information will play a greater role in the decisions we make as individuals and as a society. The information will affect significant decisions including the quantity and quality of water we need; the quality of the air we breathe; generation and distribution of renewable energy; and safe passage on our country's highways, railways, over the sea and in the air – all designed to make our lives safer, healthier and more productive.



*The National Weather Service and LEARN help keep Texans safe from severe weather.*

The NWS has responded to changes in the way people communicate and share information by using new technologies to make weather information more accessible and interactive. The LEARN network plays an essential role in the dissemination, communication and validation of critical NWS forecasts and warnings to the public. The partnership between the National Weather Service and LEARN provides critical, reliable and trusted weather, water and climate information to foster a safe, healthy and weather-wise society.

## Presidential Address Streamed Live Via LEARN

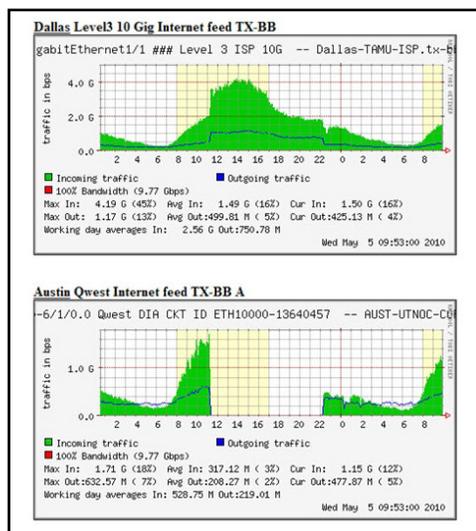
On October 17, 2009, President Barack Obama joined President George H. W. Bush, and Secretary of Defense Robert Gates on the stage of Rudder Auditorium at Texas A&M University to help recognize the hundreds of volunteers honored as part of President Bush's 1,000 Points of Light initiative. The event built on President Obama's "United We Serve" call challenging all Americans to help lay a new foundation for growth in this country by engaging in sustained, meaningful community service. Thanks to the LEARN network, Texas A&M University System's Trans-Texas Videoconferencing Network (TTVN) was able to carry the event live via video streaming to more than 900 locations. It is an example of what is possible when high speed networks share important events with citizens throughout the state.



*President Barack Obama and President George H. W. Bush urge citizens to be engaged in community service.*



## LEARN Mitigates The Impact Of Commodity Internet Failure



*LEARN enabled the UT System to continue its important work despite a long Internet outage.*

The LEARN network enables Texas A&M University System and the University of Texas System to save money and provide critical back-up systems by sharing network resources. With the bandwidth provided by LEARN, the two university systems have been able to devise a backup architecture for commodity Internet failure by sharing each other's Internet feed, rather than each purchasing a separate backup feed. Simply put, if the commodity Internet connection to one system fails, the feed from the other system automatically picks up the load.

On May 4, 2010, the commodity Internet feed to the UT System from Qwest failed. During the 10 hours of downtime, the UT System received commodity Internet service via Texas A&M's connection to Level(3). The high speed LEARN backbone delivered the traffic, enabling UT System students, faculty and staff to continue their work without disruption.

## LEARN Identity Management Federation

Collaboration requires the sharing of data and services across organizational boundaries throughout Texas and the world. It is not practical or wise to have valuable electronic resources available without proper safeguards. Thanks to the support of the University of Texas System (UT System), LEARN has deployed an Identity Management Federation (IdMF) for Texas. The IdMF is structured on standards based open source technology that brokers the authentication and identity management process between organizations that participate in the Federation. This environment enables users within the Federation to log in to IdMF services using their own university credentials. Since LEARN manages the credentialing relationships between IdMF participating organizations, it permits the organizations to focus on developing and maintaining a core set of services for a broader community without having to manage individual relationships. This environment creates the "trust" environment that is critical to sharing electronic resources and collaboration.



*LEARN's IdMF unlocks the power of collaboration and sharing.*

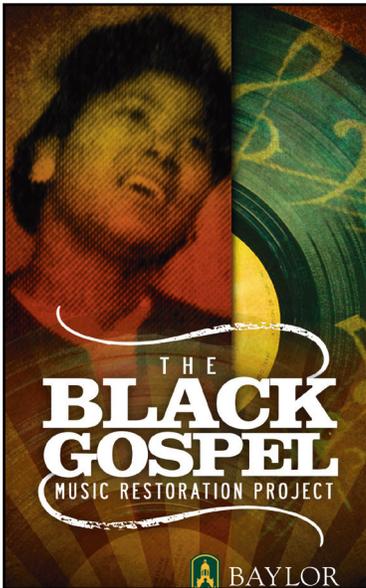
Because it is an essential component of collaboration and sharing resources, IdMF is a strategic priority of LEARN's Board of Directors. To be able to actively participate and compete in the interconnected global environment in which we live, the LEARN IdMF interacts with other Federations throughout the world. The LEARN IdMF participates in the InCommon Federation community to provide the broad trust fabric for our students, faculty, researchers and staff to efficiently and securely collaborate with their colleagues.

## Texas Digital Library

The Texas Digital Library (TDL) is a consortium of higher education institutions in Texas that provides cost-effective, collaborative solutions to the challenges of digital storage, publication, and preservation of research and teaching materials

*"Because everything we are doing in the Texas Digital Library relies on a robust network infrastructure, the LEARN partnership is key to our continued success."*

*Mark McFarland, TDL Co-Director*



*Baylor University preserves the treasures of black gospel music for future generations.*

LEARN and TDL have formed a strategic partnership to support collaboration among Texas higher education institutions and scholars. Each of the TDL's higher education members are connected to the LEARN network. Therefore, the LEARN infrastructure is crucial to the TDL's mission of providing digital repository hosting; scholarly publishing tools such as blogs, wikis, and online journals; and preservation services.

Managing the authorization credentials of users efficiently – and without discouraging collaboration across institutional boundaries – is an enormous challenge. Because of LEARN's IdMF system, however, the TDL can leverage the existing identity and authentication systems at its member institutions and provide easy access to TDL services.

Baylor University is one of our members who leverages the LEARN network to transport, maintain and share 6 terabytes of data at TDL. TDL serves as a dark archive for Baylor digital projects, which includes the ongoing Black Gospel Music Restoration and Preservation Project that was prominently featured on iTunes and on other media outlets this year.

### University Of Texas Medical Branch

UTMB provides healthcare services to many of the correctional facilities in Texas. These facilities are geographically dispersed across the state and serve two million patient visits, dispense four million prescriptions, and conducts seventy thousand telemedicine sessions annually. To improve the quality of these services, UTMB has completed the conversion of its network that supports its Correctional Managed Care services from a shared T1-based state-wide network to a network that utilizes LEARN for its core intrastate network services.

UTMB's legacy network consisted of over 210 T1s that interconnected 140 locations that ultimately terminated in Galveston. Of these T1s, 30% were intra-LATA and 70% were inter-LATA T1's. The topology of the old network was a hub and spoke design where 4 to 6 clinics would connect to a central location and the central location would then connect to Galveston. The maximum bandwidth was 1 megabit, which was shared by upstream clinics in this topology. This topology placed economic restrictions on UTMB's ability to establish a disaster recovery data center that was needed to mitigate the impact of hurricanes.

The new network consists of 140 intra-LATA T1s that are directly connected to the LEARN gigabit network.

On the new network, each clinic has a 1.5 megabit connection to a gigabit backbone network.



*Technology enables UTMB to provide healthcare service throughout Texas.*



Due to the additional bandwidth, UTMB has improved network performance, provides higher quality services and has a more stable network, since the clinics are no longer experiencing network traffic congestion. Since UTMB is able to use fewer T1s and no inter-LATA T1's, UTMB's operating costs have decreased by 33 percent. Additionally, by utilizing LEARN, UTMB is able to have disaster recovery services in the Dallas/Fort Worth area for their Correctional Managed Care applications.

### *PK-12 Public Schools*



*LEARN's network helps educators teach our public school children.*

The Texas Education Telecommunications Network (TETN) utilizes LEARN's high capacity network to provide network enabled services for the PK-12 community in Texas as recommended in the Texas Education Long Range Plan for Technology. TETN core routers were deployed among the cities of Dallas, Houston, and Austin, and network switches were deployed in San Antonio and Tyler to expand the TETN footprint to connect Education Service Centers (ESCs) and Independent Schools Districts and students throughout Texas. TETN serves the PK-12 community as a provider of high quality intranet traffic including distance learning, virtual field trips, virtual participation in educational activities at a global level, professional development, virtual schooling and a myriad of applications utilizing the broadband infrastructure. TETN efforts are aligned with the National Broadband Plan for Education and the Texas Education Association (TEA) Long-Range Plan for Technology 2006-2020 with the support of online learning, digital content, data access and transparency and broadband infrastructure.

An integral component of the TETN Plus Network is the addition of an educational specialist in the TETN Office. This person is responsible for developing unique content for students and works with the ESCs, LEARN members and the Internet2 K-20 community to identify multi-state/multi-country student projects. Examples of programs that were available to public school students in Texas during the past year include:

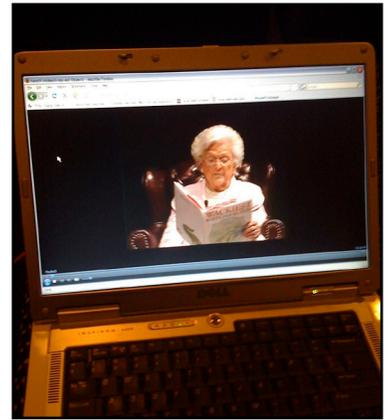
- *JOIDES Research Vessel* – The JOIDES Resolution (JR) is a seagoing research vessel that drills core samples and collects measurements from under the ocean floor, giving scientists a glimpse into Earth's development. Data from the JR's ocean drilling offers a scientific means of understanding climate and environmental change throughout a significant part of our planet's history—a research subject often termed Earth's paleoclimate. The JR's core samples are the "smoking gun" in evaluating many historical events related to paleoclimate, changes in the solid earth that impact events like the extinction of the dinosaurs.

Thanks to the LEARN network, Texas public school students were able to talk with geologists and other scientists aboard this amazing research vessel while they were out to sea on their way to Antarctica. Students learned about the vessel and its role in increasing our understanding of the seafloor, plate tectonics and past climate change.



*The JOIDES Resolution vessel is named for Captain Cook's vessel that explored Antarctica 200 years ago.*

- *George Bush Presidential Library And Museum* – One of the major events at the George Bush Presidential Library was the Reading Discovery video-conference with Former First Lady Barbara Bush. This was the third year for the event and it has grown tremendously each year. This year 17 of the ESCs participated with over 18,000 students and teachers watching via videoconference. Another 8,000 watched a digital recording afterwards. Each participant received a free book from the Bush Library Education Department. With the success of this program, the George Bush Presidential Library and Museum offered reading videoconferences presenting *Buffalo Soldiers* and the *Adventures of Peter Rabbit* to students throughout Texas.



*Barbara Bush encourages school children in Texas to read.*

### **Public Health And Disaster Recovery**

The recent Gulf of Mexico oil disaster will likely have long-lasting effects on our environment for years. The blown-out Deepwater Horizon oil rig released massive amounts of oil into the Gulf Coast, and now the oil, as well as defoamers and dispersants utilized in the clean-up, pose difficult questions concerning the impact these chemicals may have on the environment and human health.

Scott Lillibridge, M.D., Assistant Dean and Professor of Epidemiology and Biostatistics at the Texas A&M Health Science Center School of Rural Public Health, was instrumental in assembling a team of researchers from universities, in five gulf coast states.

The team is examining the long-term human health effects in communities and among clean-up workers affected by the nation's worst oil spill. Dr. Lillibridge and his colleagues utilize the LEARN network to share their research. This is only one of many examples of the work Dr. Lillibridge and other key research scientists are engaging in over the LEARN network, many of which have global significance.

### **Texas A&M Health Science Center**

The Texas A&M Health Science Center's (HSC) mission is advancing the knowledge and technologies of medical professions and bringing Texans the finest in health education and patient care. By using LEARN's optical network, the institution provides education, training and research quickly and efficiently to the HSC's six academic units located in 9 communities in Texas.

The videoconferencing capabilities of the HSC, which are enhanced by its affiliation with LEARN,



*LEARN connects the Round Rock campus of the A&M HSC with its other campuses.*



are an important part of bringing its multiple locations together. Since fall 2006, the institution has deployed 120 video endpoints and provided more than 17,255 scheduled video connections. Last year alone, more than 3,300 video connections were made to facilitate education, communication and data transfer within the HSC. The partnership between the HSC and LEARN is an essential component of the institutional effectiveness and efficiency of the HSC.

### Americas Lightpaths Project



The National Science Foundation funded the Americas Lightpaths (AmLight) project to leverage the existing and future research networks in the Western Hemisphere to support the evolving nature of discovery and scholarship in the research and education community. The project ties together the major research networks of the United States, Brazil, Canada, Chile, and Mexico and interconnects the United States to the Latin America network of RedCLARA, which enables connectivity to 18 Latin America national research and education networks.

LEARN is playing a key role on the AmLight project. LEARN will provide the connection to provision the AmLight Central corridor to connect the research and education network of Mexico. Mexico's research and education network, Corporación Universitaria para el Desarrollo de Internet (CUDI) will connect to the United States research and education networks at one of LEARN's points of presence in San Antonio. This is an important opportunity to strengthen the strong relationships that exist between colleagues in the Western Hemisphere.

### Lamar University Utilizes LEARN For Disaster Recovery

In the connected world that we live in today, information technology is no longer used simply to support business processes, it enables them. Most organizations simply could not operate using the old pencil-and-paper processes of just a few years ago. Lamar University is no exception; the IT systems that run their mission-critical business processes must be continually available. But, being located in Beaumont near the Texas coast presents some special challenges when it comes to keeping those systems running. Every year, hurricanes enter the Gulf of Mexico, and threaten to deluge the university's campus. The wind and rain can flood buildings, as well as knocking out power and communications lines. A robust disaster recovery plan is required in order to assure continued services despite the recurring annual risk of natural disasters.

Once upon a time the only disaster recovery plan available was, once a hurricane entered the Gulf of Mexico, all core systems would be backed up to tape over the period of a couple days and the tapes were loaded on a truck and sent off to Texas State University in San Marcos for safe keeping. Today, Lamar University utilizes the high-speed LEARN network to synchronize data in near real-time to their disaster recovery environment in San Marcos.



*The LEARN network mitigates the impact of disasters on Lamar University.*

With the acquisition of RecoverPoint from EMC, Lamar University has entered in to a new era of data reliability and security in the event of any, disaster affecting our local data facilities. Without the LEARN network, it would be impossible to ensure Lamar's systems would be available to provide critical services for their customers.



*Baylor played in the Women's Final Four last year.*

### *College Athletics*

Athletic programs are an important part of the overall college experience for students attending institutions of higher education in Texas. The loyalty and emotional bond that is formed through athletic competition helps recruit student to our institutions and keeps them connected as alumni and supporters long after they graduate. The LEARN network is used by our members' Athletic Directors, administrators, and coaches to hold meetings in the Big XII and other conferences, share tapes of games to aid in scouting, and broadcast live athletic events.

### *Soltis Biodiversity Research Center*

The Soltis Biodiversity Research Center in Costa Rica was established in January of 2009 to provide an international experience to students at Texas A&M University (TAMU), while protecting the unique ecological setting and enhancing awareness of the need for preservation. Located in the tropical rain forest of Costa Rica, about three hours northwest of San Jose, the technology infrastructure had to be built from the ground up. Telecommunication professionals from TAMU worked with ICE, the local telephone company in Costa Rica, to run 3.5 miles of fiber optic cable to support high speed connectivity to the center.

The objectives of the Soltis Center include; strengthening TAMU's fields of academic studies by developing the institutional capacity to inform the next generation of scientists, practitioners, and policymakers on ecological and other issues in the tropics, establishing links with Costa Rican and Central American institutions to promote collaborative research and learning experiences between the University and colleagues throughout the region; supporting community service projects and promoting the conservation of tropical resources. The LEARN network plays a key role in their meeting these objectives by connecting the Soltis research center to the world.

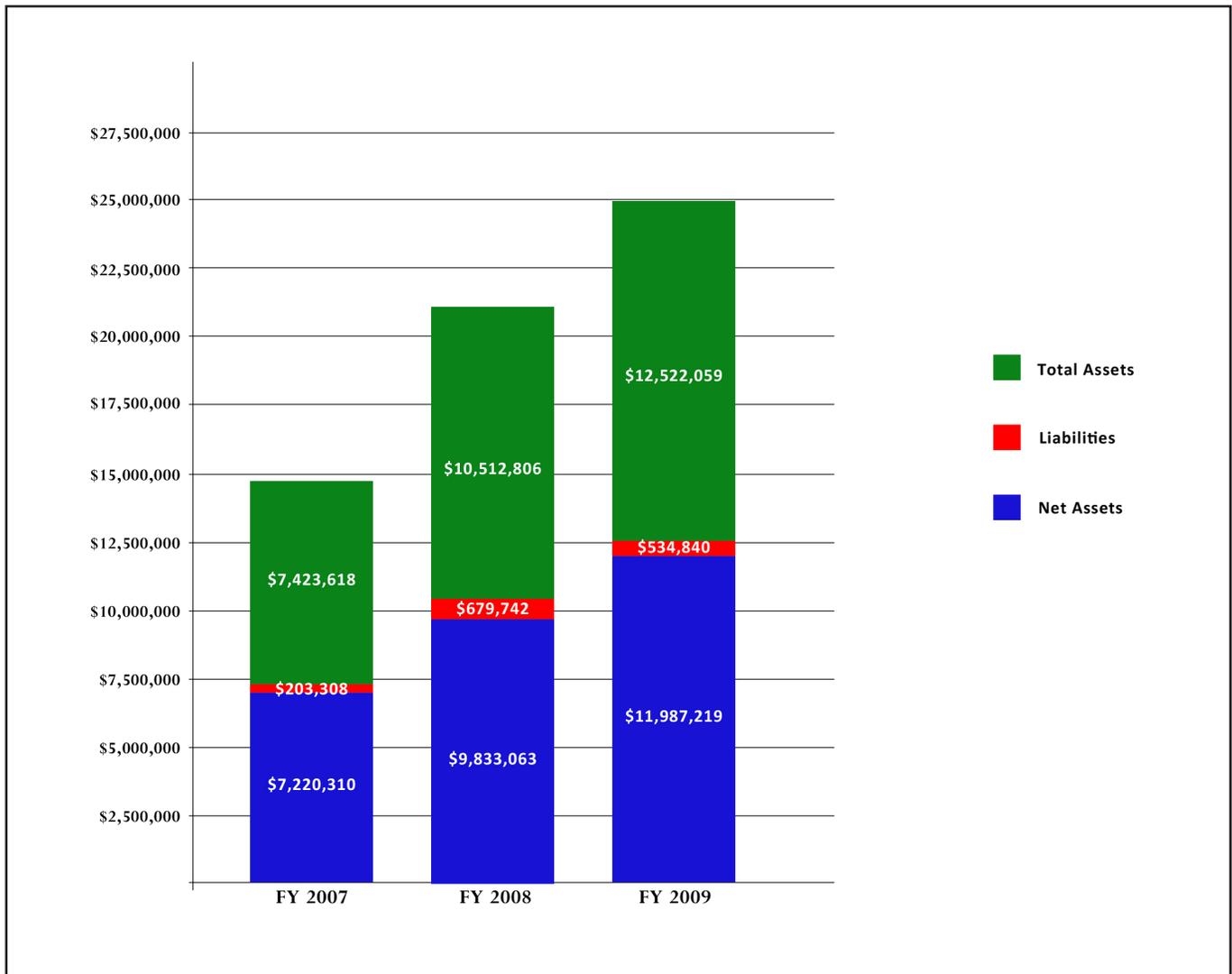


*The Soltis Biodiversity Research Center is located in the tropical rain forest of Costa Rica.*



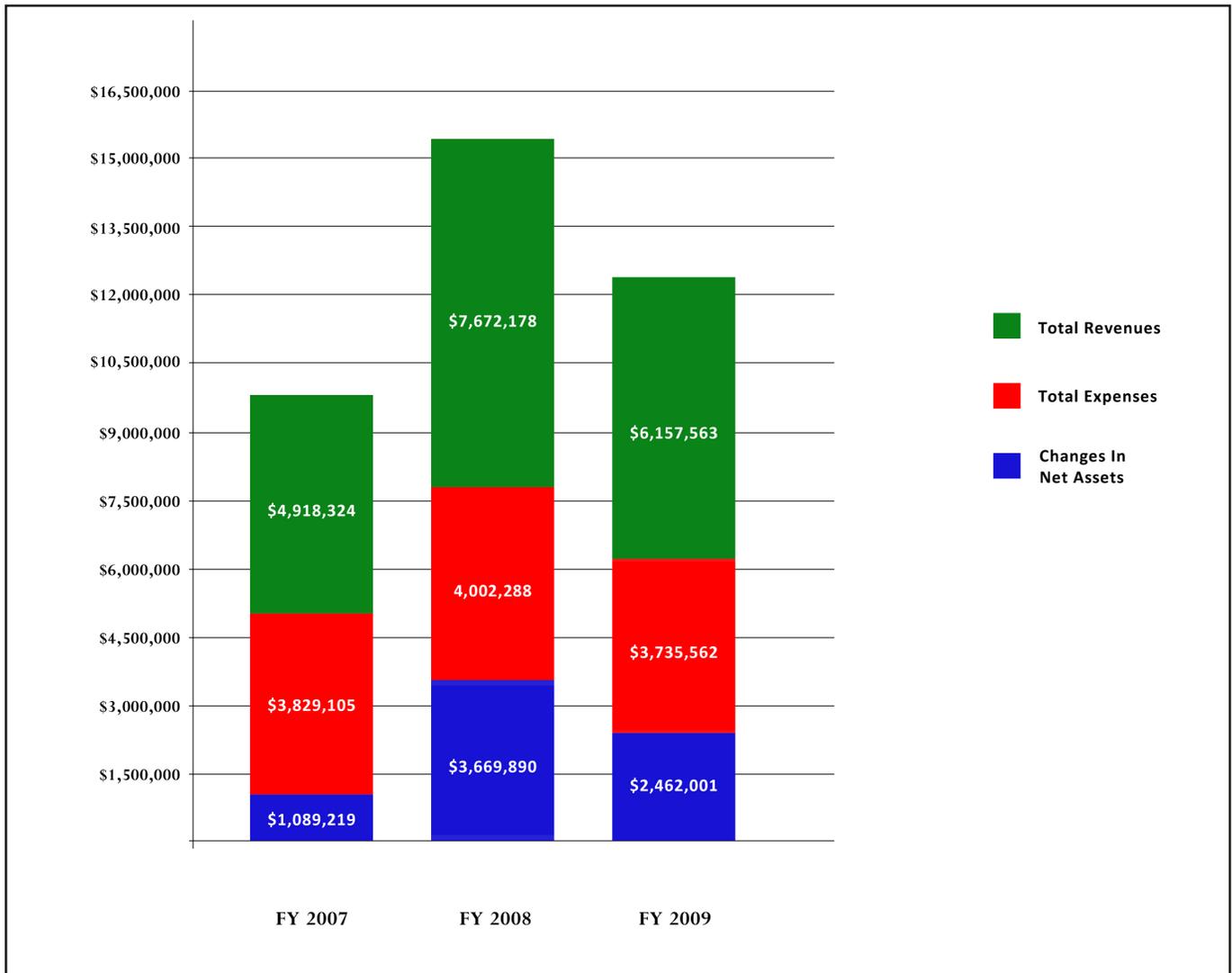
# Total Assets, Liabilities, & Net Assets

	FY 2007	FY 2008	FY 2009
Total Assets	\$ 7,423,618	\$ 10,512,806	\$ 12,522,059
Liabilities	\$ 203,308	\$ 679,743	\$ 534,840
Net Assets	\$ 7,220,310	\$ 9,833,063	\$ 11,987,219



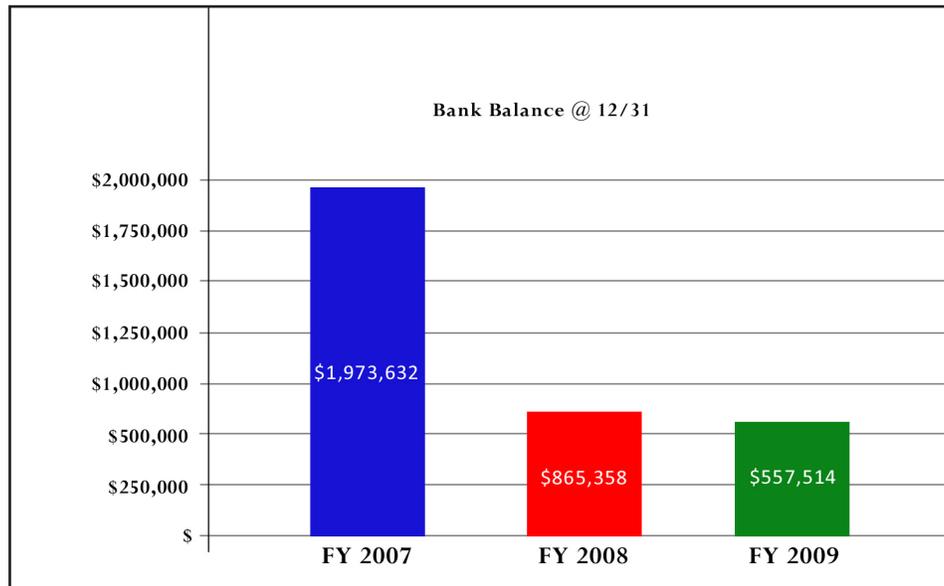
# Total Revenues, Total Expenses, & Changes in Net Assets

	FY 2007	FY 2008	FY 2009
<i>Total Revenues</i>	\$ 4,918,324	\$ 7,672,178	\$ 6,157,563
<i>Total Expenses</i>	\$ 3,829,105	\$ 4,002,288	\$ 3,735,562
<i>Changes In Net Assets</i>	\$ 1,089,219	\$ 3,669,890	\$ 2,462,001



# TEF End of Year Bank Balance

	FY 2007	FY 2008	FY 2009
Bank Balance @ 12/31	\$ 1,973,632	\$ 865,358	\$ 557,514



# TEF Investments by Area

	Expenses & Encumbrances 12/31/2009	Expected Investment
Triangle*	\$ 4,312,299	\$ 4,410,246
West Texas	\$ 815,835	\$ 815,835
El Paso	\$ 116,110	\$ 116,110
Tyler	\$ 329,241	\$ 329,241
Beaumont	\$ 297,269	\$ 308,309
Corpus Christi	\$ 491,919	\$ 491,919
Denton	\$ 161,529	\$ 169,994
Galveston	\$ 0	\$ 325,000
Transition	\$ 566,476	\$ 566,476
<b>TOTAL</b>	<b>\$ 7,090,678</b>	<b>\$ 7,533,130</b>

\* The Triangle connects the cities of Houston, College Station, San Antonio, Austin, Waco, and Dallas.

# Infrastructure Performance



*LEARN uses light from lasers to transport large data sets.*

LEARN has deployed and operates a sophisticated state-of-the-art fiber-based optical network throughout Texas. The infrastructure is “carrier grade” optical technology that is highly reliable and capable of provisioning high-speed bandwidth between Texas cities. While capacity is important, the reliability of the network is just as important. In today’s complex and interconnected world, an “always on” reliable network is the foundation of our members’ needs and their expectations. A network outage can cause significant disruptions for our members.

The topology of the vast majority of LEARN’s network is designed to provide optical rings, which serve as a protected path for our customers in the event of a failure in the network infrastructure. This design redundancy is a key element of the network’s performance from a customer impact perspective.

The LEARN Network Operations Center (NOC) is staffed by professional network engineers 24 hours a day, 7 days a week, and 365 days a year. The NOC serves as the central point for monitoring and managing the overall health and performance of the network. LEARN engineers have the network management tools and the training they need to manage the configuration of the network, monitor the performance of the

network segments and their components, diagnose and isolate the cause of performance issues, and manage incidents until they are resolved. LEARN staff works closely with our members to align our network management practices and performance with their needs.

Despite the network design, the reliability of deployed infrastructure, operational discipline, and the expertise of our network engineers, occasionally components of the network fail. In order to reduce the time required to replace these components, LEARN has acquired and strategically deployed critical infrastructure spares throughout the network. Additionally, LEARN maintains maintenance and support agreements for its critical infrastructure.

During the past year, LEARN’s network continued to provide reliable service for our customers. Our FrameNet or Layer 2 services were available without disruption. For our WaveNet Layer 1 services, the overall network availability was 99.99% of the time. While these performance levels are very favorable compared with other telecommunications companies, LEARN is always exploring strategies to improve the availability of the network and customer satisfaction.



*Network engineers manage LEARN’s network.*



# *Appendices*

## *I. LEARN Board of Directors*

Jenifer Jarriel Vice President, Information Technology & CIO Baylor College of Medicine	Sam Segran Chief Information Officer Texas Tech University
Pattie Orr Vice President, Information Technology & Dean of University Libraries Baylor University	Kay Rhodes Chief Information Officer Texas Tech University System
Priscilla A. Parsons Interim CIO Lamar University	Bill Palmertree Vice President, Technology & Information Services & CIO Texas Woman's University
Mickey Slimp Executive Director Northeast Texas Consortium & Universities	Dennis Fouty Associate Vice Chancellor, Information Technology & CIO University of Houston System
Luis-Pablo Grijalva Chief Information Officer Prairie View A&M University	Maurice Leatherbury Vice President for Information Technology & CIO University of North Texas System
Kamran M. Khan Vice Provost, Information Technology Rice University	Bob Lim Vice President, Information Technology University of Texas - Pan American
Mark C. Adams Associate Vice President, Information Resources Sam Houston State University	Suzanne Montague Vice President, Information Technology & CIO University of Texas at Arlington
Joseph (Joe) Gargiulo Chief Information Officer Southern Methodist University	William Green Director of Networking & Telecommunications, Info Tech Srvcs University of Texas at Austin
Paul T. Davis Director, Information Technology Services Stephen F. Austin State University	Jim Gary Vice President, Information Resources & CIO University of Texas at Dallas
David A. Cantrell Vice President, Information Technology & CIO Texas A&M Health Science Center	Stephen Riter Vice President, Information Resources & Planning University of Texas at El Paso
Pierce E. Cantrell Vice President & Associate Provost for Information Technology & CIO Texas A&M University	Kenneth (Ken) Pierce Vice Provost, Information Technology University of Texas at San Antonio
Claudia McDonald Associate Vice President for Special Projects Texas A&M University - Corpus Christi	William (Bill) A. Weems Assistant Vice President, Academic Technology University of Texas Health Science Center at Houston
Rodney (Rod) L. Zent Executive Director, Educational Broadcast Services TTVN Texas A&M University System	A. Jerome (Jerry) York Vice President, Academic Technology Services & CIO University of Texas Health Science Center at San Antonio
William (Bill) E. Carter Vice Chancellor, Information Technology Texas Association of Community Colleges	John D. Yoder, Jr. Chief Information Officer University of Texas Health Science Center at Tyler
Bryan Lucas Executive Director, Technology Resources Texas Christian University	Keith Perry Associate Vice President & Deputy CIO University of Texas MD Anderson Cancer Center
Steve Hyden Executive Director, Education Service Center - Region 5 Texas Education Telecommunications Network	Ralph Farr Vice President, Information Services University of Texas Medical Branch
C. Van Wyatt Vice President, Information Technology Texas State University - San Marcos	Kirk Kirksey Vice President, Information Resources University of Texas Southwestern Medical Center of Dallas
<p>Margaret (Marg) Knox Associate Vice Chancellor &amp; CIO University of Texas System</p>	

*II. Audited Financial Statements 2008 - 2009*

**LONESTAR EDUCATION AND  
RESEARCH NETWORK**

**Financial Statements and  
Independent Auditors' Report for the  
Years Ended December 31, 2009 and 2008**





MAXWELL LOCKE & RITTER LLP  
*Accountants and Consultants*  
*An Affiliate of CPAmerica International*  
401 Congress Avenue, Suite 1100  
Austin, Texas 78701  
Tel (512) 370 3200 fax (512) 370 3250  
www.mlrpc.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Lonestar Education and Research Network:

We have audited the statements of financial position of Lonestar Education and Research Network (the "Network") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Network as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Maxwell Locke + Ritter LLP*

April 19, 2010

Affiliated Companies  
ML&R PERSONNEL SOLUTIONS LLC  
*"The Resource for Direct Hire & Project Staffing"*

ML&R WEALTH MANAGEMENT LLC\*  
*"A Registered Investment Advisor"*  
\*This firm is not a CPA firm

# LONESTAR EDUCATION AND RESEARCH NETWORK

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,751,558	\$ 2,839,779
Accounts receivable	280,994	233,192
Prepaid expenses	674	39,897
Security Deposits	1,900	4,113
Property and equipment, net	1,860,962	2,509,050
Intangibles, net	6,625,971	4,886,775
<b>TOTAL ASSETS</b>	<b><u>\$ 12,522,059</u></b>	<b><u>\$ 10,512,806</u></b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 149,226	\$ 462,343
Deferred revenue	385,614	217,400
Total liabilities	<u>534,840</u>	<u>679,743</u>
<b>NET ASSETS:</b>		
Unrestricted	10,408,285	8,567,705
Unrestricted - board designated for capital reserve	700,000	400,000
Unrestricted - board designated for West Texas Project reserve	321,421	-
Temporarily restricted	557,513	865,358
Total net assets	<u>11,987,219</u>	<u>9,833,063</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,522,059</u></b>	<b><u>\$ 10,512,806</u></b>

See notes to financial statements.

# LONESTAR EDUCATION AND RESEARCH NETWORK

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Revenues:		
Network services	\$ 5,004,882	\$ 4,857,194
Membership dues	700,000	680,000
Assessments	175,000	1,000,000
Investment income	7,564	44,448
Net assets released from restrictions	310,117	1,090,536
Total revenues and net assets release from restrictions	<u>6,197,563</u>	<u>7,672,178</u>
Expenses:		
Program services	3,508,957	3,795,619
Management and general	226,605	206,669
Total expenses	<u>3,735,562</u>	<u>4,002,288</u>
Change in unrestricted net assets	<u>2,462,001</u>	<u>3,669,890</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Investment income	2,272	33,399
Net assets released from restrictions	<u>(310,117)</u>	<u>(1,090,536)</u>
Change in temporarily restricted net assets	<u>(307,845)</u>	<u>(1,057,137)</u>
<b>CHANGE IN NET ASSETS</b>	2,154,156	2,612,753
<b>BEGINNING NET ASSETS</b>	<u>9,833,063</u>	<u>7,220,310</u>
<b>ENDING NET ASSETS</b>	<u><u>\$ 11,987,219</u></u>	<u><u>\$ 9,833,063</u></u>

See notes to financial statements.

# LONESTAR EDUCATION AND RESEARCH NETWORK

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,154,156	\$ 2,612,753
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,156,420	877,467
Loss on disposal of property and equipment	700	-
Changes in operating assets and liabilities:		
Accounts receivable	(47,802)	(63,299)
Prepaid expenses	39,223	(39,897)
Security Deposits	2,213	6,306
Accounts payable	(164,079)	109,997
Deferred revenue	168,214	217,400
Net cash provided by operating activities	<u>3,309,045</u>	<u>3,720,727</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(256,393)	(501,270)
Purchases of intangibles	<u>(2,140,873)</u>	<u>(3,492,602)</u>
Net cash used in investing activities	<u>(2,397,266)</u>	<u>(3,993,872)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	911,779	(273,145)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,839,779</u>	<u>3,112,924</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,751,558</u>	<u>\$ 2,839,779</u>
Supplemental schedule of noncash investing activities-		
Acquisitions of equipment and intangibles with accounts payable	<u>\$ -</u>	<u>\$ 149,038</u>

See notes to financial statements.

# LONESTAR EDUCATION AND RESEARCH NETWORK

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** - Lonestar Education and Research Network (the "Network"), formerly Texas GigaPOP, is a Texas nonprofit corporation established in January 2001. The primary purpose of the Network is a collaboration of Texas higher education institutions that support their research, education, health care and public service missions through the innovative development, operation and utilization of advanced statewide networking, access to global resources and related services.

**Basis of Presentation** - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The Network's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Net Asset Presentation** - The Network presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Network and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets that are subject to donor-imposed stipulations that require passage of time or the occurrence of a specific event. As of December 31, 2009 and 2008, temporarily restricted net assets consisted of state grant funds from the Office of the Governor restricted for use in constructing and maintaining a communications network serving higher education.

Permanently restricted net assets - net assets that are subject to donor-imposed stipulations that require resources be maintained permanently but permits the Network to use up or expend part or all of the income derived from the donated assets. As of December 31, 2009 and 2008, the Network did not have any permanently restricted net assets.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash held in checking and savings accounts. The Network considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents.

**Accounts Receivable and Revenue** - Accounts receivable consist of receivables from membership dues, assessments, and network services. Membership dues revenue is a fixed annual assessment paid by membership institutions for membership privileges in the Network. Assessment revenue is a fixed annual assessment paid by membership institutions that elect to receive privileges of membership in the National LambdaRail, Inc. Network. Network service revenue represents variable services provided to individual institutions including maintenance service, installation of collocations, and use of cross connections. Accounts receivable are valued using an allowance for doubtful accounts. At December 31, 2009, three members comprised approximately 86% of the total account receivable balance. Periodically, management reviews the collectability of accounts receivable using such factors as the collection history of the account, the age of the account and the member's ability to pay. All receivables are expected to be collected within one year.

**Funds Held by Others** - Funds held by others are Network funds held by The University of Texas at Austin ("UT"). UT served as the fiscal agent for the Network, who deposited funds with UT for payment of expenses such as telephone and postage as these expenses come due. At December 31, 2009 and 2008, UT held a small balance to cover incidental costs that may arise.

**Property and Equipment** - Costs of acquiring property and equipment are capitalized when they exceed \$1,000. The items are recorded at cost if purchased and at fair value at the date of receipt if donated. Depreciation is provided over the estimated useful lives of the assets, usually three to seven years, and computed on the straight-line method. Management periodically reviews capitalized assets for impairment and writes down recorded costs as identified.

**Intangibles** - Intangible assets consist of contracts for the indefeasible right to use facilities of various service providers throughout the state. The contracts are for a 20 year period and thus are amortized over this period using the straight line method of computation. Asset rights expire if monthly maintenance and collocation expenses are not paid promptly on a monthly basis. These expenses are not included in the original intangible cost.

**Deferred Revenue** - Included in deferred revenue is revenue generated by contracted network services to be rendered in future periods and collections of membership dues to be deposited with the National LambdaRail, Inc. Network.

**Allocation of Expenses** - The expenses of the Network's various programs and supporting services have been allocated between program services and management and general based on estimates by management.

**Concentrations of Credit Risk** - Financial instruments that potentially subject the Network to credit risk consist of cash and cash equivalents and accounts receivable. The Network places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. The Federal Deposit Insurance Corporation ("FDIC") increased the basic deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. The FDIC also implemented the Transaction Account Guarantee Program to provide a temporary unlimited guarantee through June 30, 2010, for non-interest bearing and certain interest bearing transaction accounts at institutions electively participating in this program. The Network does not maintain collateral for its accounts receivable and does not believe significant risk exists at December 31, 2009.

**Income Tax Status** - Pursuant to an Internal Revenue Service determination letter, the Network is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, the Network had no tax liability for the years ended December 31, 2009 and 2008.

**Adopted and Recently Issued Accounting Pronouncements** - In June 2009, FASB issued guidance now codified as ASC Topic 105, Generally Accepted Accounting Principles, as the single source of authoritative non-governmental U.S. GAAP. ASC Topic 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place (the "Codification"). On the effective date of this Statement, the Codification superseded all then-existing non-SEC accounting and reporting standards, and all other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. The provisions of ASC Topic 105 are effective for interim and annual periods ending after September 15, 2009. This pronouncement had no effect on the Network's financial position, results of operations or cash flows, but impacted the Network's financial reporting process by replacing all references to pre-Codification standards with references to the applicable Codification topic.

In June 2006, the FASB issued new guidance within ASC 740-10, *Income Taxes*, effective for years beginning after December 15, 2008. It clarified the accounting for uncertainty in income taxes recognized in the financial statements. The Network adopted the amended provisions during the year ended December 31, 2009. This standard had no effect on the Network's financial position, results of operations or cash flows.

## 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Network equipment	\$ 4,121,432	\$ 3,984,312
Furniture and fixtures	<u>54,025</u>	<u>34,381</u>
	4,175,457	4,018,693
Less: accumulated depreciation	<u>(2,314,495)</u>	<u>(1,509,643)</u>
Total	<u>\$ 1,860,962</u>	<u>\$ 2,509,050</u>

Depreciation expense was \$812,691 and \$596,112 for the years ended December 31, 2009 and 2008, respectively.

### 3. INTANGIBLES

Intangible assets consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Indefeasible rights to use facilities	\$ 7,276,179	\$ 5,193,254
Less: accumulated amortization	<u>(650,208)</u>	<u>(306,479)</u>
Total	<u>\$ 6,625,971</u>	<u>\$ 4,886,775</u>

Amortization expense was \$343,729 and \$156,109 for the years ended December 31, 2009 and 2008, respectively.

### 4. STATE GRANT

In 2005, the Network received a grant from the State of Texas for approximately \$7,300,000 for use in the design, development, and deployment of an optical network supporting higher education institutions and their research, education, health care, and public service missions. The Network is responsible for giving quarterly briefings and annual reports to the Office of the Governor regarding the progress of the project. The Network is also responsible for restricting grant funds for project use and managing such funds for use in project expenditures.

### 5. SUBSEQUENT EVENTS

The Network has evaluated subsequent events through April 19, 2010 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

### *III. Affiliated Organizations*

Alvin Community College  
Austin Community College  
Blinn College  
Brazosport College  
Del Mar College  
Galveston College  
Houston Community College  
Lamar Institute of Technology  
Lamar State College Port Arthur  
Lee College  
Navarro College  
Ranger College  
San Jacinto College  
Texas Southmost College  
Texas State Technical College - Waco  
Victoria College  
Wharton County Junior College  
Angelo State University  
Lamar State University  
Southwestern Adventist University  
Tarleton State University  
Texas A&M International University  
Texas A&M University - Central Texas  
Texas A&M University - Commerce  
Texas A&M University - Kingsville  
Texas A&M University - Texarkana  
Texas A&M University at Galveston  
Texas Soouthern University  
Texas Tech University Health Sciences Center  
University of Houston - Clear Lake  
University of Houston - Downtown  
University of Houston - Victoria  
University of Incarnate Word  
University of North Texas Health Science Center  
University of Texas - Permian Basin  
University of Texas at Brownsville  
University of Texas at Tyler  
West Texas A&M University  
Alamo Area Council Of Governments  
Bexar County Information Services  
Cameron County  
City of Austin Information Services  
City of Plano  
Department of Information Resources (DIR)  
Duncanville Public Library  
Ector County Library  
Fort Worth Public Library  
Guadalupe Valley Hospital  
Hidalgo County Planned Parenthood  
Hondo Public Library  
Lampasas Public Library  
Lower Colorado River Authority  
McKinney Memorial Public Library  
Medina Community Hospital  
Melissa Public Library  
Mesquite Public Library  
Mission Hospital  
National Archives & Records Administration  
Newton County Library  
Orange County  
Parkland Memorial Hospital  
Rio Grande Digital Dental Clinic  
Sabine River Authority  
Southwest Education Development Lab  
Texas AgriLife Extension Service  
Texas AgriLife Research  
Texas Engineering Experiment Station  
Texas Engineering Extension Service  
Texas Forest Service  
Texas Transportation Institute  
Texas Veterinary Medical Diagnostic Lab  
Travis County  
Uvalde Memorial Hospital  
Valley International Airport  
Victoria Public Library  
Wharton County Library  
Education Service Center - Region 3  
Education Service Center - Region 4  
Education Service Center - Region 5  
Education Service Center - Region 6  
Education Service Center - Region 7  
Education Service Center - Region 11  
Education Service Center - Region 13  
Education Service Center - Region 15  
Education Service Center - Region 16  
Education Service Center - Region 18  
Education Service Center - Region 20  
Adrian ISD  
Alief ISD  
Alpine ISD  
Alto ISD  
Alvord ISD  
Anahuac ISD  
Anderson-Shiro CISD  
Andrews ISD  
Angleton ISD  
Annunciation Orthodox School  
Apple Springs ISD  
Aransas Pass ISD  
Austin ISD

Austwell-Tivoli ISD  
Azleway Charter School  
Ballinger ISD  
Balmorhea ISD  
Bangs ISD  
Bastrop ISD  
Bay City ISD  
Big Sandy ISD  
Big Spring ISD  
Big Springs Charter School  
Birdville ISD  
Blanco ISD  
Blanket ISD  
Bluff Dale ISD  
Boling ISD  
Booker ISD  
Borger ISD  
Bovina ISD  
Boyd ISD  
Boys Ranch ISD  
Brackett ISD  
Brady ISD  
Brazos ISD  
Brazos School for Inquiry & Creativity  
Brenham ISD  
Bridge City ISD  
Broaddus ISD  
Brock ISD  
Bronte ISD  
Brookeland ISD  
Brooksmith ISD  
Brownwood ISD  
Bryan ISD  
Buckholts ISD  
Buena Vista ISD  
Buffalo ISD  
Bullard ISD  
Buna ISD  
Burkeville ISD  
Burton ISD  
Caldwell ISD  
Canadian ISD  
Canyon ISD  
Castleberry ISD  
Cayuga ISD  
Center Point ISD  
Centerville ISD  
Central Heights ISD  
Channelview ISD  
Channing ISD  
Charlotte ISD  
Chester ISD

Chico ISD  
Childress ISD  
Chireno ISD  
Christoval ISD  
Clarendon ISD  
Claude ISD  
Coahoma ISD  
Coldspring-Oakhurst CISD  
Coleman ISD  
College Station ISD  
Colmesneil ISD  
Comfort ISD  
Community ISD  
Comstock ISD  
Corrigan-Camden ISD  
Cotulla ISD  
Coupland ISD  
Crane ISD  
Crockett County Consolidated CSD  
Crockett ISD  
Cross Roads ISD  
Cuero ISD  
Culberson County ISD  
Cushing ISD  
D'Hanis ISD  
Dalhart ISD  
Damon ISD  
Danbury ISD  
Darrouzett ISD  
Del Valle ISD  
Deweyville ISD  
Diboll ISD  
Dime Box ISD  
Divide ISD  
Doss Consolidated CSD  
Douglass ISD  
Dripping Springs ISD  
Dumas ISD  
Duncanville ISD  
Eagle Pass ISD  
Early ISD  
East Bernard ISD  
East Central ISD  
East Chambers ISD  
Eden ISD  
Eden Park Academy  
Edgewood ISD  
Edna ISD  
Education Center  
Elgin ISD  
Elkhart ISD  
Erath Excels Academy, Inc.

Etoile ISD  
Eustace ISD  
Evadale ISD  
Excelsior ISD  
Ezzell ISD  
Fayetteville ISD  
Flatonia ISD  
Florence ISD  
Floresville ISD  
Follett ISD  
Forsan ISD  
Fort Davis ISD  
Fort Elliott CISD  
Fort Sam Houston ISD  
Fort Stockton ISD  
Fort Worth ISD  
Franklin ISD  
Frankston ISD  
Fredericksburg ISD  
Galena Park ISD  
Gary ISD  
Gause ISD  
Girls & Boys Prep Academy  
Glasscock County ISD  
Glen Rose ISD  
Godley ISD  
Goliad ISD  
Gonzales ISD  
Goodrich ISD  
Gordon ISD  
Grady ISD  
Grand Saline ISD  
Grandfalls-Royalty ISD  
Grandview-Hopkins ISD  
Granger ISD  
Grape Creek ISD  
Grapeland ISD  
Greenwood ISD  
Groom ISD  
Groveton ISD  
Gruver ISD  
Hallettsville ISD  
Hamshire-Fannett ISD  
Happy ISD  
Harlingen CISD  
Harper ISD  
Hart ISD  
Hartley ISD  
Hearne ISD  
Hedley ISD  
Hemphill ISD  
Hempstead ISD

Higgins ISD  
High Island ISD  
Highland Park ISD  
Huckabay ISD  
Hull-Daisetta ISD  
Hunt ISD  
Hutto ISD  
Industrial ISD  
Ingram ISD  
Iola ISD  
Iraan-Sheffield ISD  
Irion County ISD  
Jarrell ISD  
John Cooper School  
Johnson City ISD  
Joshua ISD  
Jourdanton ISD  
Junction ISD  
Karnack ISD  
Karnes City ISD  
Kelton ISD  
Kendleton ISD  
Kenedy ISD  
Kennard ISD  
Kennedale ISD  
Kermit ISD  
Kinkaid School  
Kirbyville CISD  
Klein ISD  
Knippa ISD  
Kountze ISD  
Kress ISD  
La Grange ISD  
Lackland ISD  
Lago Vista ISD  
Lake Travis ISD  
Lake Worth ISD  
Laneville ISD  
Lapoynor ISD  
Latexo ISD  
Lefors ISD  
Leggett ISD  
Leon ISD  
Leveretts Chapel ISD  
Lexington ISD  
Liberty Hill ISD  
Lindsay ISD  
Lingleville ISD  
Lipan ISD  
Little Cypress-Mauriceville CISD  
Little Elm ISD  
Livingston ISD

Lockhart ISD  
Louise ISD  
Lovelady ISD  
Luling ISD  
Lumberton ISD  
Madisonville CISD  
Magnolia ISD  
Malakoff ISD  
Marathon ISD  
Marble Falls ISD  
Marfa ISD  
Marion ISD  
Martins Mill ISD  
Martinsville ISD  
Mason ISD  
Matagorda ISD  
Mathis ISD  
May ISD  
McCamey ISD  
McDade ISD  
McLean ISD  
Medina ISD  
Medina Valley ISD  
Memphis ISD  
Menard ISD  
Meyersville ISD  
Miami ISD  
Midland Academy Charter  
Milano ISD  
Miles ISD  
Millsap ISD  
Mineral Wells ISD  
Monahans-Wickett-Pyote ISD  
Monsignor Kelly Catholic High School  
Morgan Mill ISD  
Moulton ISD  
Mount Enterprise ISD  
Muenster ISD  
Mumford ISD  
Murchison ISD  
Natalia ISD  
Navarro ISD  
Navasota ISD  
Nazareth ISD  
Neches ISD  
Nederland ISD  
New Braunfels ISD  
New Caney ISD  
New Frontiers Charter School  
New Waverly ISD  
Newton ISD  
Nixon-Smiley CISD  
Nordheim ISD  
Normangee ISD  
North Zulch ISD  
Novice ISD  
Nueces Canyon ISD  
Nursery ISD  
Oakwood ISD  
Odem Edroy ISD / San Patricio City Consortium  
Olfen ISD  
Onalaska ISD  
Orangefield ISD  
Paint Rock ISD  
Palacios ISD  
Palestine ISD  
Palo Pinto ISD  
Pampa ISD  
Panhandle ISD  
Panther Creek ISD  
Peaster ISD  
Pecos-Barstow ISD  
Perryton ISD  
Pflugerville ISD  
Pilot Point ISD  
Plemons-Stinnett-Phillips CISD  
Ponder ISD  
Poolville ISD  
Por Vida Academy  
Port Aransas ISD  
Port Arthur ISD  
Poth ISD  
Prairie Lea ISD  
Presidio ISD  
Pringle-Morse CISD  
Ranch Academy  
Randolph Field ISD  
Raven School  
Reagan County ISD  
Refugio ISD  
Richard Milburn Academy  
Richards ISD  
Richland Springs ISD  
Rio Vista ISD  
River Road ISD  
Robert Lee ISD  
Rochelle ISD  
Rocksprings ISD  
Round Top-Carmine ISD  
Runge ISD  
Sabinal ISD  
Sabine ISD  
Sabine Pass ISD  
Samnorwood ISD

San Antonio Technology Academy  
San Saba ISD  
San Vincent ISD  
Sanford-Fritch ISD  
Santa Anna ISD  
Santo ISD  
Schertz-Cibolo-U City ISD  
Schleicher ISD  
School of Science & Technology  
Schulenburg ISD  
Sealy ISD  
Seguin ISD  
Shamrock ISD  
Shelbyville ISD  
Shepherd ISD  
Shiner ISD  
Silsbee ISD  
Silverton ISD  
Sinton ISD  
Sivells Bend ISD  
Slidell ISD  
Slocum ISD  
Snook ISD  
Somerville ISD  
Sonora ISD  
Spearman ISD  
Spring Creek ISD  
Spring Hill ISD  
Spurger ISD  
St. Francis de Sales School  
St. Vincent de Paul School  
Stanton ISD  
Sterling City ISD  
Stockdale ISD  
Strake Jesuit College Preparatory  
Stratford ISD  
Strawn ISD  
Sunray ISD  
Sweeny ISD  
Sweet Home ISD  
Tarkington ISD  
Taylor ISD  
Tenaha ISD  
Terlingua ISD  
Terrell County ISD  
Texhoma ISD  
Texline ISD  
Thorndale ISD  
Thrall ISD  
Three Way ISD  
Tidehaven ISD

Tolar ISD  
Trinidad ISD  
Trinity Valley School  
Tulia ISD  
Utopia ISD  
Valley View ISD  
Vega ISD  
Venus ISD  
Veribest ISD  
Victoria ISD  
Vidor ISD  
Vysehrad ISD  
Waelder ISD  
Walcott ISD  
Wall ISD  
Waller ISD  
Walnut Bend ISD  
Warren ISD  
Water Valley ISD  
Weimar ISD  
Wellington ISD  
Wells ISD  
West Hardin County CISD  
West Orange-Cove CISD  
West Rusk ISD  
West Sabine ISD  
Westhoff ISD  
Wharton ISD  
Wheeler ISD  
White Deer ISD  
White Oak ISD  
Wildorado ISD  
Wimberley ISD  
Wink-Loving ISD  
Winters ISD  
Woden ISD  
Woodsboro ISD  
Woodville ISD  
Yoakum ISD  
Yorktown ISD  
Zavalla ISD  
Zephyr ISD

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