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June 22, 2005

BY EXPRESS MAIL

Universal Service Administrative Company
Schools and Libraries Division
Box 125 -- Program Compliance II
80 S. Jefferson Road
Whippany, N.J. 07981

Re: CC Docket No. 02-6
APPEAL of Demand Payment Letters
Annunciation Elementary School
Connect2 Internet Networks, Inc.
Billed Entity Number 10089
SPIN - 143007419
471 Application Number 105155
Funding Year 1998
Funding Request Numbers 106036 and 106514

Dear Schools and Libraries Division:

Connect2 Internet Networks, Inc. ("Connect2"), by counsel, hereby responds to and appeals from two "Demand Payment Letters" issued by the Universal Service Administrative Company ("USAC"), dated May 24, 2005 ("USAC Demand Letters"), regarding Annunciation Elementary School ("AES"). The USAC Demand Letters demand that Connect2 pay to USAC a total of \$19,828.00 in funds previously disbursed to Connect2 by the Schools and Libraries Division ("SLD") during Funding Year 1998 in connection with the above-referenced Application and Funding Request Numbers ("FRNs"). For the reasons set forth below, Connect2 respectfully requests that USAC rescind the USAC Demand Letters.

First, USAC apparently has not followed its own procedures in issuing the USAC Demand Letters to Connect2. The USAC Demand Letters are part of an administrative process used by the Commission and USAC to seek recovery of funds allegedly disbursed in error by USAC. However, that process involves several steps before issuance of Demand Payment Letters. Here, Connect2 has no record that USAC followed any of those preliminary steps. The USAC Demand Letters state that "You were recently sent a Notification of Improperly

Disbursed Letter [sic] informing you of the need to recover funds from you for the Funding Request Number(s) (FRNs) listed on the Funding Disbursement Report of that Letter." Connect2 has no record of ever receiving any such "Notification of Improperly Disbursed Letter" from USAC with respect to AES. Nor does Connect2 have any record of receiving a Commitment Adjust Letter or a Recovery of Erroneously Disbursed Funds letter from USAC with respect to AES.¹ In fact, Connect2 only recently was provided a copy of an Audit Report prepared by the FCC's Office of Inspector General for AES ("OIG Audit Report"), which apparently provides the basis for the current USAC Demand Letters.² Consequently, Connect2 has been denied the opportunity to contest the basis for the current payment demands by USAC.

This is not the first time that USAC has failed to follow its own procedures in demanding payments from Connect2. Connect2 has had Requests for Review of USAC's decision to recover funds from Connect2 with respect to St. Augustine School on file at the FCC since December 13, 2004. See Requests for Review filed December 13, 2004 (two petitions filed with respect to St. Augustine School). The Commission sought public comment on Connect2's Requests for Review and has not yet issued a decision. Nevertheless, USAC continues to issue demanded payment letters to USAC for St. Augustine School. See Connect2's Appeals of "Demand Payment Letters - Second Requests" with respect to St. Augustine, filed with USAC May 17, 2005. Connect2 also has appeals pending before the FCC of various USAC actions relating to at least 20 other schools for which USAC is seeking to recover from Connect2 funds alleged to have been disbursed in error by USAC. Consolidated Requests for Review for Petitions for Waiver filed December 27, 2004 (3 petitions filed with respect to 11, 9, and 1 schools, respectively); Request for Review filed February 14, 2005 (regarding Childrens Store Front School). Now USAC is demanding payment from Connect2 for AES without ever affording Connect2 the opportunity to appeal USAC's actions to the Commission. In response to, and in appeal of, the USAC Demand Letters, Connect2 incorporates herein by reference the arguments raised in its December 27, 2004 consolidated requests for review which remain pending before the Commission.

Second, the OIG Audit Report for AES indicates that the audit was conducted at AES during the summer of 2004, several years after the 1998 Funding Requests that are the subject of the USAC Demand Letters issued to Connect2. Obviously, there have been many developments at the school during the intervening years which may have affected the audit findings, particularly as they relate to the USAC Demand Letters here. For example, the Audit Report states that when presented with the audit findings and asked to respond to them, the current principal of AES stated that "none of the school management...that was present during

¹ As evidenced by the current USAC Demand Letters, USAC continues to direct correspondence for Connect2 to John Angelides despite the fact that: (a) Mr. Angelides was debarred by the Commission on December 23, 2003; and (b) Connect2 repeatedly has informed both USAC and the Commission that Mr. Angelides is being treated for Stage IV metastasized non-small cell lung cancer which has spread to his brain. See e.g. Connect2's pending requests for review dated December 13 and December 27, 2004 and February 14, 2005, described above.

² Although the OIG Audit Report is dated August 12, 2004, Connect2 was not provided a copy of that report until sometime after April 19, 2005. See Letter dated April 19, 2005 from Cynthia L. Beach, USAC Manager of Audit Response, to Connect2, Attn: John Angelides, transmitting a copy of the OIG Audit Report.

the period under audit is still associated with the school" and that "no files regarding the E-rate applications are available for reference." See OIG Audit Report at 1.

Finally, as Connect2 has stated repeatedly in filings with USAC and the FCC, all of its records were seized by the FBI in late 2002 and have never been returned. Consequently, Connect2 cannot defend itself against USAC payment demands and other charges without being provided an opportunity to inspect and copy the relevant records. For example, one of the USAC Demand Letters seeks repayment of \$8440.00 from Connect2 because: (a) apparently only 19 of 21 hubs could be located in the audit (which was conducted years after the 1998 Funding Request) and the value of the two "missing" hubs is \$1598.00; (b) 17 of the 19 hubs allegedly were 8-port hubs rather than 12-port hubs (resulting in a \$200 difference per hub, or \$3400.00); and (c) funds totaling \$4380 were disbursed for allegedly ineligible memory upgrades. See USAC Demand Payment Letter at 5.³ Connect2 has not been afforded a reasonable opportunity to review and contest these conclusions because: (a) it was never provided a copy of the relevant OIG Audit Report until sometime after April 19, 2005; and (b) its files have been in the custody of the FBI since 2002 and it has had no opportunity to review those files for information to respond to the OIG Audit Report and USAC Demand Letters. Please advise undersigned counsel as soon as possible regarding whether, when and where the relevant records might be made available for inspection and copying by Connect2.

Connect2 respectfully requests that USAC reconsider and rescind the Demand Payment Letters referenced above and suspend any collection activity with respect to the above-referenced FRNs and Application Number.

Respectfully submitted,



Timothy J. Fitzgibbon
Counsel for Connect2
Internet Networks, Inc.

TJF:lac

cc: Anthony Dale, Deputy Chief, Wireline Competition Bureau, Federal Communication Commission
Erica Myers, Wireline Competition Bureau, Federal Communications Commission
Vickie Robinson, Wireline Competition Bureau, Federal Communications Commission
Mark Stephens, Wireline Competition Bureau, Federal Communications Commission
Principal, Annunciation Elementary School

³ The other USAC Demand Payment Letter contends that, based on local exchange telephone bills, Connect2 apparently received \$11,388 for T-1 services that were not delivered to AES until 2000. However, the Audit Report indicates that "the calculation of this amount is too voluminous for inclusion in this report." OIG Audit Report at 5. Without access to the appropriate records, Connect2 has no reasonable opportunity to respond to these claims.

EXHIBIT 5



**Universal Service Administrative Company
Schools & Libraries Division**

**Demand Payment Letter
SECOND REQUEST**

Funding Year 1998: 1/01/1998 - 6/30/1999

June 24, 2005

**John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301 2145**

- PAST DUE NOTICE -

**THIS NOTICE PROVIDES IMPORTANT INFORMATION ABOUT YOUR
ACCOUNT AND YOUR RIGHTS AND OBLIGATIONS UNDER LAW**

**Re: SPIN: 143007419
Form 471 Application Number: 105155
Funding Year: 1998
FCC Registration Number:
Applicant Name: ANNUNCIATION ELEMENTARY SCHOOL
Billed Entity Number: 10089
Applicant Contact Person: JOHN DOTSON**

You were recently sent a Demand Payment Letter informing you of the need to recover funds for the Funding Request Number(s) (FRNs) listed on the Funding Disbursement Report attached to this letter. Our records indicate that you have not responded to the Demand Payment Letter. As of June 24, 2005, the debt was past due and delinquent.

**THE FOLLOWING PROVISIONS CONTAIN IMPORTANT INFORMATION AND A
DESCRIPTION OF LEGAL RIGHTS, OBLIGATIONS, AND OPPORTUNITIES**

- 1. Debtor is cautioned that failure to make the demanded payment or make other satisfactory arrangements will result in further sanctions, including, but not limited to, the initiation of proceedings to recover the outstanding debt, together with any applicable administrative charges, penalties, and interest pursuant to the provisions of the Debt Collection Act of 1982 (Public Law 97-365) and the Debt Collection Improvement Act of 1996 (Public Law 104-134), as amended (the DCIA), as set forth below.**
- 2. If we do not receive full payment of the outstanding debt within 30 days of the date of this letter (Demand Date), pursuant to the DCIA, you may incur additional charges and costs, and the debt may be transferred to the Federal Communications Commission (Commission or FCC) and/or the United States Department of Treasury (Treasury) for debt collection. The FCC has determined that the funds are owed to the United States pursuant to the provisions of 31 U.S.C. § 3701 and 47 U.S.C. § 254. Because the unpaid**

amount is a debt owed to the United States, we are required by the DCIA to impose interest and to inform you what may happen if you do not pay the full outstanding debt. Under the DCIA, the United States will charge interest from the date of this notice, you will be required to pay the administrative costs of processing and handling a delinquent debt as set by the Treasury (currently 18% of the debt), and you will be charged an additional penalty of 6% a year for any part of the debt that is more than 90 days past due. Interest on the outstanding debt (DCIA Interest) will be assessed at the published investment rate for the Treasury tax and loan accounts (Treasury Current Value of Funds Rate). If, however, you pay the full amount of the outstanding debt within 30 days of the Demand Date, the DCIA Interest will be waived. These requirements are set out at 31 U.S.C. § 3717.

3. When we transfer the debt (to the Commission or later to the Treasury), you may be subject to other administrative proceedings. Your failure to pay the debt may be reported to credit bureaus (see 31 U.S.C. § 3711(e)), the debt will be considered for administrative offset (see 31 U.S.C. § 3716), the debt may be further transferred to collection agencies (see 31 U.S.C. §§ 3711-3718), and also the debt may be referred to the United States Department of Justice or agency counsel for litigation. In that situation, you may be subject to additional administrative costs that result from the litigation. Moreover, pursuant to 31 U.S.C. §3720 (B), a person owing an outstanding non-tax debt that is in delinquent status shall not be eligible for Federal financial assistance. You should be aware that the discharge of any portion of the debt may be reported to the Internal Revenue Service as potential taxable income.

Opportunity of Inspection, Review, and Repayment Agreement

4. You have an opportunity to inspect and copy the invoices and the records pertinent to the debt. The Notification of Commitment Adjustment Letter gave you the opportunity to appeal the validity of the debt. Finally, you have an opportunity to request a written repayment agreement (including a Promissory Note) to pay the full amount of the debt. In that case, however, you must first provide evidence that demonstrates financial inability to pay the debt in one payment. Your claim of financial inability to pay in one payment is subject to verification (see 31 C.F.R. § 901.8), and if your request is approved for further processing, you will be required to execute a written agreement suitable to the Commission. You should be aware that repayment agreements regularly impose a number of obligations on the debtor, including additional administrative charges, audit obligations, and surety bond requirements. For more information on the obligations associated with repayment agreements, see "USAC Repayment Request Procedure" at www.universalservice.org/serviceprovider/repaymentplan. If you desire to exercise any of the above described rights, you must do so in writing which must be delivered to and received at the address below within 30 (thirty) days of the Demand Date. Any required evidence must be submitted at the same time that you submit your request. Failure to provide the written request (and, as appropriate, the required evidence) within the stated time is a waiver of these opportunities.

You may notify us in writing by mail or facsimile transmission at the following address and telephone number:

You may notify us in writing by mail or facsimile transmission at the following address and telephone number:

Schools and Libraries Division
Box 125 - Program Compliance II
80 S. Jefferson Road
Whippany, NJ 07981
Phone #: (973)-560-4443
Fax #: (973)-599-6582

If the Schools and Libraries Division (SLD) has determined that both the applicant and the service provider are responsible for a program rule violation, then, pursuant to the Order on Reconsideration and Fourth Report and Order (FCC 04-181) (Fourth Report and Order), the SLD will seek recovery of the improperly disbursed amount from BOTH parties and will continue to seek recovery until EITHER party has paid the debt. If the SLD has determined that both the applicant and the service provider are responsible for a program rule violation, this was indicated in the Disbursed Funds Recovery Explanation on the Funding Disbursement Report.

If SLD is attempting to collect all or part of the debt from both the applicant and the service provider, then you should work with your service provider to determine who will be repaying the debt to avoid duplicate payment. Please note, however, that the debt is the responsibility of both the applicant and service provider. Therefore, you are responsible for ensuring that the debt is paid in a timely manner.

Please remit payment for the full Funds to be Recovered from Service Provider amount shown in the Report. To ensure that your payment is properly credited, please include a copy of the Report with your check. Make your check payable to the Universal Service Administrative Company (USAC).

If sending payment by U. S. Postal Service or major courier service (e.g. Airborne, Federal Express, and UPS) please send check payments to:

Universal Service Administrative Company
1259 Paysphere Circle
Chicago, IL 60674

If you are located in the Chicago area and use a local messenger rather than a major courier service, please address and deliver the package to:

Universal Service Administrative Company
Lockbox 1259
540 West Madison 4th Floor
Chicago, IL 60661

Local messenger service should deliver to the Lockbox Receiving Window at the above address.

PAYMENT MUST BE RETURNED IMMEDIATELY.

Complete program information is posted to the SLD section of the USAC web site at www.sl.universalservice.org. You may also contact the SLD Technical Client Service Bureau by e-mail using the "Submit a Question" link on the SLD web site, by fax at 1-888-276-8736 or by phone at 1-888-203-8100.

Universal Service Administrative Company
Schools and Libraries Division

cc: JOHN DOTSON
ANNUNCIATION ELEMENTARY SCHOOL

Funding Disbursement Report
Form 471 Application Number: 105155

Funding Request Number: 106514
Contract Number: C
Services Ordered: INTERNAL CONNECTIONS
Billing Account Number:
Funding Commitment: \$53,649.00
Funds Disbursed to Date: \$53,649.00
Funds to be Recovered from Service Provider: ¹ \$8,440.00
Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that \$8,440.00 was improperly disbursed for this funding request. During the course of an audit it was determined that funds were disbursed for products and/or services that were not approved on the Form 471. In 1998, 21 hubs were listed on the attachment to Item 17 of the approved Form 471. The auditors were only able to locate 19 of these hubs (18 of these hubs were retired from use and inventoried as spares/obsolete) resulting in two missing units. The pre-discount cost of the two missing hubs is \$1,598.00 (\$799.00*2). Of these, 17 units were 8 port hubs instead of the more robust 12 port hubs that were on the approved Form 471. The price difference between the 8 port hubs and the 12 port hubs is \$200.00 per hub. Therefore, the price difference for the 17 units is \$3,400.00 (17 * \$200.00). Additionally, funds were disbursed for ineligible memory upgrades to 30 end user workstations. The pre-discount value of the memory upgrades was \$4,380.00. FCC rules require that applicants indicate on the Form 471 and item 21 (Item 17 on the Funding Year 1998 Form 471) attachments the services and/or equipment for which they are seeking funding so that USAC can determine whether the services and/or equipment are eligible for funding. Since the services were invoiced via a SPI, this violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it provides and invoices SLD for only the products and/or services equipment that SLD approved. On the SPAC Form at Block 2 Item 10, the authorized person certifies on behalf of the service provider that the Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator. Accordingly, the SLD will seek recovery of the \$8,440.00 ((\$1,598.00+\$3,400.00+\$4,380.00)* applicant's 90 percent discount rate) of improperly disbursed funds from the service provider.

**PLEASE SEND A COPY OF THIS PAGE WITH YOUR
CHECK TO ENSURE TIMELY PROCESSING**

¹ Please note that if the Funds to be Recovered from the Applicant is less than what was reported on the Notification of Commitment Adjustment Letter or the 1st Demand Payment Letter it is because you have partially repaid the debt or because the service provider has partially repaid the debt.



**Universal Service Administrative Company
Schools & Libraries Division**

**Demand Payment Letter
SECOND REQUEST**

Funding Year 1998: 1/01/1998 - 6/30/1999

June 24, 2005

**John Angelides
Connect2 Internet Networks Inc.
26 Bay Street
Staten Island, NY 10301 2145**

- PAST DUE NOTICE -

**THIS NOTICE PROVIDES IMPORTANT INFORMATION ABOUT YOUR
ACCOUNT AND YOUR RIGHTS AND OBLIGATIONS UNDER LAW**

**Re: SPIN: 143007419
Form 471 Application Number: 105155
Funding Year: 1998
FCC Registration Number:
Applicant Name: ANNUNCIATION ELEMENTARY SCHOOL
Billed Entity Number: 10089
Applicant Contact Person: JOHN DOTSON**

You were recently sent a Demand Payment Letter informing you of the need to recover funds for the Funding Request Number(s) (FRNs) listed on the Funding Disbursement Report attached to this letter. Our records indicate that you have not responded to the Demand Payment Letter. As of June 24, 2005, the debt was past due and delinquent.

**THE FOLLOWING PROVISIONS CONTAIN IMPORTANT INFORMATION AND A
DESCRIPTION OF LEGAL RIGHTS, OBLIGATIONS, AND OPPORTUNITIES**

- 1. Debtor is cautioned that failure to make the demanded payment or make other satisfactory arrangements will result in further sanctions, including, but not limited to, the initiation of proceedings to recover the outstanding debt, together with any applicable administrative charges, penalties, and interest pursuant to the provisions of the Debt Collection Act of 1982 (Public Law 97-365) and the Debt Collection Improvement Act of 1996 (Public Law 104-134), as amended (the DCIA), as set forth below.**
- 2. If we do not receive full payment of the outstanding debt within 30 days of the date of this letter (Demand Date), pursuant to the DCIA, you may incur additional charges and costs, and the debt may be transferred to the Federal Communications Commission (Commission or FCC) and/or the United States Department of Treasury (Treasury) for debt collection. The FCC has determined that the funds are owed to the United States pursuant to the provisions of 31 U.S.C. § 3701 and 47 U.S.C. § 254. Because the unpaid**

amount is a debt owed to the United States, we are required by the DCIA to impose interest and to inform you what may happen if you do not pay the full outstanding debt. Under the DCIA, the United States will charge interest from the date of this notice, you will be required to pay the administrative costs of processing and handling a delinquent debt as set by the Treasury (currently 18% of the debt), and you will be charged an additional penalty of 6% a year for any part of the debt that is more than 90 days past due. Interest on the outstanding debt (DCIA Interest) will be assessed at the published investment rate for the Treasury tax and loan accounts (Treasury Current Value of Funds Rate). If, however, you pay the full amount of the outstanding debt within 30 days of the Demand Date, the DCIA Interest will be waived. These requirements are set out at 31 U.S.C. § 3717.

3. When we transfer the debt (to the Commission or later to the Treasury), you may be subject to other administrative proceedings. Your failure to pay the debt may be reported to credit bureaus (see 31 U.S.C. § 3711(e)), the debt will be considered for administrative offset (see 31 U.S.C. § 3716), the debt may be further transferred to collection agencies (see 31 U.S.C. §§ 3711-3718), and also the debt may be referred to the United States Department of Justice or agency counsel for litigation. In that situation, you may be subject to additional administrative costs that result from the litigation. Moreover, pursuant to 31 U.S.C. §3720 (B), a person owing an outstanding non-tax debt that is in delinquent status shall not be eligible for Federal financial assistance. You should be aware that the discharge of any portion of the debt may be reported to the Internal Revenue Service as potential taxable income.

Opportunity of Inspection, Review, and Repayment Agreement

4. You have an opportunity to inspect and copy the invoices and the records pertinent to the debt. The Notification of Commitment Adjustment Letter gave you the opportunity to appeal the validity of the debt. Finally, you have an opportunity to request a written repayment agreement (including a Promissory Note) to pay the full amount of the debt. In that case, however, you must first provide evidence that demonstrates financial inability to pay the debt in one payment. Your claim of financial inability to pay in one payment is subject to verification (see 31 C.F.R. § 901.8), and if your request is approved for further processing, you will be required to execute a written agreement suitable to the Commission. You should be aware that repayment agreements regularly impose a number of obligations on the debtor, including additional administrative charges, audit obligations, and surety bond requirements. For more information on the obligations associated with repayment agreements, see "USAC Repayment Request Procedure" at www.universalservice.org/serviceprovider/repaymentplan. If you desire to exercise any of the above described rights, you must do so in writing which must be delivered to and received at the address below within 30 (thirty) days of the Demand Date. Any required evidence must be submitted at the same time that you submit your request. Failure to provide the written request (and, as appropriate, the required evidence) within the stated time is a waiver of these opportunities.

You may notify us in writing by mail or facsimile transmission at the following address and telephone number:

You may notify us in writing by mail or facsimile transmission at the following address and telephone number:

Schools and Libraries Division
Box 125 - Program Compliance II
80 S. Jefferson Road
Whippany, NJ 07981
Phone #: (973)-560-4443
Fax #: (973)-599-6582

If the Schools and Libraries Division (SLD) has determined that both the applicant and the service provider are responsible for a program rule violation, then, pursuant to the Order on Reconsideration and Fourth Report and Order (FCC 04-181) (Fourth Report and Order), the SLD will seek recovery of the improperly disbursed amount from BOTH parties and will continue to seek recovery until EITHER party has paid the debt. If the SLD has determined that both the applicant and the service provider are responsible for a program rule violation, this was indicated in the Disbursed Funds Recovery Explanation on the Funding Disbursement Report.

If SLD is attempting to collect all or part of the debt from both the applicant and the service provider, then you should work with your service provider to determine who will be repaying the debt to avoid duplicate payment. Please note, however, that the debt is the responsibility of both the applicant and service provider. Therefore, you are responsible for ensuring that the debt is paid in a timely manner.

Please remit payment for the full Funds to be Recovered from Service Provider amount shown in the Report. To ensure that your payment is properly credited, please include a copy of the Report with your check. Make your check payable to the Universal Service Administrative Company (USAC).

If sending payment by U. S. Postal Service or major courier service (e.g. Airborne, Federal Express, and UPS) please send check payments to:

Universal Service Administrative Company
1259 Paysphere Circle
Chicago, IL 60674

If you are located in the Chicago area and use a local messenger rather than a major courier service, please address and deliver the package to:

Universal Service Administrative Company
Lockbox 1259
540 West Madison 4th Floor
Chicago, IL 60661

Local messenger service should deliver to the Lockbox Receiving Window at the above address.

PAYMENT MUST BE RETURNED IMMEDIATELY.

Complete program information is posted to the SLD section of the USAC web site at www.sl.universalservice.org. You may also contact the SLD Technical Client Service Bureau by e-mail using the "Submit a Question" link on the SLD web site, by fax at 1-888-276-8736 or by phone at 1-888-203-8100.

Universal Service Administrative Company
Schools and Libraries Division

cc: JOHN DOTSON
ANNUNCIATION ELEMENTARY SCHOOL

Funding Disbursement Report
Form 471 Application Number: 105155

Funding Request Number: 106036
Contract Number: C
Services Ordered: DEDICATED SERVICES
Billing Account Number:
Funding Commitment: \$17,082.00
Funds Disbursed to Date: \$11,388.00
Funds to be Recovered from Service Provider: ¹ \$11,388.00
Disbursed Funds Recovery Explanation:

After a thorough investigation, it has been determined that \$11,388.00 was improperly disbursed for this funding request. During the course of an audit it was determined that funds were disbursed for products and/or services that were not delivered. Using the local exchange company telephone bills, it was found that the service provider began providing T-1 internet access to the applicant on January 5, 2000. However, the service provider billed and was reimbursed for T-1 service for Funding Year 1998. FCC rules authorize USAC to disburse funds to service providers for providing supported services to eligible entities. These rules are violated if the service provider receives payment for services and/or products that it did not deliver to the eligible entity. Since the services were invoiced via a SPI, this violation was caused by an act or omission of the service provider because the service provider is responsible for ensuring that it only receives support for services and/or products that it actually provides to its customers. Accordingly, the SLD will seek recovery of the \$11,388.00 of improperly disbursed funds from the service provider.

**PLEASE SEND A COPY OF THIS PAGE WITH YOUR
CHECK TO ENSURE TIMELY PROCESSING**

¹ Please note that if the Funds to be Recovered from the Applicant is less than what was reported on the Notification of Commitment Adjustment Letter or the 1st Demand Payment Letter it is because you have partially repaid the debt or because the service provider has partially repaid the debt.

EXHIBIT 6

CARTER LEDYARD & MILBURN LLP
Counselors at Law

Timothy J. Fitzgibbon
Partner

Direct Dial: 202-623-5705
E-mail: fitzgibbon@clm.com

1401 Eye Street, N.W., Suite 300
Washington, DC 20005

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New York, NY 10005-2072
(212) 732-3200

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New York, NY 10022
(212) 371-2720

July 21, 2005

BY EXPRESS MAIL

Universal Service Administrative Company
Schools and Libraries Division
Box 125 -- Program Compliance II
80 S. Jefferson Road
Whippany, N.J. 07981

Re: CC Docket No. 02-6
APPEAL of Demand Payment Letters
Annunciation Elementary School
Connect2 Internet Networks, Inc.
Billed Entity Number 10089
SPIN - 143007419
471 Application Number 105155
Funding Year 1998
Funding Request Numbers 106036 and 106514

Dear Schools and Libraries Division:

Connect2 Internet Networks, Inc. ("Connect2"), by counsel, hereby responds to and appeals from two "Second Request Demand Payment Letters and Past Due Notices" issued by the Universal Service Administrative Company ("USAC"), dated June 24, 2005 ("USAC Second Demand Letters"), regarding Annunciation Elementary School ("AES"). The USAC Second Demand Letters demand that Connect2 pay to USAC a total of \$19,828.00 in funds previously disbursed to Connect2 by the Schools and Libraries Division ("SLD") during Funding Year 1998 in connection with the above-referenced Application and Funding Request Numbers ("FRNs"). They also indicate that the amount allegedly owed by Connect2 is now "past due" and that Connect2 may be subject to interest and penalties. For the reasons set forth below, Connect2 respectfully requests that USAC rescind the USAC Second Demand Letters.

First, each of the USAC Second Demand Letters states **incorrectly** that "you have not responded to the [initial] Demand Payment Letter." USAC Second Demand Letter at 1. Connect2 filed an appeal of the initial Demand Payment Letters on June 23, 2005. A copy of that appeal letter dated June 22, 2005 ("Connect2 Appeal Letter") is attached as Exhibit 1. Among other things, the Connect2 Appeal Letter stated that USAC apparently had failed to

follow its own procedures in issuing the initial Demand Payment Letters because Connect2 had no record of receiving any correspondence from USAC about AES prior to the Demand Payment Letters, other than a copy of an audit report that was not provided to Connect2 until sometime after April 19, 2005. See Connect2 Appeal Letter at 2. For example, the USAC Second Demand Letters state that "the Notification of Commitment Adjustment Letter gave you the opportunity to appeal the validity of the debt." USAC Second Demand Letter at 2. However, Connect2 has no record of ever receiving a Notification of Commitment Adjustment Letter concerning AES. In fact, the initial USAC Demand Payment Letter referred to "Notification of Improperly Disbursed Funds Letter" (not a Commitment Adjustment Letter), but Connect2 has no record of receiving either of these types of letters concerning AES. Consequently, Connect2 filed its appeal of the alleged debt concerning AES as soon as it received the initial Demand Payment Letters. Connect2 hereby incorporates by reference the contents of its June 22, 2005 Appeal Letter.

Second, the USAC Second Demand Letters inform Connect2 for the first time that it has "an opportunity to inspect and copy the invoices and the records pertinent to the debt." Please consider this notice of Connect2's desire to inspect and copy the relevant records. As Connect2 has stated repeatedly in filings with USAC and the FCC, all of its records were seized by the FBI in late 2002 and have never been returned. Consequently, Connect2 cannot defend itself against USAC payment demands and other charges without being provided an opportunity to inspect and copy the relevant records. Please advise undersigned counsel as soon as possible regarding when and where the relevant records might be made available for inspection and copying by Connect2.

Connect2 respectfully requests that USAC reconsider and rescind the Second Demand Payment Letters referenced above and suspend any collection activity with respect to the above-referenced FRNs and Application Number because USAC apparently has failed to comply with its own procedures in issuing the Demand Payment Letters and the Second Demand Letters.

Respectfully submitted,



Timothy J. Fitzgibbon TJB
Counsel for Connect2
Internet Networks, Inc.

TJF:lac

cc: Anthony Dale, Wireline Competition Bureau, Federal Communication Commission
Erica Myers, Wireline Competition Bureau, Federal Communications Commission
Vickie Robinson, Wireline Competition Bureau, Federal Communications Commission
Mark Stephens, Wireline Competition Bureau, Federal Communications Commission
Principal, Annunciation Elementary School

CERTIFICATE OF SERVICE

I hereby certify that on October 27, 2005, a copy of the foregoing "Request for Review" and certificate of service was sent via First Class Mail, postage prepaid, to:

Administrator
Universal Service Administrative
Company
Schools and Libraries Division
Box 125 - Correspondence Unit
80 South Jefferson Road
Whippany, New Jersey 07981

Ms. Narda M. Jones
Chief, Telecommunication Commission
Wireline Competition Bureau
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