

EXHIBIT A

Paul B. Hudson
Davis Wright Tremaine
1919 Pennsylvania Ave. NW, Suite 200
Washington, DC 20006

Billed Entity Number: 135654
Form 471 Application Number: 678753
Form 486 Application Number:



Administrator's Decision on Appeal – Funding Year 2009-2010

June 29, 2010

Paul B. Hudson
Davis Wright Tremaine
1919 Pennsylvania Ave. NW, Suite 200
Washington, DC 20006

Re: Applicant Name: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Number: 135654
Form 471 Application Number: 678753
Funding Request Number(s): 1853415, 1853424, 1853437
Your Correspondence Dated: April 23, 2010

After thorough review and investigation of all relevant facts, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has made its decision in regard to your appeal of USAC's Funding Year 2009 Funding Commitment Decision Letter for the Application Number indicated above. This letter explains the basis of USAC's decision. The date of this letter begins the 60 day time period for appealing this decision to the Federal Communications Commission (FCC). If your Letter of Appeal included more than one Application Number, please note that you will receive a separate letter for each application.

Funding Request Number(s): 1853415, 1853424, 1853437
Decision on Appeal: **Denied**
Explanation:

- USAC is in receipt of your appeal letter regarding funding requested on FCC Form 471 #678753 between Net56, Inc. and Country Club Hills School District 160 (CCSD).

In your appeal letter you indicate that it is your position that:

- "USAC based its decision upon the wrong contract..."
- "USAC incorrectly concluded that the District had not paid for e-rate services..."
- "the District did pay in accordance with agreements between the District, and the leasing company, and Net56 that clearly allocate the cost between eligible e-rate services and ineligible services."

In support of your position you provided three documents listed as Attachments 2, 3 and 4.

You state that Attachment 2, entitled "Country Club School District Internet Access Quote," is the contract which should be used in USACs review. This document is signed and dated 1/20/2009.

USAC disagrees that we based our decision on the wrong contract for the following reasons:

- In USAC's information request dated 4/14/2009 the applicant was asked: "For each of the funding requests (FRNs) on the above applications, where Net56 is the selected service provider, please provide a copy of the signed and dated contract for that FRN." In response, the applicant provided the contract which was evaluated by USAC and not the document which you provided as Attachment 2 to your appeal. The contract provided by the applicant is entitled "Net56 Master Service Agreement" and it was signed and dated 5/10/2006.
- The applicant was also asked to provide all other contracts between the school district and Net56, whether E-Rate related or not. The applicant responded "There are no other contracts between the district and Net56."
- At the time of USAC's information request regarding contracts, the school district was in possession of the document in Attachment 2. In fact, they submitted it to USAC on June 22, 2009 when asked for additional detail in support of the school's on-line Item 21 attachment. Similar documents/quotes were submitted in support of the Net56 Master Service Agreement (which is the contract provided by the applicant for USAC's review) for each funding year, supporting the contract provided by the applicant.
- We note that the non-discounted payment specified in the Master Service Agreement, \$8,352 per month, is identical to the payment specified in your Attachment 2. We believe that this further supports our contention that this is not a separate contract but rather part of the Master Service Agreement as indicated by the applicant.
- It is your contention that CCSD engaged in new competitive bidding for the E-Rate services and that your Attachment 2 is the result of that bidding process and therefore it is the correct contract. If so, the District would be required retain the documentation related to that competitive bidding process associated with that contract for USAC review. As part of the above mentioned information request, the District was asked to provide the competitive bidding and vendor selection documentation for each Net56 FRN. In the Districts response the applicant stated: "I also am not aware of any records that support the selection process, the evaluation process, how many bids were received, or why Net56 was selected." The inability to provide the competitive bidding documentation which lead to the contract is, in and of itself, a denial reason for the FCC Form 471 application.

USAC disagrees with your statement that USAC incorrectly concluded that the District had not paid for E-Rate services for the following reasons:

- The contract specifies a payment of \$8,352 per month. According to the contract, that entire amount is to be paid to Millennium Leasing & Financial Services Inc., pursuant to exhibit D of the contract, which is the lease agreement.
- The document included as Attachment 2 in your appeal also specifies a payment of \$8,352 per month. You also agree that the payment is made to the financing company as indicated in your Attachment 3.
- The lease agreement lists 25 terms and conditions. Of those 25, 22 address and specifically mention equipment and none of the 25 address or mention the services provided by Net56. Instead, the lease agreement specifically states that the entire amount is for rent of equipment, as described in the Exhibit A to the lease agreement. Further, this equipment is ineligible equipment because it is deployed at the Net56 data center, which is an ineligible location.
- The lease agreement has a section entitled "Equipment Information." In that section the agreement states "See attached Exhibit A." Exhibit A of the lease agreement clearly states the hardware and software being leased under this lease agreement. There is no comparable section, attachment or exhibit describing any services included in the agreement.
- Attachment 3 to your appeal is undated and it was provided in your February 19, 2010 information. However, in reviewing this document, we are unable to resolve the discrepancy between the information provided earlier in the year and this information because Attachment 3 states that "this clarification does not amend the terms of the master agreement" and the master agreement only specifies the lease of equipment and not services.

Finally, you cite the Macomb Order (FCC 07-64) and ask for funding to be instated at a level that is cost-effective based on the precedent set in the Order. However, since the facts in this application are substantively different from that in the Order, it cannot be used as precedent.

- The Macomb Order relates to an applicant spreading their procurement over multiple suppliers, each with bids at different price points, the lowest of which was a cost effective bid, the others were found to be not cost effective. The Commission allowed the applicant to procure the same amount of service from a single provider at their original price, and did not result in renegotiated pricing for the other providers that were deemed not cost-effective by USAC.
- In this case, however, the procurement resulted in a single winning bidder and the funding requests were all deemed not cost-effective during PIA review. Applicants cannot renegotiate their contracts in order to overcome a cost-effectiveness denial. Finally, the pricing indicated in our analysis served only to demonstrate that the costs exceeded the FCC's thresholds.

- USAC cannot honor your request to approve funding up to the amount that is found to be cost effective because doing so would constitute a change in price and after the close of the bidding process as such price changes and renegotiation of the contract would constitute a violation of the FCC competitive bidding rules. Therefore, your original bid prices are what must be utilized in the cost effectiveness reviews and the cost effectiveness determinations related to those bid prices stand.

In summary, the violations of cost effectiveness, school not paying their share and school not retaining/providing competitive bidding documentation have not been resolved. Therefore the denials of the funding requests cited in your appeal stand.

If your appeal has been approved, but funding has been reduced or denied, you may appeal these decisions to either USAC or the FCC. For appeals that have been denied in full, partially approved, dismissed, or canceled, you may file an appeal with the FCC. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received or postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554. Further information and options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD section of the USAC website or by contacting the Client Service Bureau. We strongly recommend that you use the electronic filing options.

We thank you for your continued support, patience and cooperation during the appeal process.

Schools and Libraries Division
Universal Service Administrative Company

cc: Denise Peeks

EXHIBIT B



FUNDING COMMITMENT DECISION LETTER
(Funding Year 2009: 07/01/2009 - 06/30/2010)

February 23, 2010

Mary Piazza
Net56, Inc
1266 West Northwest Hwy
Suite 740
Palatine, IL 60067

Re: Service Provider Name: Net56, Inc
Service Provider Identification Number: 143025679

Thank you for participating in the Schools and Libraries Program (Program) for Funding Year 2009. This letter is your notification of our decision(s) regarding application funding requests that listed your company's Service Provider Identification Number (SPIN).

NEXT STEPS

- File Form 498, Service Provider Information Form, if appropriate
- File Form 473, Service Provider Annual Certification Form (SPAC), for the above Funding Year
- Work with your customer to provide appropriate invoicing to USAC: Service Provider Invoice (Form 474) or Billed Entity Applicant Reimbursement (Form 472)

Please refer to the Funding Commitment Report(s) (Report) following this letter for specific funding request decisions and explanations. Each Report contains detailed information extracted from the applicant's Form 471. A guide that provides a definition for each line of the Report is available in the Reference Area of our website.

Once you have reviewed this letter, we urge you to contact your customers to establish any necessary arrangements regarding start of services, billing of discounts, and any other administrative details for implementation of discount services. As a reminder, only eligible services delivered in accordance with Federal Communications Commission (FCC) rules are eligible for these discounts.

TO APPEAL THIS DECISION:

You have the option of filing an appeal with the SLD or directly with the FCC.

If you wish to appeal a decision in this letter to USAC, your appeal must be received by USAC or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and (if available) email address for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Include the following to identify the decision letter and the decision you are appealing:
 - Appellant name,
 - Applicant or service provider name, if different from appellant,
 - Applicant Billed Entity Number (BEN) and Service Provider Identification Number (SPIN),
 - Form 471 Application Number as assigned by USAC,
 - "Funding Commitment Decision Letter for Funding Year 2009," AND
 - The exact text or the decision that you are appealing.

3. Please keep your letter to the point, and provide documentation to support your appeal. Be sure to keep a copy of your entire appeal, including any correspondence and documentation.
4. If you are the applicant, please provide a copy of your appeal to the service provider(s) affected by the decision. If you are the service provider, please provide a copy of your appeal to the applicant(s) affected by USAC's decision.
5. Provide an authorized signature on your letter of appeal.

To submit your appeal to USAC by email, email to appeals@sl.universalservice.org. USAC will automatically reply to incoming emails to confirm receipt.

To submit your appeal to us by fax, fax your appeal to (973) 599-6542.

To submit your appeal to us on paper, send your appeal to:

Letter of Appeal
Schools and Libraries Division - Correspondence Unit
100 S. Jefferson Road
P.O. Box 902
Whippany, NJ 07981

If you wish to appeal a decision in this letter to the FCC, you should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received by the FCC or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. We strongly recommend that you use the electronic filing options described in the "Appeals Procedure" posted on our website. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554.

OBLIGATION TO PAY NON-DISCOUNT PORTION

Applicants are required to pay the non-discount portion of the cost of the products and/or services to their service provider(s). Service providers are required to bill applicants for the non-discount portion. The FCC stated that requiring applicants to pay their share ensures efficiency and accountability in the program. If USAC is being billed via the FCC Form 474, the service provider must bill the applicant at the same time it bills USAC. If USAC is being billed via the FCC Form 472, the applicant pays the service provider in full (the non-discount plus discount portion) and then seeks reimbursement from USAC. If you are using a trade-in as part of your non-discount portion, please refer to our website for more information.

NOTICE ON RULES AND FUNDS AVAILABILITY

Applicants' receipt of funding commitments is contingent on their compliance with all statutory, regulatory, and procedural requirements of the Schools and Libraries Program. Applicants who have received funding commitments continue to be subject to audits and other reviews that USAC and/or the FCC may undertake periodically to assure that funds that have been committed are being used in accordance with all such requirements. USAC may be required to reduce or cancel funding commitments that were not issued in accordance with such requirements, whether due to action or inaction, including but not limited to that by USAC, the applicant, or the service provider. USAC, and other appropriate authorities (including but not limited to the FCC), may pursue enforcement actions and other means of recourse to collect improperly disbursed funds. The timing of payment of invoices may also be affected by the availability of funds based on the amount of funds collected from contributing telecommunications companies.

Schools and Libraries Division
Universal Service Administrative Company

RECEIVED FEB 25 2010

FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cchl160.org
Form 471 Application Number: 678753
Funding Request Number: 1853415
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$141,120.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$141,120.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010

Wave Number: 041

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cchl60.org
Form 471 Application Number: 678753
Funding Request Number: 1853424
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$30,000.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$30,000.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010

Wave Number: 041

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

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FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cchl160.org
Form 471 Application Number: 678753
Funding Request Number: 1853437
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$120,000.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$120,000.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010

Wave Number: 041

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010



March 26, 2010

RECEIVED MAR 29

Denise Peeks
Country Club Hills School District 160
4411 185th St.
Country Club Hills, IL 60478-5219

Further Explanation of Administrator's Funding Decision
FCC Form 471 Application Number: 678753
Funding Request Numbers: 1853415, 1853424 and 1853437
Funding Year 2009 (07/01/2009 – 06/30/2010)
Billed Entity Number: 135654

Under separate cover, you are being sent a Funding Commitment Decision Letter concerning the FCC Form 471 Application Number cited above. This Funding Commitment Decision Letter denies the Funding Request Number(s) indicated above.

Please be advised that the Funding Commitment Decision Letter (FCDL) is the official action on this application by the Universal Service Administrative Company (USAC). Please refer to that letter for instructions regarding how to appeal the Administrator's decision, if you wish to do so. The purpose of this letter is to provide you with additional information concerning the reason for modification and denial of these funding requests.

Review of FRN #1853415

FRN #1853415 requests funding in the amount of \$141,120 for Internet access WAN service. This WAN service request includes on-premise equipment. According to the Item 21 attachments and additional documentation you provided on November 10, 2008, which included a more detailed description of the services being procured from Net56 and a network diagram supplied by your service provider, the on-premise equipment consisted of Cisco 3560 series layer 3, Gb Switch/Routers and IBM eSeries Servers, which were to function as DNS/DHCP servers.

Based on a review of the network diagram and related documentation related to this on-premise equipment, in accordance with the requirements of the Tennessee Order (FCC 99-216), the WAN servers, identified as DNS/DHCP servers, are not eligible as part of a Priority 1 Internet access service.

The Tennessee Order questions address the exclusive use of the servers, and whether the DHCP service would function if the servers were removed. For reference, please see <http://www.usac.org/sl/applicants/step06/on-premise-priority1-equipment.aspx>.

- The diagram configuration, and the function of the servers, fail the following requirements of the Tennessee Order:
 - *The Local Area Network of the school or library is functional without dependence on the equipment.* This is because the DHCP/DNS service would not be able to function if the servers were removed.
 - *There is no contractual, technical, or other limitation that would prevent the service provider from using its network equipment, in part, for other customers.* This is because the servers are located at an applicant site; as such, it would not be possible for the vendor to utilize the same servers to provide DNS/DHCP service to another customer.

While the WAN servers could potentially be eligible as Priority 2 internal connections, your establishing FCC Form 470, #832400000711069, did not post for Internal Connections. Therefore, these servers are not fundable as Internal Connections.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the servers was \$205 per month each or a total of \$9,840 annually. Your funding request was reduced by that amount.

The remaining broadband circuits and associated Cisco 3560 switches are eligible as Priority One Internet access service. The circuits were not subjected to a cost effectiveness review.

FRN #1853424 Review

FRN #1853424 requests funding in the amount of \$30,000 for a firewall service. This firewall service includes on-premise software running on the switches included in the WAN service FRN #1853415. FRN #1853424 also includes firewall equipment located at the Net56 data center. The Net56 data center is an ineligible location; accordingly, equipment located there is ineligible for funding. Also, since the funding request includes the firewall capability of the software running on the switch, which is located at the point of entry of each building, it has been determined that the equipment located at the Net56 data center is redundant and therefore ineligible for that reason as well.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the firewall equipment located at the Net56 data center was \$1,350 per month or \$16,200 annually. The funding request was reduced by that amount.

FRN #1853437 Review

FRN #1853437 requests funding in the amount of \$120,000 for web hosting and email services. In the response to USAC's information request regarding the specific services included in this funding request, you indicated that these services include web retention and web journaling as well as email retention and email journaling. Web retention and e-mail retention is archiving of information. Web journaling and e-mail journaling is an application. These products/services are ineligible under program rules.

For details, please refer to the Eligible Services List:

<http://www.universalservice.org/sl/tools/eligible-services-list.aspx>.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the email retention and journaling and web retention and journaling was \$2,000 per month or \$24,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with the email retention and journaling and the web retention and journaling, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments and follow up questions and your responses to the follow up questions. This cost effectiveness review compared the funding requested for the solution from Net56 with the funding required for a comparable premises-based solution, as well as other on-premises solutions.

The result of that review was that the funding request was not justified as cost effective as required by FCC rules. The FCC has stated that in some situations in which "the price of services is so exorbitant that it cannot, on its face be cost effective" and cited as an example selling a service "at prices two to three times greater than the prices available from commercial vendors would not be cost effective, absent extenuating services" Ysleta Order, FCC 03-313, paragraph 54.¹ Specifically, the web hosting and email services exceed two times the cost of a comparable solution from commercial vendors. The funding required for the Net56 solution over the five year life of the contract is \$480,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$57,000. This amount accounts for the purchase of four servers at a market price of \$14,250, including installation and maintenance for five years. It should be noted that in most cases, two servers are adequate to perform these functions. Costs associated with the purchase of two servers would be approximately \$28,500.

¹ See 47 C.F.R. secs. 54.511(a), 54.504(b)(2)(vii), 54.504(c)(1)(xi). See also Request for Review of the Decision of the Universal Service Administrator by Ysleta Independent School District, et al., CC Docket Nos. 96-45 and 97-21, Order, 18 FCC Rcd 26407, FCC 03-313 paras. 47-55 (Dec. 8, 2003) (*Ysleta Order*).

Contract Review: Service Eligibility Issues

In response to the April 14, 2009 request by USAC for all contracts between the Country Club Hills School District 160 and the service provider, Net56, the applicant provided one contract. The contract is signed by Leonora Beck, Business Manager and dated May 10, 2006. It is for a term of 60 months.

Upon review, your contract specifies several additional ineligible services that are included in the funding requests beyond what was disclosed in your responses to information requests. Such services include, but are not limited to, the following: maintenance and repair of school owned equipment located in the Net56 data center (co-located equipment), backup of hard drives of co-located equipment, providing anti-virus services on co-located equipment, providing environmentally controlled atmosphere and generated backup power for co-located equipment.

Because FRN #1853437 had already been determined to be not cost effective based on the information that was previously provided, USAC did not attempt to re-perform cost allocations and the cost effectiveness review based upon this additional information, and the previous determination as detailed above stands.

However, it is important to note that during the course of this review, both you and your service provider failed to provide a breakdown of the eligible versus ineligible services being received from Net56 and their respective dollar amounts that is consistent with the services and costs noted in your contract, which, additionally, tie in clearly to your Schools and Libraries Program funding requests. As explained in greater detail below, the documentation provided by you indicates that the monthly payments are exclusively for the rental/lease of equipment that is not fundable because it is located at an ineligible entity.

Contract Review: Payments

The Master Service Agreement portion of the aforementioned contract, in section 3, states that this is the sole agreement between the school and the service provider "relating to the subject matter hereof." Accordingly, there is no other agreement/contract related to the services requested in FCC Form 471 application #678753.

This contract specifies a monthly payment of \$8,352 to be paid pursuant to the terms and conditions of Exhibit D, which is a financing agreement between the school and Millennium Leasing & Financial Services Inc. There is no other payment specified in the contract other than this payment to Millennium Leasing & Financial Services Inc.

Finance Agreement Review

The financing agreement, also signed by Leonora Beck, states that the school is to make 60 lease payments in the amount of \$8,352 each. The financing agreement indicates that the payments are for the rental/lease of the equipment shown in Exhibit A of the financing agreement. That equipment is the same equipment listed in Exhibit A of the Net56 contract. Exhibit A of the Net56 contract indicates that the implementation location of this equipment is the Net56 location at 1266 W. Northwest Hwy, Palatine, Illinois, which is an ineligible location. Per the financing agreement, the entire amount of the payments is associated with the rental/lease of this equipment.

As specified in the financing agreement between the school and the financing company, this payment is solely for the rental/lease of hardware and/or software. The hardware and/or software specified as covered by the finance agreement is ineligible because it is being deployed within the Net56 data center, which is an ineligible entity.

Although eligible services may have been provided by Net56, there is no documentation regarding any payment for eligible or ineligible Internet access services. Therefore, there is no documentation to support that you paid your Schools and Libraries Program share for any eligible Internet access services, because the lease agreement, which represents the full payment for services, is solely for the rental/lease of ineligible equipment.

Net56 Additional Information

USAC management met with several applicants as well as Net56 regarding these concerns. On October 7, 2009, Net56 provided a two page letter in response to USAC's questions. The request was to respond as to why Net56 maintained that the servers would be eligible as a Priority 1 Service; to answer how they arrived at their pricing structure; and to provide the grid referred to by some applicants that would purportedly allocate costs related to eligible and ineligible services.

The Net56 response was reviewed. First, the documentation provided did not affect the determination regarding the servers. Second, the question regarding pricing structure was not answered directly, but rather, a "Total Cost of Ownership" document was provided, which compared costs of the Net56 solution with ineligible staff costs. It is important to note that while a particular solution may lower the overall Total Cost of Ownership to an individual school district, the Schools and Libraries program can only fund eligible products and services that are used in accordance with FCC Rules, which may not always result in the lowest total cost of ownership to the applicant. Third, the grid provided, while it did pertain to the funding requests, did not serve to answer the many questions relating to disparities between the Item 21 documentation, the contract and the finance agreement.

Conclusion

The funding requests were reviewed for service eligibility. Ineligible services were cost allocated and the associated costs were removed from the funding requests. A cost effectiveness review was then performed on FRN #1853437. The FRN failed this cost effectiveness review.

During the course of the review of this application, the contract and finance agreement were provided to USAC. The services noted in the contract differ from your responses during the cost effectiveness review; however, the determination that FRN #1853437 fails cost effectiveness review stands, since the additional information in the contract would only lead to further cost allocations, which would still provide a cost effectiveness failure.

In regard to service eligibility of the products and services specified in your contract, no documentation was provided to USAC that clearly allocates eligible and ineligible products and services and their respective costs. As a result, it is not possible to ascertain how your Schools and Libraries Program funding requests relate to the eligible and ineligible products and services noted on the contract.

Additionally, the finance agreement, which includes the only payment related to your contract and this application's three funding requests, specifies that the payments are for the lease/rental of hardware at the Net56 data center, an ineligible location. While Net56 may be providing eligible Internet access services as a part of the contract, there is no documentation to support that any services, eligible or ineligible, are included in the payments to the finance company. Accordingly, there is no documentation for any of the three FRNs in this application, regarding the payment of your Schools and Libraries Program share of the Internet access services. As a consequence, all three FRNs are denied.

Finally, USAC management made additional attempts to obtain information from Net56 in regard to these concerns; however, the documentation provided did not affect the outcome of the decision.

Sincerely,

The Schools and Libraries Program

cc:
Net56
Bruce Koch
1266 W. Northwest Hwy
Suite 740

Denise Peeks
February 4, 2010
Page 7 of 7

Palatine, IL 60067

EXHIBIT C

April 23, 2010

Letter of Appeal
Schools and Libraries Division – Correspondence Unit
30 Lanidex Plaza West
PO Box 685
Parsippany, NJ 07054-0685

VIA EMAIL: appeals@sl.universalservice.org

To Whom It May Concern:

The purpose of this letter is to appeal the decision set forth in the USAC Funding Commitment Decision Letter for Funding Year 2009, dated February 23, 2010, for Country Clubs Hills School District 160 (the “District”). Additional information concerning this decision was provided in a Further Explanation of Administrator’s Funding Decision Letter from USAC dated March 26, 2010 (the “Further Explanation Letter”).¹

Identifying Information:

Appellant Name:	Net56, Inc.
Applicant Name:	Country Club Hills School District 160
Applicant BEN:	135654
Service Provider SPIN:	143025679
Form 471 Application No.:	678753
FRNs:	1853415, 1853424, 1853437
USAC Action:	FCDL dated February 23, 2010 and Further Explanation Letter dated March 26, 2010

Appeal Contact:

Paul B. Hudson
Davis Wright Tremaine
1919 Pennsylvania Ave. NW, Suite 200
Washington, DC 20006
202-973-4275
paulhudson@dwt.com

¹ Copies of the FCDL and Further Explanation Letter are attached hereto as **Attachment 1**.

Appeal

In the Further Explanation Letter, USAC concluded that Net56, Inc. and the District had not allocated e-rate and non e-rate services and their respective costs. Specifically, the Further Explanation Letter states:

[Net 56 and the District] failed to provide a breakdown of the eligible versus ineligible services being received from Net56 and their respective dollar amounts ... (Further Explanation Letter, page 4)

Although eligible services may have been provided by Net56, there is no documentation regarding any payment for eligible or ineligible Internet access services. Therefore, there is no documentation to support that you paid your Schools and Libraries Program share for any eligible Internet access services, because the lease agreement, which represents the full payment for services, is solely for the rental/lease of ineligible equipment. (Further Explanation Letter, page 5)

In regard to service eligibility of the products and services specified in your contract, no documentation was provided to USAC that clearly allocates eligible and ineligible products and services and their respective costs. As a result, it is not possible to ascertain how your Schools and Libraries funding requests relate to the eligible and ineligible products and services noted on the contract. (Further Explanation Letter, page 6)

These conclusions are incorrect. First, USAC based its decision upon the wrong contract, and apparently was unaware of the correct contract. Second, USAC incorrectly concluded that the District had not paid for the e-rate services, when in fact the District did pay in accordance with agreements between the District, the leasing company, and Net56 that clearly allocate the cost between eligible e-rate services and ineligible services. Net56 demonstrates these facts below and through three attached documents.

USAC Reviewed the Wrong Contract. USAC incorrectly understood the 60-month term May 10, 2006 agreement to be the contract between Net56 and the District for the provision of e-rate services. However, as USAC correctly noted, that agreement does not provide for the provision of e-rate eligible services. Thus, while this agreement does say that it was at the time the sole agreement “relating to the subject matter hereof,” that subject matter was not the provision of e-rate services. Instead, the District separately and subsequently contracted for the e-rate services applied for in this application after the District posted its Form 470 on December 15, 2008. In response to its Form 470, Net56 proposed a written quotation to the District for e-rate services for the 2009 funding year. The District accepted Net56’s bid and signed the quotation on January 20, 2009, thereby entering into a new contract. It is this document, which is attached hereto as Attachment 2 to this appeal letter, that is the relevant contract in this proceeding. This

contract clearly describes the e-rate services and states a monthly price of \$24,260 for eligible services.²

If the District and Net56 had believed the May 10, 2006 agreement was a contract for e-rate services for Funding Year 2009, the District would have had no need to seek bids at the end of 2008 through a Form 470, and Net56 would have had no need to provide a new quotation. The term of the May 2006 agreement is 60 months, into 2011. Moreover, even if that agreement included e-rate services for 2009, which it does not, it would have been superseded by the subsequent agreement executed after the District posted its Form 470 for 2009. Therefore, (1) the e-rate agreement provided in Attachment 2 is the relevant contract between Net56 and the District and (2) this contract clearly allocates and states the price for each e-rate service covered by the Application.

The District Paid Amounts Expressly Designated for Eligible Services. The Explanation Letter states that “Although eligible services may have been provided by Net56, there is no documentation regarding any payment for eligible” services. This mistaken conclusion is based upon USAC’s understanding that the District only made payments to the leasing company for ineligible equipment and not for the e-rate services. On the contrary, Net56 previously provided to USAC a copy of an agreement signed by the District and Millennium Leasing & Financial Services, Inc. that clarifies the original lease to allocate \$7280.65 of the District’s monthly payment toward services provided by Net56, and not for equipment. Net56 also provided a copy of a written agreement between itself and the District expressly clarifying how this portion of the lease payment would be applied to the District’s monthly bill for all services, with a specific detailed and separate allocation between the e-rate and non e-rate services, for funding year 2009-10. This agreement shows that \$4852 of the District’s monthly payment was allocated to e-rate services, with specific amounts allocated to each FRN. This \$4852 is the District’s full 20% share of the \$24,260 monthly fee set forth in the parties’ e-rate contract.

Although these documents were provided to USAC prior to issuance of the FCDL on February 23, 2010, the FCDL may have already been processed by USAC when the documents were received. In any case, they are not addressed in the FCDL or the Further Explanation Letter. We are resubmitting these documents as Attachments 3 and 4 to this letter and request that USAC consider them under this appeal.

In sum, the District did pay its non-discounted share for each of the e-rate services that are covered by this Application, in the amounts as required by the e-rate contract provided as Attachment 2, pursuant to the express written agreement with the leasing company set forth in Attachment 3, and in accordance with the written agreement with Net56 set forth in Attachment 4 that allocates this payment between eligible and ineligible services.

² Net56 does not appeal USAC’s determination that some of the services the parties had understood to be eligible are ineligible. However, the allocation requirement is still satisfied because each service is priced separately.

Cost-Effectiveness. The FCDL indicated a belief that the services covered under FRN # 1853437 were not cost-effective. While Net56 does not agree with that conclusion, it only appeals that decision to the limited extent necessary to modify the FCDL to grant funding in the amount that USAC did conclude would have been cost-effective. The FCC has held that even when an applicant violates the cost-effectiveness rule, it is still “entitled to E-rate funding ... at a rate associated with the least expensive” cost-effective service.³ The Further Explanation Letter states that USAC believes that a comparable solution could be obtained for a price of approximately \$57,000 over five years, or \$11,400 per year. USAC should therefore approve at least \$11,400 in funding for FRN #1853437.

Conclusion

USAC should therefore approve at least the following amounts for funding:

FRN #1853415:	\$131,280 (\$141,120 request reduced by \$9840 for WAN servers)
FRN #1853424:	\$13,800 (\$30,000 request reduced by \$16,200 per USAC)
FRN# 1853437:	\$11,400 (\$120,000 request reduced by \$24,000 for retention and journaling, and by \$84,600 for cost-effectiveness)

We would be happy to meet with you at any time to discuss or answer any questions you may have. If you believe USAC needs more information from Net56 or the District, please let us know.

Sincerely,



Paul B. Hudson
Counsel for Net56, Inc.

cc: Denise Peeks
Country Club Hills School District 160
4411 185th Street
Country Club Hills, IL 60478-5219

Mel Blackwell (via email)

³ *Requests for Review by Macomb Intermediate School District Technology Consortium*, File No. SLD-441910, Order, FCC 07-64, ¶ 9 (rel. May 8, 2007).

Attachment 1



FUNDING COMMITMENT DECISION LETTER
(Funding Year 2009: 07/01/2009 - 06/30/2010)

February 23, 2010

Mary Piazza
Net56, Inc
1266 West Northwest Hwy
Suite 740
Palatine, IL 60067

Re: Service Provider Name: Net56, Inc
Service Provider Identification Number: 143025679

Thank you for participating in the Schools and Libraries Program (Program) for Funding Year 2009. This letter is your notification of our decision(s) regarding application funding requests that listed your company's Service Provider Identification Number (SPIN).

NEXT STEPS

- File Form 498, Service Provider Information Form, if appropriate
- File Form 473, Service Provider Annual Certification Form (SPAC), for the above Funding Year
- Work with your customer to provide appropriate invoicing to USAC: Service Provider Invoice (Form 474) or Billed Entity Applicant Reimbursement (Form 472)

Please refer to the Funding Commitment Report(s) (Report) following this letter for specific funding request decisions and explanations. Each Report contains detailed information extracted from the applicant's Form 471. A guide that provides a definition for each line of the Report is available in the Reference Area of our website.

Once you have reviewed this letter, we urge you to contact your customers to establish any necessary arrangements regarding start of services, billing of discounts, and any other administrative details for implementation of discount services. As a reminder, only eligible services delivered in accordance with Federal Communications Commission (FCC) rules are eligible for these discounts.

TO APPEAL THIS DECISION:

You have the option of filing an appeal with the SLD or directly with the FCC.

If you wish to appeal a decision in this letter to USAC, your appeal must be received by USAC or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and (if available) email address for the person who can most readily discuss this appeal with us.
2. State outright that your letter is an appeal. Include the following to identify the decision letter and the decision you are appealing:
 - Appellant name,
 - Applicant or service provider name, if different from appellant,
 - Applicant Billed Entity Number (BEN) and Service Provider Identification Number (SPIN)
 - Form 471 Application Number as assigned by USAC,
 - "Funding Commitment Decision Letter for Funding Year 2009," AND
 - The exact text or the decision that you are appealing.

3. Please keep your letter to the point, and provide documentation to support your appeal. Be sure to keep a copy of your entire appeal, including any correspondence and documentation.
4. If you are the applicant, please provide a copy of your appeal to the service provider(s) affected by the decision. If you are the service provider, please provide a copy of your appeal to the applicant(s) affected by USAC's decision.
5. Provide an authorized signature on your letter of appeal.

To submit your appeal to USAC by email, email to appeals@sl.universalservice.org. USAC will automatically reply to incoming emails to confirm receipt.

To submit your appeal to us by fax, fax your appeal to (973) 599-6542.

To submit your appeal to us on paper, send your appeal to:

Letter of Appeal
Schools and Libraries Division - Correspondence Unit
100 S. Jefferson Road
P.O. Box 902
Whippany, NJ 07981

If you wish to appeal a decision in this letter to the FCC, you should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. Your appeal must be received by the FCC or postmarked within 60 days of the date of this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. We strongly recommend that you use the electronic filing options described in the "Appeals Procedure" posted on our website. If you are submitting your appeal via United States Postal Service, send to: FCC, Office of the Secretary, 445 12th Street SW, Washington, DC 20554.

OBLIGATION TO PAY NON-DISCOUNT PORTION

Applicants are required to pay the non-discount portion of the cost of the products and/or services to their service provider(s). Service providers are required to bill applicants for the non-discount portion. The FCC stated that requiring applicants to pay their share ensures efficiency and accountability in the program. If USAC is being billed via the FCC Form 474, the service provider must bill the applicant at the same time it bills USAC. If USAC is being billed via the FCC Form 472, the applicant pays the service provider in full (the non-discount plus discount portion) and then seeks reimbursement from USAC. If you are using a trade-in as part of your non-discount portion, please refer to our website for more information.

NOTICE ON RULES AND FUNDS AVAILABILITY

Applicants' receipt of funding commitments is contingent on their compliance with all statutory, regulatory, and procedural requirements of the Schools and Libraries Program. Applicants who have received funding commitments continue to be subject to audits and other reviews that USAC and/or the FCC may undertake periodically to assure that funds that have been committed are being used in accordance with all such requirements. USAC may be required to reduce or cancel funding commitments that were not issued in accordance with such requirements, whether due to action or inaction, including but not limited to that by USAC, the applicant, or the service provider. USAC, and other appropriate authorities (including but not limited to the FCC), may pursue enforcement actions and other means of recourse to collect improperly disbursed funds. The timing of payment of invoices may also be affected by the availability of funds based on the amount of funds collected from contributing telecommunications companies.

Schools and Libraries Division
Universal Service Administrative Company

FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

RECEIVED FEB 25

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cchl60.org
Form 471 Application Number: 678753
Funding Request Number: 1853415
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$141,120.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$141,120.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010

Wave Number: 041

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cchl60.org
Form 471 Application Number: 678753
Funding Request Number: 1853424
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$30,000.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$30,000.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010
Wave Number: 041
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010

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FUNDING COMMITMENT REPORT
Service Provider Name: Net56, Inc
SPIN: 143025679
Funding Year: 2009

Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160
Billed Entity Address: 4411 185TH ST
Billed Entity City: CNTRY CLB HLS
Billed Entity State: IL
Billed Entity Zip Code: 60478-5219
Billed Entity Number: 135654
Contact Person's Name: Denise Peeks
Preferred Mode of Contact: EMAIL
Contact Information: Denise.Peeks@cch160.org
Form 471 Application Number: 678753
Funding Request Number: 1853437
Funding Status: Not Funded
Category of Service: Internet Access
Form 470 Application Number: 832400000711069
Contract Number: MTM
Billing Account Number: N/A
Service Start Date: 07/01/2009
Contract Expiration Date: 06/30/2010
Number of Months Recurring Service Provided in Funding Year: 12
Annual Pre-Discount Amount for Eligible Recurring Charges: \$120,000.00
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00
Pre-Discount Amount: \$120,000.00
Applicant's Discount Percentage Approved by SLD: 80%
Funding Commitment Decision: \$.00 - Selective - Program Violation
Funding Commitment Decision Explanation: This funding request is denied as a result of the program violations explained in the Further Explanation of Administrator's Funding Decision letter sent this date under separate cover.

FCDL Date: 02/23/2010

Wave Number: 041

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2010



Schools and Libraries Division

March 26, 2010

RECEIVED MAR 27

Denise Peeks
Country Club Hills School District 160
4411 185th St.
Country Club Hills, IL 60478-5219

Further Explanation of Administrator's Funding Decision
FCC Form 471 Application Number: 678753
Funding Request Numbers: 1853415, 1853424 and 1853437
Funding Year 2009 (07/01/2009 – 06/30/2010)
Billed Entity Number: 135654

Under separate cover, you are being sent a Funding Commitment Decision Letter concerning the FCC Form 471 Application Number cited above. This Funding Commitment Decision Letter denies the Funding Request Number(s) indicated above.

Please be advised that the Funding Commitment Decision Letter (FCDL) is the official action on this application by the Universal Service Administrative Company (USAC). Please refer to that letter for instructions regarding how to appeal the Administrator's decision, if you wish to do so. The purpose of this letter is to provide you with additional information concerning the reason for modification and denial of these funding requests.

Review of FRN #1853415

FRN #1853415 requests funding in the amount of \$141,120 for Internet access WAN service. This WAN service request includes on-premise equipment. According to the Item 21 attachments and additional documentation you provided on November 10, 2008, which included a more detailed description of the services being procured from Net56 and a network diagram supplied by your service provider, the on-premise equipment consisted of Cisco 3560 series layer 3, Gb Switch/Routers and IBM eSeries Servers, which were to function as DNS/DHCP servers.

Based on a review of the network diagram and related documentation related to this on-premise equipment, in accordance with the requirements of the Tennessee Order (FCC 99-216), the WAN servers, identified as DNS/DHCP servers, are not eligible as part of a Priority 1 Internet access service.

The Tennessee Order questions address the exclusive use of the servers, and whether the DHCP service would function if the servers were removed. For reference, please see <http://www.usac.org/sl/applicants/step06/on-premise-priority1-equipment.aspx>.

- The diagram configuration, and the function of the servers, fail the following requirements of the Tennessee Order:
 - *The Local Area Network of the school or library is functional without dependence on the equipment.* This is because the DHCP/DNS service would not be able to function if the servers were removed.
 - *There is no contractual, technical, or other limitation that would prevent the service provider from using its network equipment, in part, for other customers.* This is because the servers are located at an applicant site; as such, it would not be possible for the vendor to utilize the same servers to provide DNS/DHCP service to another customer.

While the WAN servers could potentially be eligible as Priority 2 internal connections, your establishing FCC Form 470, #83240000711069, did not post for Internal Connections. Therefore, these servers are not fundable as Internal Connections.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the servers was \$205 per month each or a total of \$9,840 annually. Your funding request was reduced by that amount.

The remaining broadband circuits and associated Cisco 3560 switches are eligible as Priority One Internet access service. The circuits were not subjected to a cost effectiveness review.

FRN #1853424 Review

FRN #1853424 requests funding in the amount of \$30,000 for a firewall service. This firewall service includes on-premise software running on the switches included in the WAN service FRN #1853415. FRN #1853424 also includes firewall equipment located at the Net56 data center. The Net56 data center is an ineligible location; accordingly, equipment located there is ineligible for funding. Also, since the funding request includes the firewall capability of the software running on the switch, which is located at the point of entry of each building, it has been determined that the equipment located at the Net56 data center is redundant and therefore ineligible for that reason as well.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the firewall equipment located at the Net56 data center was \$1,350 per month or \$16,200 annually. The funding request was reduced by that amount.

FRN #1853437 Review

FRN #1853437 requests funding in the amount of \$120,000 for web hosting and email services. In the response to USAC's information request regarding the specific services included in this funding request, you indicated that these services include web retention and web journaling as well as email retention and email journaling. Web retention and e-mail retention is archiving of information. Web journaling and e-mail journaling is an application. These products/services are ineligible under program rules. For details, please refer to the Eligible Services List: <http://www.universalservice.org/sl/tools/eligible-services-list.aspx>.

In response to USAC's request for cost allocation information, your service provider, Net56, in their response dated February 22, 2009, indicated that the cost associated with the email retention and journaling and web retention and journaling was \$2,000 per month or \$24,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with the email retention and journaling and the web retention and journaling, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments and follow up questions and your responses to the follow up questions. This cost effectiveness review compared the funding requested for the solution from Net56 with the funding required for a comparable premises-based solution, as well as other on-premises solutions.

The result of that review was that the funding request was not justified as cost effective as required by FCC rules. The FCC has stated that in some situations in which "the price of services is so exorbitant that it cannot, on its face be cost effective" and cited as an example selling a service "at prices two to three times greater than the prices available from commercial vendors would not be cost effective, absent extenuating services" Ysleta Order, FCC 03-313, paragraph 54.¹ Specifically, the web hosting and email services exceed two times the cost of a comparable solution from commercial vendors. The funding required for the Net56 solution over the five year life of the contract is \$480,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$57,000. This amount accounts for the purchase of four servers at a market price of \$14,250, including installation and maintenance for five years. It should be noted that in most cases, two servers are adequate to perform these functions. Costs associated with the purchase of two servers would be approximately \$28,500.

¹ See 47 C.F.R. secs. 54.511(a), 54.504(b)(2)(vii), 54.504(c)(1)(xi). See also Request for Review of the Decision of the Universal Service Administrator by Ysleta Independent School District, et al., CC Docket Nos. 96-45 and 97-21, Order, 18 FCC Rcd 26407, FCC 03-313 paras. 47-55 (Dec. 8, 2003) (*Ysleta Order*).

Contract Review: Service Eligibility Issues

In response to the April 14, 2009 request by USAC for all contracts between the Country Club Hills School District 160 and the service provider, Net56, the applicant provided one contract. The contract is signed by Leonora Beck, Business Manager and dated May 10, 2006. It is for a term of 60 months.

Upon review, your contract specifies several additional ineligible services that are included in the funding requests beyond what was disclosed in your responses to information requests. Such services include, but are not limited to, the following: maintenance and repair of school owned equipment located in the Net56 data center (co-located equipment), backup of hard drives of co-located equipment, providing anti-virus services on co-located equipment, providing environmentally controlled atmosphere and generated backup power for co-located equipment.

Because FRN #1853437 had already been determined to be not cost effective based on the information that was previously provided, USAC did not attempt to re-perform cost allocations and the cost effectiveness review based upon this additional information, and the previous determination as detailed above stands.

However, it is important to note that during the course of this review, both you and your service provider failed to provide a breakdown of the eligible versus ineligible services being received from Net56 and their respective dollar amounts that is consistent with the services and costs noted in your contract, which, additionally, tie in clearly to your Schools and Libraries Program funding requests. As explained in greater detail below, the documentation provided by you indicates that the monthly payments are exclusively for the rental/lease of equipment that is not fundable because it is located at an ineligible entity.

Contract Review: Payments

The Master Service Agreement portion of the aforementioned contract, in section 3, states that this is the sole agreement between the school and the service provider "relating to the subject matter hereof." Accordingly, there is no other agreement/contract related to the services requested in FCC Form 471 application #678753.

This contract specifies a monthly payment of \$8,352 to be paid pursuant to the terms and conditions of Exhibit D, which is a financing agreement between the school and Millennium Leasing & Financial Services Inc. There is no other payment specified in the contract other than this payment to Millennium Leasing & Financial Services Inc.

Finance Agreement Review

The financing agreement, also signed by Leonora Beck, states that the school is to make 60 lease payments in the amount of \$8,352 each. The financing agreement indicates that the payments are for the rental/lease of the equipment shown in Exhibit A of the financing agreement. That equipment is the same equipment listed in Exhibit A of the Net56 contract. Exhibit A of the Net56 contract indicates that the implementation location of this equipment is the Net56 location at 1266 W. Northwest Hwy, Palatine, Illinois, which is an ineligible location. Per the financing agreement, the entire amount of the payments is associated with the rental/lease of this equipment.

As specified in the financing agreement between the school and the financing company, this payment is solely for the rental/lease of hardware and/or software. The hardware and/or software specified as covered by the finance agreement is ineligible because it is being deployed within the Net56 data center, which is an ineligible entity.

Although eligible services may have been provided by Net56, there is no documentation regarding any payment for eligible or ineligible Internet access services. Therefore, there is no documentation to support that you paid your Schools and Libraries Program share for any eligible Internet access services, because the lease agreement, which represents the full payment for services, is solely for the rental/lease of ineligible equipment.

Net56 Additional Information

USAC management met with several applicants as well as Net56 regarding these concerns. On October 7, 2009, Net56 provided a two page letter in response to USAC's questions. The request was to respond as to why Net56 maintained that the servers would be eligible as a Priority 1 Service; to answer how they arrived at their pricing structure; and to provide the grid referred to by some applicants that would purportedly allocate costs related to eligible and ineligible services.

The Net56 response was reviewed. First, the documentation provided did not affect the determination regarding the servers. Second, the question regarding pricing structure was not answered directly, but rather, a "Total Cost of Ownership" document was provided, which compared costs of the Net56 solution with ineligible staff costs. It is important to note that while a particular solution may lower the overall Total Cost of Ownership to an individual school district, the Schools and Libraries program can only fund eligible products and services that are used in accordance with FCC Rules, which may not always result in the lowest total cost of ownership to the applicant. Third, the grid provided, while it did pertain to the funding requests, did not serve to answer the many questions relating to disparities between the Item 21 documentation, the contract and the finance agreement.

Denise Peeks
February 4, 2010
Page 6 of 7

Conclusion

The funding requests were reviewed for service eligibility. Ineligible services were cost allocated and the associated costs were removed from the funding requests. A cost effectiveness review was then performed on FRN #1853437. The FRN failed this cost effectiveness review.

During the course of the review of this application, the contract and finance agreement were provided to USAC. The services noted in the contract differ from your responses during the cost effectiveness review; however, the determination that FRN #1853437 fails cost effectiveness review stands, since the additional information in the contract would only lead to further cost allocations, which would still provide a cost effectiveness failure.

In regard to service eligibility of the products and services specified in your contract, no documentation was provided to USAC that clearly allocates eligible and ineligible products and services and their respective costs. As a result, it is not possible to ascertain how your Schools and Libraries Program funding requests relate to the eligible and ineligible products and services noted on the contract.

Additionally, the finance agreement, which includes the only payment related to your contract and this application's three funding requests, specifies that the payments are for the lease/rental of hardware at the Net56 data center, an ineligible location. While Net56 may be providing eligible Internet access services as a part of the contract, there is no documentation to support that any services, eligible or ineligible, are included in the payments to the finance company. Accordingly, there is no documentation for any of the three FRNs in this application, regarding the payment of your Schools and Libraries Program share of the Internet access services. As a consequence, all three FRNs are denied.

Finally, USAC management made additional attempts to obtain information from Net56 in regard to these concerns; however, the documentation provided did not affect the outcome of the decision.

Sincerely,

The Schools and Libraries Program

cc:
Net56
Bruce Koch
1266 W. Northwest Hwy
Suite 740

Denise Peeks
February 4, 2010
Page 7 of 7

Palatine, IL 60067

Attachment 2



Country Club School District Internet Access Quote

Country Club School District selects Net56, Inc (SPIN # 143025679) as vander of choice to provide Country Club School District the outlined services below for School Year beginning July 1, 2009, Ending June 30, 2010. The below agreed upon services are subject to final School Board and budget approval.

Bruce Koch
President
Net56, Inc.
1/16/2009

Denise Peeks
BUSINESS MANAGER
COUNTRY CLUB HLS SCH DIST 160
1/20/2009

Internet Access

Internet Access/WAN Services (4 Buildings/400 Computers)

Includes: 20 Mb Circuit between NET56 & DISTRICT w/ 5 Mb per Elementary and District Office and Middle School of Internet access.

Includes: 4 Cisco 3560 series layer 3, Gb Switch/Routers for 4 buildings @ 195.00 ea; 4 DNS/DHCP Servers for 4 building @ 395.00 ea

\$	11,760.00	Monthly Fee	
\$	11,760.00	Amount E-Ratable	
\$	(9,408.00)	Erate @	80%

Firewall

Firewall Monthly Fee (4 Buildings/400Computers)

Includes: Cisco Firewall Service for (4 Buildings/400 Computers).

Firewall Services	\$	2,500.00	Monthly Fee	
	\$	2,500.00	Amount E-Ratable	
	\$	(2,000.00)	Erate @	80%

Web & Email Hosting Fee

Web/Email Services (4 Web Servers: 2 Secure zoned server and 2 DMZ zoned server @2500.00 each.)

Web Hosting Services	\$	10,000.00	Monthly Fee	
	\$	10,000.00	Amount E-Ratable	
	\$	(8,000.00)	Erate @	80%

Terminal Services & Central Storage & Help Desk & 40 Monthly hours on-site Desktop Support.

Service to support: (4 Buildings/400Computers.)

Hosted Application	\$	3,500.00	Monthly Fee	
			Amount E-Ratable	
			Erate @	80%

	Monthly Non Discounted Service Fee	Monthly E-Rate Discount	District Monthly Contracted Fee
E-Rate Monthly Fees	\$ 27,760.00	\$ 19,408.00	\$ 8,352.00

Attachment 3



1146 N. Main Street, Lombard, IL 60148
PH: 630-599-0270 • Fax: 630-599-0276 • Toll Free PH: 866-533-3748 • FAX: 866-533-3749

Re: Master Lease Agreement No. 10766 dated 5/1/2006 ("Master Lease") by and between Millennium Leasing & Financial Services, Inc. ("Lessor") and Country Club Hills School District 160 ("Lessee").

Dear Country Club Hills School District 160;

As you know, the above-referenced Master Lease has been utilized both for the lease of equipment and also the Lessee's purchase of services from Net56, Inc. By this letter, we clarify that the Monthly Rental Payment associated with Schedule A of the Master Lease is comprised of a rental charge of \$1,071.35 for the equipment listed in Schedule A and a charge of \$7,280.65 toward Net56 services. The total Monthly Rental Payment remains the same \$8,352.00. By your acknowledgement below, you agree that this clarification sets forth reflects the original intent of the Parties under the Master Lease and its Schedule A. This clarification does not amend the terms of the Master Lease.

Please sign below and return a copy to:

Millennium Leasing & Financial Services, Inc.
1146 H. Main Street
Lombard, IL 60148

Acknowledged and Agreed to:

LESSEE:

Country Club Hills School District 160

By: Denise O. Peeks

Print Name: Denise O. Peeks

Title: Business Manager

Attachment 4



Dear Country Club Hills School District 160,

As you know, the District pays Net56, Inc. for services through its lease payment under its Lease Agreement with Millennium Leasing & Financial. As Millennium Leasing & Financial has advised you, your monthly lease payments include \$7,280.65 for Net56 services. As of July 1, 2009, for the year through June 30, 2010 (subject to any subsequent change in services), Net56 will apply this payment as follows:

District's Share of E-Rate Eligible Services (see below for detail):	\$4,852.00
Other non e-rate services:	\$2,428.65
Paid Monthly from Lease Payment:	(\$7,280.65)
Balance to be Invoiced Monthly by Net56 to District:	\$0.00

Detailed Allocation of E-Rate Eligible Services:

E-rate Eligible Service	Total Monthly Price	Discount Amount to be billed to USAC by Net56	District's Monthly Share Paid from District's Lease Payment
Internet Access; WAN Service for Internet Access	\$11,760.00	\$9,408.00	\$2,352.00
Firewall Service	\$2,500.00	\$2,000.00	\$500.00
Web and Email Hosting Service	\$10,000.00	\$8,000.00	\$2,000.00

If you have any questions, please let us know.

Very Truly Yours,

Net56, Inc

Acknowledged and Agreed to:

Country Club Hills School District 160

By: *Denise O. Peeks*

Print Name: Denise O. Peeks

Title: Business Manager

EXHIBIT D

FCC Form 471	Do not write in this area.	Approval by OMB 3060-0806
<p>Schools and Libraries Universal Service Description of Services Ordered and Certification Form 471 Estimated Average Burden Hours per Response: 4 hours</p> <p>This form asks schools and libraries to list the eligible telecommunications-related services they have ordered and estimate the annual charges for them so that the Fund Administrator can set aside sufficient support to reimburse providers for services</p> <p>Please read instructions before beginning this application. (You can also file online at www.sl.universalservice.org.) The instructions include information on the deadlines for filing this application.</p>		
Applicant's Form Identifier (Create your own code to identify THIS form 471)	InternetAC_09_10	Form 471 Application# (To be assigned by administrator)
		678753
Block 1: Billed Entity Information (The "Billed Entity" is the entity paying the bills for the service listed on this form.)		
1 a	Name of Billed Entity: COUNTRY CLUB HLS SCH DIST 160	
2 a	Funding Year: July 1, 2009 Through June 30: 2010	Billed Entity Number: 135654
4 a	Street Address, P.O. Box, or Routing Number: 4411 185TH ST	
	City: CNTRY CLB HLS	
	State: IL	Zip Code: 60478 5219
5 a	Type of Application	
	<input type="checkbox"/> Individual School (individual public or non-public school) <input checked="" type="checkbox"/> School District (LEA; public or non-public [e.g. diocesan] local district representing multiple schools) <input type="checkbox"/> Library (including library system, library outlet/branch or library consortium as defined under LSTA) <input type="checkbox"/> Consortium <input type="checkbox"/> Check here if any members of this consortium are ineligible or non-governmental entities	
6	Contact Person's Name: Denise Peeks	
First, if the Contact Person's Street Address is the same as in Item 4, check this box. <input type="checkbox"/> If not, please complete the entries for the Street Address below.		
b	Street Address, P.O. Box, or Routing Number: 4411 185TH ST	
	City: CNTRY CLB HLS	
	State: IL	Zip Code: 60478 5219



Entity Number	<u>135654</u>	Applicant's Form Identifier	<u>InternetAC 09 10</u>
Contact Person	<u>Denise Peeks</u>	Phone Number	<u>708-957-6200</u>
<p>This information will facilitate the processing of your applications. Please complete all rows that apply to services for which you are requesting discounts. Complete this information on the FIRST Form 471 you file, to encompass this and all other Forms 471 you will file for this funding year. You need not complete this information on subsequent Forms 471. Provide your best estimates for the services ordered across ALL of your Forms 471.</p> <p>Schools/school districts complete Item 7. Libraries complete Item 8. Consortia complete Item 7 and/or Item 8.</p>			
Block 2: Impact of Services Ordered on Schools			
IF THIS APPLICATION INCLUDES SCHOOLS...		BEFORE ORDER AFTER ORDER	
7a	Number of students to be served		1689
b	Telephone service: Number of classrooms with phone service	180	180

d	Direct broadband services: Number of buildings served at the following speeds: Less than 10 mbps	5	5
e	Direct connections to the Internet: Number of drops	1	1
f	Number of classrooms with Internet access	180	180
g	Number of computers or other devices with Internet access	550	550

Block 3: Impact of Services Ordered on Libraries**NOT APPLICABLE AS THIS APPLICATION IS FOR DISTRICT**

Worksheet A No: 1101418 **Student Count:** 1557
Weighted Product (Sum. Column 8): 1245.6 **Shared Discount:** 80%

1. **School Name:** ADMINISTRATION CENTER
2. **Entity Number:** 16032916 **NCES:** 17 11010 0000
3. **Rural/Urban:** Urban
4. **Student Count:** 0 5. **NSLP Students:** 0 6. **NSLP Students/Students:**
7. **Discount:** 72% 8. **Weighted Product:** 0
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** MEADOWVIEW ELEMENTARY SCHOOL
2. **Entity Number:** 69688 **NCES:** 17 11010 01331
3. **Rural/Urban:** Urban
4. **Student Count:** 488 5. **NSLP Students:** 299 6. **NSLP Students/Students:** 61.270%
7. **Discount:** 80% 8. **Weighted Product:** 390.4
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** SOUTHWOOD JUNIOR HIGH SCHOOL
2. **Entity Number:** 69686 **NCES:** 17 11010 01332
3. **Rural/Urban:** Urban
4. **Student Count:** 575 5. **NSLP Students:** 293 6. **NSLP Students/Students:** 50.956%
7. **Discount:** 80% 8. **Weighted Product:** 460
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** SYKUTA SCHOOL
2. **Entity Number:** 69689 **NCES:** 17 11010 01334
3. **Rural/Urban:** Urban
4. **Student Count:** 494 5. **NSLP Students:** 261 6. **NSLP Students/Students:** 52.834%
7. **Discount:** 80% 8. **Weighted Product:** 395.2
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

Worksheet A No: 1101419 **Student Count:** 1557
Weighted Product (Sum. Column 8): 1245.6 **Shared Discount:** 80%

1. **School Name:** ADMINISTRATION CENTER
2. **Entity Number:** 16032916 **NCES:** 17 11010 0000
3. **Rural/Urban:** Urban
4. **Student Count:** 0 5. **NSLP Students:** 0 6. **NSLP Students/Students:**
7. **Discount:** 72% 8. **Weighted Product:** 0
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** ANNEX
2. **Entity Number:** 16032917 **NCES:** 17 11010 0000
3. **Rural/Urban:** Urban
4. **Student Count:** 0 5. **NSLP Students:** 0 6. **NSLP Students/Students:**
7. **Discount:** 72% 8. **Weighted Product:** 0
9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** MEADOWVIEW ELEMENTARY SCHOOL
 2. **Entity Number:** 69688 **NCES:** 17 11010 01331
 3. **Rural/Urban:** Urban
 4. **Student Count:** 488 5. **NSLP Students:** 299 6. **NSLP Students/Students:** 61.270%
 7. **Discount:** 80% 8. **Weighted Product:** 390.4
 9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** SOUTHWOOD JUNIOR HIGH SCHOOL
 2. **Entity Number:** 69686 **NCES:** 17 11010 01332
 3. **Rural/Urban:** Urban
 4. **Student Count:** 575 5. **NSLP Students:** 293 6. **NSLP Students/Students:** 50.956%
 7. **Discount:** 80% 8. **Weighted Product:** 460
 9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

1. **School Name:** SYKUTA SCHOOL
 2. **Entity Number:** 69689 **NCES:** 17 11010 01334
 3. **Rural/Urban:** Urban
 4. **Student Count:** 494 5. **NSLP Students:** 261 6. **NSLP Students/Students:** 52.834%
 7. **Discount:** 80% 8. **Weighted Product:** 395.2
 9. **Pre-K/Adult Ed/Juv:** N 10. **Alt Disc Mech:** N

Block 5: Discount Funding Request(s)

FRN: 1853415 FCDL Date: 02/23/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 832400000711069
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service: Y	15b. Contract Number: MTM
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 01/12/2009	18. Contract Award Date:
19a. Service Start Date: 07/01/2009	19b. Service End Date: 06/30/2010
20. Contract Expiration Date:	
21. Attachment #: IA_WAN_SER	22. Block 4 Worksheet No.: 1101418
23a. Monthly Charges: \$11,760.00	23b. Ineligible monthly amt.: \$.00
23c. Eligible monthly amt.: \$11,760.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges (23c x 23d): \$141,120.00	
23f. Annual non-recurring (one-time) charges: 0	23g. Ineligible non-recurring amt.: 0
23h. Annual pre-discount amount for eligible non-recurring charges (23f - 23g): \$0.00	
23i. Total program year pre-discount amount (23e + 23h): \$141,120.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request (23i x 23j): \$112,896.00	

FRN: 1853424 FCDL Date: 02/23/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 832400000711069
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service: Y	15b. Contract Number: MTM
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 01/12/2009	18. Contract Award Date:
19a. Service Start Date: 07/01/2009	19b. Service End Date: 06/30/2010
20. Contract Expiration Date:	
21. Attachment #: IA_FIREWALL	22. Block 4 Worksheet No.: 1101418
23a. Monthly Charges: \$2,500.00	23b. Ineligible monthly amt.: \$.00
23c. Eligible monthly amt.: \$2,500.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges (23c x 23d): \$30,000.00	

23f. Annual non-recurring (one-time) charges: 0	23g. Ineligible non-recurring amt.: 0
23h. Annual pre-discount amount for eligible non-recurring charges (23f - 23g): \$0.00	
23i. Total program year pre-discount amount (23e + 23h): \$30,000.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request (23i x 23j): \$24,000.00	

FRN: 1853437	FCDL Date: 02/23/2010
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 832400000711069
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service: Y	15b. Contract Number: MTM
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 01/12/2009	18. Contract Award Date:
19a. Service Start Date: 07/01/2009	19b. Service End Date: 06/30/2010
20. Contract Expiration Date:	
21. Attachment #: IA_EMAIL_WEB	22. Block 4 Worksheet No.: 1101418
23a. Monthly Charges: \$10,000.00	23b. Ineligible monthly amt.: \$.00
23c. Eligible monthly amt.: \$10,000.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges (23c x 23d): \$120,000.00	
23f. Annual non-recurring (one-time) charges: 0	23g. Ineligible non-recurring amt.: 0
23h. Annual pre-discount amount for eligible non-recurring charges (23f - 23g): \$0.00	
23i. Total program year pre-discount amount (23e + 23h): \$120,000.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request (23i x 23j): \$96,000.00	

Block 6: Certifications and Signature

Application ID:678753

Do not write in this area.

Entity Number	135654	Applicant's Form Identifier	InternetAC 09 10
Contact Person	Denise Peeks	Phone Number	708-957-6200

Block 6: Certifications and Signature

24. I certify that the entities listed in Block 4 of this application are eligible for support because they are: (check one or both)
- a. **Behind Act of 2001, 20 U.S.C. Secs. 7801(18) and (38)**, that do not operate as for-profit businesses, and do not have endowments exceeding \$50 million; and/or
- b. libraries or library consortia eligible for assistance from a State library administrative agency under the Library Services and Technology Act of 1996 that do not operate as for-profit businesses and whose budgets are completely separate from any schools including, but not limited to elementary, secondary schools, colleges, or universities
25. I certify that the entity I represent or the entities listed on this application have secured access, separately or through this program, to all of the resources, including computers, training, software, internal connections, maintenance, and electrical capacity, necessary to use the services purchased effectively. I recognize that some of the aforementioned resources are not eligible for support. I certify that the entities I represent or the entities listed in this application have secured access to all of the resources to pay the discounted charges for eligible services from funds to which access has been secured in the current funding year. I certify that the Billed Entity will pay the non-discount portion of the cost of the goods and services to the service provider(s).

a. Total funding year pre-discount amount on this Form 471 (Add the entities

	from Item 23l on all Block 5 Discount Funding Requests.)	\$291,120.00
b.	Total funding commitment request amount on this Form 471 (Add the entities from Items 23K on all Block 5 Discount Funding Requests.)	\$232,896.00
c.	Total applicant non-discount share (Subtract Item 25b from Item 25a.)	\$58,224.00
d.	Total budgeted amount allocated to resources not eligible for Erate support	\$65,000.00
e.	Total amount necessary for the applicant to pay the non-discount share of the services requested on this application AND to secure access to the resources necessary to make effective use of the discounts. (Add Items 25c and 25d.)	\$123,224.00
f.	<input type="checkbox"/> Check this box if you are receiving any of the funds in Item 25e directly from a service provider listed on any Forms 471 filed by this Billed Entity for this funding year, or if a service provider listed on any of the Forms 471 filed by this Billed Entity for this funding year assisted you in locating funds in Items 25e.	

26. I certify that all of the schools and libraries or library consortia listed in Block 4 of this application are covered by technology plans that are written, that cover all 12 months of the funding year, and that have been or will be approved by a state or other authorized body, and an SLD-certified technology plan approver, prior to the commencement of service. The plans are written at the following level(s):

- a. an individual technology plan for using the services requested in this application; and/or
b. higher-level technology plan(s) for using the services requested in this application; or
c. no technology plan needed; applying for basic local, cellular, PCS, and/or long distance telephone service and/or voice mail only.

27. I certify that I posted my Form 470 and (if applicable) made my RFP available for at least 28 days before considering all bids received and selecting a service provider. I certify that all bids submitted were carefully considered and the most cost-effective service offering was selected, with price being the primary factor considered, and is the most cost-effective means of meeting educational needs and technology plan goals.



28. I certify that the entity responsible for selecting the service provider(s) has reviewed all applicable FCC, state, and local procurement/competitive bidding requirements and that the entity or entities listed on this application have complied with them.

29. I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value, except as permitted by the Commission's rules at 47 C.F.R. Sec. 54.500(k). Additionally, certify that the Billed Entity has not received anything of value or a promise of anything of value, other than services and equipment requested under this form, from the service provider(s) or any representative or agent thereof or any consultant in connection with this request for services.

30. I certify that I and the entity(ies) I represent have complied with all program rules and I acknowledge that failure to do so may result in denial of discount funding and/or cancellation of funding commitments. There are signed contracts covering all of the services listed on this Form 471 except for those services provided under non-contracted tariffed or month-to-month arrangements. I acknowledge that failure to comply with program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.

31. I acknowledge that the discount level used for shared services is conditional, for future years, upon ensuring that the most disadvantaged schools and libraries that are treated as sharing in the service, receive an appropriate share of benefits from those services.

32. I certify that I will retain required documents for a period of at least five years after the last day of service delivered. I certify that I will retain all documents necessary to demonstrate compliance with the statute and Commission rules regarding the application for, receipt of, and delivery of services receiving schools and libraries discounts, and that if audited, I will make such records available to the Administrator. I acknowledge that I may be audited pursuant to participation in the schools and libraries program.

33. I certify that I am authorized to order telecommunications and other supported services for the eligible entity (ies) listed on this application. I certify that I am authorized to submit this request on behalf of the eligible entity (ies) listed on this application, that I have examined this request, that all of the information on this form is true and correct to the best of my knowledge, that the entities that are receiving discounts pursuant to this application have complied with the terms, conditions and purposes of this program, that no kickbacks were paid to anyone and that false statements on this form can be punished by fine or forfeiture under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under the Title 18 of the United States Code, 18 U.S.C. Sec. 1001 and civil violations of the False Claims Act.

34. I acknowledge that FCC rules provide that persons who have been convicted of criminal violations or held civilly liable for certain acts arising from their participation in the schools and libraries support mechanism are subject to suspension and debarment from the program. I will institute reasonable measures to be informed,

and will notify USAC should I be informed or become aware that I or any of the entities listed on this application, or any person associated in any way with my entity and/or entities listed on this application, is convicted of a criminal violation or held civilly liable for acts arising from their participation in the schools and libraries support mechanism.

35. I certify that if any of the Funding Requests on this Form 471 are for discounts for products or services that contain both eligible and ineligible components, that I have allocated the cost of the contract to eligible and ineligible companies as required by the Commission's rules at 47 C.F.R. Sec. 54.504(g)(1),(2).
36. I certify that this funding request does not constitute a request for internal connections services, except basic maintenance services, in violation of the Commission requirement that eligible entities are not eligible for such support more than twice every five funding years beginning with Funding Year 2005 as required by the Commission's rules at 47 C.F.R. Sec. 54.506(c).
37. I certify that the non-discounted portion of the costs for eligible services will not be paid by the service provider. The pre-discount costs of eligible services features on this Form 471 are net of any rebates or discounts offered by the service provider. I acknowledge that, for the purpose of this rule, the provision, by the provider of a supported service, of free services or products unrelated to the supported service or product constitutes a rebate of some or all of the cost of the supported services.

38. Signature of authorized person

39. Signature Date **2/11/2009 12:05:17 PM**

The Americans with Disabilities Act, the Individuals with Disabilities Education Act and the Rehabilitation Act may impose obligations on entities to make the services purchased with these discounts accessible to and usable by people with disabilities.

NOTICE: Section 54.504 of the Federal Communications Commission's rules requires all schools and libraries ordering services that are eligible for and seeking universal service discounts to file this Services Ordered and Certification Form (FCC Form 471) with the Universal Service Administrator. 47 C.F.R. § 54.504. The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended. 47 U.S.C. § 254. The data in the report will be used to ensure that schools and libraries comply with the competitive bidding requirement contained in 47 C.F.R. § 54.504. All schools and libraries planning to order services eligible for universal service discounts must file this form themselves or as part of a consortium.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The FCC is authorized under the Communications Act of 1934, as amended, to collect the information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or a potential violation of any applicable statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government is a party of a proceeding before the body or has an interest in the proceeding. In addition, consistent with the Communications Act of 1934, FCC regulations and orders, the Freedom of Information Act, 5 U.S.C. § 552, or other applicable law, information provided in or submitted with this form or in response to subsequent inquiries may be disclosed to the public.

If you owe a past due debt to the Federal government, the information you provide may also be disclosed to the Department of the Treasury Financial Management Service, other Federal agencies and/or your employer to offset your salary, IRS tax refund or other payments to collect that debt. The FCC may also provide the information to these agencies through the matching of computer records when authorized.

If you do not provide the information we request on the form, the FCC may delay processing of your application or may return your application without action.

The foregoing Notice is required by the Paperwork Reduction Act of 1995, Pub. L. No. 10413, 44 U.S.C. § 3501, et seq.

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the reporting burden to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, DC 20554.

Please submit this form to:

**SLD-Form 471
P.O. Box 7026
Lawrence, Kansas 66044-7026**

**For express delivery services or U.S. Postal Service, Return Receipt Requested,
mail this form to:**

**SLD Forms
ATTN: SLD Form 471
3833 Greenway Drive
Lawrence, Kansas 66046
(888) 203-8100**

Print

<< Previous

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EXHIBIT E

FCC Form

Approval by OMB
3060-0806**470**

Schools and Libraries Universal Service Description of Services Requested and Certification Form

Estimated Average Burden Hours Per Response: 4.0 hours

This form is designed to help you describe the eligible telecommunications-related services you seek so that this data can be posted on the Fund Administrator website and interested service providers can identify you as a potential customer and compete to serve you.

Please read instructions before beginning this application.

(To be completed by entity that will negotiate with providers.)

Block 1: Applicant Address and Identifications

Form 470 Application Number: **83240000711069**

Applicant's Form Identifier:

Application Status: **CERTIFIED**Posting Date: **12/15/2008**Allowable Contract Date: **01/12/2009**Certification Received Date: **12/15/2008****1. Name of Applicant:****COUNTRY CLUB HLS SCH DIST 160****2. Funding Year:****07/01/2009 - 06/30/2010****3. Your Entity Number****135654****4a. Applicant's Street Address, P.O.Box, or Route Number****4411 185TH ST**

City

CNTRY CLB HLS

State

IL

Zip Code

60478-5219**b. Telephone number****(708) 957- 6200****c. Fax number****(708) 957- 8686****5. Type Of Applicant**

- Individual School (individual public or non-public school)
- School District (LEA;public or non-public[e.g., diocesan] local district representing multiple schools)
- Library (including library system, library outlet/branch or library consortium as defined under LSTA)
- Consortium (intermediate service agencies, states, state networks, special consortia of schools and/or libraries)

6a. Contact Person's Name: Denise Peeks

*First, if the Contact Person's Street Address is the same as in **Item 4** above, check this box. If not, please complete the entries for the Street Address below.*

6b. Street Address, P.O.Box, or Route Number **4411 185TH ST**

City

CNTRY CLB HLS

State

IL

Zip Code

60478-5219

*Check the box next to your preferred mode of contact and provide your contact information. One box **MUST** be checked and an entry provided.*

<input checked="" type="checkbox"/>	6c. Telephone Number	(708) 957- 6200
<input checked="" type="checkbox"/>	6d. Fax Number	(708) 957- 8686
<input checked="" type="checkbox"/>	6e. E-mail Address	Denise.Peeks@cch160.org

Block 2: Summary Description of Needs or Services Requested

7 This Form 470 describes (check all that apply):

a. Tariffed or month-to-month services to be provided without a written contract. A new Form 470 must be filed for non-contracted tariffed or month-to-month services for each funding year.

b. Services for which a new written contract is sought for the funding year in Item 2.
 Check if you are seeking a multi-year contract and/or a contract featuring voluntary extensions

c. A multi-year contract signed on or before 7/10/97 but for which no Form 470 has been filed in a previous funding year.

NOTE: Services that are covered by a signed, written contract executed pursuant to posting of a Form 470 in a previous funding year OR a contract signed on/before 7/10/97 and previously reported on a Form 470 as an existing contract do NOT require filing of a new Form 470.

What kinds of service are you seeking: Telecommunications Services, Internet Access, Internal Connections Other than Basic Maintenance, or Basic Maintenance of Internal Connections? Refer to the Eligible Services List at www.sl.universalservice.org for examples. Check the relevant category or categories (8, 9, 10 and/or 11 below), and answer the questions in each category you select.

8 Telecommunications Services
Do you have a Request for Proposal (RFP) that specifies the services you are seeking ? If you check YES, your RFP must be available to all interested bidders for at least 28 days. If you check YES and your RFP is not available to all interested bidders, or if you check NO and you have or intend to have and RFP, you risk denial of your funding requests.

a **YES**, I have released or intend to release an RFP for these services. It is available or will become available on the Web at at or via (check one):
 the Contact Person in Item 6 or the contact listed in Item 12.

b **NO**, I have not released and do not intend to release an RFP for these services.

Whether you check YES or NO, you must list below the Telecommunications Services you seek. Specify each service or function (e.g., local voice service) and quantity and/or capacity (e.g., 20 existing lines plus 10 new ones). See the Eligible Services List at www.sl.universalservice.org for examples of eligible Telecommunications services. Remember that only eligible telecommunications providers can provide these services under the universal service support mechanism. Attach additional lines if needed.

<input type="checkbox"/> Check this box if you prefer discounts on your bill.	<input checked="" type="checkbox"/> Check this box if you prefer reimbursement after paying your bill in full.	<input type="checkbox"/> Check this box if you do not have a preference.
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Service or Function:	Quantity and/or Capacity:
Cellular service	30 Lines
Digital Transmission Services	5 T1 Lines or greater/150 extensions
Pager Services	10 Lines
Local and Long distance voice services	35 lines/150 extensions

9 Internet Access
Do you have a Request for Proposal (RFP) that specifies the services you are seeking ? If you check YES, your RFP must be available to all interested bidders for at least 28 days. If you check YES and your RFP is not available to all interested bidders, or if you check NO and you have or intend to have and RFP, you risk denial of your funding requests.

a **YES**, I have released or intend to release an RFP for these services. It is available or will become available on the Web at or via (check one):

the Contact Person in Item 6 or the contact listed in Item 12.

b **NO**, I have not released and do not intend to release an RFP for these services.

Whether you check YES or NO, you must list below the Internet Access Services you seek. Specify each **service or function** (e.g., monthly Internet service) and quantity and/or capacity (e.g., for 500 users). See the Eligible Services List at www.sl.universalservice.org for examples of eligible Telecommunications services. Remember that only eligible telecommunications providers can provide these services under the universal service support mechanism. Attach additional lines if needed.

c Check this box if you prefer discounts on your bill.

Check this box if you prefer reimbursement after paying your bill in full.

Check this box if you do not have a preference.

Service or Function:	Quantity and/or Capacity:
Internet access	4 Buildings at 1.5Mb or greater
Web/Email Hosting Services	200 users/1Gb
Wide Area Network	4 Buildings/125 classrooms/550 computers
Firewall service	4 Buildings/125 classrooms/550 computers

10 **Internal Connections Other than Basic Maintenance**

Do you have a Request for Proposal (RFP) that specifies the services you are seeking? If you check YES, your RFP must be available to all interested bidders for at least 28 days. If you check YES and your RFP is not available to all interested bidders, or if you check NO and you have or intend to have an RFP, you risk denial of your funding requests.

a **YES**, I have released or intend to release an RFP for these services. It is available or will become available on the Web at or via (check one):

the Contact Person in Item 6 or the contact listed in Item 12.

b **NO**, I have not released and do not intend to release an RFP for these services.

Whether you check YES or NO, you must list below the Internal Connections Services you seek. Specify each **service or function** (e.g., a router, hub and cabling) and quantity and/or capacity (e.g., connecting 1 classroom of 30 students). See the Eligible Services List at www.sl.universalservice.org for examples of eligible Telecommunications services. Remember that only eligible telecommunications providers can provide these services under the universal service support mechanism. Attach additional lines if needed.

c Check this box if you prefer discounts on your bill.

Check this box if you prefer reimbursement after paying your bill in full.

Check this box if you do not have a preference.

11 **Basic Maintenance of Internal Connections**

Do you have a Request for Proposal (RFP) that specifies the services you are seeking? If you check YES, your RFP must be available to all interested bidders for at least 28 days. If you check YES and your RFP is not available to all interested bidders, or if you check NO and you have or intend to have an RFP, you risk denial of your funding requests.

a **YES**, I have released or intend to release an RFP for these services. It is available or will become available on the Web at or via (check one):

the Contact Person in Item 6 or the contact listed in Item 12.

b **NO**, I have not released and do not intend to release an RFP for these services.

Whether you check YES or NO, you must list below the Basic Maintenance Services you seek. Specify each **service or function** (e.g., basic maintenance of routers) and quantity and/or capacity (e.g., for 10 routers). See the Eligible Services List at www.sl.universalservice.org for examples of eligible Telecommunications services. Remember that only eligible telecommunications providers can provide these services under the universal service support mechanism. Attach additional lines if needed.

c Check this box if you prefer discounts on your bill.

Check this box if you prefer reimbursement after paying your bill in full.

Check this box if you do not have a preference.

discounts on your bill.	reimbursement after paying your bill in full.	have a preference.
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Service or Function:	Quantity and/or Capacity:
WAN/LAN maintenance	4 Buildings/125 classrooms/550 computers
Routers/switches maintenance	4 Buildings/125 classrooms/550 computers

12 (Optional) Please name the person on your staff or project who can provide additional technical details or answer specific questions from service providers about the services you are seeking. This need not be the contact person listed in Item 6 nor the Authorized Person who signs this form.

Name: Denise Peeks	Title: Business Manager
------------------------------	-----------------------------------

Telephone number
(708) 957 - 6200

Fax number
(708) 957 - 8686

E-mail Address
Denise.Peeks@cch160.org

13a. Check this box if there are any restrictions imposed by state or local laws or regulations on how or when service providers may contact you or on other bidding procedures. Please describe below any such restrictions or procedures, and/or a Web address where they are posted and provide a contact name and telephone number.

Check this box if no state and local procurement/competitive bidding requirements apply to the procurement of services sought on this Form 470.

13b. If you have plans to purchase additional services in future years, or expect to seek new contracts for existing services, you may summarize below(including the likely timeframes). If you are requesting services for a funding year for which a Form 470 cannot yet be filed online, include that information here.

Block 3: Technology Resources

14. **Basic telephone service only:** If your application is for basic telephone service and voice mail only, check this box and skip to Item 16. Basic telephone service is defined as wireline or wireless single line voice service (local, cellular/PCS, and/or long distance) and mandatory fees associated with such service (e.g., federal and state taxes and universal service fees).

15. Although the following services and facilities are ineligible for support, they are usually necessary to make effective use of the eligible services requested in this application. Unless you indicated in Item 14 that your application is ONLY for basic telephone service, you must check at least one box in (a) through (e). You may provide details for purchases being sought.

a. Desktop software: Software required has been purchased; and/or is being sought.

b. Electrical systems: adequate electrical capacity is in place or has already been arranged; and/or upgrading for additional electrical capacity is being sought.

c. Computers: a sufficient quantity of computers has been purchased; and/or is being sought.

d. Computer hardware maintenance: adequate arrangements have been made; and/or are being sought.

e. Staff development: all staff have had an appropriate level of training /additional training has already been scheduled; and/or training is being sought.

f. Additional details: Use this space to provide additional details to help providers to identify the services you desire.

Block 4: Recipients of Service

16. Eligible Entities That Will Receive Services:

Check the ONE choice (Item 16a, 16b or 16c) that best describes this application and the eligible entities that will receive the services described in this application. You will then list in Item 17 the entity/entities that will pay the bills for these services.

a. Individual school or single-site library.

b. Statewide application for (enter 2-letter state code) representing (check all that apply):

- All public schools/districts in the state:
- All non-public schools in the state:
- All libraries in the state:

If your statewide application includes INELIGIBLE entities, check here. If checked, complete Item 18.

c. School district, library system, or consortium application to serve multiple eligible entities:

Number of eligible sites	4
<i>For these eligible sites, please provide the following</i>	
Area Codes (list each unique area code)	Prefixes associated with each area code (first 3 digits of phone number) separate with commas, leave no spaces
708	206,647,798,799,922,957

17. Billed Entities

17. Billed Entities: List the entity/entities that will be paying the bills directly to the provider for the services requested in this application. These are known as Billed Entities. At least one line of this item must be completed. If a Billed Entity cited on your Form 471 is not listed below, funding may be denied for the funding requests associated with this Form 470.

Entity	Entity Number
COUNTRY CLUB HLS SCH DIST 160	135654

18. Ineligible Participating Entities

List the names of any entity/entities here for whom services are requested that are not eligible for the Universal Service Program.

Ineligible Participating Entity	Area Code	Prefix

Block 5: Certification and Signature

19. I certify that the applicant includes:(Check one or both.)

a. schools under the statutory definitions of elementary and secondary schools found in the **No Child Left Behind Act of 2001, 20 U.S.C.Secs.7081(18) and (38)**, that do not operate as for-profit businesses, and do not have endowments exceeding \$50 million; and/or

b. libraries or library consortia eligible for assistance from a State library administrative agency under the Library Services and Technology Act of 1996 that do not operate as for-profit businesses and whose budgets are completely separate from any school (including, but not limited to elementary and secondary schools, colleges and universities).

20. I certify that all of the individual schools, libraries, and library consortia receiving services under this application are covered by technology plans that are written, that cover all 12 months of the funding year, and that have been or will be approved by a state or other authorized body, an SLD-certified technology plan approver, prior to the commencement of service. The plans were written at the following level(s):

a. individual technology plans for using the services requested in the application, and/or

b. higher-level technology plans for using the services requested in the application, or

c. no technology plan needed; application requests basic local, cellular, PCS, and/or long distance telephone service and/or voice mail only

21. I certify that I will post my Form 470 and (if applicable) make my RFP available for at least 28 days before considering all bids received and selecting a service provider. I certify that all bids submitted will be carefully considered and the bid selected will be for the most cost-effective service or equipment offering, with price being the primary factor, and will be the most cost-effective means of meeting educational needs and technology plan goals. I certify that I will retain required documents for a period of at least five years after the last day of service delivered. I certify that I will retain all documents necessary to demonstrate compliance with the status and Commission rules regarding the application for, receipt of, and delivery of services receiving schools and libraries discounts. I acknowledge that I may be audited pursuant to participation in the schools and libraries program.

22. I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value, except as permitted by the Commission's rules at 47 C.F.R. Sec. 54.500(k). Additionally, I certify that the entity or entities listed on this application have not received anything of value or a promise of anything of value, other than the services and equipment sought by means of this form, from the service provider, or any representative or agent thereof or any consultant in connection with this request for services.

23. I acknowledge that support under this support mechanism is conditional upon the school(s) and/or library(ies) I represent securing access, separately or through this program, to all of the resources, including computers, training, software, internal connections, maintenance, and electrical capacity necessary to use the services purchased effectively. I recognize that some of the aforementioned resources are not eligible for support.

24. I certify that I am authorized to order telecommunications and other supported services for the eligible entity (ies). I certify that I am authorized to submit this request on behalf of the eligible entity(ies) listed on this application, that I have examined this request, and to the best of my knowledge, information, and belief, all statements of fact contained herein are true.

25. I certify that I have reviewed all applicable state and local procurement/competitive bidding requirements and that I have complied with them. I acknowledge that persons willfully making false statements on this form can be punished by fine or forfeiture, under the Commissions Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

26. I acknowledge that FCC rules provide that persons who have been convicted of criminal violations or held civilly liable for certain acts arising from their participation in the schools and libraries support mechanism are subject to suspension and debarment from the program.

27. Signature of authorized person:

28. Date (mm/dd/yyyy): **12/15/2008**

29. Printed name of authorized person: **Denise Peeks**

- 30.** Title or position of authorized person: **Business Manager**
- 31a.** Address of authorized person: **4411 West 185th Street**
City: **Country Club Hills** State: **IL** Zip: **60478-5219**
- 31b.** Telephone number of authorized person: **(708) 957 - 6200**
- 31c.** Fax number of authorized person: **(708) 9578686**
- 31d.** E-mail address number of authorized person: **denise.peeke@cch160.org**
- 31e.** Name of authorized person's employer: **Country Club Hills School District 160**

Service provider involvement with preparation or certification of a Form 470 can taint the competitive bidding process and result in the denial of funding requests. For more information, refer to the SLD web site at www.sl.universalservice.org or call the Client Service Bureau at 1-888-203-8100.

NOTICE: Section 54.504 of the Federal Communications Commission's rules requires all schools and libraries ordering services that are eligible for and seeking universal service discounts to file this Description of Services Requested and Certification Form (FCC Form 470) with the Universal Service Administrator. 47 C.F.R. § 54.504. The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended. 47 U.S.C. § 254. The data in the report will be used to ensure that schools and libraries comply with the competitive bidding requirement contained in 47 C.F.R. § 54.504. All schools and libraries planning to order services eligible for universal service discounts must file this form themselves or as part of a consortium.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The FCC is authorized under the Communications Act of 1934, as amended, to collect the information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or a potential violation of any applicable statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government is a party of a proceeding before the body or has an interest in the proceeding. In addition, information provided in or submitted with this form or in response to subsequent inquiries may also be subject to disclosure consistent with the Communications Act of 1934, FCC regulations, the Freedom of Information Act, 5 U.S.C. § 552, or other applicable law.

If you owe a past due debt to the federal government, the information you provide may also be disclosed to the Department of the Treasury Financial Management Service, other Federal agencies and/or your employer to offset your salary, IRS tax refund or other payments to collect that debt. The FCC may also provide the information to these agencies through the matching of computer records when authorized.

If you do not provide the information we request on the form, the FCC may delay processing of your application or may return your application without action.

The foregoing Notice is required by the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the reporting burden to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, DC 20554.

Please submit this form to:

SLD-Form 470
P.O. Box 7026
Lawrence, Kansas 66044-7026
1-888-203-8100

For express delivery services or U.S. Postal Service, Return Receipt Requested, mail this form to:

SLD Forms
ATTN: SLD Form 470
3833 Greenway Drive
Lawrence, Kansas 66046
1-888-203-8100

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EXHIBIT F



1919 Pennsylvania Avenue NW
Suite 200
Washington, DC 20006-3402

Paul B. Hudson
202.973.4275 tel
202.973.4499 fax

paulhudson@dwt.com

October 16, 2009

VIA HAND-DELIVERY AND EMAIL

Mr. Mel Blackwell
Vice President of the Schools and Libraries Division
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

Dear Mr. Blackwell,

Our client Net56, Inc. asked us to write to you to express its appreciation that you took the time to personally meet with them while you were in Chicago. Net56's CEO Bruce Koch also has made clear to me that he is personally committed to taking any action that would provide USAC with the assurances it needs to be confident that Net56 is and will be not only a compliant participant but also a model partner in helping USAC further the objectives of the Schools and Libraries program.

As long-time counsel to many Universal Service Fund recipients, my firm is well aware of the many necessary steps that are involved with compliance reviews and appreciate your efforts and the efforts of others at USAC to process this review in a timely manner. Because of our experience, we believe that we could help expedite resolution of any remaining issues by offering to assist USAC in communicating with or obtaining information from Net56.

Specifically, if we knew the specific areas of concern, the particular documentation needed by USAC, and/or any changes to Net56's services or arrangements that would be preferred by USAC, we could work with Net56 around the clock as needed to provide immediate and detailed responses to you. Net56 is willing to consider changes to its practices even if such results are not necessarily compelled by existing rules but would nonetheless speed the completion of its review and the release of its funding.

Our office is located two blocks from USAC and we would be happy to meet at any time to discuss or to pick up or deliver materials. You may also reach me at 202-973-4275 or paulhudson@dwt.com.

Mel Blackwell
Vice President of the Schools and Libraries Division
Universal Service Administrative Company
October 16, 2009
Page 2

We appreciate your prompt consideration of this matter and look forward to working with Net56 to address any issues that are of concern to USAC now or in the future.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "P. Hudson", written in a cursive style.

Paul Hudson
Counsel to Net56, Inc.

cc: Bruce Koch