

# **EXHIBIT A**



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

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

March 08, 2011

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

Re: Applicant Name: ROUND LAKE AREA SCH DIST 116  
Billed Entity Number: 135319  
Form 471 Application Number: 692375  
Funding Request Number(s): 1901504, 1901546, 1901579, 1901630, 1901654  
Your Correspondence Dated: June 04, 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): 1901504, 1901546, 1901579, 1901630, 1901654  
Decision on Appeal: **Denied**  
Explanation:

- USAC is in receipt of your appeal letter dated June 4, 2010 regarding funding requested on FCC Form 471 #692375 between Net56, Inc. and Round Lake Area School District 116.

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

USAC reviewed the wrong contract.  
The District paid amounts expressly designated for eligible services

In support of your position you provided one document listed as Attachment 2.

You state that Attachment 2, entitled "Round Lake Area School District 116 Internet Access Quote," is the contract which should be used in USACs review. This document is signed and dated 2/10/2009.

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

In USAC's information request dated 4/13/2009 the applicant was asked: For each of the funding requests (FRNs) on the FY 2007 application 568881 and on FY 2008 application 635038, where Net56 is the selected service provider, please provide a copy of the signed and dated contract for that FRN.

In her April 29, 2009 response the applicant provided one contract. The contract, entitled Master Service Agreement, is signed by Walter Korpan, Chief Fiscal Officer and dated May 1, 2007. It is for a term of 58 months-which includes FY 2009.

The five funding requests for FY 2009, which are covered by this contract, are identical to the funding requests from FY 2008 and FY 2007 in terms of services being provided by Net56 and costs associated with those services. These FRNs are a continuation of prior years' service.

In response to a July 15, 2010 information request, the applicant provided a copy of Amendment #1 to the Master Service Agreement, which was signed by the School District and the Service Provider and was dated June 30, 2010. This amendment was effective July 1, 2010-the first day for FY 2010.

In Amendment #1 the parties "agree the Master Service Agreement in no way establishes rates, terms or conditions for Net56's provision of E-Rate Services to the District on or after July 1, 2010." The amendment #1 also deleted Paragraph B and C of Exhibit C, which related specifically to E-rate. So, at the conclusion of FY 2009, the parties are establishing a new contract to replace the Master Service Agreement which was in force until that Amendment #1 modified it.

USAC disagrees with your statement that the District paid amounts expressly designated for eligible services:

The contract specifies a payment of \$49,535.35 per month. According to the contract, that entire amount is to be paid a financial entity, pursuant to Exhibit D of the contract, which is the Master Lease Agreement #2007093099. That financial entity is American Capital Financial Services Inc.

Schedule A of the Master Lease Agreement lists the equipment and software being leased and the associated "Total Monthly Rental" of \$49,535.35. There is no mention of Internet Access Services or any related costs of those services in this Schedule A. Schedule A of this master lease agreement indicates that the entire payment amount is for rental of equipment and software, as described in the Schedule A.

Schedule A of the Master Lease Agreement has a section entitled "Equipment." In that section the Schedule A lists all the software and hardware covered by the Master Lease Agreement. This software and hardware corresponds to the software and hardware listed in Exhibit A of the Net56 Master Service Agreement(the contract). There is no comparable section, attachment, exhibit or schedule describing any services included in the Master Lease Agreement.

The Master Lease Agreement lists 17 terms and conditions. All of those 17 address and specifically mention equipment and none of the 17 address or mention services in general or the specific services provided by Net56.

While the contract and the Master Lease Agreement cover equipment, there is no indication or statement in these documents regarding the costs of or the charges for the Internet Access services being provided by Net56 to the school district. There is no indication that the school is being billed for these services and no indication that the school district is making payments for them. Since the Master Service Agreement, the contract, states that it is the entire agreement related to these Net56 services, there can be no agreement outside this set of documents related to billing and payment for these services.

Finally, regarding cost effectiveness, 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. 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 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, and school not paying their share have not been resolved. Therefore the denials of the funding requests cited in your appeal stand.

- FCC rules state that, in selecting a service provider, the applicant must carefully consider all bids submitted and must select the most cost-effective service or equipment offering, with price being the primary factor, which will result in being the most cost-effective means of meeting educational needs and the technology plan goals. *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*). Service providers shall not charge the entities a price above the lowest corresponding price. *See* 47 C.F.R. sec. 54.511 (b). In order to ensure that the applicants are not requesting discounts for services beyond their reasonable needs, USAC denies funding request(s) for not being cost-effective the costs of the products and services in a funding request are significantly higher than the costs generally available in the applicant's marketplace for the same or similar products or services. For example, equipment at prices two or three times greater than the prices available from commercial vendors would not be cost effective, unless there were extenuating circumstances. *See Ysleta Order* para. 54.
- FCC rules require applicants to certify that, at the time they submit the FCC Form 471, they have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the products and/or services purchased as well as to pay the non-discounted charges for eligible products and/or services. *See* 47 C.F.R. sec. 54.504(c)(1)(iii); FCC Form 471, Block 6, Item 25. In its Academy of Excellence Order, the FCC clarified that the necessary resources requirements were satisfied as long as: (i) when filing their FCC Form 471 applications, applicants have specific, reasonable expectations of obtaining the funding needed to ensure availability of the necessary resources; (ii) applicants do not authorize USAC to pay support to the service provider for the eligible services until the applicant has received the funding and thus has the necessary resources to pay the applicants' share of the costs; and (iii) applicants provide sufficient documentation to USAC of such funding and resources availability, as USAC may request. *See* In the Matter of Requests for Review of Decisions of the Universal Service Administrator by Academy of Excellence Phoenix, AZ, et al., Schools and Libraries Universal Service Support Mechanism, File No. SLD-261209, et al., CC Docket No. 02-6, Order, 22 FCC Rcd 8722, FCC 07-60 para. 11 (rel. May 8, 2007). USAC reviews applicant's certification by conducting an Item 25 "necessary resources" review. The FCC has emphasized the importance of conducting this review to protect the integrity of the schools and libraries support mechanism. *See* Request for Review by New Orleans Public Schools, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket Nos. 96-45 and 97-21, Order, 16 FCC Rcd 16653, DA 01-2097 (rel. Sep. 18, 2001). This rule requires the applicant to secure access to all of the resources to effectively use the discounted services by the time their services commence and to pay its service provider the full cost of the non-discounted portion owed to the service provider from the funds budgeted within that funding year.

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: Dr. Janet Elenbogen

# **EXHIBIT B**



RECEIVED APR 09

Schools and Libraries Division

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

April 6, 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 (SPII)
  - 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](mailto: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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901504  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$359,400.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$359,400.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901546  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$138,480.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$138,480.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010  
Wave Number: 047  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901579  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$95,280.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$95,280.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DRI: 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: 04/06/2010  
Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901630  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$60,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$60,000.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DRI: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901654  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$60,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$60,000.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010  
Wave Number: 047  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011



RECEIVED APR 13  
April 6, 2010

Dr. Janet Elenbogen  
Round Lake Area School District 116  
316 S Rosedale Ct.  
Round Lake, IL 60073-2944

Further Explanation of Administrator's Funding Decision  
FCC Form 471 Application Number: 692375  
Funding Request Numbers: 1901504, 1901546, 1901579, 1901630 and 1901654  
Funding Year 2009 (07/01/2009 – 06/30/2010)  
Billed Entity Number: 135319

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 #1901504

FRN 1901504 requests funding in the amount of \$359,400 for broadband circuits to be used for Internet access. This service is eligible. This FRN was not subjected to a cost effectiveness review.

Review of FRN #1901546

FRN #1901546 requests funding in the amount of \$138,480 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 19, 2008, which included a more detailed description of the services being procured from Net56 and a network diagram, the on-premise equipment consisted of twelve Cisco 3560 series layer 3, Gb Switch/Routers and twelve 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, #381670000723245, 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 \$29,520 annually. Your funding request was reduced by that amount.

After modification and removal of the costs associated with the ineligible servers, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments, related follow up questions and your responses to those 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. Specifically, the Internet access WAN services approaches two times the cost of a comparable solution from commercial vendors for the eligible services. 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.<sup>1</sup> The funding required for the Net56 solution over the five year life of the contract is \$544,800. However, the cost of a comparable solution that is based on purchasing the networking equipment and annual maintenance would be approximately \$288,000. This amount accounts for the purchase of twelve switches at market price of \$6000 each, plus 50 percent of that cost for installation and configuration, plus 50 percent of that cost annually for maintenance.

#### FRN #1901579 Review

FRN #1901579 requests funding in the amount of \$95,280 for a firewall service. This firewall service includes on-premise software running on the switches included in the WAN service FRN #1901546. FRN #1901579 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.

After modification and removal of the costs associated with the firewall equipment located at the Net56 data center, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments, related follow up questions and your responses to those 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.

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.<sup>2</sup> Specifically, the Internet access firewall approaches 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 \$395,400. However, the cost of a comparable solution that is based on purchasing firewall equipment for each of the twelve locations and annual maintenance would be approximately \$240,000. This amount accounts for the purchase of twelve Cisco PIX

<sup>1</sup> 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*).

<sup>2</sup> See *id*

Firewall devices at market price of \$5,000 each, plus 50 percent of that cost for installation and configuration, plus 50 percent of that cost annually for maintenance.

#### FRN #1901654 Review

FRN #1901654 requests funding in the amount of \$60,000 for 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 email retention and email journaling. E-mail retention is archiving of information. 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 was \$1,000 per month or \$12,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with the email 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.

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.<sup>3</sup> Specifically, the Internet access 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 \$240,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$28,500. This amount accounts for the purchase of two servers at a market price of \$14,250, including installation and maintenance for five years.

#### FRN #1890373 Review

FRN #1901630 requests funding in the amount of \$60,000 for web hosting 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

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<sup>3</sup> See *id*

journaling. Web retention is archiving of information. Web 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 web retention and journaling was \$1,000 per month or \$12,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with 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.

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.<sup>4</sup> Specifically, the Internet access web hosting 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 \$240,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$28,500. This amount accounts for the purchase of two servers at a market price of \$14,250, including installation and maintenance for five years.

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<sup>4</sup> See *id*

#### Contract Review: Service Eligibility Issues

In response to the April 13, 2009 request by USAC for all contracts between the Round Lake Area School District 116 and the service provider, Net56, the applicant provided one contract. The contract is signed by Walter Korpan, Chief Fiscal Officer and dated May 1, 2007. It is for a term of 58 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, operation and repair of school owned equipment located in the Net56 data center (co-located equipment), providing anti-virus services on co-located equipment, providing environmentally controlled atmosphere and generated backup power for co-located equipment, Tier 1 and tier 2 help desk support of school employees, back-up of hard drives of co-located equipment, on-site support for district staff to the desktop, two on-site fulltime field engineers, redesign of district's website, business continuity plan, application hosting, SharePoint portal services, and unlimited professional development on Microsoft Office and SharePoint.

Because the FRNs, with exception of FRN #1901504, 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 reviews based upon this additional information, and the previous determinations as detailed above stand.

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 #692375.

This contract specifies a monthly payment of \$49,535.35 to be paid pursuant to the terms and conditions of Exhibit D, which is a financing agreement between the school and American Capital Financial Services Inc. There is no other payment specified in the contract other than the payment to American Capital Financial Services Inc.

### Finance Agreement Review

The financing agreement, also signed by Walter Korpan, states that the school is to make 58 lease payments in the amount of \$49,535.35 each. The financing agreement indicates that the payments are for the rental/lease of the equipment shown in section 1 of counterpart #1 of the financing agreement. That equipment is the same equipment listed in Exhibit A of the Net56 contract. Exhibit A 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, the payments are 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 in the Net56 contract, 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.

Dr. Janet Elenbogen

February 10, 2010

Page 8 of 9

### Conclusion

The funding requests were reviewed for service eligibility. Ineligible services were cost allocated and the associated costs were removed from the funding requests. Cost effectiveness reviews were then performed. FRNs 1901546, 1901579, 1901630 and 1901654 failed cost effectiveness review.

During the course of the review of these FRNs, 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 all four of the FRNs that were subjected to cost effectiveness review have failed that 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 all five funding requests, including FRN 1901504, 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 regarding the payment of your Schools and Libraries Program share of Internet access services.

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

Dr. Janet Elenbogen  
February 10, 2010  
Page 9 of 9

Palatine, IL 60067

# **EXHIBIT C**



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

**Paul B. Hudson**  
202.973.4275 tel  
202.973.4499 fax

paulhudson@dwt.com

June 4, 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](mailto: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 April 6, 2010, for Round Lake Area School District (the “District”). Additional information concerning this decision was provided in a Further Explanation of Administrator’s Funding Decision Letter from USAC dated April 6, 2010 (the “Further Explanation Letter”).<sup>1</sup>

**Identifying Information:**

Appellant Name:	Net56, Inc.
Applicant Name:	Round Lake Area School District 116
Applicant BEN:	135319
Service Provider SPIN:	143025679
Form 471 Application No.:	692375
FRNs:	1901504, 1901546, 1901579, 1901654 and 1901630
USAC Action:	FCDL dated April 6, 2010 and Further Explanation Letter dated April 6, 2010

**Appeal Contact:**

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

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

202-973-4275  
paulhudson@dwt.com

### **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 6)*

*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 7)*

*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 8)*

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 58-month term May 1, 2007 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 January 12, 2009. 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 February 10, 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 \$59,430 for eligible services.<sup>2</sup>

If the District and Net56 had believed the May 1, 2007 agreement was a contract for e-rate services for Funding Year 2009, the District would have had no need to seek bids at the beginning of 2009 through a Form 470, and Net56 would have had no need to provide a new quotation. The term of the May 2007 agreement is 58 months, into 2012. 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 Further 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 American Capital Financial Services, Inc. that clarifies the original lease to allocate \$45,369.39 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. These documents were provided to USAC prior to issuance of the FCDL on April 6, 2010, but they are not addressed in the FCDL or the Further Explanation Letter.<sup>3</sup> We 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, and in accordance with the written agreement with Net56 that allocates this payment between eligible and ineligible services.

**Cost-Effectiveness.** The FCDL indicated a belief that the services covered under three of the funding requests 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 for each FRN, as set forth

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<sup>2</sup> 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.

<sup>3</sup> See material submitted to Mr. Mel Blackwell of USAC on February 19, 2010.

below. 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, and directed USAC to award that amount.<sup>4</sup> That FCC decision illustrates that the FCC does not intend for cost-effectiveness determinations to be only an all-or-nothing choice and that applicants should not be denied the portion of their request that clearly would have been cost effective.

### **Conclusion**

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

FRN #1901504

\$359,400.00

FRN # 1901546

USAC believes that a comparable solution could be obtained for a price of approximately \$288,000 over five years, or \$57,600 per year. USAC should therefore approve at least \$57,600 in funding for this FRN. (\$138,480 request reduced by \$29,520 for WAN server, and by \$51,360 for cost-effectiveness.)

FRN #1901579

USAC believes that a comparable solution could be obtained for a price of approximately \$240,000 over five years, or \$48,000 per year. USAC should therefore approve at least \$48,000 in funding for this FRN. (\$95,280 request reduced by \$16,200 for firewall equipment, and by \$31,080 for cost-effectiveness.)

FRN # 1901654

USAC believes that a comparable solution could be obtained for a price of approximately \$28,500 over five years, or \$5,700 per year. USAC should therefore approve at least \$5,700 in funding for this FRN. (\$60,000 request reduced by \$12,000 for retention and journaling, and by \$42,300 for cost-effectiveness.)

FRN # 1901630<sup>5</sup>

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<sup>4</sup> *Requests for Review by Macomb Intermediate School District Technology Consortium*, File No. SLD-441910, Order, FCC 07-64, ¶ 9 (rel. May 8, 2007).

<sup>5</sup> The Funding Commitment Decision Letter incorrectly identifies this FRN as #1890373.

USAC believes that a comparable solution could be obtained for a price of approximately \$28,500 over five years, or \$5,700 per year. USAC should therefore approve at least \$5,700 in funding for this FRN. (\$60,000 request reduced by \$12,000 for retention and journaling, and by \$42,300 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: Dr. Janet Elenbogan  
Round Lake Area School District 116  
316 S. Rosedale Ct.  
Round Lake, IL 60073-2944

Mel Blackwell (via email)

## **Attachment 1**



RECEIVED APR 09

Schools and Libraries Division

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

April 6, 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](mailto: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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901504  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$359,400.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$359,400.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901546  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$138,480.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$138,480.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901579  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$95,280.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$95,280.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901630  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$60,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$60,000.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011

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

Name of Billed Entity: ROUND LAKE AREA SCH DIST 116  
Billed Entity Address: 316 S ROSEDALE CT  
Billed Entity City: ROUND LAKE  
Billed Entity State: IL  
Billed Entity Zip Code: 60073-2944  
Billed Entity Number: 135319  
Contact Person's Name: Dr. Janet Elenbogen  
Preferred Mode of Contact: EMAIL  
Contact Information: jelenbogen@rlas-116.org  
Form 471 Application Number: 692375  
Funding Request Number: 1901654  
Funding Status: Not Funded  
Category of Service: Internet Access  
Form 470 Application Number: 381670000723245  
Contract Number: N/A  
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: \$60,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$60,000.00  
Applicant's Discount Percentage Approved by SLD: 80%  
Funding Commitment Decision: \$.00 - Selective - Program Violation  
Funding Commitment Decision Explanation: DR1: 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: 04/06/2010

Wave Number: 047

Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2011



RECEIVED APR 13 2010  
April 6, 2010

Dr. Janet Elenbogen  
Round Lake Area School District 116  
316 S Rosedale Ct.  
Round Lake, IL 60073-2944

Further Explanation of Administrator's Funding Decision  
FCC Form 471 Application Number: 692375  
Funding Request Numbers: 1901504, 1901546, 1901579, 1901630 and 1901654  
Funding Year 2009 (07/01/2009 – 06/30/2010)  
Billed Entity Number: 135319

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 #1901504

FRN 1901504 requests funding in the amount of \$359,400 for broadband circuits to be used for Internet access. This service is eligible. This FRN was not subjected to a cost effectiveness review.

Review of FRN #1901546

FRN #1901546 requests funding in the amount of \$138,480 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 19, 2008, which included a more detailed description of the services being procured from Net56 and a network diagram, the on-premise equipment consisted of twelve Cisco 3560 series layer 3, Gb Switch/Routers and twelve 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, #381670000723245, 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 \$29,520 annually. Your funding request was reduced by that amount.

After modification and removal of the costs associated with the ineligible servers, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments, related follow up questions and your responses to those 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. Specifically, the Internet access WAN services approaches two times the cost of a comparable solution from commercial vendors for the eligible services. 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.<sup>1</sup> The funding required for the Net56 solution over the five year life of the contract is \$544,800. However, the cost of a comparable solution that is based on purchasing the networking equipment and annual maintenance would be approximately \$288,000. This amount accounts for the purchase of twelve switches at market price of \$6000 each, plus 50 percent of that cost for installation and configuration, plus 50 percent of that cost annually for maintenance.

#### FRN #1901579 Review

FRN #1901579 requests funding in the amount of \$95,280 for a firewall service. This firewall service includes on-premise software running on the switches included in the WAN service FRN #1901546. FRN #1901579 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.

After modification and removal of the costs associated with the firewall equipment located at the Net56 data center, this FRN was subjected to a cost effectiveness review by USAC. This review was conducted based on the Item 21 attachments, related follow up questions and your responses to those 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.

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.<sup>2</sup> Specifically, the Internet access firewall approaches 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 \$395,400. However, the cost of a comparable solution that is based on purchasing firewall equipment for each of the twelve locations and annual maintenance would be approximately \$240,000. This amount accounts for the purchase of twelve Cisco PIX

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<sup>1</sup> 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*).

<sup>2</sup> See *id*

Firewall devices at market price of \$5,000 each, plus 50 percent of that cost for installation and configuration, plus 50 percent of that cost annually for maintenance.

#### FRN #1901654 Review

FRN #1901654 requests funding in the amount of \$60,000 for 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 email retention and email journaling. E-mail retention is archiving of information. 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 was \$1,000 per month or \$12,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with the email 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.

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.<sup>3</sup> Specifically, the Internet access 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 \$240,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$28,500. This amount accounts for the purchase of two servers at a market price of \$14,250, including installation and maintenance for five years.

#### FRN #1890373 Review

FRN #1901630 requests funding in the amount of \$60,000 for web hosting 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

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<sup>3</sup> See *id*

journaling. Web retention is archiving of information. Web 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 web retention and journaling was \$1,000 per month or \$12,000 annually. The funding request was reduced by that amount.

After modification and removal of the costs associated with 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.

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.<sup>4</sup> Specifically, the Internet access web hosting 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 \$240,000. However, the cost of a comparable solution that is based on purchasing the server equipment and annual maintenance would be approximately \$28,500. This amount accounts for the purchase of two servers at a market price of \$14,250, including installation and maintenance for five years.

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<sup>4</sup> See *id*

Contract Review: Service Eligibility Issues

In response to the April 13, 2009 request by USAC for all contracts between the Round Lake Area School District 116 and the service provider, Net56, the applicant provided one contract. The contract is signed by Walter Korpan, Chief Fiscal Officer and dated May 1, 2007. It is for a term of 58 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, operation and repair of school owned equipment located in the Net56 data center (co-located equipment), providing anti-virus services on co-located equipment, providing environmentally controlled atmosphere and generated backup power for co-located equipment, Tier 1 and tier 2 help desk support of school employees, back-up of hard drives of co-located equipment, on-site support for district staff to the desktop, two on-site fulltime field engineers, redesign of district's website, business continuity plan, application hosting, SharePoint portal services, and unlimited professional development on Microsoft Office and SharePoint.

Because the FRNs, with exception of FRN #1901504, 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 reviews based upon this additional information, and the previous determinations as detailed above stand.

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 #692375.

This contract specifies a monthly payment of \$49,535.35 to be paid pursuant to the terms and conditions of Exhibit D, which is a financing agreement between the school and American Capital Financial Services Inc. There is no other payment specified in the contract other than the payment to American Capital Financial Services Inc.

### Finance Agreement Review

The financing agreement, also signed by Walter Korpan, states that the school is to make 58 lease payments in the amount of \$49,535.35 each. The financing agreement indicates that the payments are for the rental/lease of the equipment shown in section 1 of counterpart #1 of the financing agreement. That equipment is the same equipment listed in Exhibit A of the Net56 contract. Exhibit A 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, the payments are 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 in the Net56 contract, 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.

Dr. Janet Elenbogen

February 10, 2010

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### Conclusion

The funding requests were reviewed for service eligibility. Ineligible services were cost allocated and the associated costs were removed from the funding requests. Cost effectiveness reviews were then performed. FRNs 1901546, 1901579, 1901630 and 1901654 failed cost effectiveness review.

During the course of the review of these FRNs, 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 all four of the FRNs that were subjected to cost effectiveness review have failed that 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 all five funding requests, including FRN 1901504, 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 regarding the payment of your Schools and Libraries Program share of Internet access services.

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

Dr. Janet Elenbogen  
February 10, 2010  
Page 9 of 9

Palatine, IL 60067

## **Attachment 2**



# **EXHIBIT D**

FCC Form 471	Do not write in this area.	Approval by OMB 3060-0806
<p><b>Schools and Libraries Universal Service</b>  <b>Description of Services Ordered and Certification Form 471</b>  <b>Estimated Average Burden Hours per Response: 4 hours</b></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.  <b>Please read instructions before beginning this application. (You can also file online at <a href="http://www.sl.universalservice.org">www.sl.universalservice.org</a>.)</b>  <b>The instructions include information on the deadlines for filing this application.</b></p>		
Applicant's Form Identifier (Create your own code to identify THIS form 471)		Form 471 Application#
InternetAC_09_10		692375
<p><b>Block 1: Billed Entity Information</b> (The "Billed Entity" is the entity paying the bills for the service listed on this form.)</p>		
<b>1 a</b>	Name of Billed Entity: ROUND LAKE AREA SCH DIST 116	
<b>2 a</b>	Funding Year: July 1, 2009 Through June 30: 2010	Billed Entity Number: 135319
<b>4 a</b>	Street Address, P.O. Box, or Routing Number: 316 S ROSEDALE CT	
	City: ROUND LAKE	
	State: IL	Zip Code: 60073 2944
<b>5 a</b>	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)	
<b>6</b>	Contact Person's Name: Dr. Janet Elenbogen	
<p>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.</p>		
<b>b</b>	Street Address, P.O. Box, or Routing Number: 316 S ROSEDALE CT	
	City: ROUND LAKE	
	State: IL	Zip Code: 60073 2944



Entity Number	<u>135319</u>	Applicant's Form Identifier	<u>InternetAC 09 10</u>
Contact Person	<u>Dr. Janet Elenbogen</u>	Phone Number	<u>847-270-9000</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><b>Schools/school districts complete Item 7. Libraries complete Item 8. Consortia complete Item 7 and/or Item 8.</b></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		6969
b	Telephone service: Number of classrooms with phone service	287	287
d	Direct broadband services: Number of buildings served at the following speeds: Less than 10 mbps	9	9
e	Direct connections to the Internet: Number of drops	4	4
f	Number of classrooms with Internet access	287	287
g	Number of computers or other devices with Internet access	1325	1325

**Block 3: Impact of Services Ordered on Libraries****NOT APPLICABLE AS THIS APPLICATION IS FOR DISTRICT****Worksheet A No:** 1130277**Student Count:** 7055**Weighted Product (Sum. Column 8):** 5652.7**Shared Discount:** 80%**1. School Name:** ADMINISTRATIVE OFFICES**2. Entity Number:** 16054844 **NCES:****3. Rural/Urban:** Urban**4. Student Count:** 0**5. NSLP Students:** 0**6. NSLP Students/Students:****7. Discount:** 80%**8. Weighted Product:** 0**9. Pre-K/Adult Ed/Juv:** N**10. Alt Disc Mech:** N**1. School Name:** EARLY CHILDHOOD FACILITY**2. Entity Number:** 16054843 **NCES:****3. Rural/Urban:** Urban**4. Student Count:** 124**5. NSLP Students:** 14**6. NSLP Students/Students:** 11.290%**7. Discount:** 40%**8. Weighted Product:** 49.6**9. Pre-K/Adult Ed/Juv:** N**10. Alt Disc Mech:** N**1. School Name:** EARLY EDUCATION CENTER**2. Entity Number:** 199511 **NCES:** 17 34990 02974**3. Rural/Urban:** Urban**4. Student Count:** 517**5. NSLP Students:** 343**6. NSLP Students/Students:** 66.344%**7. Discount:** 80%**8. Weighted Product:** 413.6**9. Pre-K/Adult Ed/Juv:** N**10. Alt Disc Mech:** N**1. School Name:** EDUCATIONAL SERVICE CENTER**2. Entity Number:** 16054845 **NCES:****3. Rural/Urban:** Urban**4. Student Count:** 0**5. NSLP Students:** 0**6. NSLP Students/Students:****7. Discount:** 80%**8. Weighted Product:** 0**9. Pre-K/Adult Ed/Juv:** N**10. Alt Disc Mech:** N**1. School Name:** INDIAN HILL ELEMENTARY SCHOOL**2. Entity Number:** 68506 **NCES:** 17 34990 03664

3. Rural/Urban: Urban  
 4. Student Count: 680      5. NSLP Students: 355      6. NSLP Students/Students: 52.205%  
 7. Discount: 80%      8. Weighted Product: 544  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: JOHN T MAGEE MIDDLE SCHOOL  
 2. Entity Number: 68509      NCES: 00 0000 0000  
 3. Rural/Urban: Urban  
 4. Student Count: 618      5. NSLP Students: 420      6. NSLP Students/Students: 67.961%  
 7. Discount: 80%      8. Weighted Product: 494.4  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: OPERATIONAL SERVICE CENTER  
 2. Entity Number: 16054846      NCES:  
 3. Rural/Urban: Urban  
 4. Student Count: 0      5. NSLP Students: 0      6. NSLP Students/Students:  
 7. Discount: 80%      8. Weighted Product: 0  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: RAYMOND ELLIS ELEM SCHOOL  
 2. Entity Number: 68508      NCES: 17 34990 03666  
 3. Rural/Urban: Urban  
 4. Student Count: 737      5. NSLP Students: 511      6. NSLP Students/Students: 69.335%  
 7. Discount: 80%      8. Weighted Product: 589.6  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: ROUND LAKE BEACH ELEM SCHOOL  
 2. Entity Number: 68507      NCES: 17 34990 03667  
 3. Rural/Urban: Urban  
 4. Student Count: 583      5. NSLP Students: 478      6. NSLP Students/Students: 81.989%  
 7. Discount: 90%      8. Weighted Product: 524.7  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: ROUND LAKE HIGH SCHOOL  
 2. Entity Number: 68512      NCES: 17 34990 03668  
 3. Rural/Urban: Urban  
 4. Student Count: 1737      5. NSLP Students: 1006      6. NSLP Students/Students: 57.915%  
 7. Discount: 80%      8. Weighted Product: 1389.6  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: ROUND LAKE MIDDLE SCHOOL  
 2. Entity Number: 16035953      NCES: 17 34990 1003  
 3. Rural/Urban: Urban  
 4. Student Count: 960      5. NSLP Students: 679      6. NSLP Students/Students: 70.729%  
 7. Discount: 80%      8. Weighted Product: 768  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: VILLAGE ELEMENTARY SCHOOL  
 2. Entity Number: 68516      NCES: 17 34990 3669  
 3. Rural/Urban: Urban  
 4. Student Count: 459      5. NSLP Students: 247      6. NSLP Students/Students: 53.812%  
 7. Discount: 80%      8. Weighted Product: 367.2  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

1. School Name: W J MURPHY ELEMENTARY SCHOOL  
 2. Entity Number: 68513      NCES: 17 34990 03670  
 3. Rural/Urban: Urban  
 4. Student Count: 640      5. NSLP Students: 443      6. NSLP Students/Students: 69.218%  
 7. Discount: 80%      8. Weighted Product: 512  
 9. Pre-K/Adult Ed/Juv: N      10. Alt Disc Mech: N

## Block 5: Discount Funding Request(s)

FRN: 1901504 FCDL Date: 04/06/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 381670000723245
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service:	15b. Contract Number: N/A
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 02/09/2009	18. Contract Award Date: 02/10/2009
19a. Service Start Date: 07/01/2009	19b. Service End Date:
20. Contract Expiration Date: 06/30/2010	
21. Attachment #: NET56_IA	22. Block 4 Worksheet No.: 1130277
23a. Monthly Charges: \$29,950.00	23b. Ineligible monthly amt.: \$0.00
23c. Eligible monthly amt.: \$29,950.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges ( 23c x 23d): \$359,400.00	
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): \$359,400.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request ( 23i x 23j): \$287,520.00	

FRN: 1901546 FCDL Date: 04/06/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 381670000723245
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service:	15b. Contract Number: N/A
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 02/09/2009	18. Contract Award Date: 02/10/2009
19a. Service Start Date: 07/01/2009	19b. Service End Date:
20. Contract Expiration Date: 06/30/2010	
21. Attachment #: NET56_WAN	22. Block 4 Worksheet No.: 1130277
23a. Monthly Charges: \$11,540.00	23b. Ineligible monthly amt.: \$0.00
23c. Eligible monthly amt.: \$11,540.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges ( 23c x 23d): \$138,480.00	
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): \$138,480.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request ( 23i x 23j): \$110,784.00	

FRN: 1901579 FCDL Date: 04/06/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 381670000723245
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service:	15b. Contract Number: N/A
15c. Covered under State Master Contract:	15d. FRN from Previous Year:

16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 02/09/2009	18. Contract Award Date: 02/10/2009
19a. Service Start Date: 07/01/2009	19b. Service End Date:
20. Contract Expiration Date: 06/30/2010	
21. Attachment #: NET56_FIREWALL	22. Block 4 Worksheet No.: 1130277
23a. Monthly Charges: \$7,940.00	23b. Ineligible monthly amt.: \$0.00
23c. Eligible monthly amt.: \$7,940.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges ( 23c x 23d): \$95,280.00	
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): \$95,280.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request ( 23i x 23j): \$76,224.00	

FRN: 1901630 FCDL Date: 04/06/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 381670000723245
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service:	15b. Contract Number: N/A
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 02/09/2009	18. Contract Award Date: 02/10/2009
19a. Service Start Date: 07/01/2009	19b. Service End Date:
20. Contract Expiration Date: 06/30/2010	
21. Attachment #: NET56_WEB HOSTING	22. Block 4 Worksheet No.: 1130277
23a. Monthly Charges: \$5,000.00	23b. Ineligible monthly amt.: \$0.00
23c. Eligible monthly amt.: \$5,000.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges ( 23c x 23d): \$60,000.00	
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): \$60,000.00	
23j. % discount (from Block 4): 80	
23k. Funding Commitment Request ( 23i x 23j): \$48,000.00	

FRN: 1901654 FCDL Date: 04/06/2010	
10. Original FRN:	
11. Category of Service: Internet Access	12. 470 Application Number: 381670000723245
13. SPIN: 143025679	14. Service Provider Name: Net56, Inc
15a. Non-Contracted tariffed/Month to Month Service:	15b. Contract Number: N/A
15c. Covered under State Master Contract:	15d. FRN from Previous Year:
16a. Billing Account Number:	16b. Multiple Billing Account Numbers?:
17. Allowable Contract Date: 02/09/2009	18. Contract Award Date: 02/10/2009
19a. Service Start Date: 07/01/2009	19b. Service End Date:
20. Contract Expiration Date: 06/30/2010	
21. Attachment #: NET56_EMAIL HOSTING	22. Block 4 Worksheet No.: 1130277
23a. Monthly Charges: \$5,000.00	23b. Ineligible monthly amt.: \$0.00
23c. Eligible monthly amt.: \$5,000.00	23d. Number of months of service: 12
23e. Annual pre-discount amount for eligible recurring charges ( 23c x 23d): \$60,000.00	
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): \$60,000.00	
23j. % discount (from Block 4): 80	

**23k. Funding Commitment Request ( 23i x 23j): \$48,000.00**

**Block 6: Certifications and Signature**

**Application ID:692375**

Do not write in this area.

<b>Entity Number</b>	<u>135319</u>	<b>Applicant's Form Identifier</b>	<u>InternetAC 09 10</u>
<b>Contact Person</b>	<u>Dr. Janet Elenbogen</u>	<b>Phone Number</b>	<u>847-270-9000</u>

**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 23i on all Block 5 Discount Funding Requests.)	<b>\$713,160.00</b>
b.	Total funding commitment request amount on this Form 471 (Add the entities from Items 23K on all Block 5 Discount Funding Requests.)	<b>\$570,528.00</b>
c.	Total applicant non-discount share (Subtract Item 25b from Item 25a.)	<b>\$142,632.00</b>
d.	Total budgeted amount allocated to resources not eligible for E-rate support	<b>\$500,000.00</b>
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.)	<b>\$642,632.00</b>
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.
- 

0 4 7 0 0 1 0 1 0
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, I 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 2/12/2009

**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. 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 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

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# **EXHIBIT E**

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**

<b>Form 470 Application Number: 381670000723245</b>		
<b>Applicant's Form Identifier:</b>		
<b>Application Status: CERTIFIED</b>		
<b>Posting Date: 01/12/2009</b>		
<b>Allowable Contract Date: 02/09/2009</b>		
<b>Certification Received Date: 01/12/2009</b>		
<b>1. Name of Applicant:</b> ROUND LAKE AREA SCH DIST 116		
<b>2. Funding Year:</b> 07/01/2009 - 06/30/2010		<b>3. Your Entity Number</b> 135319
<b>4a. Applicant's Street Address, P.O.Box, or Route Number</b> 316 S ROSEDALE CT		
<b>City</b> ROUND LAKE	<b>State</b> IL	<b>Zip Code</b> 60073 - 2944
<b>b. Telephone number</b> ext. (847) 270- 9000		<b>c. Fax number</b> (847) 546- 3538
<b>5. Type Of Applicant</b>		
<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 (intermediate service agencies, states, state networks, special consortia of schools and/or libraries)		
<b>6a. Contact Person's Name:</b> Dr. Janet Elenbogen		
<i>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.</i>		
<b>6b. Street Address, P.O.Box, or Route Number</b> 316 S ROSEDALE CT		
<b>City</b> ROUND LAKE	<b>State</b> IL	<b>Zip Code</b> 60073 - 2944
<i>Check the box next to your preferred mode of contact and provide your contact information. One box MUST be checked and an entry provided.</i>		

<input checked="" type="checkbox"/>	6c. Telephone Number (847) 270- 9000
<input checked="" type="checkbox"/>	6d. Fax Number (847) 546- 3538
<input checked="" type="checkbox"/>	6e. E-mail Address jelenbogen@rlas-116.org
<b>Block 2: Summary Description of Needs or Services Requested</b>	
7 This Form 470 describes (check all that apply):	
<input checked="" type="checkbox"/>	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.
<input checked="" type="checkbox"/>	b. Services for which a new written contract is sought for the funding year in Item 2. Check if you are <input checked="" type="checkbox"/> a multi-year contract <input type="checkbox"/> a contract featuring voluntary extensions seeking and/or
<input checked="" type="checkbox"/>	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.
<b>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.</b>	

**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](http://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 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 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](http://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 checked="" 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 checked="" type="checkbox"/> Check this box if you do not have a preference.
--	--	---

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 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 <input checked="" type="radio"/> 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 <a href="http://www.sl.universalservice.org">www.sl.universalservice.org</a> for examples of eligible Internet Access services. Attach additional lines if needed.		
c <input checked="" type="radio"/> Check this box if you prefer discounts on your bill.	<input checked="" type="radio"/> Check this box if you prefer reimbursement after paying your bill in full.	<input checked="" type="radio"/> Check this box if you do not have a preference.
Service or Function:		Quantity and/or Capacity:
Internet access		12 Buildings /400 classrooms/1400 computers
Email/Web Hosting Services		675 users/1Gb
Wide Area Network		12 Buildings /400 classrooms/1400 computers
Firewall service		12 Buildings /400 classrooms/1400 computers
10 <input type="checkbox"/> Internal Connections Other than Basic Maintenance <i>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.</i>		
a <input checked="" type="radio"/> 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): <input type="checkbox"/> the Contact Person in Item 6 or <input type="checkbox"/> the contact listed in Item 12.		
b <input checked="" type="radio"/> 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 <a href="http://www.sl.universalservice.org">www.sl.universalservice.org</a> for examples of eligible Internal Connections services. Attach additional lines if needed.		
c <input checked="" type="radio"/> Check this box if you prefer discounts on your bill.	<input checked="" type="radio"/> Check this box if you prefer reimbursement after paying your bill in full.	<input checked="" type="radio"/> Check this box if you do not have a preference.
11 <input type="checkbox"/> Basic Maintenance of Internal Connections <i>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.</i>		
a <input checked="" type="radio"/> 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): <input type="checkbox"/> the Contact Person in Item 6 or <input type="checkbox"/> the contact listed in Item 12.		
b <input checked="" type="radio"/> 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 <a href="http://www.sl.universalservice.org">www.sl.universalservice.org</a> for examples of eligible Basic Maintenance services. Attach additional lines if needed.		
c <input checked="" type="radio"/> Check this box if you prefer discounts on your bill.	<input checked="" type="radio"/> Check this box if you prefer reimbursement after paying your bill in full.	<input checked="" type="radio"/> Check this box if you do not have a preference.
Service or Function:		Quantity and/or Capacity:
Basic LAN Maintenance		12 Buildings /400 classrooms/1400 computers
Basic WAN Maintenance		12 Buildings /400 classrooms/1400 computers
Basic Phone System Maintenance		12 Buildings /400 classrooms/1400 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:		Title:

Telephone number ()-
Fax number ()-
E-mail Address
<b>13a.</b> <input type="checkbox"/> 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 provide a Web address where they are posted and a contact name and telephone number.
<input type="checkbox"/> Check this box if no state and local procurement/competitive bidding requirements apply to the procurement of services sought on this Form 470.
<b>13b.</b> 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 Assessment

<b>14.</b> <input type="checkbox"/> <b>Basic telephone service only:</b> 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).
<b>15.</b> 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 one or both boxes in 15a through 15e. You may provide details for purchases being sought.
<b>a.</b> Desktop communications software: Software required <input type="checkbox"/> has been purchased; and/or <input type="checkbox"/> is being sought.
<b>b.</b> Electrical systems: <input type="checkbox"/> adequate electrical capacity is in place or has already been arranged; and/or <input type="checkbox"/> upgrading for additional electrical capacity is being sought.
<b>c.</b> Computers: a sufficient quantity of computers <input type="checkbox"/> has been purchased; and/or <input type="checkbox"/> is being sought.
<b>d.</b> Computer hardware maintenance: adequate arrangements <input type="checkbox"/> have been made; and/or <input type="checkbox"/> are being sought.
<b>e.</b> Staff development: <input type="checkbox"/> all staff have had an appropriate level of training /additional training has already been scheduled; and/or <input type="checkbox"/> training is being sought.
<b>f.</b> Additional details: Use this space to provide additional details to help providers to identify the ineligible 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 entities	1
<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
847	270
847	546

**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 Number	Entity
135319	ROUND LAKE AREA SCH DIST 116

**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**

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 statute 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): 01/12/2009

29. Printed name of authorized person: **Dr. Janet Elenbogen**
30. Title or position of authorized person: **Chief Education Officer/Superintendent**
- 31a. Address of authorized person: **316 South Rosedale Court**  
City: **Round Lake** State: **IL** Zip: **60073-2944**
- 31b. Telephone number of authorized person: **(847) 270 - 9000**
- 31c. Fax number of authorized person: **(847) 5163538**
- 31d. E-mail address number of authorized person: **jelenbogen@rlas-116.org**
- 31e. Name of authorized person's employer: **Round Lake Area Schools District 116**

**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](http://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**

FCC Form 470  
November 2004

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# EXHIBIT F



# American Capital

Re: Master Lease Agreement No. 2007093099 dated 4/9/2007 ("Master Lease") by and between American Capital Financial Services, Inc. ("Lessor") and Round Lake Area Schools Community Unit District No. 116 ("Lessee").

Dear Round Lake Area Schools Community Unit District No. 116;

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 charge of \$45,369.39 toward Net56 services, with the remaining charge for the rental of the equipment listed in Schedule A (\$0.00 in months 1-2, and \$4,165.96 in months 3-60). The total Monthly Rental Payment remains the same (\$0.00 for months 1-2, \$49,535.35 for months 3-60). 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.

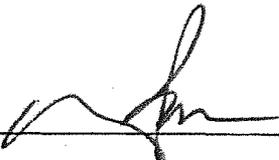
Please sign below and return a copy to:

American Capital Financial Services, Inc  
2015 Ogden Avenue  
Suite 400  
Lisle, IL 60532

Acknowledged and Agreed to:

**LESSEE:**

Round Lake Area Schools Community Unit District No. 116

By: 

Print Name: MARK J. POWELL

Title: Chief Financial Officer



Dear Round Lake School District 116,

As you know, the District pays Net56, Inc. for services through its lease payment under its Lease Agreement with American Capital. As American Capital has advised you, your monthly lease payments include \$45,369.39 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):	\$11,291.70
Other non e-rate services:	\$34,077.69
Paid Monthly from Lease Payment:	(\$45,369.39)
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	\$29,950.00	\$24,259.50	\$5,690.50
WAN Services for Internet Access	\$11,540.00	\$9,347.40	\$2,192.60
Firewall Service	\$7,940.00	\$6,431.40	\$1,508.60
Web Hosting Service	\$5,000.00	\$4,050.00	\$950.00
Email Hosting Service	\$5,000.00	\$4,050.00	\$950.00

If you have any questions, please let us know.

Very Truly Yours,

Net56, Inc

Acknowledged and Agreed to:

Round Lake School District 116

By: 

Print Name: MARY J POWELL

Title: Chief Financial Officer