Exhibit 7

Exhibit 7

TEXAS EDUCATION AGENCY

1701 North Congress Ave. ★ Austin, Texas 78701-1494 ★ 512/463-9734 ★ FAX: 512/463-9838 ★ http://www.tea.state.tx.us

August 31, 2007

Mr. David Thompson
Bracewell & Giuliani
711 Louisiana Street, Suite 2300
Houston, TX 77002-2770

Dear Mr. Thompson:

This letter responds to our meeting on August 10, 2007 regarding two of the findings presented in the final report for Donna Independent School District #108-902, dated July 10, 2007. We have reviewed these findings and determined that no amendment to the final report is required.

The agency's role is to investigate school district actions, and this scope limits the procedures and findings it uses to those directly related to determining whether a school district has complied with applicable standards.

The agency did not examine the actions of any of the district's third party vendors.

Integrity Communications, Ltd. was identified in the report merely to provide the factual context for certain findings concerning Donna Independent School District. Nothing in the agency's report implied or should be construed to imply anything about the actions of Integrity Communications, Ltd.

Should you have any questions, please feel free to contact Jim Thompson at 512-463-9037.

Sincerely,

Adrain Johnson, Ed.D.
Associate Commissioner
School District Services

Charlotte Smith

From: Thompson, David [David.Thompson@bgllp.com]
Sent: Wednesday, September 05, 2007 3:16 PM
To: jim.thompson@tea.state.tx.us
Subject: Donna ISD Year 9 Funding Summary ALL VENDORS.xls
Attachments: Donna ISD Year 9 Funding Summary ALL VENDORS.xls

Jim, here is the information that was sent to me relating to E-rate cycle 9 vendors for Donna ISD. As I mentioned, what has been represented to me is that all of these vendors were selected using the identical process and all of them were approved by the District's Board of Trustees at the same meeting. According to this information, six vendors other than Integrity Communications were selected by Donna ISD for cycle 9 at the same time and through the same process. Four of the vendors and projects for cycle 9 actually already have been funded. Apparently, the only reason that the cycle 9 award to Integrity Communications has not been funded is because the TEA audit report mentions Integrity and not any of the other vendors. Obviously, the same standards should apply to all districts and vendors. As I mentioned on the telephone, I just was told about this information today, and I apologize for not knowing it or sharing it with you earlier.

Donna ISD E-rate Year 9 Funding Year 2006

486 Filed	471	FRN	SPIN	Service Provider	Service*	Original Req. Amt	Funded	Disbursed	Util.%	Discount	POSTED Form 470#	FCDL DATE
Y	536722	1486119	143004662	Southwestern Bell Telephone, L.P.	TC	$399,600.00	$395,971.20	$0.00	0%	90%	90763000057504 1	1/23/2007
Y	536722	1486459	143008823	SBC Long Distance	TC	$5,400.00	$5,400.00	$0.00	0%	90%	90763000057504 1	1/23/2007
Y	536722	1486698	143020020	Education Service Center - Region One	IA	$25,995.60	$25,995.60	$25,990.85	100%	90%	90763000057504 1	1/23/2007
NF	536722	1486840	143020189	eChalk Inc.	IA	$171,402.71	$0.00	$0.00	0%	90%	90763000057504 1	
Y	536722	1487073	143019623	Nextel Partners	TC	$125,096.40	$125,096.40	$0.00	0%	90%	90763000057504 1	1/23/2007
N	537400	1487755	143028919	DirectPacket Research Inc.	IC	$266,895.18	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1487844	143018592	Integrity Communications	IC	$902,086.47	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1487882	143018592	Integrity Communications	IC	$542,600.69	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1487910	143018592	Integrity Communications	IC	$306,506.68	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1487939	143018592	Integrity Communications	IC	$327,524.35	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1487977	143018592	Integrity Communications	IC	$597,245.09	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488005	143018592	Integrity Communications	IC	$428,295.92	$0.00	$0.00	0%	0%	90763000057504 1	
NF	537400	1488030	143018592	Integrity Communications	IC	$739,538.21	$0.00	$0.00	0%	90%	90763000057504 1	
N	537400	1488049	143018592	Integrity Communications	IC	$535,000.07	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488061	143018592	Integrity Communications	IC	$541,927.58	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488077	143018592	Integrity Communications	IC	$404,919.75	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488099	143018592	Integrity Communications	IC	$381,884.29	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488117	143018592	Integrity Communications	IC	$304,439.57	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488134	143018592	Integrity Communications	IC	$420,085.65	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488183	143018592	Integrity Communications	IC	$387,107.18	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488210	143018592	Integrity Communications	IC	$292,578.98	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488228	143018592	Integrity Communications	IC	$326,724.51	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488257	143018592	Integrity Communications	IC	$423,150.28	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488283	143018592	Integrity Communications	IC	$371,507.09	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488303	143018592	Integrity Communications	IC	$71,910.10	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488326	143018592	Integrity Communications	IC	$457,563.40	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488354	143018592	Integrity Communications	IC	$4,489,401.74	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488376	143018592	Integrity Communications	IC	$730,744.20	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488447	143018592	Integrity Communications	ICM	$432,000.00	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488461	143018592	Integrity Communications	ICM	$178,617.64	$0.00	$0.00	0%	0%	90763000057504 1	
N	537400	1488476	143018592	Integrity Communications	ICM	$268,609.50	$0.00	$0.00	0%	0%	90763000057504 1	

Exhibit 8

Exhibit 8

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To: Joe D. González, Superintendent of Schools

From: Delma De La Peña, Technology Director

Date: January 16, 2007

Re: Response to T.E.A. Preliminary Audit Report regarding E-Rate Cycle 5, Cycle 7 and Cycle 9 Concerns

Following is documentation addressing concerns regarding E-Rate Cycle 5, Cycle 7 and Cycle 9.

It is important to note the following:

- The information provided here was discussed with and provided to the T.E.A. auditors multiple times.
- During my initial visit they requested everything having to do with e-Rate. I explained that although I was now in charge of E-Rate 9, I was not in charge of E-Rates 5 and 7 but would provide all available documentation and I did so.
- All available documentation, including 4 legal size boxes of binders containing E-Rate documentation, was provided. Several documents were duplicated and provided to the auditors numerous times.
- Attempts to answer the auditors' questions were futile. No amount of explanation or documentation proved satisfactory. They repeatedly asked the same questions and requested the same documentation.
- The Technology Department spent endless hours compiling and copying documentation already provided to the auditors, to no avail.

Issue #1

The district provided documentation showing that in their initial application for E-Rate cycle 5 funding, the district competitively procured services and awarded contracts (subject to funding) as required under state and federal regulations. *(see Fact 2)* However, according to district officials, the district's initial application was denied. *(see Exhibit 1-A, 1-B, & 1-C)*

Fact

1. The district truthfully answered these questions.

2. It is standard operating procedure for a school district to seek competitive bids while awaiting funding approval.

3. The district's application for E-Rate 5 was denied on March 10, 2003. Please refer to:

   - Exhibit 1-A, page 6 of 6, Funding Commitment Report Form 471 Application Number: 311465, FRN: 811371, showing DENIED Funding Status.

   - Exhibit 1-B, page 6 of 6, Funding Commitment Report Form 471 Application Number: 317363, FRN: 837419, showing DENIED Funding Status.

   - Exhibit 1-C, page 6 of 6, Funding Commitment Report Form 471 Application Number: 309005, FRN: 809297, showing DENIED Funding Status.

Issue #2

During fiscal year 2004 the district applied for E-Rate cycle 7 funding and reapplied for E-Rate cycle 5 funding. *(see Exhibit 2-B & 2-C)* Once again the district had documentation showing that the district had followed state and federal competitive procurement regulations in awarding contracts. The district was denied again for E-Rate cycle 5 funding, *(see Fact: 1)* but following an appeal the district was awarded funding for E-Rate cycle 5 and E-Rate cycle 7. *(see Exhibit 2-D & 2-E)*

Fact

1. To the district's knowledge, there was no second denial of E-Rate 5 nor is the district aware of any documentation to substantiate this statement by the auditors.

2. In less than one month after the March 10, 2003 denial of E-Rate 5 and in accordance with Board action, the district did in fact file an appeal on April 7, 2003. See Exhibit 2-A.

3. Please see Exhibit 2-B, re-file application for E-Rate 5 dated February 4, 2004.

4. See Exhibit 2-C for application for E-Rate 7 also dated February 4, 2004.

5. See Exhibit 2-D for approval of E-Rate 5 as received from USAC.

6. See Exhibit 2-E for approval of E-Rate 7 as received from USAC.

Issue #3

In fiscal year 2005 DISD board of trustees voted to do a spin change and award E-Rate Cycle 5 and E-Rate Cycle 7 contracts to a new vendor named Integrity Communications. *(see Fact 1 & Exhibit 3-C, 3-G, & 3-H)* The district did not provide documentation evidencing that the original awarded contracts had been rescinded by the school board *(see Exhibit 3-E, 3-F, & 3I)* and that these new contracts were competitively procured in accordance with state and federal regulations."*(see Exhibit 3-A, 3-B, & 3-D)*

Fact

1. A SPIN change is a legal action sanctioned by USAC and constitutes a change in vendors. If the SPIN change cannot be granted due to some sort of problem, the SLD (Schools and Library Division) contacts the applicant to determine if the SLD should continue to process the request.

2. See Exhibit 3-A, a Beginner's E-Rate Manual developed by Region XII ESC containing complete Year 9 E-Rate file instructions.

3. See Exhibit 3-B, Texas Education Agency's E-Rate Technology Funding page directing districts to Region XII ESC for assistance, support and current information on E-Rate and technology planning.

4. The Board of Trustees approved a SPIN change on July 21, 2005. See Exhibit 3-C for documentation by district technology staff regarding issues and concerns leading up to request for SPIN change.

5. Approval of the above-referenced SPIN change rescinded original awarded contracts to previous vendors. See Exhibit 3-D for documentation from Texas Building and Procurement Commission showing Integrity Communications Ltd. to be a qualified Catalog Information Systems Vendor.

6. See Exhibit 3-E for documentation of SPIN change for E-Rate 5 which includes the following:

   - Board agenda, item #7 under IV. Business & Finance
   - Request for Board Action
   - SPIN Change Request Form for FRN: 1215911
   - SPIN Change Request Form for FRN: 1215901
   - SPIN Change Request Form for FRN: 1215903
   - SPIN Change Request Form for FRN: 1215904
   - SPIN Change Request Form for FRN: 1215900
   - Copy of FedEx air bill used to submit SPIN change documents

to USAC on September 2, 2005, as well as tracking slip denoting date of USAC receipt.

7. See Exhibit 3-F for documentation of SPIN change for E-Rate 7 which includes the following:

- Board agenda, item #7 under IV. Business & Finance
- Request for Board Action
- SPIN Change Request Form for FRN: 117559
- SPIN Change Request Form for FRN: 1176490
- Copy of FedEx air bill used to submit SPIN change documents to USAC on September 2, 2005, as well as tracking slip denoting date of USAC receipt.

8. See Exhibit 3-G, page 3 of 7, minutes of the Special Board Meeting held on July 21, 2005 denoting Board approval of SPIN change for E-Rate 5 Refile and E-Rate 7.

9. See Exhibit 3-H, two (2) audio tapes of the Special Board Meeting held on July 21, 2005. Please refer to audio tape #2, for audio of Regular Board Meeting, Item #7 under Section IV. Business and Finance, for vote by Trustees approving SPIN changes.

10. Exhibit 3-I is copies of FedEx air bills and tracking receipts used to provide notice of SPIN change to original vendors, Dell Marketing, L.P., Avnet Enterprise Solutions, Global Data Systems and The Presidio Corporation. Exhibit 3-I also includes sample letters written to vendors. Copy of signed original notice to above-referenced vendors is unavailable because those letters were maintained by then CFO, Chris Thanedar, and a search for many files maintained by Mr. Thanedar has proved futile.

11. Copy of the above-referenced documents was provided to the auditors, upon their request, at least 3 times.

<u>Issue #4</u>

In fiscal year 2006, the DISD board of trustees voted to award additional contracts to Integrity Communications under E-Rate cycle 9 funding. *(see Exhibit 4-B, 4-C & 4-F)* The district did not provide the auditors with documentation evidencing that these contracts had been competitively procured as required by state and federal regulations. *(see Exhibit 4-G, 4-H, 4-I, 4-A, 4-D, Fact 7, 4-E, & 4-F)*

Fact

1. The district followed all federal and state guidelines and regulations regarding competitive bidding.

2. See Exhibit 4-A, FFC 03-314, a case heard before the Federal Communications Commission. This case involves the Winston-Salem/Forsyth County School District and International Business Machines, Inc. and requests review of funding denial. Please refer to Discussion found on page 6 regarding competitive bidding rules and Ordering Clause found on page 7 granting requests for review and remanding requests to SLD for further processing.

3. See Exhibit 4-B: V.T.C.A. Education Code, Title 2, Subtitle I, Chapter 44, Subchapter B, § 44.031, Purchasing Contracts. This law allows for the district to use the purchase method most beneficial to the district, including catalogue purchases.

4. See Exhibit 4-C: V.T.C.A. Government Code, Title 10, Subtitle D, Chapter 2157, Subchapter B. Catalog Purchase Method regarding catalog information systems vendors.

5. See Exhibit 4-D, instructions regarding Form 470, as provided by Region XII ESC.

6. Please refer to Exhibit 3-D, documentation from Texas Building and Procurement Commission showing Integrity Communications Ltd. to be a qualified Catalog Information Systems Vendor.

7. T.E.A. auditors asked for copies of all RFPs and the district repeatedly explained the following:

   - A 470 was submitted to USAC and posted on their website for 28 days, in accordance with federal regulations.

   - The 470 specifically stated that the district would <u>not</u> seek RFPs. See Exhibit 4-D.

   - The posting of a 470 on the USAC web site automatically notifies vendors of the services being sought by a school district and should suffice as documentation to auditors that the district competitively procured contracts via the catalogue method.

- To actively seek RFPs after stating on the 470 that none would be sought would have been a violation of the law.

8. See Exhibit 4-E, as submitted to USAC for review of the district's 471 application by PIA (Program Integrity Assurance) reiterating that the district wished to hear from all interested service providers.

9. See Exhibit 4-F, a listing of E-Rate 9 projects and vendors expressing interest in providing services to the district.

10. Please be advised that copy of Exhibits 4-E and 4-F were also included in the E-Rate documentation binders provided to the auditors.

11. See Exhibit 4-G, State of Texas CO-OP Purchasing

12. See Exhibit 4-H, Attorney General Opinion No. DM-350

13. See Exhibit 4-I, Government Code Chapter 2157. Purchasing

Issue #5

In addition, according to school district records, Integrity Communications was paid $585,863.01 *(see Fact 1)* between April 14, 2005 and July 17, 2006 (see T.E.A. Exhibit A). *(see Exhibit 5-A)* The auditors requested information on the status of the work on projects awarded to Integrity communications. *(see Fact 3)* The only response received by the auditors was a written statement from the district stating that none of the work had been completed. *(see Fact 4 & Exhibit 5-C)*

Fact

1. The statement by auditors that the sum of $585,863.01 was paid to Integrity Communications Ltd between April 14, 2005 and July 17, 2006 is **incorrect**.

2. T.E.A. states that Exhibit A, Page 1 of 1, is a listing of payments to Integrity Communications for the 04-05 and 05-06 school years. Exhibit 5-A was developed by the district and lists all payments to Integrity in chronological order. District's Exhibit 5-A also includes copy of all purchase orders, checks and corresponding documentation. Please note the following:

   - Auditors asked for all E-Rate payments to Integrity Communications and received several copies of same.

- T.E.A.'s Exhibit A, page 1 of 1, lists 13 individual purchase orders processed for payment to Integrity Communications. Of those 13, only <u>one</u> is related to E-Rate 5 or 7.

- All other payments to Integrity are for various projects throughout the school district and are not related to the awarded E-Rate 5 or E-Rate 7.

- Purchase order # 269212 in the amount of $181,250.54 was the only E-Rate related payment to Integrity Communications at the time the auditors asked for E-Rate payments. However, auditor's Exhibit A erroneously lists check #125679 totaling $181,250.54 as paid to Integrity. Please note that check #125679 was voided by the district and never issued to Integrity even though it is included as part of payment totals on auditor's Exhibit A.

- Actual payment totaling $181,250.54 for purchase order #269212 was paid via check #125683 which is also referenced in auditor's Exhibit A even though there is no corresponding purchase order date or purchase order number listed for this payment.

- The district provided copy of purchase order # 269284 in the amount of $293,620.42 to the second group of auditors because that purchase will become part of E-Rate 9 pending funding approval, a fact which was explained to auditors. See Exhibit 5-B.

3. Auditors asked for a list of completed E-Rate projects. The district truthfully stated that E-Rate projects had not yet begun and that the only E-Rate expenditure had been for equipment.

4. When the auditors requested an update, the district provided correspondence from Integrity Communications Ltd. listing FRN numbers and corresponding projects. See Exhibit 5-C for said listing and copy of Fed-Ex air bill and tracking slip when same was forwarded to T.E.A.

Exhibit 9

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Jury dismisses Donna ISD lawsuit

Tuesday, August 04, 2009 at 2:16 p.m.

Donna ISD says they feel vindicated after a jury decided to dismiss a whistleblower civil suit by a former Chief Financial Officer.

It took the jury less than 2 hours to agree on its decision in favor of the district on Monday.

Donna ISD's Ex-CFO Chris Thanedar filed the whistle blower lawsuit back in 2006 and claimed he was fired after asking questions about an alleged cover-up involving bribes at Stainke Elementary, among other financial issues.

Eileen Leeds, who defended the district, said the plaintiff's credibility was shot after it was proved in court Thanedar lied on both his job resume and application that he was a Certified Public Accountant in Texas, which she says he was not.

"Donna ISD is happy to close this chapter," Leeds said following the decision. "The district felt it was in the right all along. Our judicial system proved it works as truth and justice prevailed. The Donna Independent School District is committed to proving an open and fair work environment where employees need not to fear speaking their minds."

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Donna ISD

Posted by Adrian Diaz, Donna - Tuesday, August 04, 2009 at 4:56 p.m.

This school district has come a long way, plagued with scandal over and over again, it has come out of it all the time. Thanks to the smart Jurors who decided on the right thing to do. We are Donna ISD, Proud & Loyal.

Donna ISD Watchdog

Posted by Ryan Coyote, Donna ISD - Tuesday, August 04, 2009 at 2:48 p.m.

This is just sad for DonnaISD, since this man with the help of Ms. Martinez published a website which showed according to them all the wrong doing and education of the previous administration and started all this mess, with the suspension of the previous superintendent. They assured the community that Chris was better than them, but look at the situation the district is in now, and how far it has gotten because of these two people. Ms. Martinez even had a sticker of the website on her truck, how sad Ms. Martinez. You were helping or being used by a person who the jury only took less than two hours to find out his credibility shot, but you went ahead and made a fool out of yourself and DonnaISD, because Chris is long gone and you are still here. You two started by instilling a doubt that was not true to the media and the citizens of Donna. But then again that is the way Ms. Martinez operates, or should I say gets

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Exhibit 10

Exhibit 10

January 15, 2008: Donna ISD Board Meeting

State of Texas E-Rate coordinator: Cathy George presentation and Q & A session regarding SPIN changes

*The first 2 ½ pages contain an E-Rate overview from Cathy George. The Q&A session begins in the middle of page 3. * Go to bottom Pg 3 for e-rate spin changes...

Cathy George: "Thank you and a good evening to everybody. It's kind of a pleasure to be here and talk about a program that's dear to me. I'm the E-Rate coordinator for Texas. This certainly has played out to be kind of an enjoyable trip. I get to come to places and meet people like yourselves. Um, what I'd like to do is to use some of the USAC forms. This is an acronym that stands for the Universal Services Administrative Company and they are in charge of the day-to-day operation of this 2.25 billion dollar project. And each year, there's a new 2.25 billion dollars that comes into effect. And every year, a school district or a library or a consortium or a school can apply for E-Rate support. And E-Rate supports based on discounts on product purchases. So you never get anything's that's for free, but you do, many of us, get discounts up from 20-90% discounts. The first little, ah handout that I put in your packet was this one called the application flow chart. It just kind of looking at this whole flowchart this is the beginning to the end of one year. It begins on the left. On the top left you'll see in a bold black box there, the name applicant. And everything on the top there is the process point, step by step process for what an applicant would do at the beginning of a year. And the funding years with E-Rate start on July the first of any given year and it goes all the way through July the uh, June the 30th of the following year. On the bottom you see the black box and it says service provider and the service provider linearly from left to right over time following the same sequence of time that the applicant would, on the bottom is what the service provider does. So if we take it starting at the left, just what the applicant does, the very first thing that you have to do as a school district, a school, a library or a consortium, are to have a technology plan that sets out the direction for your technology integration. So that's the first thing that we do. Ahh, Donna ISD has done that and is in full compliance with that at this point. The next thing you do is you file a Form 470 within a certain amount of time. The 470 is nothing more than an indictor to everybody in the world, because its in the internet. Everybody in the world says "I would like to buy these items to fit into my infrastructure." According to USAC and according to the E-Rate program, you need to wait at least at the very top in bold print wait at least 28 days. From the time you submit this application a full 28 days must be given to allow all vendors in the world time to respond to your request for bids. On the 29th day, then the school district is free to start making decisions. And you can see that because they're moving forward after the 470 and the RFP. RFP's on the on the federal level are all optional. The RFP is posted, negotiated, you must negotiate your contracts, and price must be the most heavily weighted of all criteria that you use. All bids that are submitted must be evaluated equally and then you pick the most cost-effective vendor. You must sign contracts with that vendor and usually school districts will make a contingency inside that contract so that in case you cannot pay for this project without E-Rate support, there's an out clause for you. So you sign these contracts, after the contracts are signed, then you file the next form called the Form 471. The 471 is merely and indicator from the school, library or whomever that these are the things that we have signed contracts, this is

what we want to get support for. We would like E-Rate financial support on these items, and it's a list of things and there's a lot that goes into that form. There's three different things that you do to get that form certified. And then you sit and you wait for the PIA folks the Program Integrity Assurance Team up in Washington, to look at all the applications and then to respond. If they have questions that are not quite clear, then they'll call or they'll email or they'll fax questions that they have concerning what you've said you would like to purchase. I'd like to refer to E-Rate as a very simple process. It's it's a left to right process, but it's not easy because there's a lot of program rules that are involved in it. You can do this but you have to watch that, you have do this, that and the other. So it's easy, it's a simple process but not easy. Once you answer all the questions, you sit around and you wait for a Funding Commitment Decision Letter, which is called that FCDL it's on the next time line thing moving from left to right. That Funding Commitment Decision Letter will tell you one of three things: #1 you're fully funded, #2 you're partially funded or #3 you're not funded at all. Once you know the determination of what Washington and this program has decided, then you have the last form called the Form 486 that you have to send in and that is an indicator to Washington that says: "We have gotten your FCDL and we are moving forward with this project." From that point on, you start the integration of the projects, no matter what that is, whether it's a month to month service or if its an integration upgrade or whatever that is. And at some point, after the project is completed, you then invoice USAC for your discounted service refund. Either the vendor can do it or the applicant can do it. So that's kind-of, in a nutshell what the applicant deals with. On the bottom side, what the service provider does, they have to have what's called a SPIN, which is a Service identifier, Service Provider Identification Number. And it's just a number that's assigned to that particular vendor to keep so they can keep all vendors separate. The vendor must have a SPIN number, what they do first is they look on USAC's website to get the Form 470and all the things that this school district throughout the worl-, throughout the United States are wanting to buy. They are not at liberty at any time to contact that that that uh applicant to get special privileged information. They merely can call and say "Hey, uh I see that you want to a thing-a-ma-bob and I'd like to know more about that. What is that? What does that mean to you? Many school districts invite vendors in to come and visit on their property to see what kind of infrastructure upgrades they're looking for and that kind of thing. All vendors, and that kind of brings me to my second document which is this little document, the competitive bidding; because one of the basic premises of E-Rate is competitive bidding. Everything is predicated off of being fair, and open. And this document is another USAC document and these are all public documents that can be downloaded off of the internet. But at the very top it merely says that an open means that there are no secrets in the process and that all bidders have equal access to the same information. Fair means that all bidders are treated the same and that no bidder has privileged knowledge over the contents of and RFP or any additional information about a Form 470 that all other bidders are not given. So now we've got the the app, the the uh, service provider coming in getting the 470, they may call the applicant to get information, get questions and then they are to submit a bid. The school district must accept all bids, use the same criteria to evaluate all bids, and then make their determination based on that criteria who's the most cost-effective vendor. Cost-effective vendor means that price was the most heavily weighted of all criteria that you used and there's a point sheet. You have to keep all these filing records, everything has to be held accountable. Once you make a determination, the school district then calls then vendor and says you have been awarded this bid, we need to sign the contracts, we need to move forward. Then the applicant would

submit the From 471 and the process moves forward and everything kind of lines up together. For the first time then, once those contracts are signed, the vendor is your-- your right hand now. They can help answer questions for you, uh not very many of us at a school district can answer some tedious, very technical questions. So you kind of need your vendor to come in and say "here's what this item is, here's what it looks like, that kind of thing. So your advocate is gonna be your vendor now. Once the contracts are signed, then you have advocacy of the vendor-applicant relationship going forward. And then you finally ask for your money and then you have to get your money back. There are quarterly reports; applicants are held um accountable for all the money that's been dispensed. USAC will send a quarterly report to that applicant. You need to make sure that everything matches up and so forth. This, this competitive bid goes into some detail about what service providers do. Um, it goes in to how you select the bid that I just referred to, and then about documentation and and retaining those documents. Very important, all federal and a minimum standard of that. Um, one of the things that's so important is is to make sure that everything is fair and open. Ahh, so many people can can take a left turn by not keeping documentation to prove that it was open. Ah, bid evaluation, worksheets, that kind of thing. Any violation of one of the program rules can re--can ultimately wind up being what we call COMAD , COMAD is and acronym that stands for Commitment Adjustment. Basically what that means is that you bought a dollar item, you got and FCDL, said that you would be funded, but then downstream and audit pro—wa--was ensuing, they found out there was a program rule that was violated, and now USAC wants their money back. That's the downside. So you're never really, even though you get a Funding Commitment Decision Letter, that says "we fund you fully", you still have to adhere to these program rules. And the program rules are very clear, sometimes they work from left to right, from the Telecommunications Act of 1996 they had a first report in order to clarify the act. They had a second report in order to clarify the act, all the way up to the fifth report and order; to clarify the 1996 act. So it's, again, it's a simple process but it's not easy to keep track of everything. It's a voluminous issue to keep track of things. So, uh, that's kind of a about a five thousand foot look at this program and kind of how it--how it works. Are there any questions on that?"

Board Member: " I have a couple"

Cathy George: "Yes, Sir"

---Following are a series of Q&A from the board members and Cathy George not related to SPIN change; these can be heard on the enclosed CD---

Board Member: "One quick question then...hopefully you can clarify something that's been confusing, at least to me, uh the entire time. You mentioned before that a SPIN change is legal and permissible within the rules.

Cathy George: "Yes"

Board Member #1: "Ok, if the competitive bidding happens at the front end of this process..."

Cathy George: "Sometimes a year, year and a half outside when you're gonna really buy..."

Board Member #1: "Right, and so this SPIN change happens after that, then how do you re-visit that...other than than...I mean, I guess my initial understanding, and a complete novice in this was that the fact that it had been competitively bid at the front end and that's what was submitted. But a SPIN change, when they spin in, all they're able to do is to match what was already approved under the previously competitively bid, um in ah...whatever had been awarded. And so that there was not a new need to go out and re-competitively bid again on a SPIN change. But, that's where I've never understood, and can you shed any light on that?"

Cathy George: "According to program rules, you may change vendors; provided you meet all the programs rules, in which there are thr--, really three basic ones. That you meet all those program rules, you may change to another vendor. That vendor must take all of the requested information...all of the requested items, and they must be able to give exactly the same service, the same like kind, quality and access. For the same, no more price. Unless the school district says I'll pay more money, but this is all I can get from USAC. So if I ask for three switches...

Board Member #1: (speaking over Cathy George):"But there wouldn't be a new...

Cathy George: "then this new person's gonna have to give me three swi...

Board Member #1: (speaking over Cathy George):"But you wouldn't re-competitively bid...

Cathy George: "No you don't...

Board Member #1: (speaking over Cathy George):"...because...ok...that's what I wanted to know..."

Cathy George: "No you do not..."

--Muffled Boards members talking--

Board Member: "I think the situation that happened was we had the bids and then we didn't get that funding for that year, right? If I'm correct, or...?"

Board Member: "We didn't get funding and then we went back for another funding and we had already gone out for bids I think, if that's what we used...the bids from the the, the past...on the new e-Rate is...

Cathy George: "Everything has to start...

Board Member "Now there's no way to get,

Cathy George: "No, noth--..."

Board Member: "...there's no way to get e-Rate funding unless its already been approved, and that's off very strict things that had already been passed...now if there was--"

Cathy George: "As each year begins and ends..."

Board Member: "Right..."

Cathy George: "...an-- and then a whole set of these same rules for the next year. And then the next year. The only way you do not post the Form 470, to open the competitive bid, is you have multi-year contract. And you have to stipulate that you're looking for multi-year contract will voluntary extensions; the whole nine yards in that 470, so that everybody has equal access to the knowledge of what you're really looking for.

---there are additional various questions and answers that can be heard on the enclosed CD no pertaining to SPIN changes---