

**Before The  
Federal Communications Commission  
Washington, D.C.**

In the Matter of	)	
	)	
Request for Review by	)	CC Docket No. 02-6
Net56, Inc. of the Administrator’s Decisions	)	
On Appeal – Funding Years 2006-2007	)	CC Docket No. 96-45
	)	
Schools and Libraries Universal Service	)	Zion School District 6
Support Mechanism	)	2006 FRN 1454858
	)	2007 FRNs 1581790, 1581809, 1581853,
	)	1581838

**REQUEST FOR REVIEW BY NET56, INC. OF THE DECISIONS OF THE UNIVERSAL  
SERVICE ADMINISTRATOR**

Net56, Inc. (“Net56”) respectfully requests, pursuant to Sections 54.719 through 54.7123 of the Commission’s rules,<sup>1</sup> that the Commission review the Universal Service Administrative Company (“USAC”) Decisions on Appeal for Funding Years 2006 and 2007 with respect to the above-referenced FRNs (“Administrator’s Decisions”).<sup>2</sup> The Administrator’s Decisions were issued on August 28, 2013 in response to a Letter of Appeal filed by Net56 on July 2, 2013.<sup>3</sup>

In its Letter of Appeal to USAC, Net56 provided detailed cost information and documentation to refute the premise of COMAD notices issued by USAC on May 16, 2013. USAC’s decision, however, does not reflect any consideration whatsoever of the merits of Net56’s detailed appeal, but states only that Net56 “did not show that USAC’s determination

---

<sup>1</sup> 47 C.F.R. §§ 54.719-54.723.

<sup>2</sup> The FCC Form 471 Application Numbers on which the above-referenced FRNs were submitted to USAC were 527649 (2006) and 571023 (2007). Zion School District 6 is the Billed Entity for the applications, and its Billed Entity Number (“BEN”) is 135356.

<sup>3</sup> See Administrator’s Decisions on Appeal for Funding Years 2006 and 2007, dated August 28, 2013, attached hereto as Exhibit 1 (“Administrator’s Decisions”).

was incorrect.”<sup>4</sup> This statement should not by itself suffice to deny a COMAD appeal where, as is the case here, USAC did not make any showing in the first place that its determination is correct. The only evidence ever offered by USAC in support of its COMAD is a statement of a Net56 employee made casually in the context of a different funding year. A COMAD is a serious punishment and e-rate participants ought to be afforded the basic due process of having their appeal of a COMAD decided on the merits. While it is fair for USAC to demand that Net56 and the applicant justify the requested funding in light of the past statement, it is unfair for USAC to summarily deem its determination of improper funding to be irrefutably proven by such statement, without any opportunity to prove otherwise. By definition, a COMAD proceeding is one in which USAC is given a second chance to try to correct a mistake that it thinks it made. Parties subjected to COMADs should not be deprived of that same opportunity.

Net56 is not asking for the right to keep even a dime of funding for any service that in fact is not eligible for support and that was not properly disbursed. Instead, Net56 is only asking for the opportunity to have its case heard on its merits, which have been presented to USAC in the Letter of Appeal. For the foregoing reasons, the Commission should direct USAC to consider the merits of Net56’s July 2, 2013 Letter of Appeal and to suspend its recovery actions for FRNs 1454858, 1581790, 1581809, 1581853 and 1581838 while review of the appeal is pending.

If the Commission would prefer to consider Net56’s appeal on its merits rather than remand to USAC to do so, Net56’s Letter of Appeal to USAC presenting the merits of its defense are attached hereto as Exhibit 2.

---

<sup>4</sup> See Administrator’s Decisions.

Respectfully submitted,

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

Paul B. Hudson  
Davis Wright Tremaine LLP  
1919 Pennsylvania Ave., NW, Suite 800  
Washington, DC 20006-3401  
(202) 973-4275  
Counsel for Net56, Inc.

September 25, 2013

**CERTIFICATE OF SERVICE**

I, Debra Sloan, hereby certify that a true and correct copy of the foregoing *Request For Review By Net56, Inc. of The Decisions of The Universal Service Administrator* was mailed postage prepaid this 25th day of September, 2013 to the following:

Universal Service Administrative Company  
Schools and Libraries Division  
100 South Jefferson Road  
P.O. Box 902  
Whippany, New Jersey 07981

/s/ Debra Sloan

Debra Sloan

# **EXHIBIT 1**



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

---

**Administrator's Decision on Appeal – Funding Year 2006-2007**

August 28, 2013

Paul Hudson  
Davis Wright Tremaine LLP  
1919 Pennsylvania Avenue, NW , Suite 800  
Washington, DC 20006-3401

Re: Applicant Name: ZION SCHOOL DISTRICT 6  
Billed Entity Number: 135356  
Form 471 Application Number: 527649  
Funding Request Number(s): 1454858  
Your Correspondence Dated: July 02, 2013

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 2006 Notification of Improperly Disbursed Funds 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): 1454858  
Decision on Appeal: **Denied**  
Explanation:

- In your appeal you state that the Recovery of Improperly Disbursed Funds was conducted after the five (5) year administrative limitations period for the above funding request. On February 8, 2012, USAC issued the initial Commitment Adjustment Letter due to the fact that the applicant did not comply with program rules. The last day to receive service was June 30, 2007. The initial commitment adjustment was issued within five (5) years from the last date to receive service. On May 6, 2013, USAC had issued a subsequent Recovery of Improperly Disbursed Funds Letter. USAC completed its initial compliance investigation and notified you of the program rule violation within five (5) years from the last date to receive service the recovery of improperly disbursed funds is within administrative limitations period. As a result, your appeal is denied.

Net56 request was evaluated and it was determined that the funding request included DNS/DHCP services and server portion for \$205.00 per building for seven building for a total of \$1,435.00 per month, firewall services at the Net56 data center for \$1,350.00 per month, email retention and email journaling for \$1,000.00 per month, web retention and web journaling for \$1,000.00 per month. In Bruce L. Koch of Net56, Inc., February 22, 2009, response to USAC's information request regarding cost allocation of the DNS/DHCP server portion and all associated Net56 services and activities indicated that its cost was \$205.00 per month per building for a total of seven buildings at \$1,435.00. You also indicated that the cost for the firewall services at the Net56 data center was \$1,350.00 per month, email retention and email journaling for \$1,000.00 per month and web retention and web journaling for \$1,000.00 per month. In your appeal, you did not show that USAC's determination was incorrect. Consequently, your appeal is denied and USAC will continue with the recovery as follows; the new committed amount was \$146,561.40 from \$194,220.00. Since \$194,220.00 has already been disbursed, we must recover the difference of \$47,658.60 from the service provider.

- Your Form 471 application included costs for the following ineligible products and/or services: list ineligible products/services. FCC Rules provide that funding may be approved only for eligible products and services. 47 C.F.R. secs. 54.502, 54.503. The USAC website contains a list of eligible products and services. See the website, [www.usac.org/sl](http://www.usac.org/sl), Eligible Services List. FCC Rules further require that if 30% or more of the applicant's funding request includes ineligible products and/or services, then the funding request must be denied, otherwise the funding request will be reduced accordingly. 47 C.F.R. sec. 54.504(d).

Since your appeal was denied in full, dismissed or cancelled, you may file an appeal with the FCC. Your appeal must be postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. 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 under the Reference Area/"Appeals" 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: Tony Demonte



**Administrator's Decision on Appeal – Funding Year 2007-2008**

August 28, 2013

Paul Hudson  
Davis Wright Tremaine LLP  
1919 Pennsylvania Ave. NW, Suite 800  
Washington, DC 20006

Re: Applicant Name: ZION SCHOOL DISTRICT 6  
Billed Entity Number: 135356  
Form 471 Application Number: 571023  
Funding Request Number(s): 1581790, 1581809, 1581838, 1581853  
Your Correspondence Dated: July 02, 2013

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 2007 Notification of Improperly Disbursed Funds 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): 1581790, 1581809, 1581838, 1581853  
Decision on Appeal: **Denied**  
Explanation:

- Net56 request was evaluated and it was determined that the funding request included DNS/DHCP Services and Server Portion for \$205.00 per building, Firewall services at the Net56 data center for \$1,350.00 per month, Email retention and email journaling for \$1,000.00 per month, Web retention and web journaling for \$1,000.00 per month. In Bruce L. Koch of Net56, Inc., February 22, 2009, response to USAC's information request regarding cost allocation of the DNS/DHCP server portion and all associated Net56 services and activities indicated that its cost was \$205.00 per month per building for a total of seven buildings at \$1,435.00. You also indicated that the cost for the firewall services at the Net56 data center was \$1,350.00 per month for FRN: 1581809, email retention and email journaling for \$1,000.00 per month for FRN: 1581838 and web retention and web journaling for \$1,000.00 per month for FRN: 1581853. In your appeal, you did not show that USAC's determination was incorrect. Consequently, your

appeal is denied and USAC will continue with the recovery of the new committed amounts as previously indicated in the RIDF letter for each of the FRN's as follows; For FRN:1581790, the new committed amount was \$62,526.00 from \$77,163.00, since \$77,163.00 had already been disbursed, USAC must recover the difference of \$14,637.00 from the service provider. For FRN: 1581853, the new committed amount was \$15,300.00 from \$25,500.00, since \$25,500.00 had already been disbursed, USAC must recover the difference of \$10,200.00 from the service provider. For FRN: 1581838 the new committed amount was \$15,300.00 from \$25,500.00, since \$25,500.00 had already been disbursed, USAC must recover the difference of \$10,200.00 from the service provider. For FRN: 1581809 the new committed amount was \$41,973.00 from \$55,743.00, since \$55,743.00 had already been disbursed, USAC must recover the difference of \$13,770.00 from the service provider.

- FCC rules provide that funding may be approved only for eligible products and services. See 47 C.F.R. secs. 54.502, 54.503. The USAC website contains a list of eligible products and services. See the website, [www.usac.org/sl](http://www.usac.org/sl), Eligible Services List. FCC rules further require that if 30% or more of the applicant's funding request includes ineligible products and/or services, then the funding request must be denied, otherwise the funding request will be reduced accordingly. See 47 C.F.R. sec. 54.504(d).

Since your appeal was denied in full, dismissed or cancelled, you may file an appeal with the FCC. Your appeal must be postmarked within 60 days of the date on this letter. Failure to meet this requirement will result in automatic dismissal of your appeal. You should refer to CC Docket No. 02-6 on the first page of your appeal to the FCC. 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 under the Reference Area/"Appeals" 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: Tony Demonte

# **EXHIBIT 2**



Davis Wright  
Tremaine LLP

Suite 800  
1919 Pennsylvania Avenue, NW  
Washington, DC 20006-3401

**Paul Hudson**  
202.973.4275 tel  
202.973.4499 fax

paulhudson@dwt.com

July 2, 2013

Letter of Appeal  
Schools and Libraries Division – Correspondence Unit  
100 S. Jefferson Rd.  
P.O. Box 902  
Whippany, NJ 07981  
**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 decisions set forth in the USAC Notification of Commitment Adjustment Letters, dated May 6, 2013, regarding Funding Years 2006 and 2007 for Zion School District 6 (the “District”).

**Identifying Information:**

Appellant Name:	Net56, Inc.
Applicant Name:	Zion School District 6
Applicant BEN:	135356
Service Provider SPIN:	143025679
Funding Years:	2006 and 2007
2006 Form 471 No.:	527649
2007 Form 471 No.:	571023
2006 FRNs:	1454858
2007 FRNs:	1581790, 1581809, 1581853, 1581838
USAC Action:	May 6, 2013 Notification of Commitment Adjustment Letters

**Appeal Contact:**

Paul B. Hudson  
Davis Wright Tremaine LLP  
1919 Pennsylvania Ave. NW, Suite 800  
Washington, DC 20006  
202-973-4275  
paulhudson@dwt.com

## Appeal

USAC seeks recovery of the following amounts:

- \$205/month from the WAN Internet Access service for each IBM server (used to provide DNS and DHCP functionality for Net56’s Internet Access service) on the grounds that these servers should have been classified as providing internal connection instead of Internet access;
- \$1350/month from the Firewall service for the firewall equipment at the Net56 data center, which USAC found to be an “ineligible location” and “redundant”; and
- \$1000/month from the Web Hosting services for archiving and journaling, which USAC found to be ineligible services.
- \$1000/month from the Email services for archiving and journaling, which USAC found to be ineligible services.

While USAC’s Recovery Letters did not clearly explain the basis of its decision, Net56 assumes that it is based on the same findings made by USAC for funding year 2008.<sup>1</sup>

### **I. The DNS/DHCP Server Was an Integral Part of Internet Access Service, Not an Internal Connection**

The relevant Eligible Service Lists (ESL) expressly provide that Priority 1 Internet Access service can include “Domain Name Service, to assist use of the standard Internet naming convention” and “Dynamic Host Configuration Protocol, to assist with providing devices with a unique address.”<sup>2</sup> The ESL also provides eligibility for funding as a part of Internet Access for a “Wide Area Network” (WAN) that “provides connections from within an eligible school or library to other locations beyond the school or library” “if that offering is the most cost effective means of accessing the Internet and the service is limited to basic conduit access to the Internet.”<sup>3</sup> Net56 deployed IBM servers at each premises to provide DNS and DHCP functionality for its Internet Access service, which was delivered via a WAN.

DNS is essential to Internet Access, as maps domain names to IP addresses so that users can access third party websites. DHCP is used to provide dynamic IP addresses to devices so that they may interact with the Internet. Net56’s Internet Access service could not have performed properly without these functions, and the use of the Internet Access service was the

---

<sup>1</sup> See Further Explanation of Administrator’s Funding Decision Letter regarding to Zion School District 6 for Funding Year 2008 (February 2, 2010) (hereinafter “2008 Further Explanation Letter”).

<sup>2</sup> See, e.g., Schools and Libraries’ Eligible Services List for Funding Year 2006, pp. 20-21.

<sup>3</sup> *Id.* at p. 23.

purpose for which this server was deployed. This is why these functions were included in the ESL, and USAC cannot dispute that Net56 is permitted to incorporate the cost of DNS and DHCP into its integrated Internet Access service.

But USAC instead decided, at least in the 2008 case, that the servers were internal connections under the Commission’s *Tennessee Order*.<sup>4</sup> USAC claimed that the servers “failed” the guidelines for rebutting an internal connection classification for two reasons. First, in the Tennessee case, the Commission found that the on-premises equipment should be included in Priority 1 funding because “the schools’ internal networks would continue to function without connection to the equipment.”<sup>5</sup> For Net56’s typical service configuration in 2008, USAC found that Net56 “failed” to meet this criterion “because the DHCP/DNS service would not be able to function if the servers were removed.”<sup>6</sup> But that is not the question. Of course DNS and DHCP would have been affected by removal of the equipment that was performing those Internet Access functions. The question is whether the District’s internal networks would have continued to function in 2006 and 2007 without Net56’s DNS/DHCP service, and the answer is yes, because the DNS/DHCP functions were part of the Internet Access service. This indicates that the server was *not* actually part of the schools’ internal connections.

Second, USAC’s 2008 funding year letter points to the *Tennessee* test factor that on-premises equipment would appear to warrant Priority 1 classification where “There is no contractual, technical, or other limitation that would prevent the service provider from using its network equipment, in part, for other customers.” USAC found that the servers “failed” this part of the test “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.” This is not the FCC’s test. By definition, the *Tennessee* test is applied to equipment on the premises of the school, so it cannot be that equipment would fail it if located on school premises. USAC’s circular reasoning would obliterate the meaning of the FCC’s *Tennessee Order*, which in fact did find that certain on-premises equipment should have been classified as Priority 1. While of course the location of the equipment at the time made it less likely that it would be used for other customers, Net56 could re-locate the equipment because it retained ownership. The relevant test is only that “There is no contractual, technical, or other limitation that would prevent the service provider from using its network equipment, in part, for other customers.” There was no such limitation.

The reality is that the servers were an integrated part of Net56’s basic Internet access service. The server was the beginning and end point of the Internet Access service so that devices at the schools could utilize the service. By contrast, Internal Connections are “components located at the applicant site that are necessary to transport information to

---

<sup>4</sup> *In Re Request for Review by the Department of Education of the State of Tennessee of the Decision of the Universal Service Administrator*, Order, 14 FCC Rcd 13734 (FCC rel. Aug. 11, 1999) (“*Tennessee Order*”).

<sup>5</sup> *Tennessee Order*, ¶ 38.

<sup>6</sup> See 2008 Further Explanation Letter.

classrooms, publicly accessible rooms of a library, and to eligible administrative areas or buildings. Internal Connections include connections within, between or among instructional buildings that comprise a school campus or library branch, but do **not** include services that **extend beyond** the school campus or library branch.”<sup>7</sup> Net56’s Internet Access service, including its DNS and DHCP functions, of course did “extend beyond” the District’s premises.

In this case, the servers were provided by Net56, the same service provider that provides the eligible Internet access service. Net56 had responsibility for maintaining the equipment, not the District. Net56 retained ownership of the equipment, even today, and it will not transfer to the District. The agreements between the parties do not contain any option for the District to purchase the equipment. Net56 did not charge any upfront, capital charges for the equipment, but instead bore such costs itself to be defrayed through the ongoing price of the services. All of these are factors that USAC has considered to weigh in favor of a Priority 1 classification.

For all of these reasons, the servers are an integral part of the basic Internet Access service and not internal connections. Therefore, USAC should not request back funding for the portion of the Internet Access WAN that Net56 previously allocated to the DNS/DHCP servers.

Finally, even if the DNS/DHCP servers were internal connections, funding should not be recovered because the District was eligible to receive Priority 2 funding for internal connections in 2007. While the FCC has found that USAC must seek recovery of funded provided for ineligible services, it need not seek recovery of funding for services that could have been eligible but for some procedural problem, such as, we submit, the mis-classification of an eligible service. In such cases, the FCC held that it “will not require that they be recovered, except to the extent that such rules are essential to the financial integrity of the program, as designated by the agency, or that circumstances suggest the possibility of waste, fraud, or abuse, which will be evaluated on a case-by-case basis.”<sup>8</sup> There is no essential need to recover funding for servers that in any event could properly have been funded. Therefore, this part of the recovery request should be withdrawn.

## **II. The Firewall Service Should Not be Partially Defunded for Locating Equipment in the Net56 Data Center**

USAC requests recovery of \$1350/month from the firewall service, presumably upon the same grounds as USAC denied funding for subsequent years: that (1) the “Net56 data center is an ineligible location” and (2) “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

---

<sup>7</sup> Schools and Libraries’ Eligible Services List for Funding Year 2006, p. 24.

<sup>8</sup> See CC Docket 02-6, *Fifth Report and Order*, FCC 04-190, ¶ 19.

been determined that the equipment located at the Net56 data center is redundant and therefore ineligible for that reason as well.”<sup>9</sup>

It is puzzling that USAC would argue that funding would not be appropriate for services powered in any part by equipment located in the service provider’s data center. Such a rule would render ineligible every Internet Access service, and it is particularly strange when USAC has at the same time faulted Net56 for locating its DNS/DHCP servers on school premises rather than in its data center. The presence of some firewall functionality at more than one location is not “redundant.” Net56’s best-practice standard firewall service, which it provides to its commercial customers as well, permits customers to tailor its firewall needs for each location, rather than requiring all customers to have the same service, and this required the presence of firewall functionality at the premises and the data center. In addition, the service could not be as robust if all firewall functions were only in one location. It is true of many services that portions of functionalities are performed by multiple pieces of equipment that may be at multiple locations: just as Internet Access service may be powered by a modem and router at the customer premises and by network equipment at the provider’s data center. Therefore, USAC has not identified any valid reason why funding for the firewall service should be partially recovered. Finally, we note that it would be particularly unjust to recover funding based upon an unclear basis when the FCC acknowledged at the time that the “eligibility of firewall service is now ambiguous and confusing.”<sup>10</sup>

### **III. The Recovery Amount Requested for Archiving and Journaling is Excessive**

Net56 acknowledges that it provided retention (archiving) and journaling functionality in connection with its Web Hosting and Email Services, and that these functions are ineligible for e-rate support. However, the incremental cost to Net56 for these functions was much, much smaller than the \$1,000 per month per service sought by USAC in the Recovery Letters. A Net56 representative provided that figure to USAC in 2009 when asked about these services. That person is no longer with the company, and we have been unable to determine the source of his information. It may be that he estimated the cost of purchasing these services separately using different, stand-alone equipment. If so, that is not a reasonable method for determining the portion of the funding request to allocate to the ineligible function in this case, because a stand-alone solution would be much more expensive. The equipment that Net56 needed and used in any case to deliver the *eligible* services was able to perform the retention and journaling functions with only one additional incremental cost for storage. Net56 purchased two 500 GB IBM-39M4554 hard drives for the District to provide storage for both of these two services,

---

<sup>9</sup> See 2008 Further Explanation Letter.

<sup>10</sup> See *Schools and Libraries Universal Service Support Mechanism*, CC Docket No. 02-6, Notice of Proposed Rulemaking, 23 FCC Rcd 11703, ¶ 20 (2008).

combined. Such hard drives are very inexpensive today, but in 2006 cost Net56 \$526 each<sup>11</sup> – far less than the \$24,000 per year proposed to be recovered.

In the attached Exhibit, Net56 has used the same formula employed in other successful appeals to USAC to generate a monthly service price allocable to these hard drives. This formula adds 50% for installation cost and 50% annually for maintenance, and 11.25% for Net56's overhead, spread over 36 months. Using this formula, the hard drives represent \$60.30 per month per service. USAC should limit its recovery request to this amount per month, for a total recovery of \$723.60 (\$60.30 \* 12 months) for each of the two FRNs.

#### **IV. A Recovery for the 2006 Funding Year is Time Barred**

The 2006 recovery action is time-barred by the five-year limitations period. *See* CC Docket 02-6, *Fifth Report and Order*, FCC 04-190, ¶ 32. USAC cannot initiate this recovery proceeding in 2013 for the 2006 funding year.

#### **Conclusion**

For the foregoing reasons, USAC should grant Net56's appeal and rescind the Notification of Improperly Disbursed Funds Letters for FRNs 1454858, 1581790, 1581809, 1581853, and 1581838.



Counsel for Net56, Inc.

cc: Zion School District 6

---

<sup>11</sup> The attached invoice shows Net56's purchase price in 2006. Net56 has so far not been able to locate the invoice for the same equipment ordered slightly earlier for use in the District, but this contemporaneous invoice provides a reasonably reliable estimate of the cost.



This invoice was created for your records only,  
please do not remit payment to SYNNEX

5

PURCHASE ORDER 6524765MP-1	CUSTOMER # 332439	SHIPPED VIA Local Delivery	Invoice# 19221961	DATE 11/30/06
TERMS: WT WIRE TRANSFER	Ship Date 11/30/06	F.O.B SYNNEX -GLENDALE CM6	Invoice Total \$43,854.00	Due Date 12/05/06
Approval #	Taxable N	Source Sales Order	Contact Phone # (864) 349-4713	PAGE 2 / 2

Bill To:  
Net56, Inc  
1266 West Northwest Hwy  
Suite 740  
Palatine IL 60067  
US

Ship To:  
Bruce Koch  
NET56, INC  
1266 WEST NORTHWEST HWY,  
SUITE 740  
PALATINE IL 60067  
US

Sold To:  
Net56, Inc  
1266 West Northwest Hwy  
Suite 740  
Palatine IL 60067  
US

QTY	PART NUMBER/DESCRIPTION	SKU #	VENDOR PART #/UPC CODE	UNIT PRICE	EXT NET PRICE
	SN: 0639029061	SN: 0639029062	SN: 0639029063		
	SN: 0639029067	SN: 0639029068	SN: 0639029070		
	SN: 0639029071	SN: 0639029072	SN: 0639029073		
	SN: 0639029074	SN: 0639029083	SN: 0639029104		
	SN: 0639029110	SN: 0639029117	SN: 1S39M4554KQDPH18		
	SN: 1S39M4554KQDPH19	SN: 1S39M4554KQDPH20	SN: 1S39M4554KQDPH21		
	SN: 1S39M4554KQDPH22	SN: 1S39M4554KQDPH23	SN: 1S39M4554KQDPH24		
	SN: 1S39M4554KQDPH25	SN: 1S39M4554KQDPH26			
3	IBM-26K7941 SW 4 Gbps SFP transceiver pair	1096657	26K7941 000435883193	\$528.00	\$1,584.00

Merchandise Total: \$43,854.00  
SHIPPING: \$135.24  
FREIGHT DISCOUNT: \$135.24 CR

Comment: Tracking NO:  
DE19221961

Invoice Total : \$43,854.00

- 1) Claim for any discrepancy or defective material must be made within 1 week from the date of shipment from SYNNEX. No return will be accepted without prior authorization.
- 2) Statements or description of products, if any, by SYNNEX or agents of SYNNEX are informational only, and not made or given as a warranty of any kind. SYNNEX SELLS THE PRODUCTS WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES OF ANY TYPE AND PARTICULARLY WITHOUT ANY IMPLIED WARRANTY OF MERCHANTABILITY OR NON-INFRINGEMENT. In the event of any product defect or nonconformity, purchaser's sole remedy shall be the repair or replacement of nonconforming goods or, at SYNNEX's option, a refund of the purchase price and purchaser shall not be entitled to any incidental, consequential, or special damages of any kind.
- 3) Customer also agrees to pay such attorney's fees and costs as are actually incurred for the collection of this amount whether or not suit is instituted.

A service charge of 1 1/2% per month, 18% per annum will be assessed on past due amounts

Net 56, Inc.

Email and Web Hosting Retention and Journaling Allocation

	Cost per	Install	Total of	Monthly Cost	Monthly	Monthly	Total Monthly	Number	Monthly
Equipment	Hard Drive	Cost	Equipment	Spread over	Maintenance	Overhead	Allocation	of	Allocation
			and Install	36 months	for 12 months	Costs	Per Hard Drive	Hard Drives	(Both Services)
IBM-39M4554 500 GB Hard Drive	\$ 526.00	\$ 263.00	\$ 789.00	\$ 21.92	\$ 21.92	\$ 16.47	\$ 60.30	2	\$ 120.61
Equipment Cost and Install spread over a 36 month period.									
Maintenance Cost per month									
Equipment must be replaced on average after 36 months.									
Overhead of 11.25% added for operations, cost of money and other overhead expenses									