

**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 Year 2008	)	CC Docket No. 96-45
	)	
Schools and Libraries Universal Service	)	Wheeling School District 21
Support Mechanism	)	2008 FRNs 1715664, 1670609,
	)	1715691, 1715806

**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”) Decision on Appeal for Funding Year 2008 with respect to the above-referenced FRNs (“Administrator’s Decision”).<sup>2</sup> The Administrator’s Decision was issued on October 10, 2013 in response to a Letter of Appeal filed by Net56 on April 5, 2012.<sup>3</sup>

USAC has reduced funding requests by 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”;

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

<sup>2</sup> The FCC Form 471 Application Number on which the above-referenced 2008 FRNs were submitted to USAC was 606327. Wheeling School District 21 is the Billed Entity for the application, and its Billed Entity Number (“BEN”) is 135338.

<sup>3</sup> See Administrator’s Decision on Appeal for Funding Year 2008, dated October 10, 2013, attached hereto as Exhibit 1 (“Administrator’s Decision”). See also USAC Revised Funding Commitment Decision Letter, dated October 30, 2013, attached hereto as Exhibit 2.

- \$1000/month from the Web Hosting services for archiving and journaling, which USAC found to be ineligible services; and
- \$1000/month from the Email services for archiving and journaling, which USAC found to be ineligible services.

The only basis ever offered by USAC in support of the above funding reductions is a statement of a Net56 employee made casually in the context of a different school district for a different funding year. 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 reduced funding to be irrefutably proven by such statement, without any opportunity to prove otherwise. Net56 believes it should have the opportunity to have its case heard on its merits, and accordingly in this appeal provides detailed cost information and documentation to refute the premise of the partial denial of funding.

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

USAC reduces the FRN by \$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. The relevant Eligible Service Lists (ESL) expressly provide that Priority 1 Internet Access service can include Domain Name Service to translate the alphabetical names input by users into the IP addresses used by Internet devices and Dynamic Host Configuration Protocol to assist with providing devices with a unique address.<sup>4</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 location to other locations "if the service is limited to basic conduit access to the Internet and the offering is the most cost-effective

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<sup>4</sup> See, e.g., Schools and Libraries' Eligible Services List for Funding Year 2008, p.33.

means of accessing the Internet.”<sup>5</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 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.

While USAC did not clearly explain the basis of its decision, in a similar case involving a different district served by Net56 in the 2009 funding year, USAC decided that the servers were internal connections under the Commission’s *Tennessee Order*.<sup>6</sup> In that case, 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>7</sup> For Net56’s typical service configuration in 2009, 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>8</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

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<sup>5</sup> *Id.* at p. 7.

<sup>6</sup> See Further Explanation of Administrator’s Funding Decision Letter regarding to Country Club Hills School District for Funding Year 2009 (March 26, 2010) (hereinafter “2009 Further Explanation Letter”), citing *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) (hereinafter “Tennessee Order”).

<sup>7</sup> Tennessee Order, ¶ 38.

<sup>8</sup> See 2009 Further Explanation Letter.

networks would have continued to function during the funding years at issue in this appeal 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 decision with respect to the other district for the 2009 funding year pointed 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." In that case, USAC misapplied the Commission'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 Commission's *Tennessee Order*, which in fact did find that certain on-premises equipment should have been classified as Priority 1. While 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

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>9</sup> Net56’s Internet Access service, including its DNS and DHCP functions, 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 reduce funding for the portion of the Internet Access WAN that Net56 previously allocated to the DNS/DHCP servers.

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

USAC reduced the funding request for the firewall service by \$1350/month because it determined (1) the “Net56 data center is an ineligible location” and (2) “the firewall protection at the data center is redundant and therefore not eligible for funding.”

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, if applied elsewhere, would render ineligible every Internet Access service. It is particularly

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<sup>9</sup> Schools and Libraries’ Eligible Services List for Funding Year 2008, p.10 (emphasis added).

confounding 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 reduced.

Finally, it would be particularly unjust to reduce 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 Funding Reduction 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. A Net56 representative provided that figure to USAC in 2009 when asked about these services. That person is no longer

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<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).

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 for \$526 each to provide storage for both of these two services, combined – far less than the \$24,000 per year funding reduction.

In the attached Exhibit 3, 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 reduction in funding to this amount per month, for a total reduction of \$723.60 ( $\$60.30 * 12$  months) for each of the services.

### **Conclusion**

For the foregoing reasons, USAC should grant Net56's appeal.

Respectfully submitted,



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

December 3, 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 3rd day of December, 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/

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Debra Sloan

# **EXHIBIT 1**



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**Administrator's Decision on Appeal – Funding Year 2008-2009**

October 10, 2013

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

Re: Applicant Name: WHEELING SCHOOL DISTRICT 21  
Billed Entity Number: 135338  
Form 471 Application Number: 606327  
Funding Request Number(s): 1715650, 1715664, 1670609, 1715691, 1715806  
Your Correspondence Dated: May 05, 2012

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 2008 Notification of Commitment Adjustment 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): 1715650  
Decision on Appeal: **Approved**  
Explanation:

- You have brought forward persuasive information that your appeal for the funding request cited above should be approved.

Funding Request Number(s): 1715664  
Decision on Appeal: **Approved, Funding Reduced**  
Explanation:

- You have brought forward persuasive information that your appeal for the funding request cited above should be approved. However, the amount of funds requested has been reduced for the reasons cited below.

Net56 WAN solution was evaluated and it was determined that the DNS/DHCP server at the applicant's site, while eligible, it does not meet the requirements for being priority one, on premises Internet access equipment. This server would therefore be considered priority two internal connections. As a consequence of this determination, it was necessary to separate the total cost of this component of the Net56 solution into the two categories. 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 of the WAN solution component and all associated Net56 services and activities indicated that its cost was \$205.00 per month per building. The Item 21 attachment indicates that the request was for 14 buildings. This equates to \$2,870.00 per month or \$34,440.00 annually pre-discount. The funding request has been reduced by this amount. For Funding Year 2008 there were not sufficient funds to provide Internal Connections discounts or Basic Maintenance of Internal Connections discounts to applicants at your discount rate. Wheeling School District 21 discount eligibility for Funding Year 2008 was 66 percent. Consequently, the amount of funds requested has been reduced.

- FCC rules require that where demand for funding exceeds available support, first priority be given to requests for Telecommunications Services and Internet Access. *See* 47 C.F.R. sec. 54.507(g)(1)(i). FCC rules further require that requests for Internal Connections be given second priority, and be funded only if funds remain after support has been reserved for Telecommunications and Internet Access through all discount levels in a funding year. *See* 47 C.F.R. sec. 54.507(g)(1)(ii). For schools and libraries that create consortia for the purposes of making funding requests and sharing products and/or services, the discount level is calculated by averaging the applicable discounts of the schools and libraries that are members of the consortia. *See* 47 C.F.R. sec. 54.505(4). Because discount levels for consortia are determined in this manner, the discount levels for shared products and/or services requests are single discount level percentages rather than the broad discount level percentages for individual schools and libraries as determined by the matrix. *See* Federal-State Joint Board on Universal Service, CC Docket Nos. 97-21 and 96-45, Fifth Order on Reconsideration in CC Docket No. 97-21, Eleventh Order on Reconsideration in CC Docket No. 96-45 and Further Notice of Proposed Rulemaking, 14 FCC Rcd 6033, FCC 99-49 (rel. May 28, 1999). Where demand for discounts for Internal Connections exceeds available support, FCC Rules require that funding be allocated to the most economically disadvantaged schools and libraries as determined by the matrix. *See* 47 C.F.R. secs. 54.505(c), 54.507(g)(1)(ii). Consequently, where demand for discounts for Internal Connections exceeds available support, FCC rules require that funding be awarded first to applicants eligible for a 90 percent discount level, and then at each descending single discount percentage until funds are depleted. *See* 47 C.F.R. sec. 54.507(g)(1)(iii).

Funding Request Number(s): 1670609  
Decision on Appeal: **Approved, Funding Reduced**  
Explanation:

- You have brought forward persuasive information that your appeal for the funding request cited above should be approved. However, the amount of funds requested has been reduced for the reasons cited below.

The firewall component of the Net56 solution includes firewall protection at both the applicant's site and the Net56 data center. The Net56 data center is an ineligible location; accordingly, equipment located there is ineligible for funding. USAC has also determined that the firewall protection at the data center is redundant and therefore not eligible for funding under program rules. In Bruce L. Koch of Net56, Inc., February 22, 2009, response to USAC's information request regarding cost allocation of this firewall component of the Net56 solution indicated that the cost associated with the firewall equipment located at the Net56 data center was \$1,350.00 per month or \$16,200.00 annually pre-discount. Consequently, the amount of funds requested has been reduced.

- 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). The FCC's Aiken County Public Schools Order directed USAC to permit the applicant 15 calendar days from the date of receipt of notice in writing by USAC to revise its funding request to remove the ineligible services or allow the applicant to provide additional documentation to show why the services are eligible. *See* Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools Aiken, SC, et al., Schools and Libraries Universal Service Support Mechanism, File No. SLD-397612, et al., CC Docket No. 02-6, Order, 22 FCC Rcd 8735, FCC 07-61 para. 11 (May 8, 2007).

Funding Request Number(s): 1715691  
 Decision on Appeal: **Approved, Funding Reduced**  
 Explanation:

- You have brought forward persuasive information that your appeal for the funding request cited above should be approved. However, the amount of funds requested has been reduced for the reasons cited below.

FRN 1715691 requested funding in the amount of \$5,250.00 per month for Internet access. In Bruce L. Koch of Net56, Inc., February 22, 2009, response to USAC's information request regarding the specific services included in the Web Hosting funding request, it was indicated that these services include Web retention and Web journaling. Web retention is archiving of information and Web journaling is application services. These products/services are ineligible under program rules. Net56 provided additional documentation that enabled USAC to appropriately revise the funding request and remove the costs associated

with ineligible products and/or services. The cost associated with the ineligible products/services was determined to be \$1,000.00 per month. Consequently, the amount of funds requested has been reduced.

- 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). The FCC's Aiken County Public Schools Order directed USAC to permit the applicant 15 calendar days from the date of receipt of notice in writing by USAC to revise its funding request to remove the ineligible services or allow the applicant to provide additional documentation to show why the services are eligible. *See* Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools Aiken, SC, et al., Schools and Libraries Universal Service Support Mechanism, File No. SLD-397612, et al., CC Docket No. 02-6, Order, 22 FCC Rcd 8735, FCC 07-61 para. 11 (May 8, 2007).

Funding Request Number(s): 1715806  
Decision on Appeal: **Approved, Funding Reduced**  
Explanation:

- You have brought forward persuasive information that your appeal for the funding request cited above should be approved. However, the amount of funds requested has been reduced for the reasons cited below.

FRN 1715806 requested funding in the amount of \$5,250.00 per month for Internet access. In Bruce L. Koch of Net56, Inc., February 22, 2009, response to USAC's information request regarding the specific services included in the email component of the Net56 solution, it was indicated that these services include Email retention and Email journaling. Email retention is archiving of information and Email journaling is application services. These products/services are ineligible under program rules. Net56 provided additional documentation that enabled USAC to appropriately revise the funding request and remove the costs associated with ineligible products and/or services. The cost associated with the ineligible products/services was determined to be \$1,000.00 per month. Consequently, the amount of funds requested has been reduced.

- 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). The FCC's Aiken County Public

Schools Order directed USAC to permit the applicant 15 calendar days from the date of receipt of notice in writing by USAC to revise its funding request to remove the ineligible services or allow the applicant to provide additional documentation to show why the services are eligible. *See* Requests for Review of the Decisions of the Universal Service Administrator by Aiken County Public Schools Aiken, SC, et al., Schools and Libraries Universal Service Support Mechanism, File No. SLD-397612, et al., CC Docket No. 02-6, Order, 22 FCC Rcd 8735, FCC 07-61 para. 11 (May 8, 2007).

Since the Administrator's Decision on Appeal restores the original commitments for your application, USAC will issue a Revised Funding Commitment Decision Letter (RFCDL) to you and to each service provider that provides the services approved for discounts in this letter. USAC will issue the RFCDL to you as soon as possible. The RFCDL will inform you of the precise dollar value of your approved funding request(s). As you await the RFCDL, you may share this Administrator's Decision on Appeal with the relevant service provider(s).

Since the Administrator's Decision on Appeal modifies the commitment adjustment for your application, USAC will issue a Revised Funding Commitment Decision Letter (RFCDL) to you and to each service provider that provides the services approved for discounts in this letter. USAC will issue the RFCDL to you as soon as possible. The RFCDL will inform you of the precise dollar value of your approved funding request(s). As you await the RFCDL, you may share this Administrator's Decision on Appeal with the relevant service provider(s).

Since your appeal has been approved, but funding has been reduced, you may appeal this decision to either USAC or 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 with USAC or 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: Jason Klein

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

Billed Entity Number: 135338  
Form 471 Application Number: 606327  
Form 486 Application Number:

# **EXHIBIT 2**

OCT 31 2013

OCT 31 2013

**USAC**

Universal Service Administrative Company

Schools and Libraries Division

**REVISED FUNDING COMMITMENT DECISION LETTER**  
Funding Year 2008: (07/01/2008 - 06/30/2009)

October 30, 2013

Mary Piazza  
Net56, Inc  
1254 W. Northwest Hwy  
Palatine, IL 60067

**SPIN: 143025679**

This letter is your notification that the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has completed its review of requests regarding application funding requests that listed your company's Service Provider Identification Number (SPIN). A decision in this Revised Funding Commitment Decision Letter (RFCDL) supersedes a decision in the FCDL you may have received for the Funding Request Number(s) (FRN) in the Funding Commitment Report (Report) that follows this letter.

The Report that follows this RFCDL provides you with the dollar value and other details of the funding commitments made for the FCC Form 471, Services Ordered and Certification Form identified in the attached Report. This Report may have been updated to reflect the new total amount of discount for an FRN. If FCC Form 486, Receipt of Service Confirmation Form, has not already been submitted, your customer(s) should use this updated information when completing the Form 486. An explanation of the items in the Report is in the "Guide to USAC Letter Reports" posted in the Reference Area of our website.

This same information is being sent to your customer(s).

**NEXT STEPS**

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

**IMPLEMENTATION TIMEFRAME**

Remember the deadlines for delivery and installation of non-recurring service. Non-recurring service for which funds are committed in this letter may be delivered and installed on or before September 30, 2014. Support for recurring services, however, is available only for services provided during the period July 01, 2008 through June 30, 2009.

Review any Contract Expiration Dates in the attached Report. Program rules allow contracts for non-recurring services to be extended in certain circumstances. If your contract will expire before non-recurring products/services are delivered or installed, your customer must extend the contract and report the new contract expiration date using an FCC Form 500, Adjustment to Funding Commitment and Modification of Receipt of Service Confirmation Form, before invoicing USAC.

Keep the Form 486 deadline in mind. If some funding was approved on an FRN in an original FCDL, your customer(s) should use the date of the original FCDL to determine the Form 486 deadline. If a new FRN was created for this Report or no

Schools and Libraries Division - Correspondence Unit  
30 Lanidex Plaza West, PO Box 685, Parsippany, NJ 07054-0685  
Visit us online at: [www.usac.org/sl](http://www.usac.org/sl)

funding was approved on an FRN in an original FCDL but funding has been approved in this letter, your customer(s) should use the date in this RFCDL to determine the Form 486 deadline. Form 486 must be received or postmarked no later than 120 days after the Service Start Date reported in the Form 486, or 120 days after the date of the FCDL that approves funding, whichever is later, for your customer(s) to receive discounts retroactively to the Service Start Date.

TO APPEAL THIS DECISION:

You have the option of filing an appeal with USAC or directly with the Federal Communications Commission (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 and service provider names, if different than appellant
  - applicant BEN and Service Provider Identification Number (SPIN)
  - Form 471 Application Number as assigned by USAC
  - Funding Request Number(s) (FRNs) you are appealing if provided in the letter
  - Funding Year 2008 Revised FCDL 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 an applicant, please provide a copy of your appeal to the service provider(s) affected by USAC's decision. If you are a 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 your appeal 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  
30 Lanidex Plaza West  
PO Box 685  
Parsippany, NJ 07054-0685

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.

For more information on submitting an appeal to USAC or to the FCC, please see the "Appeals Procedure" posted on our website.

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 Universal Service Support Mechanism. 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 erroneously 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: 2008

Name of Billed Entity: WHEELING SCHOOL DISTRICT 21  
Billed Entity Address: 999 WEST DUNDEE ROAD  
Billed Entity City: WHEELING  
Billed Entity State: IL  
Billed Entity Zip: 60090-3986  
Billed Entity Number: 135338  
Name of Contact Person: Jason Klein  
Preferred Mode of Contact: EMAIL  
Contact Information: jklein@ccsd21.org  
Form 471 Application Number: 606327  
Funding Request Number: 1670609  
Funding Status: Funded  
Category Of Service: INTERNET ACCESS  
Form 470 Application Number: 898200000631616  
Contract Number: Firewall Services  
Billing Account Number: N/A  
Service Start Date: 07/01/2008  
Contract Expiration Date: 06/30/2009  
Number of Months Recurring Service Provided in Funding Year: 12  
Annual Pre-Discount Amount for Eligible Recurring Charges: \$96,318.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$96,318.00  
Applicant's Discount Percentage Approved by SLD: 66%  
Funding Commitment Decision: \$63,569.88 - Modified by SLD  
Funding Commitment Decision Explanation: MR1: The amount of the funding request was changed from \$9,376.50 per month to \$8,026.50 per month to remove: the ineligible redundant firewall protection at the data center.

Applicant Revised FCDL Letter Date: 10/30/2013  
Appeal Wave Number: A49  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2014

Consultant Name:  
Consultant Number (CRN):  
Consultant Employer:

FUNDING COMMITMENT REPORT  
Service Provider Name: Net56, Inc  
SPIN: 143025679  
Funding Year: 2008



Name of Billed Entity: WHEELING SCHOOL DISTRICT 21  
Billed Entity Address: 999 WEST DUNDEE ROAD  
Billed Entity City: WHEELING  
Billed Entity State: IL  
Billed Entity Zip: 60090-3986  
Billed Entity Number: 135338  
Name of Contact Person: Jason Klein  
Preferred Mode of Contact: EMAIL  
Contact Information: jklein@ccsd21.org  
Form 471 Application Number: 606327  
Funding Request Number: 1715650  
Funding Status: Funded  
Category Of Service: INTERNET ACCESS  
Form 470 Application Number: 898200000631616  
Contract Number: Internet Access  
Billing Account Number: N/A  
Service Start Date: 07/01/2008  
Contract Expiration Date: 06/30/2009  
Number of Months Recurring Service Provided in Funding Year: 12  
Annual Pre-Discount Amount for Eligible Recurring Charges: \$345,072.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$345,072.00  
Applicant's Discount Percentage Approved by SLD: 66%  
Funding Commitment Decision: \$227,747.52 - ERN approved as submitted

Applicant Revised FCDL Letter Date: 10/30/2013  
Appeal Wave Number: A49  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2014

Consultant Name:  
Consultant Number (CRN):  
Consultant Employer:

FUNDING COMMITMENT REPORT  
Service Provider Name: Net56, Inc  
SPIN: 143025679  
Funding Year: 2008

Name of Billed Entity: WHEELING SCHOOL DISTRICT 21  
Billed Entity Address: 999 WEST DUNDEE ROAD  
Billed Entity City: WHEELING  
Billed Entity State: IL  
Billed Entity Zip: 60090-3986  
Billed Entity Number: 135338  
Name of Contact Person: Jason Klein  
Preferred Mode of Contact: EMAIL  
Contact Information: jklein@ccsd21.org  
Form 471 Application Number: 606327  
Funding Request Number: 1715664  
Funding Status: Funded  
Category Of Service: INTERNET ACCESS  
Form 470 Application Number: 898200000631616  
Contract Number: WAN Service  
Billing Account Number: N/A  
Service Start Date: 07/01/2008  
Contract Expiration Date: 06/30/2009  
Number of Months Recurring Service Provided in Funding Year: 12  
Annual Pre-Discount Amount for Eligible Recurring Charges: \$130,998.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$130,998.00  
Applicant's Discount Percentage Approved by SLD: 66%  
Funding Commitment Decision: \$86,458.68 - Removal of Internal Connection  
Funding Commitment Decision Explanation: MR1: Less than 30% of this FRN is a request for internal connections and is removed from the FRN. <><><><><> MR2: The amount of the funding request was changed from \$13,786.50 per month to \$10,916.50 per month to remove the Internal Connections charges associated with the DNS/DHCP server portion.

Applicant Revised FCDL Letter Date: 10/30/2013  
Appeal Wave Number: A49  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2014

Consultant Name:  
Consultant Number (CRN):  
Consultant Employer:

FUNDING COMMITMENT REPORT  
Service Provider Name: Net56, Inc  
SPIN: 143025679  
Funding Year: 2008



Name of Billed Entity: WHEELING SCHOOL DISTRICT 21  
Billed Entity Address: 999 WEST DUNDEE ROAD  
Billed Entity City: WHEELING  
Billed Entity State: IL  
Billed Entity Zip: 60090-3986  
Billed Entity Number: 135338  
Name of Contact Person: Jason Klein  
Preferred Mode of Contact: EMAIL  
Contact Information: jklein@ccsd21.org  
Form 471 Application Number: 606327  
Funding Request Number: 1715691  
Funding Status: Funded  
Category Of Service: INTERNET ACCESS  
Form 470 Application Number: 898200000631616  
Contract Number: Web Hosting Services  
Billing Account Number: N/A  
Service Start Date: 07/01/2008  
Contract Expiration Date: 06/30/2009  
Number of Months Recurring Service Provided in Funding Year: 12  
Annual Pre-Discount Amount for Eligible Recurring Charges: \$51,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$51,000.00  
Applicant's Discount Percentage Approved by SLD: 66%  
Funding Commitment Decision: \$33,660.00 - Modified by SLD  
Funding Commitment Decision Explanation: MR1: The amount of the funding request was changed from \$5,250.00 per month to \$4,250.00 per month to remove: the ineligible WEB retention and WEB journaling.

Applicant Revised FCDL Letter Date: 10/30/2013  
Appeal Wave Number: A49  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2014

Consultant Name:  
Consultant Number (CRN):  
Consultant Employer:

FUNDING COMMITMENT REPORT  
Service Provider Name: Net56, Inc  
SPIN: 143025679  
Funding Year: 2008

Name of Billed Entity: WHEELING SCHOOL DISTRICT 21  
Billed Entity Address: 999 WEST DUNDEE ROAD  
Billed Entity City: WHEELING  
Billed Entity State: IL  
Billed Entity Zip: 60090-3986  
Billed Entity Number: 135338  
Name of Contact Person: Jason Klein  
Preferred Mode of Contact: EMAIL  
Contact Information: jklein@ccsd21.org  
Form 471 Application Number: 606327  
Funding Request Number: 1715806  
Funding Status: Funded  
Category Of Service: INTERNET ACCESS  
Form 470 Application Number: 898200000631616  
Contract Number: Email Hosting Services  
Billing Account Number: N/A  
Service Start Date: 07/01/2008  
Contract Expiration Date: 06/30/2009  
Number of Months Recurring Service Provided in Funding Year: 12  
Annual Pre-Discount Amount for Eligible Recurring Charges: \$51,000.00  
Annual Pre-Discount Amount for Eligible Non-Recurring Charges: \$.00  
Pre-Discount Amount: \$51,000.00  
Applicant's Discount Percentage Approved by SLD: 66%  
Funding Commitment Decision: \$33,660.00 - Modified by SLD  
Funding Commitment Decision Explanation: MR1: The amount of the funding request was changed from \$5,250.00 per month to \$4,250.00 per month to remove: the ineligible Email retention and Email journaling.

Applicant Revised FCDL Letter Date: 10/30/2013  
Appeal Wave Number: A49  
Last Allowable Date for Delivery and Installation for Non-Recurring Services: 09/30/2014

Consultant Name:  
Consultant Number (CRN):  
Consultant Employer:

# **EXHIBIT 3**

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									