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PROBLEMS WITH THE E-RATE PROGRAM: WASTE, FRAUD, AND ABUSE CONCERNS IN THE WIRING OF OUR NATION'S SCHOOLS TO THE INTERNET Part 2

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES

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PROBLEMS WITH THE E-RATE PROGRAM: WASTE, FRAUD, AND ABUSE CONCERNS IN THE WIRING OF OUR NATION'S SCHOOLS TO THE INTERNET

THURSDAY, JULY 22, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2123, Rayburn House Office Building, Greg Walden (vice chairman), presiding.

Members present: Representatives Walden, Bass, Barton (ex officio), DeGette, and Schakowsky.

Staff present: Mark Paoletta, majority counsel; Peter Spencer, majority professional staff; Tom Feddo, majority counsel; Jaylyn Jensen, legislative analyst; Michael Abraham, legislative clerk; David Nelson, minority investigator and economist; and Jessica McNiece, minority clerk.

Mr. WALDEN. Good morning. The subcommittee will come to order.

Last month we opened our hearing on E-Rate with a close look at the Puerto Rico Department of Education's experience with the program. That case, in which a large and needful district and its vendors literally wasted more than $100 million of E-Rate funds, shed light on a range of problem areas in the program set-up.

The problems extended from the front to the back of the E-Rate funding process. The Puerto Rico case illustrated weaknesses in the competitive bidding process and the requirements that applicants certify they actually have the resources necessary to make effective educational use of E-Rate funds.

In Puerto Rico, tens of millions of dollars were being billed, while few, if any, children actually got connected to the Internet. We saw problems in implementing the goods and services purchased with E-Rate funds, as the $20 million—$20 million—of dusty, shrink wrapped gear in a warehouse highlighted, and we saw weaknesses in oversight and in the audit process.

This morning we will focus directly on the front end of the E-Rate process, the application and processing of applications in the E-Rate program. This is the part of the program where many problems begin and where many problems can be caught, if done right.

This is where the planning and competitive bidding, the keystone to the program, take place and where E-Rate's administrators can

catch applicants that run afoul of program requirements. Failure here at the front end assures wasteful spending and opens the way for fraud and for abuse.

Today we will take a hard look at some of the very troubling actions on the part of vendors and consultants and how these actions were stopped, at least in one large school district. We will look at the facts and circumstances surrounding the application for E-Rate funds by the San Francisco Unified School District in the 2000 E-Rate funding year.

San Francisco's experience is a story in which bad actors put the E-Rate application process to the test. We will learn that the program did not pass that test.

As we will hear today, the E-Rate administrator, USAC, approved more than $58 million in funding, including the District's share, based on fraudulent applications. Each procedural safeguard then set up by USAC failed: Competitive bidding, application certification, application review, and selective review.

Fortunately, a final check, a newly arrived superintendent whom we will hear from this morning had suspicions that led to uncovering program fraud and abuse not only in San Francisco but also around this country.

Today's hearing focuses primarily on the San Francisco Unified School District's experience. We are continuing to examine the broader details of the conspiracy in other States. Questionable activity by the vendors and individuals who exploited the process in San Francisco has been identified in Arkansas, in Michigan, and in South Carolina, for example.

One district, with the help of these bad actors, allegedly built a $750,000 television studio with E-Rate funds, something, be assured, that clearly should not have happened, and we will address these details in due course.

Today's hearing, nevertheless, will shed light on the integrity of the E-Rate application process. Equally important, today's hearing will also let us focus a bright light on the very troubling behavior surrounding the bid rigging conspiracy and fraud underlying this particular school district's experience.

We have before us today some of the key players in the San Francisco story. So this light should serve not only to illuminate where there are problems in program structure, but also to display clearly the kind of actions that cannot be allowed to occur in the program or to escape public scrutiny.

The actions we will examine were made public when NEC Business Network Solutions, now doing business as NEC Unified Solutions, pleaded guilty this past May to wire fraud and to a conspiracy to suppress and eliminate competition for E-Rate program projects.

NEC BNS also confirmed, among other facts, that as part of the conspiracy it assisted in submitting inflated prices to USAC, $26 million more than vendors had bid on the San Francisco project.

NEC BNS admitted that it had informed USAC that it planed to "donate" ineligible equipment, but in fact intended to buy that equipment with $10 million in excess E-Rate receipts, and this was just in San Francisco. As part of the plea deal, NEC BNS agreed to pay $20.7 million in fines and restitution.

At this point, I would note that three of the witnesses before us this morning are not appearing voluntarily, in large part, they maintain, due to ongoing criminal and civil cases into the matters we will be examining. We issued subpoenas last week to command their presence and their testimony.

Among them today are the President and CEO of NEC BNS, Mr. Thomas Burger, as well as its former Price President of Sales, Mr. William Holman. I look forward to learning from Mr. Burger what he can say about his company's behavior, especially as he was the main man in charge at the time of this activity to which this company has pleaded guilty, and Mr. Holman, according to numerous documents, should have information that will help us understand how this situation developed.

We also have an individual, Mr. George Marchelos who, San Francisco investigators suggest, has direct knowledge of what happened in that school district and elsewhere, and I hope he will help us understand this story.

We also subpoenaed a Ms. Judy Green, another E-Rate consultant who, according to the U.S. Marshal's Service, has effectively avoided service for the past week. Given that the committee continues to investigate this conspiracy, let me just note that we will provide her another opportunity to testify. We will make sure this committee's subpoenas are served. She will eventually come before this committee and testify.

The story of San Francisco is a story of corrupt school employees, E-Rate consultants controlling the process, and vendors conspiring to completely undercut competition. We will ask some probing questions of these people, but I also expect we will ask tough questions of other players.

We have hard questions to ask of USAC, which set up the procedures for policing E-Rate applications for problems and, in the case of San Francisco, inexplicably neglected several red flags. Of course, we have the FCC, the agency in charge of the whole program. They have to answer to this story, too, and explain where they are leading this program now after cases like this.

Let me conclude by extending a welcome to our witnesses, particularly those from San Francisco City Attorney's Office and from the San Francisco Unified School District. Superintendent Ackerman, who joins us via videoconference, has been most accommodating to assist us today, and we especially appreciate your willingness and your help.

With that, let me recognize the ranking member for her opening statement. Good morning.

Ms. DEGETTE. Thank you very much, Mr. Chairman, and I am pleased to call you Mr. Chairman and welcome you to the chairman's seat, Mr. Walden.

Mr. WALDEN. I am delighted to be in the seat, but I remain as vice chairman of the committee.

Ms. DEGETTE. Right. I think you will be there for the foreseeable future.

I am really pleased to be back here for the second in what I hope will be a continuing series of hearings on the E-Rate program. I came out of the last hearing with an understanding that some of the problems we have seen with this important program can be re-

solved, but only if oversight is dramatically stepped up, and if there is a serious crack-down on some of the worst offenders and fraudulent practices.

I want to take a minute again to emphasize why this issue is so important. Not only have millions of dollars been wasted over the years, but millions of dollars have not been wasted. Millions of dollars have gone to exactly what the program was intended to do, and if steps aren't taken to stop the fraud that has occurred, I am afraid we run the risk of ending an innovative program that has done amazing things for students across the country.

I believe that Congress has the very serious responsibility of ensuring that the program runs the way it was intended to, and that the kids that it is intended to serve do not become the ultimate victims.

I hope today will prove as informative as the last hearing, although I am disheartened that so many of our witnesses are not here of their own free will to help shed some light on the issue at hand, and have chosen not to submit testimony.

On the other hand, I believe the first panel will demonstrate how important oversight at all levels is and how school districts themselves are very important players when it comes to ensuring that E-Rate funds are properly utilized.

I am extremely impressed with the actions of the San Francisco Unified School District for sounding the alarm when they got the word that things were not as they should be.

I think it took great courage and a strong commitment to ethical standards, something, as we are sadly learning throughout these hearings, that has been in too short supply. Frankly, it must have been pretty hard to turn down nearly $50 million that had already been approved for use, and I greatly admire that decision.

There are a number of questions that come to mind when considering the case of what happened with E-Rate funds and the San Francisco Unified School District. First, how on earth did the funds get approved, to begin with, particularly since it seems like the Universal Service Administrative Company took extra steps to examine the applications that were later found to be fraudulent?

Second, should it really be the responsibility of the recipient school districts or libraries to make sure that applications aren't wrongly approved? Shouldn't that be the responsibility of those who run the program and approve the applications?

It seems that, certainly in this case, things were backwards, and it concerns me there are other cases out there that we are currently unaware of where funds have been wrongly approved, and recipients have not been diligent about reporting it. This could be due to ignorance or lax ethics, but either way it would be a huge problem, and I, for one, would like to see some evidence that San Francisco and their experience is not being replicated nationwide.

At the last hearing, I laid out what I thought were two of the most serious problems that need to be addressed in order to ensure that the E-Rate is actually accomplishing its mission.

First of all, the bad apple vendors and consultants who take advantage of school districts and then essentially take the money and run—we saw that last week—and also the apparent lack of oversight that has allowed for large amounts of money to go to schools

that have no ability to proceed with actually utilizing the funds and the equipment they receive.

Today, I am looking forward to further exploration of these issues, and I am pleased that we have a representative from USAC, Mr. George Mcdonald, to talk about the concerns. I am also interested in hearing from Mr. McDonald about the current status of the Puerto Rico case that we talked about in the last hearing. I want to know what is being done to help them fix the past mistakes so that these students can have the kind of computer programs that they should be having.

Finally, there are a number of other issues we need to address in this hearing: How can we improve the E-Rate's competitive bidding process? Exactly what should the responsibilities of school administrators be, and what steps are the USAC taking to make sure that they never again make the mistake of approving fraudulent applications for millions of dollars?

Mr. Chairman, I look forward to hearing the testimony, and I ask unanimous consent that Mr. Dingell and all other members' opening statements be placed in the record.

Mr. WALDEN. Without objection, so ordered.

[The prepared statement of Hon. John D. Dingell follows:]

PREPARED STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, thank you for continuing this investigation and holding this hearing. Today, this Subcommittee holds the first of its vendor-specific hearings, examining some of the fraudulent activity that a subsidiary of NEC America, Inc. (NEC) and its co- conspirators engaged in. While this hearing will specifically focus on NEC's unsuccessful attempt to defraud the E-rate program in San Francisco, NEC did succeed in procuring millions of dollars from illegal E-rate program claims that involved school districts from Michigan to Mississippi.

We will hear from the local public servants who prevented the San Francisco fraud from going forward and who subsequently uncovered its nationwide scope. This case study is particularly revealing in that NEC and its vendors were actively involved in most of the criminal schemes that flourished, in part due to the lax oversight of the E-rate program by the Federal Communications Commission (FCC).

These scams include bid rigging, hiding of ineligible equipment, and goldplating (specifying equipment acquisition that exceeded the school districts' needs). Scams also included the fraudulent inflation of prices, illegal kickbacks, illegal "in-kind" donations, the corruption of local officials, as well as directly or indirectly causing the filing of a plethora of false statements to the Universal Service Administrative Corporation (USAC), the non- profit corporation which disburses E-rate program funds.

Fortunately, a newly hired Superintendent of the San Francisco Unified School District caught the fraudulent application for almost $50 million in E-rate funds and stopped the process before the money could be spent, stolen, or wasted. The City Attorney initiated an investigation that ultimately resulted in prosecution by the Department of Justice and a guilty plea by NEC. The federal investigation continues into the roles of various individuals in this sorry saga.

Amazingly, NEC has petitioned the FCC to allow it to continue participating in the E-rate program, based upon its exceptional "cooperation" with the federal investigations. But NEC's cooperation did not begin until after they were caught. The guilty plea probably saved the Government a trial but little else. No important executive has lost his or her job, and employees directly implicated in the wrongdoing remain on the NEC payroll.

I understand that today the senior executives who oversaw these schemes may invoke their right to avoid incriminating themselves and refuse to testify. This strikes me as very curious cooperation. The FCC should not be fooled into thinking that this company and its employees are now worthy of the taxpayers' trust.

I support the work of this Subcommittee to expose all the major problems in the E-rate program, and I look forward to working with my colleagues to address them.

Mr. WALDEN. We are now honored to have with us the chairman of the full committee, Mr. Barton.

Chairman BARTON. Thank you, Mr. Chairman, and before I give my prepared statement on this hearing, I just want to announce that we have a new addition to the committee room. We have our nameplates that have our States on it. I had always wanted to let people know what State I am from, and Mr. Bass was very happy when he walked in and noticed that it said he was from New Hampshire.

Mr. BASS. If the gentleman would yield, I just want to make sure that—Texas is a long way from here.

Chairman BARTON. So I hope people enjoy the diversity of the committee, as will be seen as everybody shows up with different locations that we are from.

Mr. Chairman, I appreciate the work that you have shown as vice chairman of this committee in working on this important issue. I want to give special commendation to the gentle lady from San Francisco, Dr. Arlene Ackerman who is joining us by video conference, for her strong moral stand in turning this issue in to be investigated. Not too many superintendents, I think, would have turned $40 million or $50 million down, and she had the moral courage to make sure that it was on the up and up. Unfortunately, it turned out that it wasn't. So I want to thank her long distance for her strong stand.

It is the intent of this committee's investigation to ensure that E-Rate will operate without the waste and abuse that we have been discovering. Almost every rock that we turn over, it seems there is a problem under that particular rock.

The E-Rate program deserves vigorous Congressional oversight. I support this oversight, and I look forward to continuing to work with this subcommittee as the full committee chairman to get to the bottom and then, if necessary, provide a legislative reform package in the next Congress to prevent these kinds of abuses from continuing to occur.

These hearings are in large measure about accountability, accountability among the applicants and recipients of funding, that they are following the rules, and accountability among those running the program, that they have set it up to operate effectively without all the waste and abuse that we are continuously uncovering.

This program is designed to provide recipients and applicants access to other people's money. When you spend somebody else's money, you don't have the same incentive to spend as carefully as you would if you were spending your own money.

When tens of millions of dollars are at issue, there is a powerful incentive to spend wastefully and abuse the program. To address this powerful incentive, the solution is to ensure accountability of program participants and managers so that they spend wisely and manage effectively.

This hearing is about the process put in place to ensure people act responsibly or with the appropriate authority and understand the consequence of acting irresponsibly.

Today we are going to look at a fraudulent $50 million application at the San Francisco School District that sailed through the

normal process and was approved. The money was eventually rejected, because one person, one person who is going to testify later this morning, Dr. Arlene Ackerman, had the gumption to look at this and say that it didn't look like it was on the up and up. Again, as I have already said, I want to commend her for her acting responsibly in accountability. I look forward to hearing her testimony in greater detail this morning.

We also have before us this morning people on the other side, the company, NEC Unified Solutions, who will answer questions and actions about their employees. This company recently pleaded guilty to E-Rate bid rigging in San Francisco and other districts, and has paid a $20 million fine. I would like to hear how their CEO answers for the actions of his employees.

We have an E-Rate consultant who was on the ground at the school districts who can answer to the development of what turned out to be fraudulent but successful applications for E-Rate funding and, as you have already pointed out, Mr. Chairman, last week we issued subpoenas for four witnesses. Three of them are before us today. One of them, Ms. Judy Green, has successfully ducked service so far.

I take very seriously our oversight function in the House, and I will not allow people who have information necessary to accomplish our work to avoid our legitimate inquiries. I have spoken with the ranking member of the full committee, the Honorable John Dingell of Michigan, and when we go into recess today or tomorrow, under the rules of the House of Representatives, as full committee chairman I have the right to issue a recess subpoena, and I will do so. If Ms. Green's representatives are in this audience or watching on television or have access to the record, let them know that there will be another subpoena issued, and at sometime this fall she will come before this committee.

The Energy and Commerce Committee, to my knowledge, in the 20 years that I have been in the House, 18 on this committee, has never had a subpoena that was not successfully served, and we don't intend to change that record on this hearing.

So again, in consultation with the ranking member of the full committee, Mr. Dingell, he is very supportive of my authority as full committee chairman issuing a recess subpoena to get Ms. Green to appear at the appropriate time before the committee, and we will do that.

Finally, we have the Administrator of the program, the E-Rate program. We have the person who runs the Bureau at the FCC that is in charge of the E-Rate program. They are responsible for clear and effective rules and procedures, and we look forward to hearing from them what they have to say about the larger program, the larger issues before us.

Mr. Chairman, this is a very, very important hearing. I appreciate you holding it. I appreciate the fine bipartisan work that we have done at the staff level in preparing for it, and I look forward to a very instructive hearing.

With that, I yield back the balance of my time.

Mr. WALDEN. Thank you, Mr. Chairman, and thanks for your leadership on this committee.

The Chair recognizes the gentleman from New Hampshire, who I understand does not have an opening statement. Is that correct?

Mr. BASS. I will pass.

Mr. WALDEN. The gentleman passes. The Chair now recognizes a member of the full committee, Ms. Schakowsky from Chicago, for an opening statement—from the subcommittee. I'm sorry.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman, for holding this hearing today. I am glad to have the opportunity to hear about how the current system's weaknesses allow vendors to use the E-Rate program for their own benefit. Once we understand those weaknesses, we can improve the system to make sure it is benefiting our children.

NEC Business Network Solutions, Inc. entered into bid rigging schemes in five different school districts in Michigan, Wisconsin, Arkansas, and South Carolina. The company has also admitted into entering into a scheme to defraud the E-Rate program in the San Francisco Unified School District by inflating bids, agreeing to submit false and fraudulent documents to hide the fact that it planned on installing prohibited items, agreeing to donate so called free items for which it had planned to bill E-Rate, and submitting false and fraudulent documents to prevent inquiry into the legitimacy of the funding requests.

I want to thank those dedicated public servants who are here today who discovered and helped to uncover these kinds of fraudulent activities. We really appreciate that kind of public service.

NEC generously marked up prices on computer hardware, sometimes as much as 400 percent. On one small Internet switch, for example, NEC's bid would have given the firm a profit margin of $780,000. As shocking as the actions of NEC BNS are, I am sorry to say that the company is just one of a cast of bad characters profiting at the expense of our Nation's children.

A price tag cannot be placed on the value of providing Internet access to the millions of children and teachers in our public schools. Even in its imperfect condition, the E-Rate program has helped millions of children gain the kind of technical knowledge that is crucial in today's society.

Schools in my district and across the Nation have used E-Rate funds to provide access to the Internet for kids who might otherwise never have it. Access to the worldwide web can make a world of difference in our schools. The E-Rate program has helped us close the information divide, but the disparity in access to computers and online services by race and income still persists.

We cannot afford to abandon the E-Rate program or to have any of our children left behind on the information superhighway. It is now our job to reform the E-Rate program to make sure that the benefits of the program go to those who need them most, our children.

Again, Mr. Chairman, thank you for holding this hearing. I look forward to hearing the testimony of our witnesses, and I look forward to working to improve the E-Rate program.

Mr. WALDEN. Thank you for your testimony, and we appreciate your work on this issue.

Now I would like to welcome Panel 1: Dr. Arlene Ackerman, the Superintendent of the San Francisco Unified School District; Ms.

Louise H. Renne, the General Counsel of the San Francisco Unified School District; Mr. Dennis J. Herrera, City Attorney of San Francisco; and Mr. George Cothran, the investigator for the Office of the City Attorney.

We appreciate your being here. As you are aware, the committee is holding an investigative hearing and, when doing so, has had the practice of taking testimony under oath. Do you have any objection to testifying under oath? Let the record show the witnesses indicate they have no objection.

The Chair then advises you that, under the rules of the House and the rules of the committee, you are also entitled to be advised by counsel. Do you desire to be advised by counsel during your testimony today? The record shows they all indicate no.

In that case, if you would rise and raise your right hand, I will then swear you in.

[Witnesses sworn.]

Mr. WALDEN. Thank you. They indicate they do.

You are now under oath, and I will call on you to give your 5-minute summary of your written statement, and we will start with Dr. Ackerman.

Before I do that, I am going to go ahead and ask unanimous consent to enter into the record the binders that are before us, which we will reference as we do our questioning. Without objection, they are now entered into the record. Dr. Ackerman, please go ahead.

TESTIMONY OF ARLENE ACKERMAN, SUPERINTENDENT, SAN FRANCISCO UNIFIED SCHOOL DISTRICT; LOUISE H. RENNE, GENERAL COUNSEL, SAN FRANCISCO UNIFIED SCHOOL DISTRICT; DENNIS J. HERRERA, SAN FRANCISCO CITY ATTORNEY; AND GEORGE M. COTHRAN, INVESTIGATOR, SAN FRANCISCO CITY ATTORNEY OFFICE

Ms. ACKERMAN. Thank you. Good morning, Vice Chairman Walden and members of the subcommittee. Thank you for the opportunity to appear before you on the matter of the Federal E-Rate program and the extremely interesting and revealing experiences that we have had in San Francisco schools as participants in the program.

I began my current role as Superintendent of San Francisco Unified School District which serves approximately 59,000 students in the city and county of San Francisco in July of 2000. Needless to say, as I went about my work in these first several months, I had a considerable amount to learn about the detailed context and conditions of San Francisco schools.

In addition to dealing with the core work of a school superintendent, such as evaluating school performance, organizing and reorganizing the district office and collective bargaining, I was also hired with a mandate to improve the district's business practices. Although I had worked on difficult fiscal and operational issues in other school districts, I soon learned of activities that, for me, represented a new low in my 30-plus years of public education.

I saw the beginning of a trail of evidence that was ultimately found to lead to a number of individuals and organizations who plotted carefully to enrich themselves by depriving our children.

In the fall of 2000, two former staff members provided me a copy of an E-Rate application that had been submitted for $50 million. As I reviewed the document, several elements of the application troubled me.

First, it indicated that the district had set aside the approximately $8 million that was necessary to contribute as a matching requirement. I knew that this was not the case. One of my first priorities had been to become intimately familiar with our financial condition, and nothing I had studied or heard of indicated that any district funds had been set aside for this purpose.

Second, the description of the equipment and infrastructure that was to be funded with the grant proceeds seemed incoherent and did not reflect a strategy to align technology with instructional objectives. I saw woefully little evidence of sufficient planning, especially for an investment of this size.

Finally and perhaps most obvious, the document materially misstated facts in describing our district. Among other things, the grant indicated that the district covered 400 square miles, in contrast to the actual figure of 49 square miles.

It also claimed that there is no mass transit system in San Francisco, when we actually have one of the Nation's largest public transportation systems. In many respects, the grant seemed to be describing another district altogether.

As superintendent, I typically require that documents that bind the district to any funding or other commitments undergo legal review. In this case, my elevated concerns about this grant led me to contact then City Attorney Louise Renne for assistance in reviewing the document.

As Ms. Renne and then current City Attorney Dennis Herrera and Investigator George Cothran will describe in detail, so began an investigation that ultimately led to the extremely disturbing conclusions that necessitate this morning's hearing. However, despite the disturbing and cautionary aspects of our experience with E-Rate, I very much hope that members of this subcommittee and the public will interpret my comments as supporting reform of the program, not its elimination.

I fully agree with the goals of the program, to increase all students' access to technology, paying particular attention to the digital divide that would otherwise place the Internet out of the reach of many children of low income families.

While our experience in San Francisco and those of several other school districts have revealed serious problems with the E-Rate program, I would respectfully ask policymakers to consider that the program has brought technology to unprecedented numbers of public school students. Nearly all classrooms and school libraries are now connected to the Internet, and most as a direct result of the E-Rate program.

The program certainly needs to be reformed, and to that end I am gratified that San Francisco schools and the extremely capable attorneys and investigators who have assisted us have helped accelerate discussions about how to increase scrutiny of E-Rate applications and otherwise reduce the possibility of waste, fraud and abuse in this important program.

At this point, I would like to introduce San Francisco's former City Attorney and our school district's former General Counsel, Louise Renne. Thank you.

[The prepared testimony of Arlene Ackerman follows:]

PREPARED STATEMENT OF ARLENE ACKERMAN, SUPERINTENDENT, SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Good morning Chairman Greenwood, Ranking member Deutsch, and members of the subcommittee. Thank you for the opportunity to appear before you on the matter of the federal E-rate program and the extremely interesting and revealing experiences that we have had in San Francisco's schools as participants in the program.

I began my current role as Superintendent of San Francisco Unified School District, which serves the 59,000 public school students in the City and County of San Francisco, in July 2000. Needless to say, as I went about my work in these first several months I had a considerable amount to learn about the detailed context and conditions of San Francisco's schools.

In addition to dealing with the core work of a school superintendent, such as evaluating school performance, organizing the district office, and collective bargaining, I was also hired with a mandate to improve the District's business practices. Although I had worked on difficult fiscal and operational issues in other school districts, I soon learned of activities that for me represented a new low in my thirty-plus years of public education. I saw the beginning of a trail of evidence that was ultimately found to lead to a number of individuals and organizations who plotted carefully to enrich themselves by depriving children.

In the fall of 2000, two former staff members provided me a copy of an E-Rate application that had been submitted for $50 million. As I reviewed the document, several elements of the application troubled me.

First, it indicated that the District had set aside the approximately $8 million that was necessary to contribute as a matching requirement. I knew that this was not the case. One of my first priorities had been to become intimately familiar with our financial condition, and nothing I had studied or heard indicated that any District funds had been set aside for this purpose.

Second, the description of the equipment and infrastructure that was to be funded with the grant proceeds seemed incoherent and did not reflect a strategy to align technology with instructional objectives. I saw woefully little evidence of sufficient planning, especially for an investment of this size.

Finally, and perhaps most obvious, the document materially misstated facts in describing the District. Among other things, the grant indicated that the District covered 400 square miles, in contrast to the actual figure of forty-nine (49) square miles. It also claimed that there is no mass transit system in San Francisco when we actually have one of the nation's largest public transportation systems. In many respects, the grant seemed to be describing another district altogether.

As Superintendent, I typically require that documents that bind the District to any funding or other commitments undergo legal review. In this case, my elevated concerns about this grant led me to contact then City Attorney Louise Renne for assistance in reviewing the document. As Ms. Renne, current City Attorney Dennis Herrera, and investigator George Cothran will describe in detail, so began an investigation that ultimately led to the extremely disturbing conclusions that necessitate this morning's hearing.

However, despite the disturbing and cautionary aspects of our experience with E-Rate, I very much hope the members of the Subcommittee and the public will interpret my comments as supporting *reform* of the program, not its elimination. I fully agree with the goals of the program—to increase all students' access to technology, paying particular attention to the digital divide that would otherwise place the internet out of the reach of many children of low income families.

While our experience and those of several other school districts have revealed serious problems with the E-Rate program, I would respectfully ask policymakers to consider that the program has brought technology to unprecedented numbers of public school students. Nearly all classrooms and school libraries are now connected to the internet, most as a direct result of the E-Rate program. The program certainly needs to be reformed. To that end, I am gratified that San Francisco schools and the extremely capable attorneys and investigators who have assisted us have helped accelerate discussion about how to increase scrutiny of E-Rate applications and otherwise reduce the possibility of waste, fraud, and abuse in this important program.

At this point I would like to introduce San Francisco's former City Attorney and our school district's former General Counsel Louise Renne.

Mr. WALDEN. Thank you for your testimony.

The committee now would like to hear from Ms. Renne. Thank you for being here. We appreciate your work and your comments.

TESTIMONY OF LOUISE H. RENNE

Ms. RENNE. Thank you. Good morning, Mr. Chairman and members.

As Dr. Ackerman has indicated, the nationwide scheme to defraud the E-Rate program came to our attention shortly after she became the superintendent of San Francisco schools and at the time I was the City Attorney. I still very well remember the day when I got a phone call from Dr. Ackerman saying I think we have some funny business going on over here, and at her request an investigation was started.

A group of attorneys was assembled, including an investigator, George Cothran, and as our investigation progressed, the national scope of the E-Rate problem soon became quite clear.

During the process we called in the FBI and our local United States Attorney, Kevin Ryan, as well, and as City Attorney, Dennis Herrera, will describe in more detail, too, we during the course of the investigation prepared a whistleblower lawsuit which was unprecedented for a school district, was filed in Federal court by my successor, Dennis Herrera, and that suit resulted in the guilty plea that has already been described.

During the course of the process, we learned that the matter, not just in San Francisco, but that there was the same or similar fraud going on across the country, and that it was part of a well orchestrated effort, it would seem.

In San Francisco, investigator George Cothran will describe in quite a bit of detail how this process started with the filing basically of a bogus application, how Inter-Tel Technology started the ball rolling, if you will, by approaching some of our district people, and then involved, as you have already indicated as well, Judy Green, George Marchelos in the process.

The proposal, the E-Rate proposal, was drafted in such a way that it would be prejudiced toward goods and services sold by VNCI, which was associated with Judy Green and group. They bundled VNCI equipment inside a bid. The bids were not advertised, as required by law.

So again, as will be described in far more detail by Mr. Cothran, the companies ensured, as a result of the whole bid rigging process and their conspiracy, that they would be the primary recipients of the E-Rate funding.

So what has happened is, in short, the companies involved really soaked the whole E-Rate process, in San Francisco's case, of approximately $50 million, who knows how much more in other jurisdictions.

We think, and we know, that for the first time San Francisco's lawsuit was the first time, to our knowledge, that a school district has ever file a whistleblower claim, and it is our hope that, as the results of the investigation are detailed for this committee by Dennis Herrera and George Cothran, that these actions and some of

the corresponding enforcement actions which are undoubtedly going on around the country will put government agencies and businesses alike on their guard against the kinds of practices that will be described this morning, and will help root out the problems that beset the E-Rate program.

We think at the district that the goals of the program are important for the future. Our children cannot compete in the modern world without knowledge of computers and technology and, surely for those companies that have put this program at risk, we hope that the committee hearings will get to the bottom and root out this fraud.

My successor in office is my good friend, Dennis Herrera.

[The prepared testimony of Louise H. Renne follows:]

PREPARED STATEMENT OF LOUISE H. RENNE, SPECIAL COUNSEL, SAN FRANCISCO UNIFIED SCHOOL DISTRICT

Mr. Chairman and Members: The nationwide scheme to defraud the E-Rate program came to our attention in San Francisco soon after Arlene Ackerman, the former chief of the Washington, D.C. schools, took over as superintendent of the San Francisco Unified School District.

At the time I was the San Francisco City Attorney.

Ms. Ackerman had grown suspicious of a number of situations at the school district. I still remember very well the day when she called me and said, "I think there's some funny business going on over here."

I ordered an investigation, assembling a team of attorneys and investigators, including George Cothran, who will also testify today. As our investigation progressed, the national scope of the E-Rate problem soon became clear. In the process, we alerted the FBI and U.S. Attorney Kevin Ryan.

In addition, we prepared a whistleblower lawsuit, unprecedented for a school district, which was filed in federal court by my successor in office, Dennis Herrera.

That suit resulted in a guilty plea last May by one of the companies that perpetrated the San Francisco fraud, NEC Business Network Solutions.

But the matter does not end there. We learned that some of the San Francisco co-conspirators were likely committing the same or similar fraud across the country.

The misappropriation of E-Rate money from disadvantaged schools and the children they serve was a well orchestrated effort by several corporate players working in concert with one another.

In San Francisco, the school district's initial contact with the corporate con game came when a representative of Inter-Tel Technologies approached the district with a proposal for the purchase of telecommunications equipment.

The Inter-Tel representative introduced district officials to Judy Green and George Marchellos, employees of Video Network Communications Inc., or VNCI, both experts in the E-Rate program. As our chief E-Rate investigator, George Cothran, will testify in detail, Ms. Green and Mr. Marchellos infiltrated the district's competitive bidding process to win inflated E-Rate funding for district projects directly benefiting VNCI, Inter-Tel, and NEC.

Specifically, they wrote the district's request for proposals so that it would be prejudiced toward goods and services sold by VNCI. Then they bundled VNCI equipment inside a bid submitted by Inter-Tel. As part of the conspiracy, the RFP was not advertised as required by law.

The investigation suggested that the three companies used the same or similar schemes elsewhere, with VNCI typically managing the bidding process and hiding its equipment inside bids submitted either by Inter-Tel, as in San Francisco, or by NEC.

As a result of their conspiracy, these companies ensured that they would be the primary recipients of E-Rate funding provided to the San Francisco Unified School District.

But their fraud didn't stop with a phony bidding process. They also submitted a falsified application for E-Rate funding on behalf of the district that inflated their bid prices by more than $60 million, well above the artificially high rates already enabled by the rigged bids.

In short, they thoroughly soaked the E-Rate process for millions of dollars with lies, overcharges, and fraud.

San Francisco's lawsuit marks the first time to our knowledge that a school district has filed a whistleblower claim. It is my hope that our unprecedented action, along with other enforcement efforts around the country, will put government agencies and businesses alike on their guard against these practices, and will help to root out the problems that have beset the E-Rate program. The goals of the program are important for the future. Our children cannot compete in the modern world without knowledge of computers and technology, which is why a well-run program is so necessary.

Thank you.

Mr. WALDEN. Thank you for your testimony. We appreciate it.

Mr. Herrera, thank you for being here. Thank you for your work. We look forward to your testimony.

TESTIMONY OF DENNIS HERRERA

Mr. HERRERA. Chairman Walden, distinguished members of the subcommittee, I thank you for the opportunity to appear before you today to discuss San Francisco's experience with efforts to defraud the Federal E-Rate program. I am also honored to join San Francisco Unified School District General Counsel, Louise Renne, in testifying today.

As my immediate predecessor as City Attorney, Louise first ordered the investigation that was so capably undertaken and thoroughly investigated by George Cothran of my office, with whom I am also honored to appear today.

When I took office in January 2002, our office's investigation into the E-Rate fraud had been underway for more than a 8 months. As much or more than any of the cases I inherited or have undertaken since, the E-Rate case represented exactly the kind of public policy priority that I had talked about extensively during the course of my campaign for City Attorney.

In establishing a permanent public integrity unit in my office, I sought to take as aggressive a stand as possible against those who would seek to defraud our city; because, as I am sure this subcommittee is well aware, the harm government suffers when it is defrauded cannot be quantified in mere dollar amounts.

Schemes such as these aren't just greedy. They are a corrosive influence on the integrity of our public institutions. They are an insult to our citizens' faith in their government to do the right thing, and they are an insult to the honest businesses and contractors who play by the rules and yet lose government contracts to competitors who cheat.

The E-Rate scheme we unmasked in San Francisco represented all of that, plus one aggravating circumstance for which it deserves an especially prominent place in the ripoff hall of shame. It targeted funds intended to benefit the poorest, most vulnerable school children of America.

For disadvantaged kids in San Francisco, growing up in Silicon Valley's backyard, in a city that is itself a high tech capital, the abuse of a program to help them bridge the digital divide represents an all too real theft of future job opportunities and economic advancement.

Indeed, had San Francisco not blown the whistle on the fraud we uncovered, vendors associated in the scheme in our school system stood to receive a total of nearly $55 million, and for all that money, according to their funding applications, San Francisco

schools would have been left with an incomplete computer network that was, by itself, inoperable.

Schools throughout our school district would have been saddled with millions of dollars in equipment that was functionally equivalent to paperweights, routers, cabling and switches with no servers, a phone system with no phones, a computer system with no work stations, videoconferencing equipment that wasn't even eligible for E-Rate funding.

When our investigation was completed, the details of which Mr. Cothran, more than I, is best equipped to discuss, the evidence confirmed that E-Rate applications for San Francisco schools had been fraudulently conceived and executed in almost every respect. Moreover, the investigation demonstrated that these practices were not confined to San Francisco.

We discovered fraudulent applications in several other school districts, frequently involving the same co-conspirators. On May 16, 2002, I filed a false claim action under seal on behalf of our school district and the people of the State of California. In filing the case as what we call a Qui Tam action, the San Francisco Unified School District became the whistleblower on a nationwide scam, and we turned the results of our investigation over to the U.S. Department of Justice with whom we have continued to work.

Under terms of a partial settlement announced in our case several weeks ago, NEC Business Network Solutions paid a total of nearly $16 million in cash and services to the Federal Government to settle the lawsuit's civil claims. As a Qui Tam whistleblower in the case, the San Francisco Unified School District will receive nearly $3.4 million.

NEC BNS also pled guilty to felony counts of wire fraud and conspiring to violate Federal anti-trust laws and paid a criminal fine to the feds of $4.6 million.

Clearly, the settlement represents an excellent outcome for the San Francisco public schools, but it also is an important vindication for a brave and controversial decision by our school superintendent, Arlene Ackerman, to refuse suspect funding from the E-Rate program in the first place. Moreover, it is testimony to the outstanding work of U.S. Attorney Kevin Ryan of San Francisco, my predecessor, SFUSD General Counsel Louise Renne, and to the investigators and attorneys in my office, particularly George Cothran whose many months of living, breathing and sleeping the details of this highly complex case paid off so impressively.

We are, of course, delighted and proud to see justice done in a manner that realizes such significant benefits for San Francisco's school children. We are no less proud to be here today to offer our assistance to this subcommittee and to this Congress to assure that no other school district in this country, not one more school kid in America, suffers for the waste, fraud and abuse of the E-Rate program.

Mr. Chairman and distinguished members of the subcommittee, in concluding my formal statement I thank you for the opportunity to appear before you today, and while I am glad to answer any questions you may have, I will confess that I would likely defer to our own investigator, the expert on this matter, George Cothran, from whom you will hear next.

[The prepared testimony of Dennis Herrera follows:]

PREPARED STATEMENT OF DENNIS HERRERA, CITY ATTORNEY OF SAN FRANCISCO

Chairman Greenwood, distinguished Members of the Subcommittee: I thank you for the opportunity to appear before you today to discuss San Francisco's experience with efforts to defraud the federal E-Rate Program.

I'm also honored to join San Francisco Unified School District General Counsel Louise Renne in testifying today. As my immediate predecessor as San Francisco City Attorney, Louise first ordered the investigation that was so capably undertaken and thoroughly investigated by George Cothran of my office, with whom I'm also honored to appear today.

When I took office in January 2002, our office's investigation into E-Rate fraud had been underway for more than eight months. As much or more than any of the cases I inherited or have undertaken since, the E-Rate case represented exactly the kind of public policy priority I had talked about extensively in my campaign for City Attorney.

In establishing a permanent Public Integrity Unit in my office, I sought to take as aggressive a stand as possible against those who would seek to defraud our City. Because as I'm sure this subcommittee is well aware, the harm government suffers when it is defrauded cannot be quantified in mere dollar amounts.

Schemes such as these aren't just greedy.

- They're a corrosive influence on the integrity of our public institutions.
- They're an assault on our citizens' faith in their government to do the right thing.
- And they're an insult to the honest businesses and contractors who play by the rules—and yet LOSE government contracts to competitors who cheat.

The E-Rate scheme we unmasked in San Francisco represented all of that—plus one aggravating circumstance for which it deserves an especially prominent place in the Government Rip-off Hall of Shame: it targeted funds intended to benefit the poorest, most vulnerable schoolchildren in America.

For disadvantaged kids in San Francisco—growing up in Silicon Valley's backyard, in a city that is ITSELF a high-tech capital—the abuse of a program to help them bridge the "Digital Divide" represents an all too real theft of future job opportunities and economic advancement.

Indeed, had San Francisco NOT blown the whistle on the fraud we uncovered, vendors associated in the scheme in our school system stood to receive a total of nearly $60 million. And for all that money, according to their funding applications, San Francisco schools would have been left with an incomplete computer network that was, by itself, inoperable.

Schools throughout our school district would have been saddled with millions of dollars in equipment that was functionally equivalent to paperweights.

- Routers, cabling and switches with no servers
- A phone system with no phones
- A computer system with no workstations
- Video-conferencing equipment that wasn't even eligible for E-Rate funding

When our investigation was completed—the details of which Mr. Cothran more than I is best equipped to discuss—the evidence confirmed that E-Rate applications for San Francisco schools had been fraudulently conceived and executed in almost every respect. Moreover, the investigation demonstrated that these practices were not confined to San Francisco. We discovered fraudulent applications in several other school districts, frequently involving the same co-conspirators.

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Under terms of a partial settlement announced in our own case several weeks ago, NEC Business Network Solutions, a subsidiary of NEC Corporation, paid a total of nearly $16 million in cash and services to the federal government to settle the lawsuit's civil claims. As the "qui tam" whistleblower in the case, the San Francisco School District will receive 21 percent—or nearly $3.4 million. NEC/BNS also pled guilty to felony counts of wire fraud and conspiring to violate federal antitrust laws, and paid a criminal fine to the feds of $4.6 million.

Clearly, the settlement represents an excellent outcome for San Francisco public schools. But it was also an important vindication for a brave and controversial decision by our School Superintendent, Arlene Ackerman, to refuse suspect funding from the E-Rate program in the first place.

Moreover, it is testimony to the outstanding work of U.S. Attorney Kevin Ryan of San Francisco, SFUSD General Counsel Louise Renne and to the investigators and attorneys of my office—particularly George Cothran, whose many months of living, breathing and sleeping the details of this highly complex case paid off so impressively.

We are, of course, delighted and proud to see justice done in a manner that realizes such significant benefits for San Francisco's schoolchildren. But we are no less proud to be here today to offer our assistance to this subcommittee and to this Congress to assure that no other school district in this country—not one more school kid in America—suffers for the waste, fraud and abuse of the E-Rate program.

Mr. Chairman and distinguished Members of the Subcommittee, in concluding my formal statement I would like to thank you again for the opportunity to appear before you today.

While I'm glad to answer any questions you may have at this time, I will confess that I would likely defer to my OWN investigator on the subject, George Cothran, from whom you'll hear next.

Mr. WALDEN. Thank you. Thank you for your testimony, and we appreciate the work of your office.

Mr. Cothran, thank you for being here today. We look forward to your testimony. Please begin.

TESTIMONY OF GEORGE M. COTHRAN

Mr. COTHRAN. Thank you, Chairman. One of the major findings of the City Attorney investigation into the attempted E-Rate fraud in San Francisco in 1999 and 2000 was that every action taken by defendants in our Qui Tam lawsuit was geared toward one narrow goal, to put money in their pockets. We found no evidence that defendants once considered the needs of the school district or its student bodies as they went about corrupting a government bid process and submitting fraudulently inflated E-Rate funding applications in January of 2000, seeking to defraud the E-Rate program of approximately $53 million.

Thank you for the opportunity to allow me to walk you through conclusions the city attorney's office reached based on the evidence that was available to us.

The fraud scheme had its roots in the district declining to do business with one of our defendants, Inter-Tel Technologies. In 1999 an Inter-Tel representative was rebuffed by the school district as he tried to make a sale of his employer's products.

Instead of taking this refusal as the thoughtful and perhaps correct decision by a government agency, the Inter-Tel representative sought business through the back door. The sales representative contacted Desmond McQuoid, a friend he knew from having lived in the same town as McQuoid some years earlier, though McQuoid had no authority to purchase said equipment. He was merely a custodial supervisor.

To flesh out his product pitch, the Inter-Tel representative then involved two employees from Video Networks Communications, Incorporated, a small New Hampshire firm that manufactured videoconferencing equipment. From this point on, the Inter-Tel proposal included VNCI videoconferencing equipment.

At the time, Inter-Tel had an agreement with VNCI that called for the company to bundle VNCI equipment into its E-Rate bids and to pay VNCI a so-called marketing fee for identifying E-Rate opportunities, all despite the fact that VNCI's equipment was not eligible for E-Rate funding at the time.

Once VNCI was involved, this fraud scheme began, and it only grew larger and more ambitious as time passed. VNCI employees, Judy Green and George Marchelos, hijacked the San Francisco procurement process, taking over all of the roles, responsibilities and obligations of the school district.

At the same time, Green and Marchelos invited another VNCI E-Rate bidding partner, NEC Business Network Solutions, into the process. VNCI had the same agreement with NEC that it had with Inter-Tel, and as Inter-Tel was bundling VNCI equipment in San Francisco, NEC was bundling VNCI equipment into E-Rate bids in several school districts' E-Rate proposals nationwide.

Once Green and Marchelos had control of the San Francisco bid process, they were in a position to make decisions properly left to the district in order to benefit themselves, their employer, their employer's business partners, and other co-conspirators as it pleased them.

VNCI, through Green and Marchelos, provided a request for proposal to McQuoid which called for phone switch bidders to include videoconferencing equipment in their responses. Green and Marchelos assumed a degree of control over who participated in the bid, inviting VNCI partners and associates from past E-Rate bids. At the same time, McQuoid declined to advertise the bid publicly, as called for in California law.

Marchelos ran the January 3, 2000, pre-bid meeting, according to witnesses, where he distributed the VNCI RFP. According to witnesses, he told meeting participants he was acting as a consultant to the school district, which was not true. He did not identify his affiliation with VNCI, even though many of his co-conspirators in the room most likely knew where his interests lay.

Green and Marchelos ran a January 14, 2000, bid opening meeting where they selected winners and declared noncompliant the one bid that stood in the way of VNCI business partner, NEC, and Sprig Electric, a Green invitee into the San Francisco bid she and VNCI had done business with in past E-Rate bid situations.

The losing firm, Pacific Bell Network Integration, had been invited to bid by McQuoid as a precautionary measure. Pacific Bell was conducting extensive work under contract with the district at various locations, including many affected by the VNCI RFP.

PBNI won McQuoid's agreement to bid off specification from the VNCI RFP, because Pac Bell believed the RFP was far too expensive and needlessly complex. Pac Bell offered modest, affordable bids on data and cabling. The Pac Bell proposal was many millions of dollars less than the competing bid on data by NEC and the competing Sprig Electric cabling bid.

Regardless, Green and Marchelos ruled the Pac Bell bid noncompliant with the VNCI RFP, paving the way for NEC and Sprig Electric to receive E-Rate monies. In the process, they dramatically increased the cost to the E-Rate program of the project. At the same meeting Inter-Tel's bid was approved by Green and Marchelos.

The City Attorney investigation included NEC, which was concurrently bidding PBX proposals nationwide, and any of VNCI's ineligible equipment did not make the PBX bid in San Francisco. We suspect this was by arrangement between the two firms, Inter-Tell

and NEC, and VNCI, and we are confident our ongoing litigation and investigation will confirm the suspicion.

Consequently, Inter-Tel was the only PBX bidder in San Francisco. In approving Inter-Tel's $20.6 million bid, Green and Marchelos were awarding a contract on a bid that included more than $15 million of VNCI equipment and which would presumably result in sales commissions to the two VNCI employees.

Nearly all parties in the January 14, 2000, meeting had knowledge of VNCI's conflict of interest or they had ample reason to suspect that Green and Marchelos were improperly ruling on bids.

Immediately following the bid opening meeting, Green and Marchelos began engineering a process by which NEC assumed control over two aspects of the project where the company had apparently lost the bid. The two VNCI employees, with McQuoid's help, relegated Sprig Electric, which had won the cabling bid, and U.S. Machinery, a local area firm that had won the server bid, to subcontractor status and replaced them on the E-Rate funding application or Form 471 with NEC.

The City Attorney's office suspects VNCI performed this act in order to ensure that E-Rate monies flowed to a firm that was bound by agreement to pay a VNCI marketing fee based on its E-Rate income.

At this point Green and Marchelos, NEC and Inter-Tel, without including McQuoid in this instance, engaged in their most ambitious attempt at fraud. The parties took the already inflated rigged bid prices and increased them by more than $50 million when filling out two false and fraudulent Form 471 application forms.

The Sprig Electric bid on cabling went from $13.6 million to $39.7 million, once in the hands of NEC. The U.S. Machinery bid on servers went from $9.2 million to $32.9 million, once it was in the hands of NEC.

The NEC bid on switchers and routers went from $19.7 million to $32.9 million, and the Inter-Tel bid on the PBX, which included the ineligible VNCI equipment, went from $20.6 million to $29.4 million.

After factoring in E-Rate discount rates, the two applications for funding requested a little over $100 million. The results of the rigged bid totaled about $52 million. Consequently, the two Form 471s contained a fraud attempt of at least $53 million.

Moreover, one of the two applications would have included 18 schools not involved in the rigged bid process. This application, as far as we could tell, was not premised on any bid process whatsoever, and the dollar figures included on it were most likely picked out of thin air.

Once McQuoid learned of the two inflated applications, he had a decision to make: Call off the deal and blow the whistle or go along for the ride. He chose the latter, and in the process won NEC BNS's agreement to use some of the excess E-Rate award to purchase computer work stations that were not eligible for E-Rate funds.

After the two fraudulent applications were submitted and E-Rate administrators at the Universal Service Administrative Company began their review, Green, Marchelos, McQuoid and representatives of NEC conspired to submit false and forged documentation

to the E-Rate program to conceal their wrongdoing and to facilitate the award of funds they were not properly due. Let me just give you the highlights.

An altered copy of the RFP was provided to USAC omitting references to the videoconferencing equipment. Names were forged on a list of attendees at the pre-bid meeting on January 3 in order to conceal the rigged nature of the process.

A document bearing NEC's logo purporting to show the size of seven sample schools in the school district justifying cabling costs was exaggerated in size by nearly 50 acres and more than 70 rooms and, most damaging, a counterfeit copy of the San Francisco Unified School District budget was submitted with a fraudulent line item purporting to show that the district had more than $40 million in E-Rate matching funds, when in reality the district had no such funds available.

In closing, I would like to point out that this last misrepresentation made to the E-Rate program was perhaps the most egregious. In responding to written questions, a USAC employee informed the City Attorney's office that, had the E-Rate program Administrator known the school district had no available matching funds, USAC would have denied the entire funding request.

Thank you for the opportunity to testify today, and I look forward to any questions you might have.

[The prepared testimony of George M. Cothran follows:]

PREPARED STATEMENT OF GEORGE M. COTHRAN, INVESTIGATOR, CITY ATTORNEY'S OFFICE, CITY AND COUNTY OF SAN FRANCISCO

Beginning in the fall of 1999 and extending into fall of 2000, San Francisco Unified School District (SFUSD) served as the staging ground for an attempted defrauding of the E-Rate program. The fraud scheme was expansive in its ambition.

Involved parties included 1) Desmond McQuoid, a SFUSD custodial supervisor; 2) NEC Business Network Solutions (NEC BNS), a United States affiliate of the multinational corporation, NEC Corp. of Tokyo, Japan; 3) Inter-Tel Technologies, Inc., a publicly-traded telecommunications firm; 4) Video Network Communications, Inc. (VNCI), a publicly traded manufacturer of video-conferencing equipment; 5) US Machinery, a San Francisco Bay Area computer re-seller; and 6) Sprig Electric, a San Francisco Bay Area electrical contractor.

City Attorney Dennis J. Herrera on behalf of the People of California, and the San Francisco Unified School District, as whistleblower under the provisions of the False Claims Act, sued the above parties on May 16, 2002 for their misdeeds in San Francisco and elsewhere in the United States where our investigation uncovered evidence of their likely involvement in similar wrongdoing.

In San Francisco, the parties had varying degrees of culpability. The main wrongdoers were McQuoid, NEC BNS, VNCI, and Inter-Tel Technologies.

VNCI was the ringleader.

Through two grossly inflated and fraudulent SFUSD E-Rate funding applications, NEC BNS, Inter-Tel, and VNCI sought to defraud the E-Rate program out of $60,387,081.56.

To accomplish this defendants

- hijacked and rigged a government procurement and competitive bid process, suppressing competition and making the resulting E-Rate proposal vastly more expensive;
- concealed the presence of equipment ineligible for E-Rate funding in the bids and the funding applications;
- filed fraudulent and inflated funding applications to the E-Rate program;
- conspired to use the fraudulently obtained E-Rate funds for ineligible and improper purposes including the payment of a so-called marketing fee to VNCI which the City Attorney's Office contends is little more than a kickback; and
- submitted false and fraudulent documentation to the E-Rate program in order to conceal their wrongdoing and facilitate the award of E-Rate monies not properly due to them.

THE RIGGED BID:

Though VNCI had a financial interest in the outcome of the bid, two VNCI employees, Judy Green and George Marchelos, controlled nearly every aspect of the San Francisco bid process, from provision of design specifications to the selection of winning bidders and the disqualification of a firm not involved in the conspiracy.

a) VNCI, through Green and Marchelos, authored and provided a Request for Proposal (RFP), the equipment specifications mandating the type and amount of equipment bidding firms were required to include in their responses—a job that should have been left to SFUSD.

The VNCI RFP required firms bidding on the Private Branch Exchange (PBX), or phone switch, to include a video-conferencing solution, thus tailoring the project, and the bid responses, in the direction of equipment VNCI manufactured.

The VNCI RFP required a video-conferencing solution even though VNCI and its co-conspirators knew or should have known that video-conferencing equipment was not eligible for E-Rate funding at the time.

Inter-Tel, which had an agreement with VNCI whereby it provided VNCI equipment as part of its E-Rate bids, introduced Marchelos and Green to McQuoid and the SFUSD E-Rate opportunity during the fall of 1999.

From the onset, Inter-Tel included ineligible VNCI equipment as part of the company's proposal.

And as VNCI, through Marchelos and Green, increasingly took control of the bid process, Inter-Tel representatives did nothing to interrupt that control even though they were aware of VNCI's conflict of interest and stood to profit financially from it.

By the time of the San Francisco bid, Inter-Tel's relationship with VNCI was entering its second year. Evidence suggests Inter-Tel had made E-Rate bids including VNCI equipment in other school districts the year prior to the San Francisco bid.

By late 1999 and early 2000, when the San Francisco bid was corrupted, VNCI had business agreements with both Inter-Tel and NEC BNS whereby the two firms included VNCI video-conferencing equipment in their E-Rate bids.

In the case of the San Francisco E-Rate bid, VNCI was planning on selling its equipment to Inter-Tel in order for Inter-Tel to comply with the PBX specifications of the VNCI RFP.

But at the same time, VNCI was bundling its ineligible equipment in NEC BNS's E-Rate bids in approximately 10 school districts across the United States.

Evidence demonstrates that when Inter-Tel submitted its San Francisco E-Rate bid on January 14, 2000, nearly three-quarters of the equipment was manufactured by VNCI.

Consequently, when VNCI representatives Green and Marchelos manipulated the bid process in favor of the NEC BNS and Inter-Tel bids, they were doing so, for the most part, to benefit their employer, VNCI.

On January 3, 2000, Marchelos ran a pre-bid meeting where he distributed and explained the VNCI RFP.

Marchelos introduced himself to the participants of the meeting as a consultant to the school district, though this was not true. Moreover, witnesses said, he did not reveal that he was employed by VNCI.

Regardless, evidence suggests that employees or representatives of Inter-Tel, NEC BNS, and Sprig Electric present at the January 3, 2000 meeting most likely knew some or all of the following facts: Marchelos's VNCI affiliation, VNCI's role as author of the RFP, the RFP's requirement for a video-conferencing solution, the ineligibility of video-conferencing equipment for E-Rate funding, and VNCI's role as certain or most likely supplier of the video-conferencing equipment to the winning PBX bidder.

All three firms were at the time or had been in the recent past involved in E-Rate bid opportunities elsewhere where Marchelos and Green represented VNCI's interests, sometimes influencing school district decisions at the same time as they were doing in San Francisco.

b) VNCI, through Marchelos and Green, and McQuoid took steps to control who responded to the San Francisco E-Rate bid opportunity. Green and Marchelos invited bidders they had past or current business arrangements with—NEC and Sprig Electric (Inter-Tel did not need to be invited as they alerted VNCI to the opportunity in San Francisco).

Desmond McQuoid failed to advertise the existence of the bid in a local newspaper, as required by California law. At the same time he invited US Machinery with whom he was engaged in a separate criminal fraud conspiracy that would eventually net him a federal prison sentence.

The City Attorney's Office suspects that McQuoid did so at the suggestion or direction of Green and Marchelos and is confident that this suspicion will be confirmed as true through the course of our ongoing litigation and investigation.

c) The bidders, for the most part, did not compete against each other. Sprig Electric bid on cabling, and no other aspect of the RFP. US Machinery bid on servers, and no other aspect of the RFP. NEC bid on servers and switches and routers, and no other aspect of the RFP. And Inter-Tel bid on the private branch exchange (PBX), and no other aspect of the RFP.

The City Attorney's Office suspects that this failure to compete was by agreement between the parties and is confident it will be shown to have been so arranged during the course of litigation and further investigation.

One firm, Pacific Bell Network Integration (PBNI), was invited by McQuoid at the last minute, the day the RFP was distributed to bidders. The City Attorney's Office investigation concluded that PBNI was invited only because McQuoid had been warned by other school district employees that the work prefigured in the VNCI RFP conflicted with contracts PBNI had with SFUSD. The City Attorney's Office concluded that PBNI was not part of the E-Rate fraud conspiracy in San Francisco.

d) VNCI, through Green and Marchelos, ran the meeting where bids were received and ruled on. Green and Marchelos awarded contracts to firms with whom VNCI had ongoing business relationships and disqualified PBNI, which was in competition with VNCI business partner NEC BNS and Sprig Electric, a Green invitee into the process.

On January 14, 2000, at approximately 3 p.m. in the afternoon, bidders convened in McQuoid's office at 834 Toland St., San Francisco, Calif., the headquarters of the buildings and grounds division of SFUSD.

Bids were turned in and Marchelos and Green ruled on and announced the winners, according to individuals present at the meeting.

The City Attorney investigation concluded that most of the participants in the meeting, with the exception of U.S. Machinery and PBNI, knew Green and Marchelos were VNCI employees, that VNCI had a conflict of interest and that their decision-making role over the bids was improper.

The Inter-Tel representatives certainly knew VNCI had a conflict of interest; nearly three-quarters of the bid they were submitting consisted of VNCI equipment.

NEC BNS representatives knew Green and Marchelos were with VNCI, and they knew VNCI had a conflict of interest as it related to their bid as well. They had worked with Green and Marchelos to include VNCI equipment in approximately 10 NEC BNS E-Rate bids nationwide during the same funding cycle prior to involving themselves in the San Francisco bid.

Findings of the City Attorney Office investigation suggests Sprig Electric also was aware of the VNCI conflict of interest and the office is confident that its ongoing litigation and investigation will demonstrate conclusively that Sprig Electric was aware of VNCI's conflict of interest and Green and Marchelos' improper control over the bid process.

The City Attorney investigation concluded that Green and Marchelos assumed a key role not only in declaring winning bids for their co-conspirators, but also in declaring PBNI's bid on data (switches and routers) and cabling non-compliant with the VNCI RFP and disqualifying it.

PBNI sales representative Jim Pillsbury later informed the City Attorney's Office during its investigation that he believed the VNCI RFP to be overblown, far too expensive, and much more elaborate than what the district needed.

He felt confident that he knew what the district needed and required in terms of information technology because PBNI was already under contract with the school district, laying cable at 30 schools and providing other telecommunications and information technology services. In fact, around the time of the bids, PBNI had been laying cabling in many of the schools covered by the VNCI RFP.

Pillsbury said he had engaged in discussions with McQuoid about what kind of technology solutions made the most sense for the district, and he felt he had received McQuoid's consent to produce a bid response that did not exactly conform to the VNCI RFP, but which, he believed, was more reasonable, dramatically less expensive, and would work just as well.

Pillsbury recalls that at the January 3, 2000 meeting where Marchelos distributed the VNCI RFP, McQuoid informed the gathering that the data communications (switches and routers) solution called for in the VNCI RFP—Asynchronous Transfer Mode (ATM)—was not necessarily his preferred solution and that he would also entertain other types of data solutions.

Likewise, Pillsbury believed that since PBNI was laying cable at 30 schools for the district he knew enough about the district's cabling needs to depart from the

VNCI RFP cabling specifications. Again the PBNI proposal for cabling was less expensive and less grandiose than that called for in the VNCI RFP.

The VNCI RFP called for 30 cable lines into each classroom. The cable jobs PBNI was working on for the district at the time included 5 to 7 lines into each classroom. Pillsbury believed this more modest, less expensive cabling scheme was what was best for the district, especially considering that most of the schools covered by the VNCI RFP were elementary schools and less computer intensive.

Pillsbury instructed his team to prepare a bid that departed from the VNCI RFP in these two ways: Instead of the more expensive ATM data solution, PBNI proposed a less expensive alternative; PBNI also offered a less expensive and more modest cabling scheme.

But according to meeting participants, both Marchelos and Green intervened and declared the PBNI bids on cabling and data, or switches and routers, non-complaint, thus paving the way for VNCI business partner NEC BNS to win the data bid and Sprig Electric, which had been invited into the procurement process by Green, to win the cabling portion.

Marchelos and Green orchestrated this result even though it produced a much more costly solution and would have eaten up many millions more E-Rate dollars.

PBNI offered a range of data bids costing between $1.2 million and $7.5 million. After Green and Marchelos eliminated PBNI, they awarded the work to NEC BNS at a cost of $19.7 million.

PBNI submitted a $6.7 million cabling bid. After Green and Marchelos eliminated the PBNI bid, they awarded the work to Sprig Electric for $13.6 million.

In its guilty plea on May 27, 2004, NEC BNS provided a version of events at the bid open meeting that supports City Attorney investigative findings regarding Judy Green's and George Marchelos' roles in selecting winning bidders.

THE CONCEALMENT OF VNCI EQUIPMENT IN THE INTER-TEL BID:

Despite the ineligibility of its equipment for E-Rate funding, VNCI had bundled $15,312,435.60 of its equipment into Inter-Tel's $20,633,732.60 bid, according to Inter-Tel documents.

When the Form 471 application was prepared by VNCI, Inter-Tel and NEC BNS representatives, Inter-Tel's funding request was characterized as being merely for a PBX, a phone switch, which was eligible for E-Rate funding. The PBX parts list that accompanied the Form 471 was crafted in such a way as to conceal the fact that nearly three quarters of the dollar amount of the request was ineligible for E-Rate funding in Year 3 of the program (FY 2000-01) [1]

Based on the findings of its investigation, The City Attorney's Office suspects Green and Marchelos and representatives from Inter-Tel of conspiring to falsify these PBX parts lists and conceal the true nature of the equipment so it could defraud the E-Rate program into funding ineligible equipment. The City Attorney's Office is confident its ongoing litigation and investigation will confirm this suspicion.

The City Attorney's Office further believes that VNCI, NEC BNS and Inter-Tel similarly falsified PBX parts lists and E-Rate applications nationwide in fiscal year 2000-01 to conceal VNCI equipment.

Evidence further suggests that as part of other school district E-Rate applications, NEC BNS, Inter-Tel and VNCI provided false and misleading answers to the E-Rate program administrators when asked specifically about the function of the fraudulently-described VNCI equipment.

When it plead guilty on May 27, 2004, information provided by NEC BNS supported City Attorney findings indicating that Inter-Tel and VNCI conspired to falsely describe PBX parts to conceal the ineligible VNCI equipment in the San Francisco E-Rate application.

THE FRAUDULENT INFLATION OF THE SFUSD APPLICATIONS:

As a result of its investigation, the City Attorney's Office concluded that the rigged bid process orchestrated by the defendants in San Francisco produced costs much higher than would have grown out of a legal, competitive bid.

The rejection of the PBNI bid is one example of how the defendants' corrupt process spiked prices.

Another example lies in the NEC BNS design of the Local Area Networks it planned to implement in SFUSD, which called for servers and switches in every classroom, a magnitude of equipment deployment that was entirely unnecessary and constitutes "gold plating." (As a point of interest, this same "gold plating" technique

[1] Video-conferencing equipment became eligible for E-Rate funding in Year 4 of the program (FY 2001-02).

of placing servers and switches in every classroom was proposed nationwide by NEC BNS in fiscal year 2000-01.)

If the San Francisco bid had been open and competitive, it is unlikely a firm would have submitted a bid calling for servers and switches in every classroom, and inconceivable that any such bid would have been selected in a truly competitive process. The conspirators' gold-plated proposal thus greatly inflated the cost of the proposed project.

While the rigged bids were fraudulently inflated, a more dramatic financial fraud attempt occurred when NEC, Inter-Tel and VNCI conspired to submit two grossly inflated Form 471 applications in January 2000.

One of these applications for funding was premised on no bid process whatsoever.

These three parties, with the acquiescence and later acceptance of McQuoid, took the total of the rigged bid prices—$63,383,768.66—and inflated that total project cost to $135,142,258.70 when they submitted Form 471 202712 and Form 471 202719 to the Universal Service Administrative Company (USAC) in mid-January 2000.

After factoring in discount rates, Form 471 202719 asked for $75,020,586.05 in E-Rate funds and Form 471 202712 asked for $37,975,023.45 in E-Rate funds for a total E-Rate funding request of $112,995,609.50.

Had McQuoid, VNCI, Inter-Tel and NEC BNS used the results of the rigged bid process they would have requested $52,608,527.94 in E-Rate money, itself a fraudulent request in that it grew out of a rigged bid process.

But the second layer of fraud—the inflation of the Form 471s—was more ambitious by far. It amounted to $60,387,081.56 ($112,995,609.50—$52,608,527.94).

But even $52,608,527.94 would have been dramatically more than what was reasonable and ethical.

In 2000, SFUSD had a wide area network affording nearly every classroom and office a phone system, access to the Internet and all the other benefits of a modern information technology and telecommunications system including computers for students. It could be argued that the entire VNCI RFP project was not needed nor wanted by SFUSD. The individuals the City Attorney's Office spoke to in the SFUSD Information Technology and Telecommunications division—the proper avenue for E-Rate applications—certainly voiced this point of view.

When inflating project costs on the Form 471s, NEC BNS and VNCI abandoned the results of the rigged bid process and created a new, even less competitive, and even more costly scheme, relegating Sprig Electric and US Machinery to subcontractor status and elevating NEC to prime contractor over the server and cabling portions of the project, areas in which they had lost the bid to Sprig Electric and US Machinery.

The City Attorney's Office believes this was done in order to ensure that E-Rate money flowed to firms with which VNCI had formal business ties.

NEC BNS and Inter-Tel had agreements with VNCI whereby NEC BNS and Inter-Tel shared with VNCI a percentage of profit from successful E-Rate deals identified and brought to the attention of NEC and Inter-Tel by VNCI. The agreement also called for NEC BNS and Inter-Tel to bundle VNCI video-conferencing equipment into its E-Rate bids.

The more E-Rate money VNCI steered toward NEC BNS and Inter-Tel, the more money these firms would presumably pay VNCI under their arrangements.

The City Attorney's Office has long believed this "marketing fee" paid to VNCI constitutes little more than a kickback. These fees were paid to VNCI not only for identifying and bringing E-Rate funding opportunities to the attention of NEC BNS and Inter-Tel, but also to compensate VNCI for illegal activity, such as rigging bids and inflating costs.

Though Sprig Electric had produced the lowest responsive bid on the cabling portion of the RFP, and though US Machinery produced the lowest responsive bid on the servers portion of the RFP, McQuoid, NEC BNS and VNCI employees Green and Marchelos orchestrated a process by which US Machinery and Sprig were replaced by NEC BNS when it came time to fill out the Form 471 E-Rate funding application.

According to the City Attorney investigation, Judy Green informed a Sprig Electric consultant at the January 14, 2000 bid opening meeting that NEC would most likely be the prime contractor for the cabling portion, despite the fact that NEC had issued a more expensive bid on that section of the RFP. Later, Marchelos convinced a Sprig Electric official to sign a letter agreeing to become a subcontractor to NEC BNS for the cabling portion of the project.

Representatives of US Machinery told the City Attorney's Office that Desmond McQuoid called them shortly after the January 14, 2000 bid opening meeting and presented them with a choice. Either fill out the application for E-Rate funding by

the following Monday or Tuesday (January 14, 2000 was a Friday) or accept subcontractor status to NEC for the server portion of the project. Since US Machinery did not have the means nor the expertise to fill out an E-Rate funding application, they relented to NEC as prime contractor.

The City Attorney's Office suspects that McQuoid performed this act at the direction of Green, Marchelos, and representatives of NEC BNS and is confident this suspicion will be confirmed through the course of litigation and further investigation.

US Machinery did not strike a subcontracting agreement with NEC BNS until August 2000. Representatives of US Machinery informed the City Attorney's Office during the course of its investigation that the firm felt as if NEC BNS was ignoring US Machinery's frequent requests to formalize their subcontractor role. They said it took many calls to NEC BNS and McQuoid, in addition to hiring a business manager to concentrate his efforts on obtaining the agreement, for the effort to be realized.

It is unclear if Sprig Electric ever signed an actual subcontract with NEC BNS.

What is known is that a NEC BNS representative asked a Sprig Electric manager to sign a document swearing that Sprig Electric had assessed the capacity of the SFUSD electrical system and its ability to accommodate the additional information technology equipment the E-Rate applications was requesting—even though Sprig had conducted no such analysis. When the Sprig manager declined to do so, he said he never heard again from NEC BNS on any issue related to the E-Rate project.

Despite the fact that on January 14, 2000 when the bids were opened and VNCI, through Marchelos and Green, picked the winners, including Sprig Electric and US Machinery, and despite the fact that US Machinery did not strike an agreement to subcontract for NEC until August and Sprig may never have signed any such agreement, NEC BNS prepared and signed a purchase agreement with SFUSD on January 14, 2000 which included portions of the bid won by US Machinery and Sprig Electric.

A signature purporting to be that of Thomas J. Burger, the then-president and CEO of NEC BNS, is on the signature line of the purchase agreement for NEC BNS. The City Attorney's Office has no way of commenting on the authenticity of this signature.

A signature purporting to be that of Desmond McQuoid is on the signature line for SFUSD, even though he had no such authority. This signature is a forgery.

The City Attorney's Office suspects that either Green or Marchelos or a NEC BNS representative committed this forgery.

In pleading guilty to federal criminal charges on May 27, 2004, NEC BNS provided information that supports the City Attorney's conclusion that Green and Marchelos were the prime movers behind the decision to relegate Sprig Electric and US Machinery to subcontractor status in order to benefit VNCI business partner NEC BNS.

Placing NEC BNS into the prime contractor role, and therefore placing NEC BNS on the E-Rate funding application as it pertained to cabling and servers, meant more E-Rate money would potentially flow to NEC BNS and presumably meant more money would flow to VNCI through their "marketing fee" arrangement with NEC BNS.

After rigging the bid process and allocating contracts as they saw fit, regardless of price or merit, representatives of NEC BNS and Inter-Tel, and Green and Marchelos, on behalf of VNCI, placed NEC and Inter-Tel's E-Rate identifier number (called a spin number) on two Form 471 applications (numbers 202712 and 202719) requesting a total of $112,995,609.50.

Form 471 202712 included an additional 18 schools not included in the bid process governed by the VNCI RFP. This Form 471 was premised on no bid process whatsoever. The prices on this Form 471 were most likely plucked out of thin air. Only NEC BNS and Inter-Tel's spin numbers were included. This entire application was denied by the Universal Service Administrative Company due to the use of an improper discount rate.

The City Attorney investigation found that McQuoid, Sprig Electric and US Machinery were most likely unaware of the fraudulent inflated nature of Form 471 202719 or even the existence of Form 471 202712 until after they were submitted. The evidence supports a conclusion that VNCI, through Green and Marchelos, and representatives of NEC BNS and Inter-Tel joined together in preparing and submitting these fraudulently inflated applications without consulting with or including anyone from SFUSD, including three of their bid rigging co-conspirators.

When NEC BNS pled guilty to federal criminal charges and settled civil claims with the City Attorney's Office and the SFUSD on May 27, 2004, NEC BNS admitted the following:

On or about January 15-18, 2000 Consultants One and Two[2] *and defendants' employees met to prepare the USAC application Form 471 for the SFUSD and other school districts. The Form 471 is a school district's application for E-Rate funding. It is supposed to set out the selected vendors' bid amounts, memorialized in contracts, for the equipment and services called for by the district's Request for Proposal. Consultant One told the defendant's employees the total prices she wanted to submit to USAC on the Form 471s and then directed them to prepare false spreadsheets justifying those prices. With NEC/BNS's assistance Consultant One prepared the SFUSD Form 471 with inflated prices. On or about January 19, 2000, Consultant Two delivered the SFUSD Form 471 to USAC . . . In addition, Consultants One and Two worked with others to falsely describe the actual equipment to be supplied to SFUSD, including VX Company equipment, which is not eligible for funding under the E-Rate program, in order to have E-Rate pay for that equipment."*

During the course of its investigation, the City Attorney's Office discovered that the business relationship between VNCI and Inter-Tel and VNCI and NEC BNS reached across the United States.

The City Attorney investigation found that at the same time VNCI and its co-conspirators were rigging the San Francisco bid, concealing VNCI equipment in and inflating the San Francisco applications, VNCI and its employees, including Green and Marchelos, were most likely conspiring with NEC BNS and others to rig bids, conceal equipment, and inflate applications in several other school districts, a suspicion supported by NEC BNS when it entered a guilty plea in federal court on May 27, 2004 to anti-trust violations in other states.

In the course of its investigation, the City Attorney's Office had an opportunity to speak to Dorothy Travis Johnson, the principal and chief executive officer of the Ceria M. Travis Academy in Milwaukee, Wisconsin.

She described her experience in dealing with Green and Marchelos and NEC BNS as, "This is a little nightmare to me."

In the course of interviews conducted in the Spring of 2002, Johnson told the City Attorney's Office that in fiscal years 2000-01 and 2001-02, VNCI, through Green and Marchelos, selected winning bidders and filled out and submitted Form 471s that included NEC BNS and VNCI equipment.

In fiscal year 2000-01, the Marchelos and Green application netted $1.2 million for NEC BNS and VNCI.

Johnson said Marchelos took bids submitted to her by local companies back to California and she never saw them again. "George has vendors pre-selected," she said, referring to Marchelos. "Local people gave me bids. George took that but I know he's going to give it to his vendors."

Referring to both Marchelos and Green, Johnson said, "They walked us through this. They did all the numbers. George did the whole application for me."

She said the NEC BNS was one of the main vendors in the fiscal year 2000-01 and fiscal year 2001-02. She told the City Attorney's Office she believed her name was forged on several documents including a purchase agreement with a company providing servers.

The purchase agreement, she said, called for 12 servers to be deployed at her school. Johnson said she showed the purchase agreement to a friend who was knowledgeable about information technology and he informed her that she needed only one server for a school her size.

During the course of its investigation, the City Attorney's Office came to suspect that VNCI was conspiring with Inter-Tel and other firms to rig bids, conceal VNCI equipment, and inflate applications in California (West Fresno School District, Fresno) and Michigan (Highland Park School District, Highland Park) during the same general time period as the other school district frauds.

In August 2003, Duane Maynard, the former chief estimator for the Fresno-based Howe Electric, pled guilty to federal criminal bid rigging charges and in the process pointed toward the involvement of co-conspirators.

Maynard stated in his plea:

On or about February 19, 1999 the defendant, on behalf of his employer, attended a pre-bid meeting at the West Fresno Elementary School District (WFESD), in the Eastern District of California. The pre-bid meeting related to

[2] In the NEC BNS guilty plea, Consultant One and Consultant Two are identified as sales representatives working for a "company that manufactured and installed video-teleconferencing switches," also described in the plea document as "VX Company." In its plea, NEC BNS acknowledged entering into an agreement with this VX Company "under which (NEC BNS) agreed to pay VX Company a fee for all business opportunities VX Company brought to the (NEC BNS)."

a project to provide, among other things, equipment and services related to telecommunications, Internet access, and internal connections to the WFESD ("the WFESD E-Rate Project"). Those present at the pre-bid meeting understood that the project was related to the E-Rate program, in which the Universal Service Administrative Company ("USAC") subsidizes the provision of telecommunications, Internet access, and internal connections to underprivileged schools.

Competitive bidding was required for the WFESD E-Rate Project. Nonetheless, the defendant, together with school district representatives, a consultant, and others representing potential competitors, combined, conspired, and agreed that:

1) The defendants' employer would be the successful bidder and have general responsibility for the WFESD E-Rate Project;

2) No co-conspirator other than the defendant's employer would submit a general bid for the WFESD E-Rate Project;

3) Other co-conspirator companies would be the defendant's employer's subcontractors for the WFESD E-Rate Project; and

4) any bid competing with the defendant's employer's bid would be stricken as nonresponsive.

The defendant, his superiors at his company, and his other co-conspirators did what they agreed to do to carry out the conspiracy. They further acted in concert to provide equipment and services related to the WFESD E-Rate Project and receive from USAC payment therefor.

Documents obtained from USAC by the City Attorney's Office show Inter-Tel subcontracting to Howe as part of Howe's E-Rate contracts during the same time period. The City Attorney's Office suspects Inter-Tel to be one of the co-conspirators Maynard referred to in his guilty plea and is confident its ongoing litigation and investigation will confirm this suspicion and show Inter-Tel to indeed be one of Howe Electric's bid rigging co-conspirators.

Likewise, documents obtained from USAC by the City Attorney's Office show VNCI involved in E-Rate applications out of West Fresno Elementary School District during the same funding years in which Howe Electric was the prime contractor.

Sprig management officials and its consultant Bob Waters informed the City Attorney's Office that the firm was involved in West Fresno E-Rate bids during the same time period.

The City Attorney's Office suspects that both VNCI and Sprig were among the co-conspirators Maynard referred to in his guilty plea and is confident its ongoing litigation and investigation will confirm this suspicion and show that VNCI and Sprig were indeed among Howe Electric's bid rigging co-conspirators in West Fresno.

THE PLAN TO MISUSE E-RATE FUNDS:

In other school districts where Inter-Tel and NEC BNS appear to have acted in concert with VNCI to rig bids, conceal VNCI equipment in bids and inflate applications, evidence suggests the firms agreed to not charge the school districts their portion of the project costs, which usually came to 10 percent of the total cost.

Based on its evidence, the City Attorney's Office believes VNCI, Inter-Tel, and NEC BNS built this cost into their non-competitive bids and later into the inflation of E-Rate applications.

The City Attorney's Office believes the inflated costs associated with the two San Francisco Form 471s were to be used, in part, for this purpose.

Another purpose of the fraudulently inflated project costs in San Francisco would have gone to fund equipment not eligible for E-Rate monies—in addition to the ineligible VNCI video-conferencing equipment.

The City Attorney investigation found that NEC BNS had agreed to spend more than $10 million of the inflated project costs to pay for 2250 computer work stations, which are not eligible for E-Rate funding. When NEC BNS pled guilty and settled civil claims with our office, they admitted as much, and stated that though NEC BNS characterized this $10 million expense as an "in-kind" donation, it had indeed planned on using a portion of its E-Rate award to pay for the workstations.

LYING TO USAC:

On September 22, 2000, USAC issued a Funding Commitment Decision Letter (FCDL) to McQuoid regarding Form 471 202719.

The FCDL announced a total award to Inter-Tel for the PBX of **$14,791,335.38.** Inter-Tel had requested $17,769,776.27 for the PBX.

The request had been reduced to remove some of the VNCI equipment as ineligible though it is not clear from USAC documents if the equipment was deemed ineligible because USAC understood it to be video-conferencing equipment.

NEC BNS was awarded **$18,156,829.** 34 in funding for cabling, the exact amount they had requested.

NEC BNS was awarded **$15,731,613.33** in funding for data equipment (switches and routers). USAC reduced the requested amount of $18,953,751.00 to remove funding for an extended warranty.

NEC BNS was not awarded the $18, 249,395.09 it requested for servers. USAC denied the entire funding request because more than 30 percent of the use of the servers would have been for ineligible purposes. It is not clear from USAC documents what ineligible purposes the servers would have been put to.

Likewise NEC BNS was denied its entire service contract request of $1,898,970.78.

The total E-Rate award to SFUSD as a result of the two fraudulently inflated applications was **$48,679,778.05**

Prior to issuing the award, USAC pursued its normal program integrity review process. In addition, USAC subjected the McQuoid applications to an Item 25 review, a higher level of scrutiny USAC brings to bear on some but not all applications.

In the course of this two-fold review, USAC asked many questions of McQuoid regarding his applications. Moreover, USAC asked for documents to support McQuoid's answers.

Based on the findings of our investigation, the City Attorney's Office concluded that VNCI, through Green and Marchelos, controlled this process as well—with NEC BNS and McQuoid's knowledge and consent.

We discovered a July 27, 2000 letter from McQuoid to VNCI Chief Financial Officer Bob Emery authorizing VNCI to assist SFUSD in the preparation and submittal of School's and Library Division's (SLD) Item 25 review.

"Under the direction of the District, VNCI will be aggregating the information required to complete the Item 25 review. We authorize VNCI to collect, collate and prioritize documentation for our intended contractors to facilitate the completion of the Item 25 review."

Likewise the City Attorney's Office discovered a letter from John Colvin, NEC BNS Director of Sales, Public Sector, to Judy Green, identified as VNCI Regional Manager, authorizing her "to provide documentation on behalf of NEC BNS to facilitate the completion of the Item 25 review."

But it also appears from the evidence that Green and Marchelos, on behalf of VNCI, NEC BNS, and Inter-Tel controlled pre-Item 25 responses to USAC inquiries as well.

We base this conclusion in part on the fact that McQuoid's signature was forged on an initial pre-Item 25 review submittal of information justifying various aspects of the applications.

Evidence suggests that Green and Marchelos, acting on behalf of VNCI, NEC BNS, and Inter-Tel either prepared, helped to prepare, directed the preparation of and transmitted or knew of the preparation of and transmittal of counterfeit, misleading and fraudulent documentation meant to conceal wrongdoing and facilitate the award of E-Rate money not properly due to NEC BNS, Inter-Tel, and VNCI.

Evidence indicates that as part of the Item 25 review, Green, Marchelos, and McQuoid caused to be sent to USAC a list of individuals who purportedly attended the pre-bid meeting on January 3, 2000. Two of the fourteen supposed attendees listed as having signed in and being present were not actually present.

Both names and signatures are clearly in the handwriting of McQuoid. City Attorney interviews with both individuals indicated that neither was present. In one instance, the individual purported on the sign in sheet to have been present at the pre-bid meeting had never been to San Francisco.

A third individual who signed in as having attended the pre-bid meeting and picked up an RFP in order to submit a bid, informed the City Attorney's Office that he was a friend of McQuoid's who was doing some minor alarm repair for McQuoid at the buildings and grounds division when McQuoid asked him to come to the meeting where he was asked by another individual believed to be Marchelos to sign in as having been present as a potential bidder. This individual informed the City Attorney's Office that he had no intention of bidding, had no capacity to do so, and had no real understanding of what transpired in the meeting except that he was asked to sign in as if he were a potential bidder.

During the review process conducted by USAC, documents bearing the NEC logo were transmitted to USAC purporting to show the size of seven of the schools to receive cabling funded by the San Francisco E-Rate proposal.

The size of these schools was grossly exaggerated on these documents, increasing the seven elementary schools by 73 rooms and 58.75 acres. The City Attorney's Office concluded that the reason for the exaggeration was to better justify the excessive request for cabling funds.

In submitting to USAC proof that SFUSD had the ability to pay its approximately $10 million share of the E-Rate project costs, McQuoid conspired with Judy Green and others to submit fraudulently altered budget documents.

The key document, a budget summary page, was altered to show that the school district had $41.5 million available under a line item fraudulently titled "E-Rate District Match."

By the time this falsified document was transmitted to USAC in August 2000, the SFUSD Board of Education had already approved a fiscal year budget for July 1, 2000 to June 30, 2001 and no such line item was included. In fact, in a separate portion of the true budget, SFUSD reduced the available E-Rate match fund from $1.26 million to zero.

Inter-Tel sales representative Jason King informed the City Attorney's Office that he attended a meeting where Judy Green of VNCI, Gerard McNulty of NEC BNS, and he assisted McQuoid in responding to the USAC Item 25 review. During this meeting, Green asked for and received SFUSD budget information and documentation to submit to USAC.

When USAC asked McQuoid to provide a Technology Plan, a requirement of receiving USAC funding, McQuoid simply obtained one from Green which had been written by Green and others as part of a Los Angeles Unified School District planning process. The Green-provided plan had not been subject to any discussion or deliberative process by anyone at SFUSD nor had it been submitted and approved by the SFUSD Board of Education.

As part of the Item 25 review, USAC requested a copy of bid results, the RFP, and other bid-related documents. Spreadsheets prepared by and transmitted to USAC by McQuoid and others, most likely VNCI, through Green and Marchelos, on behalf of NEC BNS and Inter-Tel, contained false information about the bid results. And the copy of the VNCI RFP sent to USAC had the references to the required video conferencing solution omitted in order to conceal the fact that PBX bidders were required to include ineligible equipment in their bids.

Evidence suggests that in justifying the cost of a labor/service agreement with NEC BNS, Green and Marchelos, on behalf of NEC BNS, submitted a document to USAC claiming that the costs were at the proposed rates because San Francisco had "no mass transit" system when in fact it has a robust mass transit system, and some schools were 45 miles apart even though San Francisco is seven miles by seven miles.

McQuoid's signature on this document is clearly forged.

CONCLUSION

The City Attorney's investigation into the E-Rate proposal that was purportedly submitted on behalf of the San Francisco Unified School District demonstrated that the proposal was fraudulent in almost every respect. The proposal resulted from a bid process that was rigged from its inception. The bid process was controlled by parties who had a direct financial stake in its outcome. After the conspirators prevailed in the rigged process, they included a large amount of ineligible equipment in their funding requests. They also grossly inflated the prices used in their funding requests, and made numerous misrepresentations during the funding process.

Fortunately, when Superintendent Arlene Ackerman learned of these proposals, she suspected they were fraudulent. The San Francisco Unified School District therefore did not accept any funding from the E-Rate program as a result of these applications. However, the City Attorney's investigation demonstrated that these same conspirators successfully obtaining E-Rate funding for other school districts, based on similar fraudulent tactics. Investigations into the scope of these improper activities are on-going.

Mr. WALDEN. Thank you, Mr. Cothran, for your testimony and for your diligent efforts to expose this fraud and conspiracy and abuse.

Superintendent Ackerman, again thank you for your diligence in this matter as well. You touched on this during your testimony, but can you please explain for us the types of financial and budget issues and problems that you found when you arrived in San Francisco?

Ms. ACKERMAN. Prior to my arriving in San Francisco, there had been a fiscal audit by the State, called the PCMAT Report, and it makes clear that there were serious oversight and accountability or lack of accountability structures in our fiscal house.

We didn't know how much money we had. There were problems with—We hadn't had proper audits. In addition to that, we had problems getting certified by the State, and then we had problems with credit. So there were a multitude of fiscal problems when I arrived.

There was a blueprint for how we could rectify some of our fiscal problems in this report called the PCMAT report. So I came into the district understanding that there were serious issues and proper oversight procedures in our fiscal house.

Mr. WALDEN. So how obvious was it to you that there wasn't funding there to do the match for the E-Rate program that was being offered?

Ms. ACKERMAN. Well, as Investigator Cothran said, there was no line item represented in our budget for the matching funds. That was one clue. That wasn't the obvious, though, for me initially. I mean that was one of the things. There were probably several.

I was initially alerted, though, when I read the E-Rate application, and I saw the misrepresentation of what I knew to be not factual statements describing our city. That started my first red flag that went up, and then further looking at—Because I was acutely aware of the problems we had in our fiscal house, our department, then I began to look at other issues that were raised as a result of this application.

There were other fraudulent—appearance of other fraudulent contracts also that I was aware of at the time. So I was already on high alert.

Mr. WALDEN. But not in the E-Rate program?

Ms. ACKERMAN. No, not initially. Not initially.

Mr. WALDEN. All right. Thank you. Mr. Cothran, so everyone at the bid rigging—or excuse me—bid meeting on January 14 knew that Marchelos and Judy Green were affiliated with VNCI the equipment vendor except Pacific Bell?

Mr. COTHRAN. That is the conclusion of our investigation. NEC, in our opinion, was definitely aware of their affiliation, because they had been working with them for sometime at that point to make E-Rate bids bundling VNCI equipment in about 10 other school districts.

Inter-Tel, same situation. They were also working—had worked in previous E-Rate funding years and were working in that current funding year, bundling VNCI equipment into bids in other school districts across the country. So when they looked out across the table at Judy Green and George Marchelos, they knew they were VNCI employees, and they knew that they were doing business with their firms.

Sprig Electric, which was present at the meeting in the person of a consultant to the firm—that consultant had worked with Judy Green and George Marchelos as VNCI representatives in other school districts in prior funding years as well.

I believe the only other remaining party at the bid opening meeting during my investigation was Pac Bell, and they did not know,

according to their interviews with me, that Judy Green or George Marchelos were VNCI reps. As a matter of fact, Mr. Marchelos, according to a Pac Bell representative, had identified himself at the earlier January 3 meeting as a San Francisco consultant. I will make the point again that he was not a consultant to the school district. He had no such contract. That was just not true.

Mr. WALDEN. Tab 9, 10, 12 and 86: These appear to indicate that Judy Green's influence of the bid process—I'm sorry, Ms. Ackerman, did you want to comment on that? I'm sorry.

Ms. ACKERMAN. Yes. I wanted to add to your prior question about when was I aware of a problem with E-Rate. It actually happened fairly early in my tenure, not about this particular application but about a new $96 million application that I was asked to sign and refused to sign it, because—that happened in early fall.

So we never actually applied—made an application for the $96 million. So there was——

Mr. WALDEN. Who brought that application forward, the same cast of characters?

Ms. ACKERMAN. Yes, and at that point with Desmond McQuoid was our then facilities director, Tim Tronson. So this happened even before the $50 million application, which had actually already been approved.

Mr. WALDEN. Okay. Does the $96 million application you were approached to sign come after the fraudulent $58 million one?

Ms. ACKERMAN. No. It came before. We actually—I'm sorry, go ahead.

Mr. WALDEN. No, you go ahead. That's fine.

Ms. ACKERMAN. I was asked a new application for $96 million in the early fall, sometime in September, by Tim Tronson and Desmond McQuoid. I actually refused to sign that application, and we never submitted it.

Soon after that came the $50 million application that had already been submitted,and what we were supposed to then do was to actually have the matching funds of $8 million. So there was at least attempt to get me to sign off on a $96 million application, which I initially refused to do.

Mr. WALDEN. All right. Thank you. So let me go to Mr. Cothran now. These tabs I referenced earlier, 9, 10, 12, 86, appear to indicate Judy Green's influence in the bid process, Bill Holman as well as a number of other NEC employees are listed on these e-mails.

If you look at Tab 9, Gerard McNulty, the salesman at NEC who appears to work most closely with the schools, and Judy Green describes Green's "flexibility to award the whole project to NEC." At first, Holman in particular appears to be questioning Judy's role. Can you comment on what we are seeing here?

Mr. COTHRAN. Well, I have never seen this e-mail before, but what it appears to me to be is sort of an internal admission on the part of Mr. McNulty and others that Judy Green controlled the bid process at least. And if I am not mistaken, this is referring to Covert, which is a school district outside of Detroit, I believe.

So at least in this one instance, it appears that there is some rather frank discussion here about Judy Green's control over the process. Mr. Holman raises the issue of a potential conflict of interest, and then Gerard offers an additional explanation, and he uses

the term heavy influence in the outcome. Supposedly, I guess that is enough to soothe the fears of Mr. Holman, and he doesn't think that is a conflict of interest—heavy influence as opposed to awarding the contract.

Mr. WALDEN. Do you think there is a conflict there? If you were Mr. Holman, would you think?

Mr. COTHRAN. Oh, absolutely.

Mr. WALDEN. Okay. Looking at Tab 10, Coleman tells Holman that Judy Green, "owns the bid process and seems to be the brains behind the VNCI operation." Can you comment on that?

Mr. COTHRAN. That is my understanding. As a result of my investigation, I developed the strong opinion that Judy Green was pretty much the brains of the VNCI operation.

Mr. WALDEN. Okay. Then looking at Tab 12, McNulty tells Holman that he and Judy will lobby the district to award the projects to NEC. Did Judy Green and George Marchelos rig the bids this way in other school districts?

Mr. COTHRAN. Could you repeat the question? I'm sorry.

Mr. WALDEN. Did Judy Green and George Marchelos rig the bids this way in other school districts?

Mr. COTHRAN. Well, as you can refer to in my written testimony, I interviewed a CEO and principal at Ceria M. Travis Academy in Milwaukee, Wisconsin, and her comments to me over the course of two interviews indicated to me that indeed Mr. Marchelos and Ms. Green rigged the bid and controlled the process in that school district. There are documents we received from USAC that finally indicated to us that that same control was exercised in other school districts, in Michigan, in Arkansas.

Mr. WALDEN. Have you seen dollar amounts on those? How much money are we talking about that these two may have been engaged in?

Mr. COTHRAN. I wouldn't want to hazard a guess without the documents in front of me, but to answer your question, yes, I do have documents relating to those requests and those awards, and while not as grandiose as the San Francisco application, they did involve millions of dollars, and in some cases, I believe, tens of millions of dollars.

Mr. WALDEN. In your opinion, how far up the chain of command do you think the knowledge of the bid rigging and other behavior went within VNCI? Who knew?

Mr. COTHRAN. I have to apologize. I have no evidence about how far up the chain of command it went at NEC. My investigation just didn't probe that far. I apologize.

Mr. WALDEN. No, but VNCI was my question.

Mr. COTHRAN. Oh, VNCI. Certainly, Judy and George were the main actors. I have a strong suspicion that Bob Emery, the CFO, was aware of their activities, although in an interview he denied it to me. But I have a strong suspicion that that wasn't an accurate portrayal. Other than that, I simply don't know.

Mr. WALDEN. My time has expired. I would now like to recognize the gentle woman from Colorado.

Ms. DEGETTE. Thank you, Mr. Chairman. Dr. Ackerman, I was wondering, since having to deal with this E-rate conspiracy that was initiated by VNCI, NEC BNS, and Inter-Tel, what has been

your experience with the E-Rate since these firms were taken out of the equation?

Ms. ACKERMAN. Well, I would like to say that, as I made the point in my comments, I believe that the E-Rate program has benefited many young people in our school district. Approximately 20,000 students in 112 of our schools have benefited from the E-Rate program.

Ms. DEGETTE. And have you applied for E-Rate money since the scandal happened?

Ms. ACKERMAN. Yes, but much smaller amounts. In the last—in 2001 it was about $800,000, in 2002 about a million, and in 2003 about a million.

Ms. DEGETTE. And how have you been able to use these monies in the San Francisco School District for the benefit of children? You keep saying—I'd like to get on the record exactly how this program benefits kids and what kind of kids it benefits.

Ms. ACKERMAN. It has benefited students especially in some of our more disadvantaged and challenged neighborhoods, the schools that are located in those communities, providing Internet connections and infrastructure as well as telecommunication systems with some of those schools, some of our schools, as well as wiring of our libraries and bringing our libraries up to the 21st Century.

I would say that it has made, certainly, a difference in this school district.

Ms. DEGETTE. And these are kids who wouldn't have those kinds of services at home. Correct?

Ms. ACKERMAN. Yes. Absolutely.

Ms. DEGETTE. Now I know, Dr. Ackerman, that you have many years of experience in the education field in other school districts before you went to San Francisco. My question for you is: As policymakers, how do you think we can improve oversight of the E-Rate program so that these many hundreds of millions of dollars actually go to benefit kids and we avoid fraud in the future?

Ms. ACKERMAN. Well, I certainly think that there has to be put in place some checks and balances. The fact that this $50 million application was submitted—I caught the $96 million application and refused to sign it, but we actually had applied for two others, and they were—somehow they went through a process, even after it left the district, and nobody was able to—and I don't know the process after it leaves the district, but certainly there needs to be some checks and balances in place at the Federal level to ensure that these applications aren't fraudulent and that the applications actually—the processes and procedures that are laid out in the applications have actually taken place.

Ms. DEGETTE. Have you put additional checks and balances in place within your own school district since this happened?

Ms. ACKERMAN. Absolutely. We have in place not only a review from our legal department, but we now have an office of risk management that also takes a look at any major applications or grants that we apply for. We also took our technology department out of facilities and put it in the technology department where it belonged.

It was really strange to me that a facilities person was bringing to me—that was a really big clue—that a facilities person was

bringing to me a serious E-Rate application. And it has to be vetted through several layers in our district of overview and oversight, including our risk management department and our Chief Financial Officer has to check off and sign off of it before it comes to me for review.

Ms. DEGETTE. And do you think that a review of the school district's auditing procedures and checks and balances would be an important component of Federal oversight? In other words, when a school district submitted an application, part of the review by the Federal Government would be to make sure that the school district had appropriate oversight in place as well.

Ms. ACKERMAN. I think that is absolutely appropriate.

Ms. DEGETTE. Okay. I wanted to ask the investigative team, who I am very proud of, about some of the details of this investigation.

Mr. Cothran, I was wondering. You testified about how VNCI declared PBNI's bid on data and cabling noncompliant with the RFP, and subsequently disqualified it from contention. Now if the appropriate officials at the school district knew about the PBNI bid, do you think they would have still chosen that much more elaborate system that the NEC bid proposed?

Mr. COTHRAN. I don't think they would, if this had gone through the appropriate channel which, to my knowledge, would have been the information technology and telecommunications division, which was already doing business with Pac Bell in 30 schools under other contracts. Pac Bell was a well known contractor to them.

I am confident that their bid would at least been taken a lot more seriously, and most likely it wouldn't have been ruled noncompliant with the bid, since it fit the specifications of the projects they were already working on.

Ms. DEGETTE. Now you also said that, if folks had used the results of the initial rigged bid process instead of the subsequent inflation, that they would have requested almost $53 million in E-Rate money, and you said this amount would have been dramatically more than was reasonable and ethical.

What figure do you think would have been reasonable and ethical?

Mr. COTHRAN. You know, I don't think I am qualified to make that kind of guess, but I would point you to previous E-Rate applications that have been made through the appropriate avenues at the school district. If memory serves—I haven't looked at them in a while—they were in the single—I don't even think some of them reached a million dollars.

Ms. DEGETTE. Yes, and I think that is just what Dr. Ackerman just testified for subsequent proposals.

Mr. COTHRAN. Right. Previous, I believe, I was informed, were less than a million dollars. So you can take that as a benchmark. We believe—if I might add, we believe the $52 million figure, even before it got to the second layer of fraud—we believe that initial rigged bid was fraud, in and of itself. We see that as a fraudulent number as well. We see this as two layers of fraud.

Ms. DEGETTE. Right. Now you testified that McQuoid's signature on the final purchase agreement was a forgery and that McQuoid had no such authority to sign off on the agreement. Was the NEC signature forged as well?

Mr. COTHRAN. We have no way of commenting on that. I don't have the true exemplar of—I believe it was Thomas Burger's signature on that document, if memory serves, and I have no true exemplar of that signature to compare it to.

Ms. DEGETTE. Okay. Did you ever see any documents that suggested that an NEC official was having second thoughts about filing the grossly inflated purchase order?

Mr. COTHRAN. No. I mean, until today.

Ms. DEGETTE. Mr. Chairman, I don't have anymore questions at this time. I yield back.

Mr. WALDEN. The Chair now recognizes the chairman of the full committee, Mr. Barton, for questions.

Chairman BARTON. Thank you, Mr. Walden. Dr. Ackerman, can you hear me?

Ms. ACKERMAN. Yes, I can.

Chairman BARTON. Again, I want to commend you for what you have done. My first question is just a general question. What was it that you saw that kind of raised a red flag in your mind that this particular grant or proposal might not be on the up and up?

Ms. ACKERMAN. As I mentioned before, the first application that was brought to me in September actually was for $96 million, and it came to me from staff members from the facilities department. They actually wanted me to sign it that day. They brought me the document, and they were standing there waiting for me to sign it.

I actually refused to sign it, said I needed time to look at it, and that review—the review of that particular application then alerted me that there were—and I asked some questions about what I believed to be false statements within the document.

At that point, I was told that the contents of the $96 million application was the same as the other two previous applications that were submitted. So at that point I knew that it was fraudulent. The other two applications were fraudulent, and I refused to sign that one, and then alerted Louise Renne, then City Attorney, that there was a problem.

Chairman BARTON. Where were you before you came to San Francisco?

Ms. ACKERMAN. I was in Washington, DC.

Chairman BARTON. Were you the superintendent in Washington, DC?

Ms. ACKERMAN. Yes, I was.

Chairman BARTON. And had you made application for similar funds for a similar program in Washington, DC?

Ms. ACKERMAN. I don't remember if there were applications made when I was there. I was there only 3 years and superintendent 2, but I had been involved in previous school districts, and even there I knew that that was a lot of money. I knew there was something wrong with the application, the amount of money.

In addition, in my experiences in DC and in Seattle and other places where I have actually worked, the application came as a result of a technology plan that was vetted and developed in the technology department. That this application was coming to me from the facilities department was something I had never seen before.

Chairman BARTON. Now as a consequence of you refusing to sign that application and all that flowed from that, did the school board

in San Francisco pressure you to reconsider or did they give you the benefit of the doubt or did they actually commend you? What was the reaction immediately after you refused to sign the application?

Ms. ACKERMAN. Well, it depended upon the school board member. I got a little bit of both. I actually—I think, initially, people across the city and country thought I was a little bit crazy to turn down $50 million. There were several news stories, both locally and nationally, where I felt that there was pressure for me to at least explain myself in a rational way, why I would turn down $50 million. But at that point, I did know that there were serious investigations going on, and I would just have to wait, and time would tell the true story.

Chairman BARTON. But today, given the fact that we have had this plea bargain, the fine that has been paid, the $20 million fine, what is the attitude now? Are you considered a heroine in San Francisco or are you still considered that crazy superintendent who turned down $50 million?

Ms. ACKERMAN. Well, I think I am a heroine. In addition to that, since this, this actually led to other investigations, and a couple of weeks ago we actually were awarded another $43 million settlement from an energy company that had defrauded the school district.

So in the last month, we have actually gained another $50 million as a result of the phone call to then City Attorney Louise Renne. I am feeling pretty good and vindicated.

Chairman BARTON. Okay. Well, your forthrightness is probably going to save the U.S. taxpayers hundreds of millions of dollars—hundreds of millions, if not more. So on behalf of the country, I want to say thank you, and I would hope San Francisco appreciates you, because everybody thinks it is somebody else's money and it is free money, but ultimately it is our money.

Ms. ACKERMAN. Absolutely.

Chairman BARTON. If we don't have people like you doing the right thing, the whole system falls apart. You know, we are going to make structural changes in this program statutorily probably in the next Congress, if not this Congress. The reason we are going to be able to do that is because of the stand that you have taken. So I thank you. I really—I'd love you to come down to my part of the country and be a school superintendent in one of my school districts, you know.

Ms. ACKERMAN. Well, don't tell anybody here in San Francisco you've made that offer.

Chairman BARTON. Well, they would probably hoot you out of town if they thought you were coming to Texas.

I want to ask one substantive question of you. Why was the facilities department, not the technology department, handling this issue for the schools in your system?

Ms. ACKERMAN. One of the things that I discovered was basically the facilities department was a separate operation from every other department in the school district, and much of the fraud that we have uncovered came as a direct result from the fact that the facilities department was acting as a separate agency. They had their

own budget, their own contract compliance manager. They didn't go through any vetted process or procedure for oversight.

So a lot of this could happen, because there were no checks and balances. Now that we have a contract review, a risk management department, in addition to those two departments, and then now we separated all of the fiscal procedures and put them back in the Office of Finance, it has put in place natural checks and balances. That could never happen again.

By the time it gets to me, it has gone through several layers of oversight, but this was an unusual practice, and probably one of the first things that I noticed, that this was very unusual, that this facilities department acted on its own.

Chairman BARTON. Okay. My staff has indicated that there was a concerted lobbying campaign undertaken to convince you to change your mind by Mr. Desmond McQuoid and Mr. Tim Tronson, the NEC company and VNCI.

Do you want to elaborate a little bit on that, if it is true? Did they try to convince you to change your mind and, if so, how did they do that?

Ms. ACKERMAN. I think there were phone calls. There was at least one meeting with some of the—I believe NEC staffpersons. I don't remember who was there. It has been a while back. There were meetings with the board, some of the board members.

I did call NEC on this and, you know, felt it was really inappropriate that vendors would be talking to board members. But I am a pretty stubborn person, and you know, all of that pressure—I didn't really feel pressure at the time. I had already made up my mind, and I knew that there was a process, investigative process, underway. So it was—you know, fell on deaf ears.

Chairman ACKERMAN. When did you think it was time, and what made you decide that it was time to contact the FBI?

Ms. ACKERMAN. Well, we went through a facilities audit by Arthur Anderson, and there were also some recommendations in the original PCMAT report, the fiscal management audit that was done the spring before I actually came to San Francisco, and there were other contracts that appeared to be fraudulent in other areas, including our energy savings department.

So there was a combination of things. I knew that the district was strapped for money and, having lived in Washington and understanding clearly that the E-Rate is a Federal grant, I did call then City Attorney Louise Renne and ask if we could call in the FBI. I knew, once they came in, that we would have an extensive investigation that would support what was already happening in the City Attorney's office.

Chairman BARTON. Now did anybody try to pressure you not to contact the FBI? Did anybody say I really wish you wouldn't do that; we probably ought not do that, or were you pretty well supported in making that decision?

Ms. ACKERMAN. I was well supported. At that point I was well supported. After we read the—we submitted the audit and shared it with the board of education, the facilities audit, I think at that point everybody knew that something was wrong, and I got no pressure in terms of my wanting to call the FBI. In fact, I was very supported, including supported by Louise Renne.

Chairman BARTON. Okay. I want to ask Mr. Herrera here in the hearing room, how often is it that the school district would contact the City Attorney of San Francisco for assistance? Does that happen a lot, never?

Mr. HERRERA. Yes, it is fairly common. The fact of the matter is we provide legal counsel to the school district on a variety of matters. So we have a very good interplay. Under my predecessor, Ms. Renne, there was a very close relationship between the school district and the City Attorney's office, and that has continued since I became City Attorney. We work very closely with them on a day to day basis in terms of providing legal advice.

I have a Deputy City Attorney assigned to the school district to assist Ms. Renne with general counsel duties at the school district, and there is a very close interplay also in terms of investigations of allegations of fraud and mismanagement. So it is not uncommon.

Chairman BARTON. Okay. Ms. Renne, how long have you been the General Counsel for the school district?

Ms. RENNE. It has been approximately 3 years now, Dennis?

Mr. HERRERA. About that.

Ms. RENNE. Actually, when I decided not to run for City Attorney again, I actually was going to do something quite different, but Dr. Ackerman asked me to come over and be general counsel for the school district, which I have been until June 30. Now I really feel that all of the things that Dr. Ackerman had asked us to do to basically root out the corruption, take a look at the E-Rate program, are over.

So as of July 1, I am no longer the general counsel, but I continue to handle special matters for the district.

Chairman BARTON. But in the beginning, you were the City Attorney?

Ms. RENNE. I was. I was the City Attorney.

Chairman BARTON. Superintendent Ackerman contacted you initially in your capacity as City Attorney?

Ms. RENNE. Correct. Correct.

Chairman BARTON. And so she provided the information, and then you provided the investigative muscle to track this down?

Ms. RENNE. Absolutely, and if I may just say one thing, Mr. Chairman, I think Dr. Ackerman is being somewhat modest. There really was quite a lot of criticism against Dr. Ackerman for turning down these applications. In fact, there were some public hearings about it, but she was determined that we were going to root out what was going on.

I would say that she and her board, the board of education, were supportive in terms of going forward with these investigations.

Chairman BARTON. Now your position as City Attorney was an elected position.

Ms. RENNE. It is elected, and then when I decided not to run, I am very happy that the voters of San Francisco had the intelligence and good luck to have Mr. Herrera as City Attorney in San Francisco now.

Chairman BARTON. That will be a good commercial.

Ms. RENNE. So be it.

Chairman BARTON. Did you get any pressure as City Attorney to back off the investigation?

Ms. RENNE. No. There was some effort, I would say, to try to not have me become general counsel for the school district, but it was minor in the scheme of things. No.

Chairman BARTON. I am going to yield back, Mr. Chairman. I have probably improved the reelection chances of—I don't know Mr. Herrera's political affiliation, but given it is San Francisco, it is probably not the same as mine.

Ms. DEGETTE. If the chairman will yield, I just have to say: So rarely do we see such dedicated public servants who are doing the right thing. It is almost too much of a love fest to bear here, but we are really glad you all did what you did.

Chairman BARTON. My guess is, though, at the time they were doing it, it wasn't a love fest. My guess is there are a lot of people out there that thought that was what they call easy money and found money, and to stand up and do what is right at the time they did it, it was not universally acclaimed. So I again appreciate everybody involved.

With that, Mr. Chairman, I yield back.

Mr. WALDEN. Mr. Chairman, I am sure Mr. Herrera would love to have you come out and go door to door with him.

Chairman BARTON. I would probably lower his reelection by 20 points.

Mr. WALDEN. The Chair now recognizes the gentle woman from Illinois.

Ms. SCHAKOWSKY. I thank you, and perhaps the chairman and Mr. Herrera could pose together for a picture he could use in his campaign.

I join, though, in the love fest and in thanking all of you for the—well, really, for doing your job the way it should be done. It is really a model, I think, for people around the country, and we thank you for that.

I do understand. I have heard that there was some pretty negative press at the time, too, saying that, you know, you are turning the money down, etcetera. So withstanding that kind of pressure is not always easy, and I appreciate it, as we all do. Really, good work.

I read in your testimony, Dr. Ackerman, that you said, "Despite the disturbing and cautionary aspects of our experience with E-Rate, I very much hope the members of the subcommittee and the public will interpret my comments as supporting reform of the program, not its elimination." So I wanted to ask you if you had specific recommendations of things that could be built into the program that would reform it, and—Well, let me leave it at that for now.

Ms. ACKERMAN. Certainly. I believe that—As I have had to put in certain procedures and processes of oversight and checks and balances, I think that that has to happen also at the Federal level, including some kind of oversight even at the district level, making sure that our procedures and processes are in place so that this will never happen again.

I am not sure what they would look like at the Federal level. I just think that these two applications got through, past the district level was disturbing to me and, you know, not only as a professional but as a taxpayer.

Ms. SCHAKOWSKY. Mr. Herrera testified. You said schools throughout our district would have been saddled with millions of dollars in equipment that was functionally equivalent to paperweights, and you talked about routers, cabling and switches with no servers, a phone system with no phones, a computer system with no work stations, and you add the issue of the video conference, which wasn't even eligible.

Isn't that, Dr. Ackerman, a limitation of the program itself? The program, as I understand the E-Rate program, really ends at the wall; that is, that the E-Rate program itself just provides the wiring and the equipment to the wall, so that it is the school districts themselves, if you want to make it function and have the servers, the phones, the work stations, that that is an expense borne by the districts. Is that right?

Ms. ACKERMAN. Absolutely. But what we see with the E-Rate program are discounts, and that is where—you know, of the hardware, as opposed to the infrastructure. Even with the infrastructure, though, we saw evidences of infrastructure that, I would say, was like a Cadillac and we only needed a Chevrolet is the way I like to explain it.

So there are problems, I think, on both sides that we have to be aware of. The infrastructure is one that is needed, not necessarily an expensive infrastructure, and then the discounts that happen on the other side. We actually have to be sure that there are no opportunities for people to defraud the school district. So it is actually on both sides.

Ms. SCHAKOWSKY. So the fraud did occur, Mr. Herrera, also on the discount part, on the equipment—or Mr. Cothran?

Mr. COTHRAN. I wonder if you could repeat the question.

Ms. SCHAKOWSKY. Well, I am concerned that, even when the infrastructure is done, that school districts can't get—end up, as Mr. Herrera described, with equipment functionally equivalent to paperweights, that they can't complete the program.

I am trying to understand what are the limitations of the program itself, because it does—and then where did the fraud come in? Was there fraud dealing with servers, phones, work stations, those things that would complete the system, as well?

Mr. COTHRAN. We can only really guess at what the plan was in San Francisco once they received—the vendors received the money. What we do know, because NEC admitted so in their guilty plea, is that they planned on using $10 million of the excessive request to fund computer work stations which would have in part help complete the project.

We in the City Attorney's office strongly suspect that other portions of the inflation, if you will, were going to go to pay for handsets, phone handsets, voice mail and other things that aren't eligible. But as part of making an E-Rate application, a school district has to make sure of two things, if they want to do it properly, based on my understanding of the program.

They have to make sure that they have the co-pay to pay for the equipment that E-Rate is going to be paying for. In addition to that, they have to make sure, and also certify to USAC, that they also are able to purchase the ineligible equipment that will com-

plete the program, to complete the IT backbone, if you will, that the E-Rate program is going to pay for.

At San Francisco in year three of the program when this fraud occurred, there was no deliberative process on the part of the school district to ensure that they had the additional equipment that E-Rate would not pay for, which would complete the program. We strongly suspect that one of the reasons they inflated it so grossly was to pay for that equipment with E-Rate money, which would have been a fraud on the program.

Ms. SCHAKOWSKY. Dr. Ackerman, does the school district now use the E-Rate program, and do you have—did you have sufficient funds to do the match and to provide the ineligible equipment?

Ms. ACKERMAN. Yes, we have, but it is a very scaled down application and program now, and so I think over the last year or so we have barely spent a million dollars each year on the E-Rate program.

We have certainly gone through a fiscal crisis in California, and this district has been impacted by that crisis, and we now have a technology plan that drives the E-Rate program as opposed to the other way around. So I think that was what was missing at that point also, was a plan, a technology plan that would actually lay out where we wanted to go, and inclusive of that would be a budget that would match the needs of the E-Rate program and the needs of this district, prioritize those needs.

Ms. SCHAKOWSKY. So while I understand that today we are focusing on your wonderful work in rooting out this fraud, I do want to ask: If the district itself had more of a budget, would your E-Rate program be more expansive or are you sufficiently providing for the needs of your kids?

Ms. ACKERMAN. I think that we certainly would do more. As I think somebody mentioned in the technology, we are in the shadow of the Silicon Valley, and one of my big disappointments when coming to San Francisco was the fact that I felt our district needed more technology.

If we want our children to leave the school system technologically competent, there is a lot of work we have to do in terms of providing more technology resources to our children and into our classrooms. So with more money, we would certainly do more.

Ms. SCHAKOWSKY. Well, it is clear that you not only have your children but your taxpayers and all of the taxpayers in mind as you do your job, and so thank you again to all of you for your good work. I yield back.

Ms. ACKERMAN. You're welcome.

Mr. WALDEN. Thank you for your questions. We've got a few other questions. Let me kind of outline for the committee and the panels what we anticipate.

We have been notified that there will be votes on the House floor sometime between now and 12:15. We would like to do another round of questions of this panel, but I understand, Ms. Ackerman, you may—or Dr. Ackerman, you may need to move on, and we understand that. So we won't keep you in this phase of the hearing. But we do have some other questions for Mr. Cothran and Herrera and Ms. Renne.

So what we are looking at, we will start into that—Did you want to say something, Ms. Ackerman?

Ms. ACKERMAN. No, I am okay for about another hour. So if you would like me to stay, I will stay.

Mr. WALDEN. Okay. I thought it was sooner than that. The problem we are going to face, though, is we are going to break here when the bells go off in probably 5 or 10 minutes, and then we are going to recess until 1:30, our time. So it may cause you some problems.

So, anyway, if you need to leave, the point is, feel free to, but we definitely appreciate what you have testified to today and the work you have done on this issue.

Ms. ACKERMAN. I just want to say, in case I am not here when you come back, that I really do appreciate the opportunity to speak before you today and the fact that this subcommittee is looking at this issue.

Again, it is unfortunate what happened to our program, E-Rate program, and the fact that it has hurt our children. But I do firmly believe in this program and the benefits that it brings to young people who would not have the access to technology, if it were not for the E-Rate program.

I just hope that you will bear that in mind in your deliberations as you hear further testimony. Understand that I hope that this is not the norm. I always believe that the glass is half full, and I want to look at the benefits.

So I thank you, Mr. Vice Chair, for inviting me to speak today.

Mr. WALDEN. We want to make sure that that glass doesn't have a big hole drilled in the bottom of it, because there are a lot of schools out there that could benefit greatly by the money rather than a couple of fraudulent operators putting it in their pockets.

Ms. DeGette and I were talking about how many school districts could be wired with the amount of money that could have been loaned in this case, and may have been wrongfully taken out the of the E-Rate system in other cases. So we appreciate your diligence.

Ms. ACKERMAN. Thank you.

Mr. WALDEN. I am going to go ahead then into the next round. Again, if you need to leave, feel free to do so. I want to go to Ms. Renne.

What has happened to Tim Tronson, the former director of operations management of the facilities department?

Ms. RENNE. Well, Tim Tronson is, obviously, not with the school district anymore. He has been indicted by the Grand Jury in San Francisco and is awaiting trial in San Francisco on matters not necessarily related to the E-Rate.

We had some other—As Dr. Ackerman indicated, we did have some other scandals, for lack of a better word, involving the school district, and Mr. Tronson has been at the heart of that.

Mr. WALDEN. I understand. Okay. Mr. Cothran, what was the traveling road show?

Mr. COTHRAN. The traveling road show is a term that I came up with internally when discussing the case with attorneys. That is how I described the Judy Green——

Mr. WALDEN. Why? Why do you describe it that way?

Mr. COTHRAN. It is just a conversational term I used in private meetings with attorneys, you know, because they were going all over the country and doing this.

Mr. WALDEN. I guess that is the question. From what you have seen so far, you believe they tried to perpetrate this same type of scam elsewhere in the country?

Mr. COTHRAN. Correct.

Mr. WALDEN. All right.

Mr. COTHRAN. And succeeded in some cases.

Mr. WALDEN. Yes. If you would turn to the chart on Table 133, Tab 133, I am hoping you can explain a little bit about what this chart is and where it came from. Is this relating to the 471s?

Mr. COTHRAN. Since we are currently still in the process of litigation with many defendants, I don't want to get into too great a specificity, if it is all right with you, about where I got things and the state of my evidence. All I can say is that I have seen this document before.

It is part of the evidence that is part of the City Attorney investigation, and it is our belief that this was prepared by Mr. McQuoid or at least with Mr. McQuoid's knowledge as part of his process and the process of others of trying to figure out what the heck happened when the 471 applications were filled out, and the type of inflation that occurred from bid to application.

It is our belief that Mr. McQuoid was unaware at first of this second layer of fraud where the rigged bid prices were then——

Mr. WALDEN. He was unaware or said he was unaware?

Mr. COTHRAN. I never interviewed Mr. McQuoid, one of my great disappointments in this investigation.

Mr. WALDEN. Where is he now?

Mr. COTHRAN. He is currently, I believe, in Federal prison doing 21 months for a separate fraud scheme that he was involved in with one of the E-Rate bidders.

Mr. WALDEN. A different E-Rate bidder than we have heard from today?

Mr. COTHRAN. An E-Rate bidder that is mentioned in my written testimony called U.S. Machinery. They were involved in a separate fraud scheme. I can explain that to you, if you want.

Mr. WALDEN. That's fine. So you tell me what you can't answer because of your investigation, but is this relating to the 471s?

Mr. COTHRAN. It is our strong belief that this was a document or a spreadsheet, if you will, that was created during the process that Mr. McQuoid and others engaged in, in trying to figure out what Judy Green and other parties had done when they went about filling out the 471s, taking control of that process as well, and inflating the already rigged bid price.

Mr. WALDEN. Okay. That is what I would like to get. Can you tell us, as you look at this chart, what is the inflation rate here? How much was inflated? What are we really looking at?

Mr. COTHRAN. It would take me a while to do that. I really—I mean, first of all, you have to understand that this is relating to just one part of the RFP. It is relating to the data portion. You have your backbone switch, your intermediate switch, your router and so forth.

This would have related to the portion of the bid that was won by NEC outright in the initial process that Green and Marchelos ran, and then was inflated even further on the 471. It is just one of several aspects of the project.

So it looks here like he is trying to figure out how the NEC bid on data had been inflated when the 471s were filled out.

Mr. WALDEN. I guess that is what we are trying to figure out, is how did they manipulate this 471 process? How did they basically double the bids?

Mr. COTHRAN. They just filled it out. They just filled out the 471 application.

Mr. WALDEN. And just put in whatever numbers they wanted?

Mr. COTHRAN. I encourage you to read the NEC guilty plea. I think there is a very articulate explanation of that process in their guilty plea. They just—A party referred to as Consultant 1 and later referred to by the feminine pronoun, she, directed NEC representatives what amounts that she wanted on the 471, and then I believe the NEC guilty plea says that spreadsheets, phony spreadsheets were created to justify those prices she dictated, and that was what was submitted as the 471.

Mr. WALDEN. So the elusive Ms. Green, whom we are not able yet to find to serve the subpoena, but will, is the one who you say was basically telling NEC people what to put on the 471s for numbers?

Mr. COTHRAN. Based on my investigation, and setting aside for a second what the NEC guilty plea says—Based on my investigation, the conclusion we reached is that Judy Green, and to some extent George Marchelos, were the architects of drafting and submitting the 471, and it is also our strong belief that Desmond McQuoid was not part of that process and didn't know anything about it.

So we have a case where, at this stage of the fraud, no one at the school district, not even school district co-conspirators, were knowledgeable, it is our investigative conclusion—were knowledgeable about this layer of fraud until later.

When he found out, as I said, he had a choice to make, and he chose to join the fraud.

Mr. WALDEN. Interesting. So it sounds like you had—From what you have said, you had two frauds going.

Mr. COTHRAN. Right.

Mr. WALDEN. And you had one group committing a fraud down here unbeknownst to the other group until they kind of—How did they tumble on it?

Mr. COTHRAN. I don't know how Mr. McQuoid found out that the 471——

Mr. WALDEN. But when he did, it is your opinion that he said, great, let's up the ante?

Mr. COTHRAN. Well, I think that he might have pitched a fit, but we do know for certain he didn't blow the whistle. He didn't tell any law enforcement officials. He didn't tell our office. He didn't tell USAC. He didn't tell anyone and, as a matter of fact, he then went to NEC and got them to agree to use some of this inflated portion to pay for ineligible equipment.

Mr. WALDEN. If you could please turn to Tab 19, this is an e-mail that shows an employee of NEC marking up prices and making up part numbers on VNCI equipment. What do you think this was? Was he working on the 471's pricing? Tab 19.

Mr. COTHRAN. Yes, I am getting there. It is a rather convoluted e-mail, and it has a lot of assumed knowledge embedded in it that the recipient knows what they are talking about.

My guess would be, my educated guess on this is there is evidence embedded in this e-mail that VNCI equipment, or references to VNCI equipment on parts lists in other parts of 471 applications was obscured and changed in order to conceal the nature of the equipment, since it was ineligible. That would be my educated guess.

Mr. WALDEN. Okay, Tab 16. This document is an e-mail in which an NEC employee—hopefully, I will get the pronunciation somewhere correct—Sohail Qasim, expresses concerns about Judy Green and talks about, "money and a system that will not work properly." So first, we don't believe the school district even needed this project and, second, it would appear from this e-mail that the system might not even work properly.

Mr. COTHRAN. On the first part of your question, it is certainly the overwhelming opinion of members of the Information Technology and Telecommunications Division, the proper avenue for E-Rate funding, that this system was utterly and completely unnecessary.

There was already a wide area network and local area networks operating in the school district, and nearly all the schools had Internet access, computers, routers, switches, data, everything, and that this, in their opinion, not only conflicted with the system that they already had in place and were in the process of building through E-Rate applications and other funding avenues, but that it was entirely unnecessary.

Mr. WALDEN. All right. Turning to Tab 27, this is an e-mail to Tom Burger, the CEO.

Mr. COTHRAN. Which number? I'm sorry.

Mr. WALDEN. Twenty-seven, which talks about in-kind NABSE bonus and value added section, NABSE bonus and value added section.

Mr. COTHRAN. Twenty-seven? I apologize.

Mr. WALDEN. Twenty-seven.

Mr. COTHRAN. Twenty-seven is a spreadsheet of prices. It is not a—It doesn't refer to NABSE bonus, 27, 2-7. In my binder, it is not that.

Mr. WALDEN. We will have it brought down.

Mr. COTHRAN. What I can tell you is that my investigation did not touch on the NABSE arrangement or relationship with any of the parties involved in our lawsuit. We are interested in learning more about that, but it did not form part of my investigation.

Mr. WALDEN. All right. So you are then not familiar with the in-kind contributions known to NEC, within NEC as the NABSE bonus?

Mr. COTHRAN. It was not part of my investigation. It did not touch on that, no.

Mr. WALDEN. All right. Could you talk to me about the Inter-Tel Trojan horse? What is that?

Mr. COTHRAN. Well, that is another term that I made up when discussing the case internally with attorneys. That, to me, was how I described Inter-Tel serving as a Trojan horse for VNCI, because of the percentages of equipment differential that I saw in not only the San Francisco E-Rate application but in documentation related to other E-Rate applications for Inter-Tel or NEC that were funneling VNCI equipment.

When talking about the case internally, I explained to attorneys that in these situations, you know, if the same percentages that we saw in San Francisco, which was $15 million of a $20 million bid—of a $20 million Inter-Tel bid being VNCI equipment, it was really essentially a VNCI bid parading as an Inter-Tel bid, if you follow me, since the vast majority of the funding would have gone to pay for VNCI equipment. In that way, I explained to the attorneys in the office using that term, that at least in the case of San Francisco, Inter-Tel appeared to have been acting as a Trojan horse for VNCI, because of also the additional acts of concealing the ineligibles.

Mr. WALDEN. And it was hidden on the form.

Mr. COTHRAN. It was hidden. PBX parts lists that were submitted to USAC, according to a witness, purposely obscured the nature of the equipment, and not as it relates to San Francisco but as it relates to other school districts, documents indicate that, when USAC asked probing questions about that very equipment and about its functionality, that the answers that flowed back from the school district did not reveal that it was videoconferencing equipment. It is our strong belief and suspicion that those school district responses were controlled by Judy Green, George Marchelos, and representatives of Inter-Tel and/or NEC.

Mr. WALDEN. When you say controlled by Judy Green or these others, is that to say that the school district had no knowledge of the responses?

Mr. COTHRAN. I think what you are going to find eventually, and I think what we are going to find in the course of our litigation is a variety of situations across the country. You will sometimes find that there was a Desmond McQuoid figure at the school district who was knowledgeable about parts of the scam but not all of it.

You will find, I would guess, situations where the school district officials were utterly blind to the fraud that was going on and were just more than happy to have these people getting them this money that was so sorely needed by their districts, which is one of the things that we found rather distasteful about this scam, is that they preyed on the desperation of poor, underfunded school districts.

Mr. WALDEN. Are there other Judy Greens out there? Have you stumbled across any?

Mr. COTHRAN. Not in the course of my investigation. I wouldn't be surprised.

Mr. WALDEN. All right. We are going to recess now until 1:30. There are some additional questions we have for this panel, and then we will reconvene, as I say, at 1:30. So we will stand in re-

cess. Thank you again for your patience, and we look forward to reconvening after our votes.

[Brief recess.]

Mr. WALDEN. I am going to call the Subcommittee on Oversight and Investigations back to order, and I again thank you for your patience in bearing with our legislative schedules today.

Mr. Cothran, there are a number of documents I would like to walk through with you, Tabs 51, 53, 58, 62, 124. We will go through them one at a time.

Could you take us through the Item 25 review and the falsified documents that were submitted by Judy and George?

Mr. COTHRAN. Well, as I pointed out in my testimony, there were several documents that flowed from the school district to USAC in response to USAC inquiries. It is my understanding that those inquiries from USAC existed on two levels: One, the sort of initial routine review that, I think, is performed on all applications; and then some applications, but not all applications, are selected for what is called an Item 25 review, which is an elevated and more detailed level of review.

All applications flowing out of San Francisco Unified School District that funding year were subjected to an Item 25 review because of questions USAC had about how unit costs, which are amongst the highest in the nation, that attended the Desmond McQuoid applications and also the sort of what we in the City Attorney's office are terming the gold plating that went on with the proposal, the most striking example being the proposal to create a Local Area Network in every classroom which would have meant a server and switches in every classroom.

So this is my understanding——

Mr. WALDEN. What would a LAN in every classroom serve? Why would you do that?

Mr. COTHRAN. It is the opinion of the City Attorney's office that it would serve no function other than to drive up the cost of the proposal and put more money in the pockets of the people who perpetrated this fraud.

Mr. WALDEN. All right. Tab 58, Judy Green giving Desmond McQuoid responses for the SLD. Do you have a comment on that one?

Mr. COTHRAN. This appears to be—Let me see. Okay, I did not have an opportunity to review this. So would you mind if I just read through it?

Mr. WALDEN. That's fine. Go ahead and take your time.

Mr. COTHRAN. Okay, I have read enough of it to issue my opinion on this. This is interesting to me. This puts together a piece of the puzzle I didn't have before.

Mr. WALDEN. How so?

Mr. COTHRAN. What I did know is that Desmond McQuoid sent an e-mail to USAC in response to USAC questions about budget documents that flowed from the school district to USAC purporting to show that there was more than $40 million in E-Rate matching funds.

An E-Rate reviewer, I believe, by the name of Tom Schnipp caught a discrepancy between that document that Mr. McQuoid and Mr. Tronson under his signature sent to USAC and the actual

document that was on the website. I think it is also interesting for you to know that at this point in time the school district budget—this was in August of 2000. As you will see, this e-mail was on August 8, 2000.

Mr. WALDEN. Yes.

Mr. COTHRAN. The document that was sent from SFUSD to USAC purporting to show this E-Rate matching fund line item of $41-some-odd million was dated August 1. Who knows when it was actually sent. I think it was actually sent more in the week of August 22, but I won't bog down with such niggling details.

Desmond McQuoid—It is our belief that Desmond McQuoid, Tim Tronson conspired—and others, including people of VNCI, conspired to send this fraudulent budget document to USAC showing that they had the matching funds. As a matter of fact, they had more than the needed matching funds, $41 million.

Unfortunately, that was a lie. That was just not true. Matter of fact, the school district had actually decreased their E-Rate matching fund line item elsewhere in the budget from $1.2 million, I believe, to zero. So they had——

Mr. WALDEN. Zeroed out their line item matching.

Mr. COTHRAN. For that year.

Mr. WALDEN. For that year.

Mr. COTHRAN. So this alert USAC reviewer, Tom Schnipp, caught this. They caught the discrepancy between the budget that flowed from Tronson, McQuoid and others to USAC and the one that was on the website. He simply went on the web and found the real budget.

Then he e-mailed Desmond McQuoid.

Mr. WALDEN. Right.

Mr. COTHRAN. And asked him about this discrepancy. The e-mail that flowed back from Desmond McQuoid's e-mail address at San Francisco Unified School District was a classic example, in my opinion, of tap dancing around a difficult question where you just don't want to answer it, because the answer would put you into trouble.

This shows me for the first time that my long held suspicions, and our long held suspicions, that Judy Green directed him to do that or directed him in some way in answering that question was indeed confirmed by this e-mail. It shows that Judy Green sent to Des, which was the prefix of his e-mail address, how to answer the questions Tom Schnipp had.

As I just read the first two or three items, it comports with my memory of Desmond McQuoid's e-mail to Tom Schnipp, this tap dancing e-mail that I told you about. So it indicates to me in a very clear way that Judy Green was behind the budget document flowing—the fraudulent budget document flowing to USAC, and also in attempting to help Mr. McQuoid explain away the discrepancy that resulted.

Mr. WALDEN. Would you mind turning to Tab 124? I believe that is the budget, the altered budget, allegedly altered budget.

Mr. COTHRAN. Oh, I got the date right. Good, August 1. I know that to be Tim Tronson's signature from other exemplars I have seen. If you look at Bates USAC Sub 4855 toward the bottom under the general category of Other Outgo——

Mr. WALDEN. Right. The E-Rate District Manager.

Mr. COTHRAN. The E-Rate District Manager. I have in my file received from the CFO of the school district this actual page, and it includes no such line item.

Mr. WALDEN. And on the next page I think you will see the actual budget line item.

Mr. COTHRAN. Right. Right. I actually have the actual—You are right, and this shows it, I believe, being zeroed out, if I am not mistaken.

Mr. WALDEN. On 125, I guess.

Mr. COTHRAN. Oh, on 125. I'm sorry. Right. This apparently looks like what Mr. Schnipp found on the website, which shows that Other Outgo line item on Bates 4796—there is no such line item. They simply got into that document and altered it and falsified it and sent it to USAC, and that e-mail indicates to me rather strongly that Judy Green was involved in that conspiracy.

Mr. WALDEN. So you had a USAC reviewer—or not you, but there was a USAC reviewer who caught this, is what you are saying?

Mr. COTHRAN. Yes. Based on written questions I submitted to E-Rate—Sorry. I submitted written questions to USAC at their request, and they submitted written answers sometime in the April timeframe of 2002, shortly before we filed our lawsuit. Amongst those written answers Mr. Schnipp explained to me his experience with this document.

Mr. WALDEN. So he spotted it before you raised the questions?

Mr. COTHRAN. I got most of my documents relating to the San Francisco Unified School District application from USAC. They were very helpful in that regard.

Mr. WALDEN. But my point is, did you trigger Mr.—Sip, is it?

Mr. COTHRAN. No. Mr. Schnipp did this all on his own.

Mr. WALDEN. He did it all on his own? He spotted it?

Mr. COTHRAN. He spotted it in the year 2000. My investigation didn't start until the following year.

Mr. WALDEN. Okay. Then what happened with what he learned?

Mr. COTHRAN. I reviewed his answers to my questions last night for the first time in a while, and he, in sum, told me that he doubted the accuracy of the document. His answer was not sufficiently—His questions about the discrepancy between the online document and the document Mr. McQuoid sent him were not settled by Mr. McQuoid's tap dancing e-mail.

Mr. WALDEN. Got it.

Mr. COTHRAN. And he alerted his superior, who at the time was, I believe, a gentleman named Mark Werner, given other information that flowed from USAC to me, who was then, I believe, the manager of program integrity assurance select review—I may have that title a little wrong—and alerted him to the problem.

Mr. WALDEN. Verbally or in writing?

Mr. COTHRAN. I don't think—Well, I don't think it specified, but what I do know is Mr. Schnipp informed in his written replies to my questions that he alerted his superior to this problem, and passed the file on up the chain of command, so to speak, with his concern attached to it, so to speak, and that was the last time he

saw that file, and he could not answer my questions about why, despite this, the funding request was approved.

At the time that he answered my questions, which was some 2 years later, he still didn't know how and why and by whom it had been approved, according to his written answers to my questions.

Mr. WALDEN. Have you pursued that line of questioning within USAC?

Mr. COTHRAN. When I got the answers, it was in April of 2002, and we were busy preparing a lawsuit, and our energies were focused on that. And, no, I did not pick up on that line of inquiry again.

Mr. WALDEN. I guess the question would be: Is there any backdoor channel going on here between USAC and some of the conspirators and co-conspirators?

Mr. COTHRAN. I think that is a legitimate question to ask.

Mr. WALDEN. All right. Could you turn to Tab 77? This is an e-mail describing how Judy Green at VNCI has a high level contact within USAC.

Mr. COTHRAN. Yes, I read this earlier today. Seventy-seven, you said?

Mr. WALDEN. Yes, sir. Do you think that Judy Green had a contact inside USAC?

Mr. COTHRAN. Well, you know, I have always ascribed to Clint Eastwood's maxim of a man has to know his limitations, and as it regards this investigation I will observe that maxim, and I don't have any evidence that she did, and I really don't want to speculate on that.

Mr. WALDEN. I understand.

Mr. COTHRAN. I just think speculating on that would be irresponsible.

Mr. WALDEN. I understand. But you do think it is a question that is worth asking of somebody?

Mr. COTHRAN. Yes, I think it is a line of inquiry that is definitely worth following up, absolutely.

Mr. WALDEN. All right. Looking at Tab 90, Desmond McQuoid e-mail discusses a year four 471 application, so for the fourth year 471 application, that Desmond says was submitted with his name on it that he knows nothing about.

Mr. COTHRAN. That is my information as well. During the course of my investigation I uncovered evidence that Mr. Marchelos approached individuals at the school district the following funding year with an E-Rate application, walking into people's offices literally and trying to find some official at the school district to sign the document so that it could be submitted to USAC.

An alert CFO assistant—assistant to the CFO had a conversation with Mr. McQuoid that she—I mean, sorry, Mr. Marchelos that she reported to me. Basically, her version—My memory of her version of events is that he was going into offices, looking for some sort of official signature to place on what I believe to be a 471 Form for year four, and I don't believe that was ever accomplished.

Mr. WALDEN. Okay. That is not the one that Dr. Ackerman refused to sign, is it?

Mr. COTHRAN. I don't know.

Mr. WALDEN. All right. I don't mean to dwell on this, but I guess I will for a moment. I want to go back to this Judy Green/USAC issue. Has anybody told you they thought there might be a contact going on there?

Mr. COTHRAN. Yes. I had one witness tell me that his belief was that—or suspicion was that she had someone inside USAC who helped her out.

Mr. WALDEN. All right. I think we just have one more question for this panel. Do you have any reason to believe that the schools and school districts in which NEC BNS was either awarded or subcontracted other questionable E-Rate deals were at all complicit in the conspiracy to defraud the E-Rate program? So were there schools or school districts that you are aware of?

Mr. COTHRAN. Where NEC was——

Mr. WALDEN. Yes, in which NEC BNS was either awarded or subcontracted other questionable E-Rate deals? Were they at all—Were any of those school district complicit? I am delighted we have a Dr. Ackerman at San Francisco. Given what we are learning about all this, it seems like corruption can run rampant in this program.

Mr. COTHRAN. The only information I have on that front is the information that the CEO and principal of Ceria M. Travis shared with me in those two interviews I had with her.

It was my impression from those interviews that this individual, Ms. Johnson, Dorothy Travis Johnson, was uncomfortable with what was going on around her, was suspicious. Her antennae were raised by it, but she didn't understand enough about the process, either competitive bidding process or the E-Rate process, to follow through her thinking to the point where she would have been complicit or have guilty knowledge.

That was my impression of her, but this was only from two brief phone interviews. So I think the value of that is somewhat limited.

Mr. WALDEN. I think just one more question of each of you. As we struggle with this issue, do what is right to make sure the program functions as it was intended, that it doesn't get ripped off by people for ill gotten gains, what would you do if you were us? What are the one or two most important things we can do to fix USAC and fix the oversight?

You know, you have answered everything so far. We will let you breathe for a second.

Mr. COTHRAN. Thank you.

Mr. WALDEN. Ms. Renne?

Ms. RENNE. Well, I think, first of all, with regard to school districts, as Dr. Ackerman indicated, you need to make sure that internally your procedures are strong. Of course, that is something only school districts can do, but certainly in the review process that ought to be looked at.

I think, second, if I were sitting in your shoes, I would be taking a look at this program in not only San Francisco but in a variety of school district areas across the country, which I think you are already.

Mr. WALDEN. Right.

Ms. RENNE. And I would certainly take a look at the organization that is doing the review. Are they sufficiently distanced from——

Mr. WALDEN. Independent?

Ms. RENNE. And independent to be able to take an independent look at the program, and to be ready to ask the tough questions?

Mr. WALDEN. Mr. Herrera?

Mr. HERRERA. To echo Ms. Renne's comments, I think that one thing that we have learned through our office's investigation, not just of this matter but other waste, fraud and abuse cases that we are looking into in our office, is the necessity for strict internal controls to make sure that the administrative agencies have their own house in order and, to the extent that you have a Federal overlay, obviously, there is the opportunity for waste, fraud and abuse to enter into it at another level.

So at least from our perspective, certainly, there is a responsibility that school districts have their own internal house in order, and that aids investigative agencies immeasurably. But from your perspective, I think that looking at how the oversight of the program is structured and whether there needs to be more direct government oversight is something that, I think, you need to take a very serious look at.

Mr. WALDEN. Well, it just really troubles me what I have come to better understand through this hearing and the data behind the hearing is that you have a dedicated public servant who within USAC says this doesn't look right, these budget numbers don't add up—I mean, I would think somebody would put a screeching halt on the whole application and demand a review to find out—At minimum, ask the question. I guess we will ask USAC that later, but then to go ahead and move forward when you've got an identified altered budget document.

We are not talking pennies here. What is it, $48 million?

Mr. COTHRAN. $41.5 million.

Mr. WALDEN. 41.5.

Mr. COTHRAN. And this is a document that had—You know, this is a point on which, I was informed by Mr.Schnipp, that had—they verified to a certainty further up the chain, I imagine, that they didn't have the funds.

Mr. WALDEN. That it had been altered?

Mr. COTHRAN. The decision would have been entirely the opposite, that they would have received no money.

Mr. WALDEN. So they had verified with the school district that they had no money in their legitimate budget to match against this? Is that what you are saying?

Mr. COTHRAN. I wouldn't put it that way. They verified by checking the budget document online that was the true budget document that was different from the budget document that Mr. McQuoid sent them, and now apparently with the help of Ms. Green. And they saw this discrepancy, this rather striking discrepancy.

Mr. WALDEN. Do you know if the folks at USAC then got hold of the superintendent's office or the chairman of the school board or somebody and said, hey, we are seeing this discrepancy, can you explain it? Did they ever ask for an explanation, that you are aware of?

Mr. COTHRAN. I don't know if they ever sought further confirmation through the school district. I think that is a question better put to USAC.

Mr. WALDEN. For USAC? Okay. I really again appreciate not only your work but your testimony and your patience today with our process. Thank you very much for being here. We appreciate it.

Mr. WALDEN. At this time the Chair will call forward the following witnesses: Mr. Thomas Burger, President and CEO of NEC Unified Solutions, Inc; Mr. William Holman, former Vice President of Sales for NEC BNS; Mr. George Marchelos, former consultant to and employee of Video Network Communications, Inc; and Ms. Judy Green, wherever she may be, former consultant to and employee of Video Network Communications, Inc.

Please come forward and be seated at the table.

Before we proceed any further, I would like to note the absence of Ms. Judy Green. The committee invited her to testify today, as I mentioned earlier, but she did not respond to that invitation as we requested.

Subsequently, the committee issued a subpoena to command her attendance here. The United States Marshals have attempted for the past week to serve Ms. Green. They have staked out her home and have personally spoken to her husband, but she is nowhere to be seen, apparently shopping for a new home, but her husband does not expect to hear from her until Friday at the earliest. That is tomorrow.

We will enter into the record the Marshals' e-mails regarding their attempts to serve the subpoena.

[The information referred to follows:]

From: John.Noory@usdoj.gov
Sent: Wednesday, July 21, 2004 11:46 AM
To: Spencer, Peter
Cc: Janice.Conway@usdoj.gov, John McNulty@usdoj.gov
Subject: Update on Green subpoena

Peter,

Per our discussion, we are providing the following information on the endeavors to serve your committee's subpoena on Judy Green.

In the early morning hours of July 21, 2004, Deputy U.S. Marshals again went to the address provided on the subpoena to serve Ms. Green. The deputies "staked out" the residence but did not observe anyone entering or leaving. At first light they knocked on the door. The man who says he is Ms. Green's husband answered and permitted the deputies to search the residence. They did not find her in the house. They noted that the furniture is still packed as though the Greens are ready to move.

The husband was not forthcoming about Ms. Green's whereabouts, but said that they would provide the USMS their new address after they relocate. At that point, the Deputy U.S. Marshals left the address.

I hope this information is helpful to you.

Sincerely,

John Noory
Office of Congressional Affairs
U.S. Marshals Service

From: John.Noory@usdoj.gov
Sent: Friday, July 16, 2004 2:39 PM
To: Spencer, Peter
Cc: Janice.Conway@usdoj.gov; John.McNulty@usdoj.gov
Subject: Update on Green subpoena

Peter,

Per our discussion, we are providing the following update on the endeavor to serve your committee's subpoena on Judy Green.

The U.S. Marshals Service (USMS) requested assistance from the Long Beach P.D. to gain access to the gated community where Judy Green lives, but the police told our Deputy U.S. Marshals that they would not participate because there was no pending criminal matter.

The deputy marshals returned to the gate and were told by a guard there that they could not enter the property. An on-site property manager then joined the conversation and appeared willing to let them enter. However, the president of the homeowner's association then subsequently became involved in the discussion and told the deputies they would not be allowed onto the property. Shortly thereafter, the guard told the deputies that there was an un-watched back gate through which they could enter the property.

The deputy marshals entered the property through the rear gate, located the address, and knocked on the door which was answered by a man who said he was Ms. Green's husband. He told the USMS personnel that Mrs. Green was in Temecula, CA, looking for their new residence and that she was not likely to return anytime soon. The deputies noticed that furnishings in the residence were packed as if the Greens were waiting for movers. The gentleman said that Ms. Green knew about the subpoena and, though she did not want to be uncooperative, she would not be coming home soon. He explained that Ms. Green's priority is to move.

A telephone call to Ms. Green's cell phone went directly to her voicemail.

As this is not a criminal matter for the USMS, it would be difficult to justify a 24-hour surveillance, especially if she is not expected to return. During the week of July 19, Deputy U.S. Marshals in the Central District of California will participate in a training exercise and likely will be unavailable. However, the USMS will hold this subpoena until we receive further instructions from the committee.

Please call us at 202-307-9220 if you have any additional information for the USMS regarding this matter.

Sincerely,

John Noory
Office of Congressional Affairs
U.S. Marshals Service

Mr. WALDEN. As you know, when conducting an investigative hearing, this subcommittee follows the practice of taking testimony under oath. So if you would, please rise and raise your right hand.

[Witnesses sworn.]

Mr. WALDEN. Let the record show they all indicated "I do." Please be seated. Gentlemen, under the rules of the House and this committee, you have the right to be advised by counsel as to your Constitutional rights. Do you have legal counsel here today,Mr. Burger?

Mr. BURGER. Yes, sir, I do.

Mr. WALDEN. Can you please state for the record the name of the counsel that is here today to advise you with respect to such matters?

Mr. NIESPOLO. Mr. Chairman, my name is George D. Niespolo, and I am counsel for Mr. Burger.

Mr. WALDEN. Thank you. The Chair—let's go on down then. Mr. Holman?

Mr. HOLMAN. Yes, Mr. Chairman, I am represented by counsel. It is Mr. Greg Evans.

Mr. WALDEN. Okay. If you could kind of lean toward the microphone, that will be good.

Mr. EVANS. Good afternoon, Mr. Chairman and committee. My name is Gregory Evans of the law firm of Orrick, Herrington & Sutcliffe, representing Mr. Holman this afternoon.

Mr. WALDEN. Thank you for being here. Mr. Marchelos?

Mr. MARCHELOS. No, I do not.

Mr. WALDEN. Do not have counsel? Okay. Mr. Donovan?

Mr. DONOVAN. Yes, Mr. Niespolo is counsel for me also.

TESTIMONY OF THOMAS J. BURGER, PRESIDENT AND CEO OF NEC UNIFIED SOLUTIONS; INC; WILLIAM HOLMAN, FORMER VICE PRESIDENT OF SALES FOR NEC BNS; GEORGE MARCHELOS, FORMER CONSULTANT TO AND EMPLOYEE OF VIDEO NETWORK COMMUNICATIONS; JUDY GREEN, FORMER CONSULTANT TO AND EMPLOYEE OF VIDEO NETWORK COMMUNICATIONS, INC.; AND TIMOTHY M. DONOVAN, FORMER SENIOR VICE PRESIDENT AND GENERAL COUNSEL, NEC USA, INC.

Mr. WALDEN. All right. Thank you. The Chair now recognizes Mr. Burger for purposes of making an opening statement, if you so desire. Mr. Burger?

Mr. BURGER. I don't have an opening statement, no, sir.

Mr. WALDEN. Very well. The Chair now recognizes Mr. Holman for purposes of making an opening statement, if you desire.

Mr. HOLMAN. Mr. Chairman, I do not have an opening statement. Thank you.

Mr. WALDEN. Very well. The Chair now recognizes Mr. Marchelos for purpose of making an opening statement if you so desire.

Mr. MARCHELOS. No opening statement, sir.

Mr. WALDEN. Very well. We will be back at you in a moment, Mr. Donovan.

Mr. Burger, this morning we heard from San Francisco City Attorney's Office, and this afternoon, about an elaborate conspiracy between individuals at NEC BNS and VNCI, including Judy Green,

George Marchelos and others, in which the co-conspirators eliminated competitive bidding and inflated prices on contracts related to the E-Rate program.

As you know, NEC BNS pleaded guilty to conspiracy to suppress and eliminate competition for E-Rate program projects and to wire fraud.

As the President and CEO of NEC BNS, were you aware of the conspiracy by NEC BNS, VNCI, Judy Green, George Marchelos and the others to defraud the E-Rate program by rigging bids, inflating contract prices, forging the signatures of school district officials, and lying to USAC during its review process?

Mr. BURGER. Mr. Chairman, as you know from my correspondence and my request to appear at a future hearing, it is my sincere desire to cooperate with this subcommittee's investigation. However, due to the ongoing Department of Justice investigation and on advice of counsel, I respectfully decline to answer the question on the basis of the privilege afforded me under the 5th and 14th Amendments of the United States Constitution.

Mr. WALDEN. Mr. Burger, are you then refusing to answer all of our questions on the right against self-incrimination afforded to you under the 5th Amendment of the U.S. Constitution?

Mr. BURGER. Yes, Mr. Chairman.

Mr. WALDEN. And is it your intention to assert such right in response to all further questions from the subcommittee today?

Mr. BURGER. Yes, Mr. Chairman.

Mr. WALDEN. Given that, if there are no further questions from the members, I will dismiss you at this time, subject to the right of the subcommittee to recall you, if necessary. So at this time, you are excused.

Mr. BURGER. Thank you, Mr. Chairman.

Mr. WALDEN. Thank you for coming.

Mr. Holman, this morning we heard from the San Francisco City Attorney's Office about an elaborate conspiracy between individuals at NEC BNS and VNCI, including Judy Green, George Marchelos, and others, in which the co-conspirators eliminated competitive bidding and inflated prices on contracts related to the E-Rate program.

As you know, NEC BNS pleaded guilty to conspiracy to suppress and eliminate competition for E-Rate program projects and to wire fraud. As the former Vice President of Sales for NEC BNS, were you aware of the conspiracy by NEC BNS, VNCI, Judy Green, George Marchelos, and others to defraud the E-Rate program by rigging bids, inflating contract prices, forging the signatures of school district officials, and lying to USAC during its review process?

Mr. HOLMAN. Mr. Chairman, on advice of counsel, I respectfully decline to answer the questions on the basis of my 5th Amendment rights under the United States Constitution, on the basis that any testimony might be a witness against myself.

Mr. WALDEN. Mr. Holman, are you refusing to answer all these questions on the right against self-incrimination afforded to you under the 5th Amendment of the U.S. Constitution?

Mr. HOLMAN. Yes, Mr. Chairman.

Mr. WALDEN. And is it your intention to assert such right in response to all further questions from the subcommittee today?

Mr. HOLMAN. Yes, Mr. Chairman.

Mr. WALDEN. Given that, if there are no further questions from the members, I will dismiss you at this time, subject to the right of the subcommittee to recall you, if necessary. So at this time, you are excused.

Mr. HOLMAN. Thank you, sir.

Mr. Marchelos, this morning we heard from the San Francisco City Attorney's office about an elaborate conspiracy between individuals at NEC BNS and VNCI, including Judy Green, yourself, and others in which the co-conspirators eliminated competitive bidding and inflated prices on contracts related to the E-Rate program.

As you know, NEC BNS pleaded guilty to conspiracy to suppress and eliminate competition for E-Rate program projects and to wire fraud. As a former employee of VNCI who extensively assisted Mr. Desmond McQuoid with San Francisco's E-Rate program, were you aware of the conspiracy by NEC BNS, VNCI, Judy Green and others to defraud the E-Rate program by rigging bids, inflating contract prices, forging the signatures of school district officials, and lying to USAC during its review process?

Mr. MARCHELOS. Mr. Chairman, because of the ongoing criminal and civil investigations, I must invoke my 5th Amendment rights.

Mr. WALDEN. Mr. Marchelos, are you refusing to answer all of these questions on the right against self-incrimination afforded to you under the 5th Amendment of the United States Constitution?

Mr. MARCHELOS. Yes, sir.

Mr. WALDEN. And is it your intention to assert such right in response to all further questions from the subcommittee today?

Mr. MARCHELOS. Yes, sir.

Mr. WALDEN. Given that, if there are no further questions from the subcommittee members, I will dismiss you at this time, subject to the right of the subcommittee to recall you, if necessary. So at this time, you are excused.

Mr. MARCHELOS. Thank you, sir.

Mr. WALDEN. At this time, the Chair calls forward our next witness, Mr. Tim Donovan, former General Counsel for NEC-USA. We appreciate your being at the table.

As you know, in conducting an investigative hearing, the subcommittee has the practice of taking testimony under oath. We have already sworn you in under oath. So we appreciate your being here today, and I just remind you, you are under oath, and we would welcome an opening statement, if you have one, sir.

TESTIMONY OF TIMOTHY M. DONOVAN

Mr. DONOVAN. Thank you, Mr. Chairman. Good afternoon to Mr. Chairman and the distinguished members of the subcommittee. My name is Timothy Donovan, and during the time period relevant to the matters before you today, I was acting as Senior Vice President, General Counsel and Corporate Secretary of NEC-USA, and I was also Corporate Secretary for NEC Business Network Solutions.

Although I left that position at the end of March 2004 after 20 years within the NEC organization, I remain an officer today, Corporate Secretary, of one of the other affiliates, and I am happy to be able to testify here today.

For some time now, my colleagues and I have been asking ourselves what I am sure members of this distinguished committee are asking themselves as well: How did a good company with thousands of dedicated and hard working employees and a program with admirable goals get to the point we are today?

I will do what I can to answer that question, but I think the more important question for NEC, since we have already admitted our wrongdoing, and for everyone involved in E-Rate is: How can we ensure this never, never happens again?

During the time in question, BNS had more than 1,000 employees spread across 36 offices around the United States. This company provided systems and installation maintenance not only to educational institutions, both under the E-Rate program and many other programs, but to the financial, health care and many other industries.

During the time that BNS was actively involved in E-Rate, the program revenues were only about 3 to 5 percent of BNS total revenues. The company did not have more than five employees out of the 1,000-plus employees that worked for BNS dedicated to sales on E-Rate, and BNS' primary business focus was on the private sector. It is not typically a government contractor.

BNS' first serious involvement in the E-Rate program began in late 1999. As the subcommittee may be aware, it is not unusual for a company like BNS to team with a consultant that is a specialist in a particular area, and VNCI held itself out as an E-Rate expert.

In 1999, BNS entered into a teaming arrangement with VNCI, the consultant in the telecommunications field and the vendor of certain types of telecommunications products that were going to be offered. This initial effort involving NEC and VNCI was the project for San Francisco Unified School District, an opportunity that was identified for BNS by VNCI.

From the moment NEC learned that DoJ was investigating San Francisco schools in 2001—and this was before NEC knew that it was the target of the investigation—and after we learned later that the company was itself a target in the inquiry, NEC has fully cooperated with the government.

In October 2002 we made a commitment to the Justice Department to accept full and complete responsibility for the conduct of these employees, and sought to resolve all issues. I believe the committee has received a letter—the staff has received a letter from the Department of Justice which applauds NEC for its full and continuing cooperation in this investigation. This was not a cover-up situation.

As part of that resolution announced this past May, BNS has taken steps to ensure that this conduct is not repeated and that all of its employees will act responsibly and properly.

Some of these steps include empowering a compliance officer with broad powers to oversee compliance in government contracting and elsewhere. It is my understanding that a person with substantial government contracts and internal audit experience has accept-

ed that position and will shortly start employment with the company Commencing the training of all employees in established ethics and compliance policies and procedures; implementing expanded services for its anonymous hotline, so that employees can report suspected wrongdoing or unethical conduct; scheduling regular audits of all government contracts; and BNS is also agreed to provide periodic reports and permit the FCC to conduct annual audits of all of its activities in this area.

Our company has learned an expensive lesson, an embarrassing lesson, but certainly a valuable lesson. The E-Rate program with effective oversight and management can assist needy schools.

At the same time, please do not lose sight of the fact that there were many diligent, hard working field engineers and other employees within BNS who were implementing Internet solutions within schools unaware of the wrongdoing by a few. They believed they were making a meaningful effort to enhance the success of students in those schools. Mistakes that were made by a few BNS employees tarnished this effort and all of our beliefs.

Thank you for allowing me to appear before you today, and I hope I can answer your questions.

[The prepared testimony of Timothy M. Donovan follows:]

PREPARED STATEMENT OF TIMOTHY DONOVAN FORMER SENIOR VICE-PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY, NEC USA, INC.

Good morning, Chairman Greenwood, distinguished members of the Subcommittee. My name is Timothy Donovan. During the time period relevant to the matters before you today, I was acting as Senior Vice-President, General Counsel and Corporate Secretary of NEC USA, Inc. and Corporate Secretary of NEC Business Network Solutions, Inc. (BNS). Although I left my position at the end of March 2004, having completed almost 20 years within the NEC organization, I remain an officer today of one of the affiliated companies.

I appreciate the opportunity to appear before the Committee today and address matters relating to the E-Rate Program, created by the FCC under the Telecommunications Act of 1996. As Secretary of BNS, I had no role in its day-to-day activities. Other corporate executives of BNS might have more direct knowledge of the events that are the subject of your questions today, but as you are no doubt aware, the Department of Justice is conducting an ongoing criminal investigation. It is expected that this investigation may be concluded in a matter of a month or so. I am advised that, due to the pendency of that investigation, legal counsel to other executives you invited to testify advised them that it would be inappropriate for them to testify today. I understand that counsel for these individuals have asked that these hearings be postponed until September or October, to give the Justice Department time to complete their ongoing investigation, so that management of BNS would be able to participate and give substantive testimony after the conclusion of that process. Since the Committee's schedule would not allow a postponement, and consistent with BNS' commitment to provide full and complete cooperation with all relevant inquiries into this matter, BNS asked, and I agreed to appear and give testimony for the Committee today. With your understanding of these circumstances, I will do my best to assist the Committee in its inquiry at this time.

I. BACKGROUND OF BNS INVOLVEMENT IN THE E-RATE PROGRAM IN SAN FRANCISCO AND ELSEWHERE

BNS was founded in 1989 as a multi-systems integrator and a direct sales and service organization for NEC America, the NEC America subsidiary that markets and sells telecommunications equipment and systems in the U.S. BNS designs, sells, installs and services a broad range of voice, data, and video communication systems and networks. BNS has in excess of 1000 employees spread across 36 regional sales and operations offices. A very small proportion of these employees ever had any involvement in the E-Rate Program.

BNS' first serious involvement in the E-Rate Program began in late 1999. Although BNS was aware of the program, prior to 1999 it had no significant involve-

ment in the E-Rate Program, or government contracting in this sector, for all intents and purposes. In 1999, however, BNS entered into a teaming arrangement with VNCI, a consultant in the telecommunications field and vendor of certain telecommunications (video related) products. The main contact with BNS at VNCI during the early stages of the relationship was Ms. Judy Green. VNCI assisted BNS in identifying potential school districts and opportunities. Ms. Green and VNCI assisted the schools in their consideration of E-Rate funding. BNS participated in the E-Rate Program by selling and installing data equipment and telecommunications equipment to school districts that qualified for funding under the E-Rate Program.

BNS provided systems and installation and maintenance not only to educational institutions, but to the financial sector, healthcare sector, and many other industries and customers. During the time that BNS was actively involved in the E-Rate Program the E-Rate Program revenues constituted a little over 3% of the gross revenues of BNS. At the start of its venture into the E-Rate business, BNS had three sales and marketing employees who were involved full or part time in this sector. At the conclusion of BNS' participation, there were about 5. The activities were conducted for the most part in one of the company's regional offices in the San Francisco Bay Area. These individuals did not have extensive prior experience in government contracting or, for that matter, the E-Rate Program prior to the Year 3 bids that BNS submitted.

The initial effort involving NEC and VNCI included the project for San Francisco Unified School District (the "SFUSD"), an opportunity identified by Ms. Green and VNCI. This was a bid effort for what is generally referred to as Year 3 E-Rate Funding. In January 2000, a few weeks after establishing the teaming relationship with VNCI and Ms. Green, BNS submitted a bid for E-Rate work to the SFUSD. By the time BNS suspended all activity relating to E-Rate, it had already severed the consulting relationship with VNCI and Ms. Green.

II. THE JUSTICE DEPARTMENT INVESTIGATION, BNS COOPERATION AND THE RESULTING BNS SETTLEMENT

In the Summer of 2001, BNS learned that there was an investigation into the SFUSD; and BNS cooperated with the investigation, unaware at that time that the investigation concerned BNS. By the end of October 2002, it had become apparent to BNS that some of its employees' activities were in fact involved in the investigation. At that time, BNS retained independent legal investigators to begin a full scale internal investigation into BNS' E-Rate operations. That process continued over many months and included interviews of witnesses, review of documents, e-mail and other records. As soon as BNS began to appreciate the nature of the activities by this small group of individuals engaged in E-Rate Program marketing and sales, BNS suspended all requests for payment with the Schools and Libraries Division ("SLD"), pending a determination of the outcome of the investigation so as to ensure that there would be no further injury to the Government or to any other affected party as a result of continuing this business.

BNS also resolved at that point that it should cooperate fully and completely with the federal investigators. BNS made a commitment to the Justice Department to accept full and complete responsibility for the conduct of the employees and sought to resolve all issues. Well along in the inquiry and negotiations, we learned that there was a civil qui tam complaint that the City and County of San Francisco had commenced. BNS sought to resolve this matter as well, as part of its overall resolution and commitment to make restitution. In order to make good on its commitment to resolve the criminal issues and the civil qui tam action, BNS agreed to pay, and did pay, $15 million in cash fines and restitution, and further agreed to provide equipment, continuing maintenance and services (valued at an additional $5.7 million) to school districts that are BNS customers under the E-Rate Program. We believe the Government has been made whole with this settlement. BNS sincerely regrets that the conduct by these several employees caused this kind of financial harm. Some of these individuals are no longer employed by the company. Any further action with regard to the others will be suspended until the DOJ completes its investigation as to individual culpability.

III. LEGISLATIVE SOLUTIONS TO THE PERCEIVED PROBLEMS IN THE E-RATE PROGRAM

We understand that this Committee is making inquiry into what can be done to eliminate the factors that led to this disappointing state of events. BNS does not pretend to have answers to this inquiry from the standpoint of operations of the SLD and the E-Rate Program. However, from the vendor side, BNS has become aware that in the E-Rate Program arena, a few employees, improperly supervised, trained and overseen, can engage in conduct that, in short time, can cause a great

deal of damage. In the BNS case, BNS is first and foremost a private sector vendor. There was no substantial line of business and operations dedicated to the government sector for any significant time period. Further, the company did not have the checks and balances in place to supervise the sales personnel who responded to this business opportunity. Working with the Justice Department, BNS is taking key steps to ensure that such conduct is not repeated and that all of its employees will act responsibly and properly. BNS is taking the following first steps as part of a long-term process to improve oversight and management:

- Empowering a Chief Compliance Officer with broad powers to oversee compliance in governmental contracting and elsewhere.
- Commencing the training of all employees in established ethics and compliance policies and procedures.
- Implementing expanded services for its anonymous hot-line for employees to report suspected wrongdoing or unethical conduct.
- Scheduling regular audits of all government contracts.

BNS has also agreed to permit the FCC Enforcement Bureau and the FCC-OIG, at BNS' expense, to conduct an annual audit of BNS' compliance with applicable laws and regulations relating to the E-Rate Program and other government sponsored or funded telecommunications programs. BNS will make annual reports to the FCC Enforcement Bureau and the FCC-OIG concerning its compliance with the established compliance policy.

It would be impossible, from a legislative standpoint, to codify a code of conduct that might directly address all anticipated problems on the vendor side. However, from BNS' experience, it has become clear that any vendor involved in the E-Rate Program needs to have employees who are properly trained in the requirements of government contracting and, in particular, the rules and regulations of the E-Rate Program. To be sure, even in Year 3 of the E-Rate Program, there was still an absence of clear definition as to what products and services were to be funded and a lack of clarity in other areas as well. Bright line rules are better than leaving matters to subjective judgment. This, however, does not excuse in any way BNS' conduct, but the ambiguity fostered an environment for mistake, negligence and active misconduct to occur.

We are also concerned that the present operational parameters under the E-Rate Program leaves an informational void between the vendor of systems and services and the school districts. School administrators, especially in the neediest districts, have little or no expertise in the installation of sophisticated voice, video, and data networks. The vendors do, but they are in the business of selling equipment and services that are requested by customers. This information void can be exploited by opportunistic or dishonest individuals in some cases. Although it would be laudable if vendors would spend their time and efforts in scaling down a project to save unnecessary expense for the school districts and the E-Rate program, since this would reduce their revenues, it is unrealistic to think this will often be the case, even in a competitive response to an RFP. Many of the school districts need to have the assistance and advice of an informed and independent consultant. They should not be left in a position of either asking the vendor to provide those consulting services or providing a reference for those services.

The E-Rate Program, with effective oversight and management, can assist needy schools in acquiring technology that may enhance the education of children in the urban and rural schools. There were many diligent, hardworking field engineers and other employees within BNS who were implementing Internet solutions within schools unaware to the wrongdoing by a few. They believed they were making a meaningful effort to enhance the success of students in those schools. Mistakes that were made by a few BNS employees tarnished this effort and their beliefs.

Thank you for the opportunity to appear before the Committee today.

Mr. WALDEN. Mr. Donovan, thank you for appearing today. I noticed in your original draft statement submitted to the committee, you indicated you thought the Justice Department investigation would be over in a matter of a month or so. Is that a view you still hold?

Mr. DONOVAN. That is a little speculative. Counsel for the company that has been cooperating with the Justice Department believes that the investigation, which is still continuing—there is a Grand Jury proceeding—insofar as NEC employees may be com-

pleted to a point where some of the employees would be able to testify.

Mr. WALDEN. Okay, because I noticed in the press release that was put out, you indicate—or your press people at least indicate circumstances may change in the near future which may allow executives to participate subsequently before the subcommittee hearing. But that—the press release doesn't make any reference to the investigation being concluded within a month or so. I just wondered.

Your draft release indicates September or October, complete the investigation. There seems to be a month or so or September or October—It's kind of an interesting couple of days. something must have changed.

Mr. DONOVAN. I don't think so. I think, as you know, that schedule is not up to NEC or to the individuals who are under investigation. So it is a good faith guess.

Mr. WALDEN. Okay. Isn't NEC's position about the ratio of E-Rate revenues to total company revenues a red herring? We have been told this was like a very small portion of NEC BNS's revenues or NEC's revenues, the E-Rate program itself.

Mr. DONOVAN. Three to 5 percent as a of business, and I think that is the way the E-Rate program was viewed. It was almost like a new line of business with some different factors and circumstances that needed to be dealt with. Three to 5 percent would not be a large business line.

Mr. WALDEN. But wouldn't that business line have doubled, had the 471 been approved by USAC for San Francisco? Wouldn't it have taken it to $100 million or something?

Mr. DONOVAN. I don't know.

Mr. WALDEN. Well, I think we have those numbers, don't we? I think it would have nearly doubled.

Mr. DONOVAN. This is for the San Francisco school district?

Mr. WALDEN. Well, for your overall revenues, it would have nearly doubled them in this line, business line. I'm a small business owner. If some chunk of my business that was 3 percent was suddenly going to double, I would probably sit up and take notice, and I would think the managers down the line would want me to take notice, if I were CEO, and say, look at what we are doing for you. Did that happen in your company?

Mr. DONOVAN. Could you rephrase the question? I'm not sure how to answer that.

Mr. WALDEN. Well, I want to know who knew and what they knew, bottom line.

Mr. DONOVAN. Yes.

Mr. WALDEN. And I guess, maybe in a big company like NEC, 3 percent of revenue doesn't matter, but if you are going to add 3 percent—If you are going to basically double this line of business with this, looked to me like, one contract, I would think somebody would be saying look at me, look at me, I'm over here in this division of the E-Rate, new line of business, and look at what we are able to do here. Did that happen?

Mr. DONOVAN. That could be the case, but in my experience as an attorney for the last 20 years-plus, people who were doing some of the things that we are hearing about today and that I as a

former NEC employee am not proud of, by any means, do not flag those situations.

So it would not be surprising to me that, if people were engaged, and we believe they were, in the kinds of things that were happening, they would do everything they could to hide that.

Mr. WALDEN. Right, but somebody is above them. Right?

Mr. DONOVAN. Yes.

Mr. WALDEN. And I assume, aren't there like monthly revenue forecasts in your company?

Mr. DONOVAN. There are periodic revenue forecasts.

Mr. WALDEN. Okay, periodic. Is there a look at new contracts coming in?

Mr. DONOVAN. I'm not sure. There are thousands of contracts that come in. This one would have been a larger contract, but not the largest. That is not my belief. But there are many, many——

Mr. WALDEN. There could be a larger contract?

Mr. DONOVAN. I would think so, yes.

Mr. WALDEN. Okay. So you got a couple of folks down here doing nefarious acts. Somebody above them, though—Who did they report to?

Mr. DONOVAN. They being who, Congressman?

Mr. WALDEN. The people who have been identified as engaging and working with your company. I mean, there were people in your company, obviously, who knew something was wrong. Right?

Mr. DONOVAN. At some point, yes.

Mr. WALDEN. I mean, you have admitted to that in your settlement, haven't you?

Mr. DONOVAN. Today, yes, we wish we could have done a lot of things differently, Congressman. The question is this was not a single isolated case. It involved the San Francisco School District. There were acts which took place over a period of time, and the question as to when different people realized what was going on is a difficult question to answer.

Mr. WALDEN. Let's go to Tab 27, sir, if you would. This is an e-mail from—and I apologize up front—Zahid Masoud to a Mr. Tom Burger and to you—well, no, to Mr. Holman.

Mr. DONOVAN. Scared me for a moment.

Mr. WALDEN. No, I am sorry. To Glen Means. So Mr. Holman, Mr. Means, Mr. Burger, and cc'ed to Mr. Rathinson and to Bob Bliss. It calls VNCI pricing, and it says importance is high. "Gentlemen, below you will find the pricing summary of the E-Rate projects as we bid to the individual school districts. I have also included attachments detailing pricing for each of these projects. Glen, you can find in-kind NABSE bonuses in the value added section. I will be on hand for the 9 a.m. meeting to discuss further. Zahid."

Now who is Mr. Burger? Wasn't he the gentleman who was just here?

Mr. DONOVAN. Yes.

Mr. WALDEN. And what would this summary sheet on submitted bids for the E-Rate projects be?

Mr. DONOVAN. I don't know. Sorry.

Mr. WALDEN. Well, it is titled "Summary sheet on submitted bids for the E-Rate projects."

Mr. DONOVAN. Yes.

Mr. WALDEN. And what role is Mr. Burger in on February 18, 2000, in the company?

Mr. DONOVAN. He was the Chief Executive Officer of the company.

Mr. WALDEN. All right. So the bids for these E-Rate projects that amount to 3 percent of your business were being provided to the CEO of the company. Correct?

Mr. DONOVAN. It looks that way. Yes. Can you point me to——

Mr. WALDEN. I'm sorry, did you not get the tab?

Mr. DONOVAN. I have it, yes. What I would like to know is I am not sure where the wrongdoing is in this. I am looking at this for the first time.

Mr. WALDEN. Well, I didn't say there was wrongdoing in this, but if you think there is, we can explore that. But my point was who knew in the company. What I thought I have heard you say is that this was such a small part of the business, you didn't know where it went up in the chain, because I was asking about reporting. You know, wouldn't revenue—a new line of business, who knew in the company?

This e-mail would indicate the CEO at least knew of these E-Rate projects and the bids that were submitted. If this is that small a piece of business, does every project where there is a bid go to the CEO?

Mr. DONOVAN. I don't know the answer to that.

Mr. WALDEN. This is a $131,249,100 total project bids and accepted for 471.

Chairman. BARTON. Would the chairman yield on that point?

Mr. WALDEN. I certainly would, Mr. Chairman.

Chairman. BARTON. You, Mr. Donovan, at this time were General Counsel for BNS. Isn't that right?

Mr. DONOVAN. I was General Counsel for the holding company, NEC USA, but my staff also provided legal services to this company. That is correct.

Chairman. BARTON. In this year, calendar year 2000, do you recollect what the total revenues of the company were in the United States?

Mr. DONOVAN. I don't know offhand, but I know it was probably several hundred million dollars.

Chairman. BARTON. Several hundred?

Mr. DONOVAN. Million.

Chairman. BARTON. Million. So $131 million would be a significant portion, if your total revenue were several hundred million.

Mr. DONOVAN. I don't know if this was a single period. Sometimes when bids are submitted, there is a long period of time between the date that the bid is submitted and a contract is begun, but I am not sure——

Chairman. BARTON. But, I mean, you would admit that, if you were CEO of a company and a revenue projection was presented to you that, let's say, is 25 to 50 percent of your total revenue, you would look at it.

Mr. DONOVAN. If I were CEO?

Chairman. BARTON. Yes, sir.

Mr. DONOVAN. Yes, I would look at that.

Chairman. BARTON. Okay.

Mr. DONOVAN. I am not sure what detail I would look at it, but certainly I would be very interested in that.

Chairman. BARTON. Well, I would certainly look at it in great detail. I yield back.

Mr. WALDEN. Well, Mr. Chairman, I would also like to know from the company who was on hand at the 9 a.m. meeting to discuss this further, since this was sent to Mr. Burger, Mr. Means, Mr. Holman and cc'ed, obviously, Mr. Bliss and Mr. Rathinson.

Mr. DONOVAN. Rafinson.

Mr. WALDEN. Thank you. And it would imply that perhaps all these people were going to be at whatever this meeting was at 9 a.m. Do you know if there are minutes of that meeting available?

Mr. DONOVAN. I don't.

Mr. WALDEN. Do you know who attended that meeting?

Mr. DONOVAN. No, I don't know. I'm sorry.

Mr. WALDEN. Do you know if at the bottom of this—At the bottom of this same memo, it is marked Confidential. It says, "The above districts include 45 NEC PBX systems, almost all of them NEACs 2000." Then it appears there are Excel spreadsheets for each district included.

I wonder, are those spreadsheets available in the form that either—the form that they are referenced here?

Mr. DONOVAN. May I speak with counsel?

Mr. WALDEN. Sure. Certainly, sir.

Mr. DONOVAN. Yes, they are.

Mr. WALDEN. And have those been supplied to the committee yet?

Mr. DONOVAN. Not yet.

Mr. WALDEN. When would it be possible to produce those spreadsheets, gentlemen?

Mr. DONOVAN. As soon as possible, tomorrow or Monday. Yes.

Mr. WALDEN. All right. Thank you. That would be helpful to know.

My time has expired. I will turn to the gentle woman from Colorado.

Ms. DEGETTE. Thank you, Mr. Chairman. Now, Mr. Donovan, I guess I have been trying to figure out what you are doing here today. So I just want to ask you a little bit of question—other than the fact you are the lawyer. But now Mr. Burger and Mr. Holman were both employed by the company during this timeframe. Correct?

Mr. DONOVAN. Correct.

Ms. DEGETTE. And they took the 5th today because of the ongoing criminal investigation. Correct?

Mr. DONOVAN. Correct.

Ms. DEGETTE. So you have been sent over to testify, and so I want to ask you some questions.

Now during this time period, you were the Senior Vice President, General Counsel, and Corporate Secretary of NEC. Correct?

Mr. DONOVAN. NEC USA. Correct.

Ms. DEGETTE. And you were also the Corporate Secretary of BNS. Correct?

Mr. DONOVAN. Correct.

Ms. DEGETTE. Now as you yourself said in your written testimony, you did not have any role in BNS's day to day activities. Correct?

Mr. DONOVAN. Not directly, no.

Ms. DEGETTE. Now you were the legal counsel for—Were you the legal counsel for BNS and also for NEC USA?

Mr. DONOVAN. The NEC USA Legal Department, which has about six attorneys, is legal counsel for most of the NEC companies in the United States.

Ms. DEGETTE. And that would include BNS?

Mr. DONOVAN. Yes, it would.

Ms. DEGETTE. And were you the supervisor of the lawyers in the legal counsel's office?

Mr. DONOVAN. Correct.

Ms. DEGETTE. So, basically, they were the ones reviewing contracts and negotiations, and then you were supervising that. Would that be a fair characterization?

Mr. DONOVAN. Yes, it would.

Ms. DEGETTE. Now in your written testimony and, I think, also orally, you said in 1999 BNS entered into a teaming arrangement with VNCI. Correct?

Mr. DONOVAN. That is my understanding.

Ms. DEGETTE. Were you involved in the negotiation of that teaming arrangement?

Mr. DONOVAN. No, I was not.

Ms. DEGETTE. Were you aware of the arrangement at all?

Mr. DONOVAN. Not at that time, no.

Ms. DEGETTE. Did you review any kind of a contract with VNCI?

Mr. DONOVAN. No, I did not.

Ms. DEGETTE. Did anybody in your office review that agreement?

Mr. DONOVAN. I don't know if anyone reviewed that agreement, but to answer your question, typically teaming agreements, which are very, very common when you are dealing with large systems with different types of products—they are very common. Assuming that they are used correctly, they are not illegal.

Ms. DEGETTE. Well, absolutely. I know that. But what you are saying is maybe a teaming—If it is a routine teaming agreement done in the course of business, that would not necessarily be reviewed by one of the attorneys. Is that what you are saying?

Mr. DONOVAN. Not by an attorney.

Ms. DEGETTE. Okay. So you don't know whether this was or wasn't, but it wasn't reviewed by you?

Mr. DONOVAN. Correct.

Ms. DEGETTE. Now do you know how VNCI came to enter into an agreement with BNS?

Mr. DONOVAN. No, I am sorry. I don't.

Ms. DEGETTE. Do you know who would know?

Mr. DONOVAN. No, I don't.

Ms. DEGETTE. So you don't know what the relationship of the parties was, whoever was representing BNS and whoever was—Well, I guess it was probably Judy Green. Right?

Mr. DONOVAN. Of VNCI?

Ms. DEGETTE. Yes.

Mr. DONOVAN. It appears that way.

Ms. DEGETTE. Now you say it appears that way. Is that because of information you have subsequently received?

Mr. DONOVAN. Yes.

Ms. DEGETTE. At the time this transaction was entered into, did you know Judy Green?

Mr. DONOVAN. No.

Ms. DEGETTE. Okay. Have you ever met Judy Green to this day?

Mr. DONOVAN. No, I have not.

Ms. DEGETTE. And I assume you don't know where she is, because we are looking for her.

Mr. DONOVAN. I'd rather not have anything to do with Judy Green.

Ms. DEGETTE. I would believe that.

Mr. DONOVAN. But I wish you much success in finding her.

Ms. DEGETTE. Thank you. Okay. So you basically can't tell us about how BNS came to enter into this arrangement.

Mr. DONOVAN. Not this arrangement. Correct.

Ms. DEGETTE. Okay. Well, looking at Tab 27 which is this e-mail about all the other E-Rate projects, do you know how any of those arrangements came to be entered into?

Mr. DONOVAN. No.

Ms. DEGETTE. No, because you didn't have day to day involvement in this?

Mr. DONOVAN. That's correct.

Ms. DEGETTE. Okay. Now I just ask you again. Have you subsequently learned who at BNS entered into this teaming arrangement? Who was the individual who did it?

Mr. DONOVAN. There should be a signature on the written agreement.

Ms. DEGETTE. Yes, it was Mr. Holman. Have you reviewed any of that?

Mr. DONOVAN. I probably have seen that during the course of the investigation.

Ms. DEGETTE. All right. But you didn't see it sooner?

Mr. DONOVAN. No.

Ms. DEGETTE. Okay. Now you testified about a small group of individuals at NEC BNS who were engaged in E-Rate program deceptions. What are the names of the small group of individuals?

Mr. DONOVAN. I think the names are in the records that have been provided, but I would like to speak with counsel.

Ms. DEGETTE. Be my guest.

Mr. DONOVAN. The names that I have seen on the correspondence include Mr. McNulty, Mr. Collen, Mr. Holman, Sohail—sorry, I can't pronounce his name either. He is in the record before you, I think, from a previous question. Those are some of the individuals who are involved.

Ms. DEGETTE. All right. And has the company conducted an internal investigation to see whether the individuals involved in deceptions—whether the group is broader than that?

Mr. DONOVAN. The company responded, yes, with an internal investigation before we realized the scope of what was going on, when we first realized something is wrong. That internal investigation led to the retention of outside legal counsel who were more ex-

perienced with this type of investigation, and when they advised us of what was involved, we worked with the Justice Department.

Ms. DEGETTE. Now Mr. Burger is still the CEO of the company?

Mr. DONOVAN. Yes, he is.

Ms. DEGETTE. Is Mr. Holman still employed with the company?

Mr. DONOVAN. No, he is not.

Ms. DEGETTE. And do you have any evidence that Mr. Burger was involved with these transactions?

Mr. DONOVAN. Again, I would like to speak to counsel.

I am not aware of any.

Ms. DEGETTE. Has your company instituted any new procedures designed for this type of activity in the future?

Mr. DONOVAN. Yes.

Ms. DEGETTE. Could you please describe those procedures for us?

Mr. DONOVAN. Yes, I can. Probably the most important is the hiring of a person who has quite a bit of knowledge about government contracts and, at the same time, internal audit procedures. One of the reasons this may have occurred is because there were insufficient checks and balances, not so unlike the school district that testified earlier today.

The internal audit department has been expanded, and this person will take a very leading role in any type of activity like this in the future.

We have also started training programs for employees about this particular type of problem, and we have also instituted an 800 number and provided training and quite a bit of marketing information about that number to encourage employees to use it.

Ms. DEGETTE. Do those audit procedures and also the anti-fraud procedures you have put in place include having these contracts reviewed by legal counsel?

Mr. DONOVAN. Any government contract will be passed first to the person with the expertise in that area, and then will involve Legal. It is my understanding, although I am not directly involved with the company since April 1, that the General Counsel, who I know very well, and this new person will work hand in glove to make sure this does not happen again.

Ms. DEGETTE. When were the procedures instituted?

Mr. DONOVAN. Some of the procedures—it has been ongoing during this process. The anonymous hotline was instituted earlier this year before I left the company. That would be probably January or February of this year.

The compliance officer—I am not sure how long a search that was, but the compliance officer accepted an offer and will start—this is a person outside the company with substantial experience. They will be starting soon.

Under the continuing work with the Justice Department, NEC is going to be filing expanded policies, and some of the training has already commenced.

Ms. DEGETTE. All right. Let me just say, because everyone else left, I will communicate to you how seriously this committee obviously takes this investigation, and I appreciate you being willing to come and testify. Unfortunately, of course, the events we need to know about are not within your knowledge.

So, Mr. Chairman, if I may, I think it is going to be critical for us to try to have the rest of these employees come back, Mr. Burger, Mr. Holman, when we find Judy Green; because Mr. Donovan doesn't know a doggone thing about the transactions here. I do appreciate him coming and talking about the company's investigations and corporate practices, but it doesn't get to the meat of the issue. I yield back. Thank you.

Mr. DONOVAN. I'm sorry.

Mr. WALDEN. Thank you for your questions and your comments, Ms. DeGette. I couldn't agree more.

The Chair now recognizes the chairman of the full committee, Mr. Barton.

Chairman. BARTON. Thank you. I have to ask a few just kind of simplistic questions to make sure I understand the current framework.

Mr. Burger, who is listed as President and CEO of NEC, took the 5th Amendment. He is still the current President. Is that correct?

Mr. DONOVAN. That is correct.

Chairman. BARTON. Mr. Holman is a former Vice President of NEC. He also took the 5th Amendment. What is his relationship, if any, with NEC today?

Mr. DONOVAN. He is no longer employed by NEC. His employment was terminated at some point in the past.

Chairman. BARTON. But he is not a current—He has no affiliation?

Mr. DONOVAN. None.

Chairman. BARTON. And his separation from NEC was voluntary or involuntary?

Mr. DONOVAN. His separation was involuntary.

Chairman. BARTON. And Mr. Marchelos is listed as a former E-Rate consultant with VNCI, which is not affiliated other than through a contractual affiliation with NEC.

Mr. DONOVAN. That is correct.

Chairman. BARTON. And, of course, Ms. Green who did not appear is of the same affiliation as Mr. Marchelos. You were listed as a former Senior Vice President and General Counsel for NEC. What, if any, is your affiliation with NEC today?

Mr. DONOVAN. I continue to have a consulting agreement with NEC, but I am not a full time employee.

Chairman. BARTON. You are a consulting?

Mr. DONOVAN. And I am Corporate Secretary for NEC Laboratories America, which is a research institution in Princeton, New Jersey.

Chairman. BARTON. And what affiliation do they have with NEC?

Mr. DONOVAN. NEC Laboratories America is a wholly owned subsidiary of the holding company for whom I was employed until recently.

Chairman. BARTON. Now at the time in question in 1999 and 2000, you were General Counsel for NEC USA?

Mr. DONOVAN. Correct.

Chairman. BARTON. And in that capacity, what level of contracts would you normally personally be appraised of?

Mr. DONOVAN. The attorneys would be involved with unusual contracts, and this may be confusing. I hope you will allow me to explain.

We sometimes have contracts which involve many, many dollars, but the product itself is very simple. An example would be cellphones. Those might be sold on the basis of a purchase order. So even though this might be a $25 million order for cellphones, the attorney would not need to look at the contract. It is a purchase order basis.

A contract, for example, like a software development contract for a new product, that is the type of contract that very often might involve the attorney input, because it is a new contract.

Chairman. BARTON. Okay. Now you are here today as a consultant to NEC, and you are not taking the 5th Amendment, and I don't want to lead you. But apparently, your role, your former role as General Counsel, and your current role as a consultant apparently is not part of the ongoing investigation. Is that correct?

Mr. DONOVAN. That is a broad question.

Chairman. BARTON. It is.

Mr. DONOVAN. I did not take an active role in the investigation but, certainly, when the company realized that wrongdoing had taken place, I was advised by the attorney who worked on the investigation of the matters and the seriousness of those matters.

Chairman. BARTON. Well, I am puzzled, because the company that you were the General Counsel of has entered into a plea bargain, and we've got a copy of it, in which you have paid a fine and given in-kind services, equipment, that is over $20 million.

In that plea bargain, the essence of it is that a few employees lower in the food chain did something wrong, and as soon as senior management found out about it, put a stop to it, and you are moving on down the road.

Now if that is the case, there is no reason to take the 5th Amendment. Now the company has entered into a plea bargain, and you know, we've got it, and you all have good guys or your former company is doing the right thing. So I don't understand why we have to go through the spectacle that we just went through of standing up and taking the 5th Amendment while sending out press releases that you are doing everything you can to cooperate.

If you've got nothing to hide, there is no reason to take the 5th Amendment. You are an attorney. You are General Counsel. I mean you are here.

Mr. DONOVAN. Yes.

Chairman. BARTON. So apparently you believe you have nothing to hide, and your counsel believes you have nothing to hide. I just don't understand that.

Mr. DONOVAN. This is not a simple situation, as you are very much aware, and in trying to see how I could explain the fact that some of the people are still employed with NEC, I tried to think of some way to come up with analogy, and the analogy would be this.

We all watch television, and some of you may be former prosecutors or law enforcement. The first thing you do at a crime scene, you touch nothing. The first thing that we did when we spoke with

the Justice Department was turn over all the evidence we had from the internal investigation.

We cooperated with them in providing that information, and we have also, it is my understanding, had discussions with them about where they are in terms of the individual culpability of the employees.

It is also my understanding that until some of the Grand Jury investigations which are pending are completed, NEC is not going to take any further involvement. Specifically, I was asked about Mr. Burger. Although his name may appear on an e-mail or two, it is my understanding that there is nothing which shows that he was involved in these discussions about changing numbers, changing prices and so on.

Chairman. BARTON. And we are not alleging. This committee is not alleging that he personally was involved. We are just puzzled that he won't testify if, as his press release says, he's got nothing to hide.

Now we do have documents that are in the record that show that he is at least aware that VNCI submitted a bid for $37 million on behalf of VNCI and his company, NEC; and it was rated a high priority that he take a look at it. So I mean, he was at least aware, if he read the e-mail and attended the meeting, that quite a bit of business with VNCI was being generated, and a big chunk of that was coming through the San Francisco Unified School District.

So I think it would be fair for this committee, if he had agreed to testify, to ask a few questions about what he knew about that. But the company has admitted in a plea bargain arrangement $20 million worth of compliance or retribution or whatever you want to call it.

I want to ask some questions about VNCI. What do you know about VNCI? Do you know anything about their business model?

Mr. DONOVAN. No.

Chairman. BARTON. Do you know what their general revenues are?

Mr. DONOVAN. No, I don't.

Chairman. BARTON. Do you know if they are a target of this ongoing investigation by the Justice Department?

Mr. DONOVAN. I think that they are. I know VNCI was a consultant. I know that NEC didn't know much about E-Rate, and that was a mistake. I am not trying to justify that.

Chairman. BARTON. Did you, when you were General Counsel, review the general contract that was signed with VNCI?

Mr. DONOVAN. No, I did to.

Chairman. BARTON. Okay. At what level of the Counsel's office would that contract be reviewed?

Mr. DONOVAN. A teaming agreement would probably not be reviewed at all unless——

Chairman. BARTON. Regardless of the amount of dollars involved?

Mr. DONOVAN. As I had mentioned, the amount of dollars is not always——

Chairman. BARTON. You said it was a special—Here is a company that you all had never done business with in an area you claim not to have ever attempted to do business in, and this com-

pany comes in, in the e-mail offering $131 million worth of business. It is a new company. It is a new area, and yet nobody in the General Counsel's office would review that contract? I find that hard to believe.

I am not saying you would review it, but somebody in the General Counsel's office, I would think, would review that.

Mr. DONOVAN. I wish that someone in the General Counsel's office had reviewed that, Congressman. The reality is there are six attorneys, thousands of contracts, and somehow what you have to do is figure out where you can make the most impact.

I think that part of the mistake that NEC made was exactly what you are describing, that when this came in, it should have been flagged as an area of business that this particular business group was not involved in and, if it really involved $130 million of business, we should have put people with government contract experience on. If we didn't have them in the General Counsel's office or in the contract administration group, then we should have brought them in from the outside. We didn't do that.

Mr. WALDEN. Would the gentleman yield for a moment on this point?

Chairman. BARTON. Sure, since my time just expired.

Mr. WALDEN. I'll try and figure out which tab this is, but we do have an e-mail relative to this that was sent to Mr. John Holman, a draft of which, I believe—Well, I don't know who else it went to. Maybe it did go to—I thought it went to Mr. Burger. One form of it went to Mr. Burger.

In it, there is a whole paragraph here that talks about risks with partnering with VNCI where NEC is the prime contractor. I believe that was one of the questions you were trying to get to the heart of. I believe it is Tab—Is it 22? Is that right?

It says, "VNCI is a small company traded publicly at the NASDAQ. They are not financially sound, but see this opportunity which can contribute 35 to 40 percent to their this year's sales numbers. They expect to do about $17 million this year. I have checked with the sales engineers, and we can substitute other products to fulfill BNS obligations as a prime in the event VNCI becomes insolvent."

So it is the third page of Tab 21. I'm sorry.

Chairman. BARTON. Well, while he is reviewing that document, my main point is here is a business relationship that has developed out of whole cloth, and a fair amount of revenue is generated right off the bat, and nobody at NEC apparently took the time to determine the genesis of where that revenue was coming from. It's just manna from heaven. It is just appearing on the balance sheet, and everybody thinks it is just—Is it, you know, don't ask, don't tell, because you don't want to know the answer?

I mean, you were general counsel. Surely, there were meetings in which revenue projections and estimations according to sales projects from prior years were discussed, and here is this revenue stream coming up, and to your knowledge, none of the senior management expressed any wonderment about this at all? That just begs credulity, that there wouldn't be somebody that said, well, where is that coming from? How are we getting it? What are the

underlying—What is the real product and the real genesis of the revenue stream?

Apparently, until the San Francisco School District and the city of San Francisco started asking questions, nobody in the company, either company, did anything but make sure the checks that might come in were cashable. Do you have a comment on that?

Mr. DONOVAN. That is a long question, Congressman. Yes, I do have a comment on it, because this has been an embarrassing chapter for NEC, and I think that all NEC employees, not just those people who were involved in the wrongdoing, share some of the taint from that.

This did not come in as a situation where someone said, listen, we want to defraud the city of San Francisco out of a whole bunch of money. It is very typical to have consultants involved in these kinds of projects.

Very often the school districts hire the consultants. I think, as one of the people from San Francisco said, when those consultants are truly independent and doing their job, that is a great check and balance on the situation.

In this particular case, I am not sure, and I have not seen anything which would have let someone know early on at the high level in NEC—we are talking about the CEO and the General Counsel for that company—that there was something amiss. Certainly, people who attended some of the sessions where numbers were marked should have known something was wrong. They weren't telling the General Counsel and the CEO that they were doing that. That is what I have seen from the record.

Chairman. BARTON. Well, my time has expired. I am going to read into the record Tab 18 of our binder. It is an e-mail dated January 13, 2000. It is from Bill Holman, who at that time was Vice President of Sales. He has since been involuntarily separated from the company, according to your sworn testimony. It was sent to him from a Mr. Glen Means. The subject is E-Rate/VNCI, and I quote:

"Bill. I was wondering what guidance you could give me as to who is really running the show on these deals from a high level. One of the things that came out as I got into conversations with the Chief Financial Officer of VNCI is their financial condition, which is tenuous at best.

"They have a story as to how they are going to tack the company onto a run, but they have huge cumulative losses and insufficient sales, less than $10 million a year, to cover their overhead, which is at least $8 million a year, and they have an accumulated deficit of $50 million." Then it's got three exclamation marks. "Have we done any background work on how we will deal with long term warranty? Do we have a workout solution, i.e., product replacement, if they go bust? I am concerned that we are protected."

So somebody, this Mr. Glen Means, was asking these questions. What was his hierarchical position in the company at that time, if you know?

Mr. DONOVAN. Just to make sure I understand this e-mail, this sounds like Mr. Means who was a financial person——

Chairman. BARTON. It is not my company. You tell me.

Mr. DONOVAN. I'm trying.—was looking at this in terms of what happens if VNCI goes insolvent. At this particular point in time, there are a lot of technology companies that were on pretty shaky ground.

I am not sure how this is relevant to the wrongdoing that took place, but it appears that Mr. Means, who is something equivalent to the CFO for the company, was concerned about the financial health of VNCI.

Chairman. BARTON. Well, here is how it is relevant. NEC, in my opinion, is a reputable company. I have heard of NEC. I mean, you have been around. It is not a fly by night dot.com, so to speak.

You enter into a relationship with a company that nobody has heard of, and right off the bat huge revenues as a percent of your total revenues are projected, and we have that memo that totals $131 million.

Now I haven't run multi-billion dollar companies or even hundred million dollar companies, but I have been a plant manager. I have worked for corporations with profit and loss responsibility—that I had profit and loss responsibility. When somebody walked in the door and offered me a new revenue stream, before I took it at face value, I investigated the person offering the deal.

You all apparently did nothing, or your former company did nothing of that. Now you have pled guilty and have paid $20 million. This other company is apparently still under investigation, and I say apparently because I don't know that for a fact, and it is the company that brought this revenue to your former company. That is why it is relevant.

I have way over-exceeded my time. So I am going to yield back to the chairman.

Mr. WALDEN. Thank you, Mr. Chairman. I just have one more question for you, Mr. Donovan, and then I think we will try and move on.

If you go to Tab 27 again, that is the reference. This is the e-mail that went to, among other people, Mr. Burger. In it, it says, "Glen, you can find in-kind NABSE bonuses in the value added section."

Do you have any knowledge about those terms, in-kind, NABSE, bonuses, and the value added section? Have you talked to anybody in the company about what that means?

Mr. DONOVAN. I don't have a clear understanding of that, no.

Mr. WALDEN. You have no understanding of what your company was doing on bonuses, in-kind?

Mr. DONOVAN. I don't have a clear understanding of it and, since I am under oath, I would like to be accurate.

Mr. WALDEN. Do you have any understanding?

Mr. DONOVAN. No.

Mr. WALDEN. All right. Turn to Tab 82. It is obvious we are going to have to have additional hearings when we can get somebody here who can answer some of these questions. Tab 82 shows the NABSE bonus products and services package, and in the center—Section B, it says—it says, "As a result of agreements with National Association of Black School Educators, NABSE, NEC and its partners will be providing the district and its schools the fol-

lowing 'in-kind' bonus products and services, as depicted in the attached memo." You don't have this one under Tab 82?

Mr. DONOVAN. No, sir.

Mr. WALDEN. Okay, we will get that down to you. Sorry about that. You do have it then?

Mr. NIESPOLO. It is the second page.

Mr. WALDEN. Yes, it is. I'm sorry. I should have told you that. Okay. The first page is the Laura-Tom-Mac e-mail, it says.

In the center column there under in-kind bonus products, it lists student stations complete with Microsoft Office 97, monitors, digital plan, tilt and zoom cameras, inkjet printers, Xerox color network copier or equivalent, higher education training for teachers and staff, specialized end user technical training, etcetera, etcetera, and then it talks about the services based on volume of purchase, any changes in the total volume will result in adjusted bonus package.

Do you know if any of these items are allowable to be paid for with E-Rate funds?

Mr. DONOVAN. No, I don't.

Mr. WALDEN. Do any of your counsels know anything about the E-Rate program and what is allowed and isn't?

Mr. DONOVAN. I don't think they are offering testimony today, Mr. Chairman.

Mr. WALDEN. Thank you. I have no other questions. All right. You are dismissed. Thank you, sir.

Mr. DONOVAN. Thank you.

Mr. WALDEN. Unless the chairman—did you have another question for Mr. Donovan?

Chairman. BARTON. I have just a few more. I am not going to take another full 10 minutes.

Mr. WALDEN. All right. Go ahead.

Chairman. BARTON. You may have asked these, and I just didn't hear it, but I want to get them on the record.

Do you have any knowledge of how many people at NEC were involved with this situation, what we are calling a conspiracy? Your written testimony, I think, said 3 to 5 people.

Mr. DONOVAN. That is based on the records that I have seen from e-mail. Yes.

Chairman. BARTON. Okay. Do you know how many, if any, of those people are still employed by NEC?

Mr. DONOVAN. I think two, but I would like to check with counsel. The reason that I am having the discussion, again until the Grand Jury proceedings are finalized, we are not sure who has criminal liability. But at this moment it looks like one person may be still——

Chairman. BARTON. But there are some people still employed who might have criminal liability, although that is a very small number?

Mr. DONOVAN. There are some people who are still under investigation.

Chairman. BARTON. Do you know when NEC decided to cooperate? Did they come forward voluntarily or were they caught with their hand in the cookie jar and decided to cooperate after they were caught?

Mr. DONOVAN. Voluntary.

Chairman. BARTON. If I call the San Francisco people back, they would say that, too?

Mr. DONOVAN. If you call the law enforcement authorities who are investigating it, I am sure they will say the same thing. Yes.

Mr. NIESPOLO. Mr. Chairman, may I say something, please?

Chairman. BARTON. As long as you——

Mr. WALDEN. I think we will have to swear him in.

Chairman. BARTON. If you are willing to be sworn in, you may.

Mr. NIESPOLO. I just want to speak with my client.

Chairman. BARTON. Well, you certainly have that right.

Mr. WALDEN. Yes.

Mr. NIESPOLO. Thank you so much.

Mr. DONOVAN. Long-winded lawyers. My apologies.

Chairman. BARTON. It's all right.

Mr. DONOVAN. Could someone repeat the question for me?

Chairman. BARTON. My question was how many people still employed by NEC were a part of this program, and you said—I think you said two, one of whom may be criminally liable.

Mr. DONOVAN. I said I think one, and that person is still under investigation, as are some of the other employees whose names appear on these e-mail.

Chairman. BARTON. My last question—again, this may have been asked: Under the current E-Rate rules, a company that has been found either criminally or civilly liable is subject to being debarred from the program for 3 years. Is NEC still involved in the E-Rate program, to your knowledge?

Mr. DONOVAN. To my knowledge, all of that activity has been suspended, and has been for sometime when we realized there was a problem.

Chairman. BARTON. Okay. If you were working as an attorney at the FCC and had to make a recommendation whether NEC should be disbarred, what would that recommendation be, based on the knowledge of the case as you know it today?

Mr. DONOVAN. I don't know that I could make a decision without hearing from all sides. I know that the FCC has posted a notice and is receiving comments, and certainly, my opinion might be biased.

I think that the difference between some of the cases that we read about in the news and the NEC situation is that NEC made a mistake, but we didn't try to cover it up. We have never lied to prosecutors. We have never destroyed e-mails. We have made data bases available, and that has been since the very first day of this process.

I think, if you—there are provisions in the law which reward——

Chairman. BARTON. So we only disbar companies that destroy e-mails, lie to prosecutors, and don't voluntarily cooperate? That is your standard?

Mr. DONOVAN. That is not my answer, Congressman, no. I think my answer was——

Chairman. BARTON. It sure sounded like your answer.

Mr. DONOVAN. I'm sorry. My answer was that I would need to look at all the facts and circumstances. If I were making the decision, I don't know that I would disbar NEC. NEC has done a lot

of good things and, yes, this kind of money—It's a tremendous amount of money, to me. It was a lot of money to this company, but NEC has done some great things with automated fingerprint identification systems. They are working with various law enforcement on very advanced technologies, some of the other NEC companies, such as face recognition for airport security, and NEC scientists discovered the carbon nanotube, and——

Chairman. BARTON. It is okay that in this case they defrauded the taxpayers of tens of millions of dollars? All the other good deeds that they did allow them to do some bad deeds here.

Mr. DONOVAN. No, I think justice can't be blind, and I think what justice does—and I think you could agree with this—is to balance the rights and the wrongs. If every time a company makes a mistake, we destroy that company, I think many good companies would——

Chairman. BARTON. I didn't say we are trying to destroy the company. By your own testimony, this was a small percentage of their total revenues. I just asked the question, if somebody—A company, in this case NEC, that has already pleaded to wrongdoing, under the current rules are supposed to be, or at least are allowed to be disbarred, to send a signal to other companies, we shouldn't consider disbarring this company.

I mean, I don't know how many other companies have done what NEC has done. We've got investigations on several other companies, but if we want to get the program right, at sometime you've got to hold accountable the companies that have abused the program.

Mr. DONOVAN. To answer the question, I would look at all the facts and circumstances that were involved, and I think I would give quite a bit of credence to the opinion of some of the enforcement agencies, such as the Department of Justice whose letter in support of NEC, I think, is part of the materials provided to the committee.

Chairman. BARTON. I have read that. I am going to give you one more chance. You told me in direct response that NEC voluntarily came forward. Then you talked to your attorney, and you didn't answer the question, because I asked, if I called the San Francisco representatives back, if they would answer it the same way. So I am going to give you one more chance.

Do you think NEC voluntarily came forward?

Mr. DONOVAN. I think, in my opinion, NEC voluntarily came forward. I can't tell you what San Francisco would say, Congressman.

Chairman. BARTON. All right. I yield back.

Mr. WALDEN. Thank you, Mr. Chairman. Thank you, Mr. Donovan. You are excused now.

Mr. DONOVAN. Thank you.

Mr. WALDEN. Let's see here. Now we would like to call up our third and final panel: Mr. William Maher, Chief, Wireline Competition Bureau, Federal Communications Commission; and Mr. George McDonald, Vice President, Schools and Libraries Division, Universal Service Administrative Company, USAC.

Gentlemen, thank you for your patience today. I know it has been a long one. As you are aware, the committee is holding an investigative hearing and, when doing so, has had the practice of tak-

ing testimony under oath. Do you have any objection to testifying under oath?

The Chair then advises you that under the rules of the House and the rules of the committee, you are entitled to be advised by counsel. Do you desire to be advised by counsel during your testimony today? Both answered no.

In that case, if you could rise and raise your right hands, I will swear you in.

[Witnesses sworn.]

Mr. WALDEN. Let the record show, they said "I do." So you are now under oath, and you may now make a 5-minute summary of your written statement. We welcome you, and look forward to your comments. Let's start with Mr. Maher.

TESTIMONY OF WILLIAM F. MAHER, JR., CHIEF, WIRELINE COMPETITION BUREAU, FEDERAL COMMUNICATIONS COMMISSION; AND GEORGE McDONALD, VICE PRESIDENT, SCHOOLS AND LIBRARIES DIVISION, UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Mr. MAHER. Thank you and good afternoon, Chairman Walden, Representative DeGette, and Chairman Barton.

My name is William Maher. I am Chief of the FCC's Wireline Competition Bureau, and I have served in this post since August 2002.

I appreciate the opportunity to discuss the FCC's continuing efforts to improve the E-Rate program and the lessons from the recently concluded criminal and civil case associated with funding year 2000 involving NEC and the E-Rate service provider. Your attention E-Rate issues, as demonstrated by this and last month's hearing, confirms the FCC's understanding that Congress wants this program administered efficiently and fairly.

In its first 6 years, the E-Rate program committed over $11 billion to permit an average of about 90,000 schools and libraries each year to pay more affordable discounted rates. In 1998, the first year of the program, only 51 percent of classrooms in public schools were connected to the Internet. That figure reached 92 percent in 2002, and 94 percent of schools now have broadband connections.

In reviewing these numbers, the E-Rate program has been an overall success, but the program has been the target of some bad actors and those who have tried to beat the system. The subject of today's hearing involving NEC is an object lesson for the FCC, for USAC, and for all participants in the E-Rate program.

The Commission and its staff work closely with USAC in administering the E-Rate program. As described in detail in the recent hearing regarding Puerto Rico, we are improving program performance through actions and rulemakings, fact specific adjudications, and an improved audit program.

Regarding NEC, on May 27 of this year NEC agreed to plead guilty to two criminal charges, wire fraud and bid rigging for E-Rate activities, largely in funding year 2000. NEC also agreed to pay a total of $20.6 million criminal fine, a civil settlement, and restitution.

NEC was charged with wire fraud for entering a scheme to defraud the E-Rate program in the San Francisco Unified School Dis-

trict, and it was also charged with bid rigging and allocating contracts at five school districts in Michigan, Wisconsin, Arkansas, and South Carolina.

The monetary amount of the civil settlement makes the E-Rate program whole. Because NEC has pled guilty to activity related to the E-Rate program, it is subject to suspension and debarment under the Commission's E-Rate debarment rule. On May 27 NEC petitioned the Commission for waiver of its debarment rule, and there is a proceeding pending on that petition.

This case illustrates the importance of deterring those who would seek to defraud or abuse the E-Rate program. Deterrence is an essential and a challenging goal, because as the San Francisco experience shows, defrauders will stop at very little to cover their tracks. At the same time, the Commission must encourage efficient participation by the large majority of E-Rate participants who are law abiding.

The Wireline Competition Bureau has recommended to the Commission rule changes to improve deterrence for action at the August 2004 open meeting. Also in the last 15 months, the Commission has adopted several new rules that address aspects of the NEC situation.

Moveover, I have directed USAC's chief executive officer to report to the Bureau on changes to procedures and rules in light of NEC, and the staffs of the FCC and USAC are in close communication to improve USAC's review process.

An initial step in such deterrence is to require applicants to document thoroughly their participation in the E-Rate program. The Bureau has recommended expansion of the document retention requirements for applicants, in order to maintain a comprehensive paper trail for 5 years after service is provided.

The Bureau has also recommended improvements to the certifications that beneficiaries and service providers make regarding their compliance with substantive program rules. We plan to modify numerous E-Rate forms to expand the required certifications. Expanded certifications help deter bad actors, because their falsification is a Federal criminal offense.

As an additional deterrent, the Bureau is recommending that USAC must engage in heightened scrutiny of applications from E-Rate beneficiaries that have violated the statute or the Commission's rules in the past. This is consistent with the general framework adopted in the Puerto Rico DOE Order of 2003 for when one or more parties to an E-Rate application is under investigation for waste, fraud or abuse.

The Commission's E-Rate debarment rule is a significant deterrent to fraudulent behavior. Since the rule's adoption in 2003, the FCC's Enforcement Bureau has debarred three individuals in matters not related to NEC, and the Commission has sought comment on whether to expand the reach of the debarment rule as a further deterrent.

Encouragement of whistleblowers and early outreach to applicants and service providers regarding the E-Rate program are also important components of deterrence. Continuing strong review and auditing programs serve as a long term deterrent to waste, fraud

and abuse. We on the Commission staff will continue to work with our Office of Inspector General to implement such programs.

We at the FCC are proud of the schools and libraries support program, but we will never be satisfied with the status quo. We are happy to assist the subcommittee as needed.

Thank you, Mr. Chairman, for the opportunity to participate in your review of E-Rate, and I look forward to your questions on the issue.

[The prepared testimony of William F. Maher, Jr. follows:]

PREPARED STATEMENT OF WILLIAM F. MAHER, JR., CHIEF, WIRELINE COMPETITION BUREAU, FEDERAL COMMUNICATIONS COMMISSION

Good morning, Chairman Greenwood, Representative DeGette, and distinguished members of the Subcommittee. My name is William Maher. I am chief of the FCC's Wireline Competition Bureau, and have served in this post since August 2002. I appreciate the opportunity to discuss the FCC's continuing efforts to improve the E-rate program and the lessons from the recently concluded criminal and civil case involving NEC Business Network Solutions, Inc. ("NEC-BNS"), an E-rate service provider, regarding its activities associated with Funding Year 2000. Your attention to the issues involved with the E-rate program, as evidenced by this and last month's hearings, confirms the FCC's understanding that Congress wants the program administered efficiently and fairly.

INTRODUCTION

The schools and libraries mechanism of the FCC's universal service program, known as the E-rate program, implements the directive of the Telecommunications Act of 1996 to help schools and libraries gain access to modern telecommunications and information services for educational purposes. In its first six years, the E-rate program has committed over $11 billion to permit an average of almost 90,000 schools and libraries each year, including those in the nation's poorest and most isolated communities, to pay more affordable, discounted rates. While in 1998, the first year of the program, only 51 percent of classrooms in public schools were connected to the Internet, the figure reached 92 percent in 2002. Moreover, 94 percent of schools now have broadband connections.

In reviewing these numbers, the E-rate program has been an overall success. But from day one, it has been the Commission's goal to improve operation of the E-rate program. The FCC seeks to learn from its experience with this program.

The Commission and its staff work closely with the Universal Service Administrative Company ("USAC"), the not-for-profit company that is responsible for day-to-day administration of the E-rate program. In particular, whenever we discover examples of potential waste, fraud, or abuse, we seek to address the individual cases and to improve the relevant program rules or practices.

The Wireline Competition Bureau works to oversee and implement the E-rate program with several other FCC bureaus and offices, including the Office of the Inspector General, the Office of General Counsel, the Office of Managing Director, and the Enforcement Bureau. As Commission staff described in detail in the recent hearing regarding Puerto Rico, we are improving program performance through actions in rulemakings, fact-specific adjudicatory decisions, and an improved audit program.

The FCC also works closely with law enforcement agencies when those agencies investigate and prosecute possible criminal activity by E-rate participants. The E-rate program has been the target of some bad actors and those who have tried to beat the system. The subject of today's hearing, involving NEC-BNS, is an example of such activity. It is an object lesson for the FCC, for USAC, and for all participants in the E-rate program. The Commission is committed to applying this lesson in eradicating waste, fraud and abuse in the E-rate program.

THE NEC-BNS CASE

Criminal Plea Agreement and Civil Settlement: On May 27, 2004, NEC-BNS, a subsidiary of NEC America Inc., agreed to plead guilty to two criminal charges—wire fraud and bid rigging—and to pay a total $20.6 million dollar criminal fine, civil settlement, and restitution for its activities related to the E-rate program, largely in Funding Year 2000. The Justice Department charged NEC-BNS with wire fraud for entering a scheme to defraud the E-rate program and the San Francisco Unified School District ("the San Francisco schools"). The Justice Department also

charged NEC-BNS with bid rigging and allocating contracts at five school districts in Michigan, Wisconsin, Arkansas, and South Carolina. Among other things, the plea agreement requires NEC-BNS to cooperate with the United States in investigating and prosecuting others involved in criminal violations at E-rate funded projects, and NEC-BNS agreed to enter into a comprehensive Corporate Compliance Program as well.

In addition to its criminal plea agreement, NEC-BNS entered a settlement agreement to end a civil lawsuit initially brought by the San Francisco schools, in which the United States, acting through the Department of Justice, intervened. Among other things, the monetary portion of the settlement agreement makes the E-rate program whole.

The settlement agreement notes that the civil claims of the United States and others against NEC-BNS included (1) engaging in non-competitive bidding practices; (2) paying fees termed "marketing fees" to at least one entity involved in selecting vendors to obtain e-rate funds; (3) requesting and receiving E-rate funds for goods and services that were ineligible for such funding; (4) providing false information to the United States regarding the goods and services that were be provided to schools and school districts under the E-rate program; (5) disregarding the requirement that schools and school districts make a co-payment to match a percentage of their E-rate funding; and (6) inflating prices on invoices and other documents provided to the United States to conceal some or all of these practices.

San Francisco as an Example: I summarize, as a case study of the foregoing practices, the situation with the San Francisco schools, based largely on the description in the NEC-BNS criminal plea agreement. In December 1999, NEC-BNS agreed with a switch manufacturing company ("VX Company") to pay VX Company a fee for all business opportunities brought to NEC-BNS, and NEC-BNS agreed to include VX Company equipment in its E-rate proposals and bids. VX Company employed two consultants to work as its sales representatives. The consultants specialized in marketing VX Company products to school districts, and acted as consultants to school districts in identifying potential government-sponsored funding sources, including E-rate.

On or before December 1999, the consultants began working with the San Francisco schools to obtain E-rate funds. The consultants worked with an official of the San Francisco schools to put together a request for proposal for equipment and services for E-rate to fund. In January 2000, NEC-BNS submitted its bid on the E-rate project for the San Francisco schools. One of the consultants managed the opening of the bids and, together with an official of the San Francisco schools, opened and reviewed them. That consultant declared that NEC-BNS had submitted the winning bid for the data equipment portion of the project, and that two other firms had submitted low bids on other portions of the project. The consultants and the official of the San Francisco schools then decided to make NEC-BNS the prime contractor for the project and to have other firms act as subcontractors to NEC-BNS.

Still in January 2000, NEC-BNS employees and the consultants met to prepare the USAC Form 471, which is the application form for E-rate funding. With the assistance of NEC-BNS, one of the consultants prepared the Form 471 with prices inflated over the amounts originally bid, and the other consultant then delivered the Form 471 to USAC.

In late May or early June 2000, USAC began to review the San Francisco schools' Form 471 submitted in January 2000. USAC asked the San Francisco schools to supply information to justify certain parts of the project. One of the consultants, and others acting under her direction, submitted spreadsheets to USAC that contained false information regarding the bidding process, the bidding participants, the winning bids, and the bid amounts. USAC subjected the San Francisco schools' application to a review to determine whether the services requested were supported by adequate resources. The San Francisco schools passed the review. In September 2000, USAC approved funding for the San Francisco schools in part, but denied E-rate funding for some requests for ineligible equipment, products, and services.

The Investigation: The NEC-BNS plea agreement and civil settlement resulted from a two-year investigation conducted by the Department of Justice and the Federal Bureau of Investigation. The FCC's Office of Inspector General assisted in the investigation, and various FCC bureaus and offices, including the Wireline Competition Bureau, reviewed the civil settlement agreement earlier in 2004.

The monetary amount of the civil settlement makes the universal service fund whole. Because NEC-BNS has pled guilty to activity related to the E-rate program, it is subject to suspension and debarment under the Commission's E-rate debarment rule, 47 C.F.R. § 54.521. On May 27, 2004, NEC-BNS petitioned the Commission for waiver of its suspension and debarment rule. On July 7, 2004, the Commission's En-

forcement Bureau sought public comment on the waiver petition, and the pleading cycle will close on July 29, 2004.

POLICY AND PROGRAM LESSONS

There are multiple lessons to be learned from the NEC-BNS case. This case illustrates the importance of deterring those who would seek to defraud or abuse the program. Deterrence is an essential and challenging goal because, as the San Francisco experience shows, defrauders and bad actors will stop at very little to cover their tracks. At the same time, the Commission must encourage efficient participation by the large majority of E-rate applicants and service providers who are law-abiding.

The Wireline Competition Bureau has already recommended a number of relevant rule changes, described below, to the Commission for action at its August 2004 Open Meeting. In the past 15 months, the Commission has adopted several new rules that address aspects of the NEC-BNS situation. Moreover, I have directed USAC's chief executive officer to report to the Bureau on changes to procedures and rules in light of NEC-BNS, and the staffs of the FCC and USAC are remaining in close communication to improve USAC's review process. Tightening our rules and USAC's review procedures will expose, at the front end, improper or fraudulent activities.

Deterring Bad Actors: To deter bad actors, E-rate applicants must be held accountable for the contents of their applications and other filings.

An initial step in such deterrence is to require applicants to document thoroughly their participation in the E-rate program. Based on input from our Office of Inspector General, the Wireline Competition Bureau has recommended to the Commission that it expand the document retention requirements for applicants, in order to maintain a comprehensive paper trail for five years after receipt of E-rate supported services. By documenting every step in the E-rate process— from initial application, through competitive bidding and selection of a service provider, to final service and equipment delivery and invoicing—such a paper trail aids the initial review of applications as well as later program audits. It places a major obstacle before those who would consider lying to the federal government for their personal gain.

The Wireline Competition Bureau has also recommended to the Commission improvements in the certifications that beneficiaries make regarding their compliance with substantive program rules. Upon adoption of the Bureau's recommendations, we will modify numerous E-rate forms to expand the required certifications. Expanded certifications help deter bad actors because their falsification is a federal criminal violation. This reform is the product of discussions among the Bureau, the FCC's Office of Inspector General, and the Justice Department.

As an additional deterrent to bad actors, the Bureau is recommending that the Commission reinforce that USAC should engage in heightened scrutiny of applications from E-rate beneficiaries that have violated the statute or the Commission's rules in the past. This is consistent with the general framework adopted in the Puerto Rico DOE Order of 2003 to deal with situations in which one or more parties to an E-rate application is under investigation for potential waste, fraud or abuse.

The Commission has already acted in several ways to deter conduct similar to that of NEC-BNS. In April 2003, the Commission adopted its E-rate debarment rule, which bars from E-rate participation for a period of three years any individuals or companies that have been found criminally or civilly liable for activities associated with or related to the E-rate program. We believe the debarment rule to be a significant deterrent to fraudulent behavior. Since the rule's adoption in 2003, the FCC's Enforcement Bureau has debarred three individuals in matters not related to NEC-BNS. The Commission also has sought comment on whether to expand the reach of the debarment rule as a further deterrent to E-rate waste, fraud and abuse.

Encouragement of whistleblowers and early outreach to potential applicants and service providers regarding the E-rate program are also important components of deterrence. Timely information from well-informed and honest citizens is one of the best means of exposing fraudulent activity. Wider understanding of E-rate rules can help USAC and program participants isolate and identify potential bad actors. For example, in 2000, roughly the time of the San Francisco situation, the Commission's Mastermind Order found a violation of the competitive bidding rules where a service provider listed in the Form 470 as a contact person for an applicant also participated as a bidder in the applicant's competitive bidding process. Wider understanding of that ruling in the San Francisco schools could have helped expose the NEC-BNS case earlier. USAC has announced plans to increase its outreach regarding the E-rate program.

Continuing strong review and auditing programs also serve as a long-term deterrent to waste, fraud, and abuse. We on the Commission staff will continue to work with our Office of Inspector General to implement such programs.

Incentives For Good Actors To Use The Program Efficiently: The Commission must also encourage efficient use of program funding by those who respect and follow the program rules. In December 2003, the Commission asked for comment on fundamental E-rate policy issues in this area. The Commission asked whether to adjust the schedule of discount rates so that, for example, applicants would pay for a greater share of their E-rate services. This would provide greater incentives for applicants to make only prudent, cost effective purchases. The Commission also sought comment on possible means of determining whether applicants have made "cost effective" funding requests. We are evaluating the record we have compiled with the goal of making recommendations to the Commission in this calendar quarter.

CONCLUSION

We at the FCC are proud of the schools and libraries support program, but we will never be satisfied with the status quo. We will continue to use all tools at our disposal to help us identify areas of E-rate program administration that are vulnerable to fraud, waste, or abuse. At the same time, we will continue to encourage participation in the program so that those that the program's true beneficiaries—the nation's students, library patrons, and all Americans—receive the support they need.

We are happy to assist the Subcommittee as it considers these important issues. Thank you, Mr. Chairman, for the opportunity to participate in your review of the NEC-BNS matter, and I look forward to your questions on these issues.

Mr. WALDEN. Thank you for being here today, and for your comments.

Mr. McDonald, welcome.

TESTIMONY OF GEORGE McDONALD

Mr. MCDONALD. Thank you, sir. Good afternoon, Congresswoman DeGette and Chairman Barton. My name is George McDonald. I am the Vice President of the Universal Service Administrative Company responsible for the Schools and Libraries Division. It is my privilege to be here today to speak with you again about USAC and its administration of the Schools and Libraries Universal Service Support Mechanism, commonly referred to as the E-Rate program.

I appeared before this subcommittee on June 17, 2004, and my statement at that time provided an overview of USAC and its administration of the E-Rate program. In the interest of time, I won't repeat that overview, but I would like to reiterate a few key points.

Before we began making funding commitments in 1998, our internal controls were carefully reviewed by PricewaterhouseCoopers and staff of GAO. PwC provided an attest opinion about those procedures, and USAC implemented all of the changes recommended by GAO.

As we have gained experience, we have strengthened some procedures and added others to continue to protect the integrity of the program and the Universal Service Fund. An early enhancement was the establishment of a whistleblower hotline, which receives an average of 100 calls per year. Out Special Investigations Team investigates every call and ensures that appropriate follow-up action is taken.

Today we have an assortment of tools to help assure compliance with program rules. These include: Employing detailed application and invoice review procedures; denying funding commitments when appropriate; rejecting incorrect invoices; auditing program bene-

ficiaries and service providers; recovering funds where rule violations are found; investigating whistleblower hotline complaints; supporting law enforcement investigations; and referring matters involving suspected program abuse to law enforcement authorities.

As I indicated to the subcommittee last month, it has become clear to us that we need another tool, a larger oversight presence in the field. We are now reviewing proposals we have received in response to a request for proposals soliciting bids to conduct some 1,000 site visits a year.

These visits will allow us to assess even more fully how E-Rate funds are being used, to learn about and publicize best practices in education technology and program compliance, and to help ensure that products and services have, in fact, been delivered and are being used effectively.

Now let me turn to the participation of the San Francisco Unified School District in the E-Rate program. San Francisco has received funding in each year of the program. We have disbursed approximately $6.4 million to various service providers for providing eligible products and services to San Francisco for the past 6 years.

In regard to San Francisco's application for products and services to be provided by NEC Business Network Solutions, which is the focus of this hearing, we committed approximately $48.6 million to San Francisco, as you have heard here today. San Francisco later canceled those funding requests and, consequently, we never disbursed any of those funds.

I would like to join the subcommittee in commending Dr. Ackerman for taking responsible action to protect these funds.

Mr. Chairman, I regret to report to you that I believe we made the wrong decision in response to this funding request and that we had information that should have provided a clear warning to us. As you heard today from Mr. Cothran, my review of the files indicates that we had reason to question whether one of the pieces of documentation that San Francisco provided to us, its budget, had been improperly altered when it was submitted to us.

We should have done more to assure ourselves that the budget San Francisco provided to us was accurate, but we did not. If we had, in light of what we have learned since, I believe we would have denied this funding request.

We requested San Francisco's budget and other documentation as part of our review of whether San Francisco had the funds to pay the non-discount portion of the cost of eligible services, and had acquired the goods and services not eligible for discount but necessary to make effective use of these services, such as computers and software. This particular review had been part of our application review procedures since the first year of the program, and we have strengthened this review every year.

For example, in the year in which we reviewed this particular application, our reviewers' notes were not entered into the computer system, and our reviewers brought novel issues to the attention of their supervisors orally. In this case, the issue of whether San Francisco's budget was accurate was a novel issue, and so the reviewer would have communicated the concerns orally.

Today, reviewers note their observations in our computer system, and novel issues such as San Francisco's budget must be commu-

nicated in writing and are required to be addressed. The decision regarding the novel issue must be documented before a final decision is made with respect to the application.

Beyond these changes, we have established an additional layer of review through our quality assurance function to review the work of our application reviewers, which further safeguards program funds.

Since August of 2001, we have provided support to the law enforcement investigation of NEC in the form of documentation, answering numerous questions about the program in general and this application in particular, and meeting with law enforcement officials.

As we provided this support, we coordinated closely with the Federal Communications Commission, Office of Inspector General, and through that process strengthened our joint efforts to protect the fund from waste, fraud and abuse by supporting law enforcement investigations of those who would take advantage of the program.

As a result of our support of this investigation, we learned that San Francisco officials and NEC had provided us with false information in response to many of our questions about this application.

Mr. Chairman, thank you for providing me with the opportunity to address the subcommittee. I would be happy to respond to questions.

[The prepared testimony of George McDonald follows:]

PREPARED STATEMENT OF GEORGE MCDONALD, UNIVERSAL SERVICE ADMINISTRATIVE COMPANY VICE PRESIDENT, SCHOOLS AND LIBRARIES DIVISION

Good morning, Mr. Chairman and Members of the Subcommittee. My name is George McDonald. I am the Vice President of the Universal Service Administrative Company ("USAC") responsible for the Schools and Libraries Division. It is my privilege to be here today to speak with you again about USAC and its administration of the Schools and Libraries Universal Service Support Mechanism, commonly referred to as the "E-rate" program.

Overview

I appeared before this Subcommittee on June 17, 2004, and my statement at that time provided an overview of USAC and its administration of the E-rate program. In the interest of time, I will not repeat that overview, but I would like to reiterate a few key points.

Before we began making funding commitments in 1998, our internal controls were carefully reviewed by PricewaterhouseCoopers (PwC) and staff of the U.S. General Accounting Office (GAO). PwC provided an attest opinion about those procedures, and USAC implemented all of GAO's recommended changes. As we have gained experience, we have strengthened some procedures and added others to continue to protect the integrity of the program and the Universal Service Fund. An early enhancement was the establishment of the whistleblower hotline, which receives an average of 100 calls per year. Our Special Investigations Team investigates every call and ensures that appropriate follow up action is taken.

Today we have an assortment of tools to help assure compliance with program rules. These include employing detailed application and invoice review procedures, denying funding commitments when appropriate, rejecting incorrect invoices, auditing program beneficiaries and service providers, recovering funds where rule violations are found, investigating whistleblower hotline complaints, supporting law enforcement investigations, and referring matters involving suspected program abuse to law enforcement authorities. But, as I indicated to you last month, it has become clear to us that we need another tool)—a larger oversight presence in the field. We are now reviewing proposals we have received in response to a Request for Proposals (RFP) soliciting bids to conduct some 1,000 site visits a year. These visits will allow us to assess even more fully how E-rate funds are being used, to learn about and publicize best practices in education technology and program compliance, and

to help ensure that products and services have in fact been delivered and are being used effectively.

Participation of the San Francisco Unified School District in the E-rate Program

Let me now turn to the participation of the San Francisco Unified School District (SFUSD) in the E-rate program. SFUSD has received funding in each year of the program. We have disbursed approximately $6.4 million to various service providers for providing eligible products and services to SFUSD for the past six years. In regard to SFUSD's application for products and services to be provided by NEC Business Network Solutions, Inc. (NEC), which is the focus of this hearing, we committed approximately $48.6 million to SFUSD. SFUSD later cancelled those funding requests, and consequently, we never disbursed any of these funds.

Mr. Chairman, I regret to report to you that I believe we made the wrong decision in response to this funding request and that we had information that should have provided a clear warning to us. My review of the file indicates that we had reason to question whether one of the pieces of documentation that SFUSD provided to us—its budget—had been improperly altered when it was submitted to us. We should have done more to assure ourselves that the budget SFUSD provided to us was accurate, but we did not. If we had, in light of what we have learned since, I believe we would have denied this funding request.

We requested SFUSD's budget and other documentation as part of our review of whether SFUSD had the funds to pay the non-discount portion of the cost of eligible services and had acquired the goods and services not eligible for discount but necessary to make effective use of these services, such as computers and software. This particular review has been part of our application review procedures since the first year of the program, and we have strengthened this review every year.

For example, in the year in which we reviewed this particular application, our reviewers' notes were not entered into our computer system, and our reviewers brought novel issues to the attention of their supervisors orally. In this case, the issue of whether SFUSD's budget was accurate was a novel issue, and so the reviewer would have communicated the concerns orally. Today, reviewers note their observations in our computer system, and novel issues such as SFUSD's budget must be communicated in writing and are required to be addressed. The decision regarding the novel issue must be documented before a final decision is made with respect to the application. Beyond these changes, we have established an additional layer of review through our quality assurance function to review the work of our application reviewers, which further safeguards program funds.

Since August of 2001, we have provided support to the law enforcement investigation of NEC in the form of documentation, answering numerous questions about the program in general and this application in particular, and meeting with law enforcement officials. As we provided this support, we coordinated closely with the Federal Communications Commission Office of Inspector General, and through that process, strengthened our joint efforts to protect the fund from waste, fraud and abuse by supporting law enforcement investigations of those who would take advantage of the program. As a result of our support of this investigation, we learned that SFUSD officials and NEC had provided us with false information in response to our many questions about this application.

Conclusion

Mr. Chairman, thank you for providing me with the opportunity to address the Subcommittee. I would be happy to respond to any questions you may have.

Mr. WALDEN. Mr. McDonald, thank you for being here, and thank you for your testimony.

I want to go back on San Francisco, because what we have heard today is that somebody in USAC reviewing the initial application identified the problem with the budget. It had been falsified, or at least there was, what, a $41 million discrepancy between what was on their website and what had been submitted.

We were told that that information was passed up the chain in USAC. Who got it?

Mr. MCDONALD. That employee's manager, Mr. Werner whose name was referred to earlier.

Mr. WALDEN. What did he do with the information?

Mr. MCDONALD. And let me say, I am relying on the same evidence that Mr. Cothran had, the written answers to the questions that he posed to us.

Mr. WALDEN. Why?

Mr. MCDONALD. Because there is no written documentation in the file of this issue. Mr. Schnipp reportedly, by his own report, raised the issue orally to Mr. Werner, did not document it in the file, got no guidance from Mr. Werner.

Mr. WALDEN. Is he supposed to do that?

Mr. MCDONALD. He should have documented this in the file so that everybody would have seen it, and we would have had an open resolution of it.

Mr. WALDEN. Does his—Is it Mr. Werner, you said, is his supervisor?

Mr. MCDONALD. Was at that time, yes.

Mr. WALDEN. Was? Have you talked to him? Does he admit that Mr. Schnipp made him aware of this discrepancy?

Mr. MCDONALD. We talked with him last week in preparation for this hearing. He said that he remembered dealing with that file. He didn't remember this issue being raised to him. So there was a miscommunication at least between these two individuals.

Mr. WALDEN. Is that the first time you had talked to Mr. Werner about this?

Mr. MCDONALD. This is the first time that we have talked to Mr. Werner about this. Yes, sir.

Mr. WALDEN. Last week?

Mr. MCDONALD. Yes, sir.

Mr. WALDEN. Maybe I'm missing something here, but I am troubled by that answer, sir. When did you learn of Mr. Schnipp's—I'm not saying his name right, I'm sure, but his concern? When did this letter come out to the City Attorney's Office saying there is a problem?

Mr. MCDONALD. In 2002.

Mr. WALDEN. And last week was the first time you talked to the supervisor on this?

Mr. MCDONALD. San Francisco had canceled the funding commitments at that point. There was no issue anymore about these commitments. Mr. Werner left the employment of our contractor in 2000.

Mr. WALDEN. So Mr. Werner didn't work—Now wait. Mr. Werner left—What did you say, the employment of your contractor in 2000? So he has been out of the process?

Mr. MCDONALD. Yes, sir.

Mr. WALDEN. Okay. How do you know this isn't still going on?

Mr. MCDONALD. Well, we heard this discussion today about whether there is a contact within USAC with Judy Green. We have not positively funded any application associated with her since her name began appearing on any documentation in 2003. So that is the first I have heard an allegation about that. I did ask whether Mr. Werner left under adverse situation, and he did not. He chose to leave.

So we didn't have any suspicion. Certainly, Mr. Werner took no other action to try to hide what was going on. This wasn't docu-

mented in the file. Mr. Schnipp hasn't said he was directed not to document this in the file.

So I think it was a human error, is what I believe, and we have taken——

Mr. WALDEN. Human error by Mr. Schnipp or Mr. Werner?

Mr. MCDONALD. Well, Mr. Schnipp in not documenting it, Mr. Werner in not following up on it.

Mr. WALDEN. But Mr. Schnipp contends he talked to Mr. Werner about it, made him aware of it.

Mr. MCDONALD. Yes.

Mr. WALDEN. But he has no documentation to prove that conversation. Is that the issue?

Mr. MCDONALD. Unfortunately, that is correct. And I do applaud Mr. Schnipp, as Mr. Cothran did, for exercising the initiative to find this budget.

Mr. WALDEN. What kind of documentation was required by your rules?

Mr. MCDONALD. There is a worksheet. This is the Item 25 review. Item 25 on the Form 471 is a certification that I have secured access to all the resources necessary to make effective use of the discounted services, including the matching share.

Mr. WALDEN. I mean the reviewer documentation.

Mr. MCDONALD. Oh, there is a worksheet that walks through: Does the applicant have the budget? Does he have hardware? Does he have software, teacher training, etcetera.

Mr. WALDEN. Got it. And so Mr. Schnipp would review that?

Mr. MCDONALD. Mr. Schnipp would put his conclusions into that document, and in the budget section of that document "Pass" is circled, and there is no issue raised in the write-up about this budget discrepancy.

Mr. WALDEN. Oh. So the written document that would have gone up your chain does not indicate that there was any problem with the budget?

Mr. MCDONALD. That is correct, and that is very unfortunate, because that would have flagged this to get other reviews subsequent to Mr. Schnipp's review, and it would have flagged this for others.

Mr. WALDEN. All right. Are you satisfied with the current document retention policies of the E-Rate program?

Mr. MCDONALD. No, and I think Mr. Maher has addressed that. The rules don't require document retention. That has been a problem in audits, and the Commission is addressing that.

Mr. WALDEN. How long has that been an issue?

Mr. MCDONALD. I didn't realize it was an issue early on. The forms say that the applicants certify they will retain documents, but as this became an audit issue, the guidance that we got was that, since it is not established in the rules, there can't be recoveries for that.

Mr. WALDEN. And those are rules that would have to be promulgated by the FCC?

Mr. MCDONALD. Yes, sir.

Mr. WALDEN. So have you made recommendations to the FCC about what you think needs to be done on the records retention issues?

Mr. MCDONALD. This has been on the table since at least the first round of audits when there was documentation—lack of documentation for a program.

Mr. WALDEN. I see. When was that?

Mr. MCDONALD. In 2000 for the funding year 1998.

Mr. WALDEN. So the issue of the lack of retention has been at the FCC's door since 2000?

Mr. MCDONALD. It's been on all of our—All of us have been aware of it since 2000, and our team wasn't on the scene in 2000, but——

Mr. WALDEN. No, but isn't that one of the issues? There has been quite a bit of turnover at the FCC level on this program. Correct?

Mr. MCDONALD. Compared to USAC. I've been here since 1997. So more turnover than here.

Mr. WALDEN. And, Mr. Maher, has the FCC known since 2000 that record retention was an issue on an audit trail?

Mr. MAHER. I spoke with the Inspector General about this within the last year.

Mr. WALDEN. I don't know what that means. How long has what he has proposed been before the FCC?

Mr. MAHER. It has not appeared in an open docket before the FCC, but this issue——

Mr. WALDEN. That is what it would take?

Mr. MAHER. It has been put on the table, and the Bureau has recommended the rule change for the August meeting.

Mr. WALDEN. Oh, for the August meeting?

Mr. MAHER. Yes.

Mr. WALDEN. So it has been basically 4 years to require record retention so we can perform audits in a multi-billion dollar program?

Mr. MAHER. The issue so far has been that the current rule, and there is an FCC rule regarding document retention, is indefinite. The current rule requires the applicant to retain the same types of documents as it would for other procurements, for example, within its school district.

The issue that has been raised is that that is indefinite. It varies among school districts and libraries. What we are looking for is to have a clear bright line rule that will aid the audit process and also aid law enforcement.

So what we are doing is improving an existing rule.

Mr. WALDEN. I know in some of the other FCC rules, it is pretty clear you have to maintain certain records for, you know, 2 years, 5 years, whatever it is. What am I missing here that is so hard it takes 4 years to make a decision that these records should be retained for 4 years or 3 years? Did you make a recommendation as to a length of time?

Mr. MCDONALD. The forms—there was an inconsistency in the forms. Some said 3 years. Some said 5 years. I think the Commission is moving to 5 years.

Mr. MAHER. So our goal is to clean up these discrepancies. Yes.

Mr. WALDEN. Yes, but why does it take 4 years to make that decision between whether a form is 3 years or 5 years for retention purposes? I'm not picking on you. I am just——

Mr. MAHER. Absolutely. What we have tried to do with many aspects of the program is to look at what is required and move ahead, and our goal is to improve what we find in place.

Mr. WALDEN. All right. Mr. Maher, you note in your testimony the importance of certifications on forms. The Department of Justice in December of 2002 made a number of recommendations regarding certification to the FCC. If you don't mind turning to Tab 130, please, and I'll give you the chance there to find Tab one-three-zero.

Mr. MAHER. Yes.

Mr. WALDEN. These included requiring a noncollusion certificate, among others. Why only now is the Bureau recommending certification changes to the forms 18 months after these recommendations and more than 6 years into the program?

Mr. MAHER. We have worked both with the Department of Justice and the Office of Inspector General to go through a variety of forms, and there's—I think 8 forms have been brought to our attention, and we are altering roughly 16, 17 of these certifications.

It has been a back and forth process in getting the certifications right. We have actually submitted the revised forms with certifications to the OMB approval process. it is underway now. These will be in place for the next funding year.

Mr. WALDEN. Okay. My time has expired. I will turn now to the ranking member, Ms. DeGette, of Colorado.

Ms. DEGETTE. Thank you, Mr. Chairman. Mr.—Is it Marh?

Mr. MAHER. Maher.

Ms. DEGETTE. Maher. I wanted to follow up on the chairman's questions. The Commission is considering rules. Are they considering proposing rules or enacting rules in August?

Mr. MAHER. What was referred to in my testimony is actual rules, not proposing them in August but to adopt them.

Ms. DEGETTE. But to adopt rules?

Mr. MAHER. Yes.

Ms. DEGETTE. And this document at Tab 130—this is the memorandum, "Suggestions for E-Rate program"—has a number of suggestions in it. Have you seen that document before?

Mr. MAHER. I have seen it before, yes.

Ms. DEGETTE. Okay. Do you know if the No. 1 suggestion, requiring a certificate of independent pricing, is among the rules that will be adopted in August?

Mr. MAHER. Well, there's a couple of different processes going on. Many of these certification changes, the Bureau has already proceeded on, that a formal rule isn't required. What we did, we had to submit it to OMB for approval. We did that in early June. They were published in the Federal Register. There's 60 days notice before they are adopted. So we expect a variety of the certifications will be in place in September.

Now the specific one that is referenced here I would have to check on.

Ms. DEGETTE. Okay. Do you think it is a good idea to have a rule requiring a certificate of independent pricing?

Mr. MAHER. I think, in general, certifications are very important for three reasons. One, they sort of educate the program participants. The other one is a deterrent effect, because people are certi-

fying to the government. They are saying that they understand the rule and that they are representing so to the government. Finally, they are good for evidentiary purposes.

Ms. DEGETTE. Right. So is it your belief that a rule will be promulgated to require certificates of independent pricing, either through the June rulemaking process that is underway or the August process?

Mr. MAHER. Well, let's see. That particular one—and I am looking at another chart, but that particular one should be included, and I think it is a great idea.

Ms. DEGETTE. Thank you. Also, this memorandum at Tab 130 suggests that you require that the process require at least three bidders and award the contract to the lowest bidder. Do you think that is a rule that will be promulgated in August?

Mr. MAHER. That will not be promulgated in August, because it poses a difficult policy issue. This program serves schools and libraries in all parts of the country, very rural isolated ones as well as large cities. The difficulty there is that in some places there just aren't three competing bidders.

The policy issue that we are grappling with is what do you do to make sure the competitive bidding process—if you don't have a rule like that, that the competitive bidding process works, and you can keep out the cheats.

Ms. DEGETTE. Right. I mean, if you don't have some kind of a baseline—I would imagine, especially given the amount of money that we have heard over the past two hearings is involved in the contracts, I would think that for the vast majority of projects you could find at least three bidders who were willing to bid on it. Wouldn't you think so, sir?

Mr. MAHER. The experience—Maybe Mr. McDonald could comment, but experience varies among school districts and libraries.

Ms. DEGETTE. Okay. So what kind of rule can be promulgated that would assure a competitive bidding process, if you are not going to require a minimum number of bidders?

Mr. MAHER. Actually, the Commission in its Ysletta order—that is involving the Ysletta, Texas, school district—promulgated some—made some law which clarified the competitive bidding process.

For example, it made very clear that price—In any bidding circumstance, price has to be the primary factor to be considered in bidding.

Ms. DEGETTE. Okay, but if you don't have a competitive bid, then how do you know if the price is unreasonable or not?

Mr. MAHER. The other side of the equation is something that the subcommittee discussed in the last hearing, which is looking at that schedule of discounts that schools are eligible for; because the notion is that, if a school or a library has to pay more, they will be more interested in getting an efficient system in place or efficient facilities, and that that, too, will help reinforce the——

Ms. DEGETTE. You mean the percentage of the contract that the institution has to pay?

Mr. MAHER. Yes.

Ms. DEGETTE. And are you considering then increasing that percentage for all entities?

Mr. MAHER. Yes. We are looking at that in an ongoing rulemaking.

Ms. DEGETTE. And I understand that might make institutions pay a little closer attention to the contracts, but wouldn't that also eliminate some very poor school districts' ability to actually make their share of the E-Rate program? I mean, isn't it counterproductive for some of the very poorest school districts?

Mr. MAHER. This is the policy debate that has faced the program, and I will note that in its first 6 years—you have spoken about its benefits—that many of those school districts, the poorest ones, have received the up-to-date technology. So what we are trying to do is to weigh these concerns, both making sure they have the facilities and making sure that the process can work well.

Ms. DEGETTE. It would seem to me, you could have a rule that required a certain number of bidders, and then if a school district couldn't find those bidders, they could apply for a waiver. Wouldn't that make some sense? That way you would have a basic rule, but that exceptions could be granted in extreme cases.

Mr. MAHER. It is certainly worth considering, ma'am.

Ms. DEGETTE. Okay Do you think you will go back and consider that?

Mr. MAHER. Yes, ma'am.

Ms. DEGETTE. Now you are leaving at the end of August, I understand. Is that right?

Mr. MAHER. I believe the beginning of September, ma'am.

Ms. DEGETTE. Who is going to be taking over this program when you leave?

Mr. MAHER. It would be the next Chief of the Wireline Competition Bureau, who hasn't been designated yet.

Ms. DEGETTE. All right. So are you going to be working with that person when they come in or are we going to be starting from Ground Zero with someone new right about the time we come back into the fall session?

Mr. MAHER. I will be working with that person, and also our professional staff. Our head manager on this is a former State prosecutor and an expert in the schools program. So I think it is in good hands.

Ms. DEGETTE. Okay. I just want to ask one more question. Then I know we have a series of votes. The final requirement is to require additional documentation—Oh, the final suggestion in this memo is to require additional documentation and notice. Are you familiar with that recommendation?

Mr. MAHER. I'd have to refresh my recollection.

Ms. DEGETTE. It is on page 4 of the memo.

Mr. MAHER. Yes, I see it.

Ms. DEGETTE. Okay. Are you familiar with that, besides just looking at it today?

Mr. MAHER. Yes.

Ms. DEGETTE. Okay. What kinds of additional—and do you agree that additional documentation and notice are going to be necessary to restore the integrity of the program?

Mr. MAHER. I think the best answer to the issue posed by the suggestion on page 4 is a comprehensive document retention program and effective review of USAC.

Ms. DEGETTE. You testified to that before.

Mr. MAHER. Yes, ma'am.

Ms. DEGETTE. And is that going to be put into place?

Mr. MAHER. We have recommended that for Commission consideration at the August meeting.

Ms. DEGETTE. Well, let me just say for the record, and I know the chairman has a question, I think everybody needs to get on this fast and enact some very, very stringent rules at every level. I yield back.

Mr. WALDEN. Thank you. The Chair recognizes the chairman of the committee.

Chairman. BARTON. And I am going to be very brief, and I hope your answers are brief, because we are going to have to leave here in about 4 minutes.

What is the total amount of contracts or grants that are awarded under the E-Rate program right now?

Mr. MAHER. The program is capped at $2.25 billion a year, and that——

Chairman. BARTON. $2.25 billion.

Mr. MAHER. Yes, sir, and that is awarded.

Chairman. BARTON. Isn't it true that the number of requests for funding is going up almost geometrically? I thought we had requests last year for over $5 billion, $5.6 billion. Is that right, or not right?

Mr. MAHER. Sir, Mr. McDonald has the number. I believe the actual demand has decreased from 2003 to 2004 by 9 percent, as far as dollars. But Mr. McDonald perhaps has the best——

Chairman. BARTON. Well, so it has probably gone up.

Mr. MCDONALD. 2002 is the highest level. It has declined in 2003 and 2004. It is still $4.3 billion.

Chairman. BARTON. Okay. When somebody—We have seen, not just on the issues that are before us that we put on the record, Puerto Rico and San Francisco, but everywhere across the country we see instances where requests for funds under this program start out in what appear to be very reasonable, and then some consultants come in, and the next year the funding levels go up by orders of magnitude, you know, from like $4 million to $40 million or $20 million to $100 million.

Is there no system in the review process that checks back from prior years and questions some of these big increases?

Mr. MCDONALD. In 2002, the highest year, we identified a pattern, procurement pattern, that we felt was inconsistent with the rules, and denied over $500 million. The Commission largely upheld us on appeal, and I believe that contributed to the reduction in demand in 2003.

Chairman. BARTON. Well, what it appears to me is that we had a program that was put in place 5 or 6 years ago, and in the beginning a lot of people didn't understand it, and a lot of especially the smaller school districts don't like dealing with the Federal Government. Then word got out that there was easy money to be had, and these applications would almost be rubber stamped.

I mean, we have on the record one of these applications where they built a television studio. Now surely somebody at the regional and Federal level would look at something like that.

I mean, thank God for groups like the San Francisco School District that are kind of self-enforcing, but I don't see a whole lot of effort at the Federal level to do anything but kind of manage the available fund and portion out the amount of money that is allowed to go out each year. Am I wrong about that?

Mr. MCDONALD. Let me say, sir, that we work really hard to identify issues in this program. Service providers—we look for patterns across applications. The set of applications that is really the heart of the issue here today was really the first time we identified issues like this across applications.

Now we have a special investigations team with certified fraud examiners on our staff that would dig right into an issue like this. I am confident we wouldn't have made the San Francisco commitment if we had seen that now.

I think we have beefed up a lot our ability to identify fraud and stop it.

Chairman. BARTON. Well, we are going to have to go vote. So I am going to yield back. But I would like there to be a set of recommendations about how to make changes to the program that force more automatic compliance, so that we don't have to depend on people like the superintendent of the San Francisco School District to be a watchdog for the taxpayers' money.

With that, Mr. Chairman, I yield back.

Mr. WALDEN. Thank you, Mr. Chairman.

I am going to note that we are going to keep the record open for members to submit questions in writing to all our witnesses today, including you two gentlemen, if that is acceptable. Well, yes, without objection.

Mr. MCDONALD. Yes, sir.

Mr. WALDEN. We will keep it open for 30 days to submit questions.

No other business to come before the subcommittee, I appreciate all the witnesses today, and we stand adjourned.

[Whereupon, at 3:38 p.m., the subcommittee was adjourned.]

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130	Suggestions from DOJ on how to improve E-Rate	12/3/2002
131	USAC Website Info: 'Obligation fo Pay Non-Discount Portion'	1/5/2003
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133	McQuoid chart: Real costs vs. Judy Green costs	None

TAB 1

From: Jamison, Mark
Sent: Wednesday, November 10, 1999 12:42 PM
To: Colvin, John
Subject: RE: E-Rate and Ms. Judy Green

he was the SE, not the am, the deals were across
the country not all here and he was sick of
being the only SE and working his tail off.....

-----Original Message-----
From: Colvin, John
Sent: Wednesday, November 10, 1999 9:40 AM
To: Jamison, Mark
Subject: RE: E-Rate and Ms. Judy Green

Good insight but why did Sohail leave Intertel if he sold $42,000,000.
He could own Intertel in the commissions that would have been owed to
him?

John

-----Original Message-----
From: Jamison, Mark
Sent: Wednesday, November 10, 1999 9:32 AM
To: Colvin, John; Bliss, Bob; Leonard, Susan; Murthy, Ashok
Cc: Qasim, Sohail
Subject: FW: E-Rate and Ms. Judy Green

Please review the following for our meeting on
the 15th of Nov. As you will notice, Sohail has
a good relationship with Judy that resulted in
$$$$ at Intertel that was very profitable.

We will need to work through the fine details of
her expectations of NEC from a $$$ standpoint and
and make sure that we can do move forward in a
partnership from a legal and ethical position.

Thanks!

Mark

-----Original Message-----
From: "M. Sohail Qasim" <qasim@home.com> at SMTP
Sent: Tuesday, November 09, 1999 8:31 PM
To: Jamison, Mark
Cc: Murthy, Ashok
Subject: E-Rate and Ms. Judy Green

As per our discussion am expounding on my experiences with and
perceptions
of Judy Green.

Judy Green called me two weeks ago and expressed interest in working
with me to complete E-Rate projects. I told her of my position with NEC.
She expressed confidence in NEC as a potential player in the E-Rate
market

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NEC ATD-001300

and asked for a meeting with an officer of the company. That is when I brought this to your attention.

I've worked on half a dozen projects totaling, in one year revenue, about $ 42,000,000 over the past 18 months. I had awards of about to $35,000,000 and funding and/or funding approval from E-Rate for $23,000,000. This composed of telephony, data and video equipment and associated services for various school districts across the country.

My experience working with Judy has been very intense. She is a very demanding individual, of herself and others. She is knowledgeable about technology, and the players in her arena. She is only somewhat meticulous about project details, however, is willing to work with the vendors to define and clarify the scope of work. She is very particular and adamant about the need for working together by the selected vendors to ensure the schools are not short changed. At the same time she is very fair towards vendors and will also try to protect their interest. Her approach is firmly entrenched in the Win Win theory.

She is highly intelligent and mentally agile. Normally she expects fast decisions and faster response times for everything from ALL vendors. She is very direct but will also listen to reason (has to be a darn good reason). She will always set her expectations higher than what a vendor or relationship will offer and will demand compliance. She is not bashful and will readily tell you that you don't know enough or she knows better. She has tremendous insight into the political processes but is not always able to explain them to you. Occasionally to overcome challenges imposed by these processes she will demand action without apparent good reason. She doesn't have a lot of respect for red tape and thinks of it as an excuse for delays. She has NO tolerance for cheating or lying from the people around her and will drop them like a hot potato.

She made an entry into the National Alliance of Black School Educators (NABSE) last year. She was tentative but very successful (I have $6,000,000 to show for it). This year NABSE is being held in Tennessee. My strong recommendation would be for NEC to attend as a vendor.

I have worked with Judy on these E-Rate projects extensively and have a good understanding of both the person and procedure. Let me know if I can be of any assistance. I will of course see you on Monday, November 15, 1999 in the meeting on this subject.

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NEC ATD-001301

TAB 2

Colvin, John at NECBNS

From: Holman, Bill
Sent: Friday, November 19, 1999 12:54 PM
To: Leonard, Susan; Colvin, John; Jamison, Mark
Cc: Bliss, Bob
Subject: RE: VNCI and Judy Green

Sea Marble.jpg

Sue and I discussed this briefly this AM. I have asked her to detail the main points of the relationship that would be established between VNCI and BNS, the monetary structures, etc. In general, I think we can make an arrangement that would work for both companies.

As to where the relationship should reside, I do not think this is a national account environment. It may have geographic implications that take it across our established territories, but each deal would be a separate sales engagement involving, I would think, local sales effort. Given that the target market is K-12, I suggest that Sue Leonard take on the program management aspects and we enlist a local team on each opportunity. Sue would manage the relationship with Judy Green, track the results, monitor performance and oversee quality control as part of the State and Local Government marketing initiative.

Regards,

B.

-----Original Message----
From: Leonard, Susan
Sent: Thursday, November 18, 1999 11:53 AM
To: Holman, Bill; Colvin, John; Jamison, Mark
Cc: Bliss, Bob
Subject: VNCI and Judy Green

Bill,
I understand you are out of the office but checking e-mail. Need to discuss with you, at your earliest convenience, a potential business partnership with VNCI. Judy Green, an expert in K-12 e-rate programs and technology solutions, has gone to work with VNCI. (She retired from LA Unified School District).

During the past couple of years she has partnered with Lucent and InterTel. At InterTel she developed a fabulous working relationship with one of the NI group's engineers, Sohail Qasim. While he was at InterTel, he developed product solutions to meet the K-12 market. Judy has lost faith in the relationship with InterTel because the company got greedy and didn't support her, as promised.

Judy and VNCI has approached us to partner with them to go after MILLIONS of dollars of opportunity in K-12. Investigations show that she understands the market, knows how to speak their language, and has their ear as long as she is not a consultant. She helps them apply for the e-rate money and brings together technology partners to meet their needs. Her package solutions truly represent an integrated approach, and we all agree this is where we need to be as a business.

Mark Jamison, John Colvin, Sohail Qaism and Kevin Gormican all agree we should pursue this relationship. One major question: what group would work with her? She she has opportunities throughout the country, such as Ohio, Fresno, Sacramento, Michigan, etc., it probably makes sense to reside within the National Accounts

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group. From there, since the local branch office would do the majority of the work, the current compensation/National Accounts split plan wouldn't fit.

Please call as soon as possible to discuss this in more detail. Thanks.

Sue Leonard, Public Sector Industry Manager
(925) 543-5122
(925) 543-5151, fax
susan.leonard@bns.nec.com <mailto:susan.leonard@bns.nec.com>

Colvin, John at NECBNS

From: Leonard, Susan
Sent: Thursday, November 18, 1999 11:53 AM
To: Holman, Bill; Colvin, John; Jamison, Mark
Cc: Bliss, Bob
Subject: VNCI and Judy Green

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Please call as soon as possible to discuss this in more detail. Thanks.

Sue Leonard, Public Sector Industry Manager
(925) 543-5122
(925) 543-5151, fax
susan.leonard@bns.nec.com <mailto:susan.leonard@bns.nec.com>

NEC 007-002-1588

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NEC ATD-000235

Bliss, Bob

From: Holman, Bill
Sent: Friday, November 19, 1999 5:23 PM
To: Leonard, Susan; Gormican, Kevin
Cc: Jamison, Mark; Colvin, John; Bliss, Bob
Subject: RE: VNCI and Judy Green

VNCI is paid within 30 days of what? We will not pay unless they have completed the work and we are paid. Who would be the "political project manager"? Judy?? We would only pay subcontract dollars and marketing fees to the company.

Most of this is OK with me. However, I think we must obtain at least a 30% GP with the fee to VNCI set a 10%. If our margin goes down to get the deal, then their fee goes down as well. I also would like to know what margin they expect to obtain on their equipment. Please forward the sample agreement to me for review. Call Teresa, she can get it to me in Colorado. The issue is that we would have all risk of delays and non performance as the prime, yet VNCI gets margin plus 10%. We have to tie them to the risk as well. for example, project delays and other issues will not be cause for VNCI or any other subs to alter their price to BNS.

Booking credit goes to the sales team selling the product as per the comp plan. Splits are OK between NI and other branch sales. Revenue goes to the operations and/or engineering group doing the install. Cost of sales for engineers and other support is as per standard accounting methods; that is, each group bears the cost of support personnel against the booking and revenue generated.

"Free" items must be costed into the jobs. Marketing package can identify any free items.

Those are my comments.

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NEC 015-001-0171

the work
10. VCNI is paid within 30 days
11. Work commences, July 1, 2000

The Relationship Structure
1. Since this work must start IMMEDIATELY because it is all due to the SLD by January 17, they would like to work with Sohail out of Redwood City. He would like to sign up to do the work as well.
2. We need to have an NEC representative call on the accounts with Judy and VNCI. This must happen during the week of November 29!!
3. RFPs would have to be answered from central location (makes sense) with a December 18 return date!!
4. The VNCI/NEC team goes back on the road January 3-17 to attend the Board meetings at the various districts
5. January 19 the forms due to the SLD from the School Districts

Opportunity at the onset:
1. West Fresno: $4.1 m for only 2 schools, so that's a technology expenditure of $4k per student. $800k in the PBX. $3.1 m for data, voice and video. Will need onsite technician for this and all deals. This is a 5-year contract, so expect $4m to go up every year after.
2. Grant VanNuys (LAUSD): $32m for 24 schools, so that's $1k per student the first year. Also a 5-year contract, so expect that number every year for the length of the contract. Estimate $8m for PBX, $3.1 wiring, $8.1 for data.
3. Highland Park, MI: $3.1m (expect $10m next year). $800k PBX, $900K wire, $1.1 m data. 6 buildings, 300 classrooms.

Other Requirements:

1. Demo Kit to take on the road with a 4' rack containing a 27" monitor, PBX with 2 phones, VCR and video equipment with tilt zoom cameras from VNCI. The Board of Education will receive a demo of 4 video sources and still make a phone call.

Marketing Agreement:
1. Pricing packages to the customer will include "free items" that capture the attention of the K-12 market. Therefore, we are able to specify to the VNCI partners what % margin we would like from each deal. From there, we develop the final price to the customer. Within that final amount, we need to add a marketing fee to pay VNCI. The requested amount is 15%. We also have the option of selecting a Political Project Manager for an additional 10% of the contract. This is valuable because she would ensure the right documentation is filed and process is followed. The contract lasts for 1 year.

Recommendation from Sue:
Based on the information received from Sohail and past experiences, I would recommend that we move forward on this deal immediately. The following would have to be established:
-NEC personnel to support (Sohail, NEC national acct rep, NEC RFP center)
-% of bookings and revenue to installing branch
-% to go to pay for Sohail
-Pay no more than 12% marketing fee to VNCI
-I think the political project management piece will be a fallout of the above 12% because in the end they would like to be paid.

I can have Judy fax this agreement to the appropriate place once we determine the true owner. Looking forward

to your immediate response. Sue

Relationship Structure:

Sue Leonard, Public Sector Industry Manager
(925) 543-5122
(925) 543-5151, fax
susan.leonard@bns.nec.com

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NEC 015-001-0175

TAB 4

From: Leonard, Susan
Sent: Tuesday, November 23, 1999 1:06 PM
To: Holman, Bill
Cc: Colvin, John; Bliss, Bob; Jamison, Mark; Gormican, Kevin
Subject: VNCI and Judy Green

VNCI Agree.doc

Bill,
Have reviewed your comments with John, Mark and Bob.
We concur on most everything; that is, the bid response would go through Dallas, I am the point person for the partnership, and you are the overall owner of this relationship. That would fall under your sales and marketing function, not national accounts.

Things that must be considered and dealt with immediately:
1. Contract needs to be negotiated by Monday, November 29!!
2. Contract negotiations handled by you, with me assisting.
3. Kevin Gormican needs to get access to Sohail for all the hard work for specs development and response.
4. A voice engineer will need to work with Sohail and needs to be identified. Someone from Dallas?

Answers to your e-mail dated 11/19:
1. VNCI is paid within 30 days of our receipt of payment.

Things that need to be discussed soon, but not immediately.
5. A traveling demo kit needs to be assembled. Where to get equipment?
6. Scope of my job changes considerably. What is affected?

Sue Leonard, Public Sector Industry Manager
(925) 543-5122
(925) 543-5151, fax
susan.leonard@bns.nec.com

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NEC ATD-001319

TAB 5

VNCI

Robert Emery
Telephone: (603) 334-6741
Facsimile: (603) 334-6742
Video: (603) 431-4748 Ext. 6741
E-mail: Robert_Emery@vnci.net

ORIGINAL TO: Amy Williams
Copy to: Sue Lecouvreur
B. Holman
J. Colvin
R. Bliss
J. LAMOSA
J. Hoover

December 13, 1999

NEC BNS
Attention: Mr. William J. Holman
Vice President Sales
2425 Gateway Drive
Suite 200
Irving, TX 75063

Please find enclosed the executed copy of our agreement. We look forward to working with NEC.

Sincerely,

Robert Emery
Vice President Administration & Finance

Enclosure

Video Network Communications, Inc.
50 International Drive
Portsmouth, NH 03801-2862
Tel. 603 334 6700 Fax. 603 334 6701

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TEAMING AGREEMENT

THIS AGREEMENT entered into this 9th day of December, 1999, by and between Video Network Communications, Inc., a Delaware corporation, with its principal offices at 50 International Drive, Portsmouth, New Hampshire, 03801, (hereinafter referred to as "VNCI"), and NEC Business Network Solutions, Inc. (NEC), a Delaware corporation, with its principal place of business at 2425 Gateway Drive, Irving, Texas 75063 (hereinafter referred to as "NEC" and VNCI and NEC jointly referred to as the "Parties.")

WITNESSETH:

WHEREAS, the Parties acknowledge mutual interest in obtaining awards (hereinafter referred to as "Contracts") pursuant to Requests for Proposals (hereinafter referred to as "RFPs") for the purchase and licensing of telecommunications, data, wiring and PBX equipment and related hardware and software peripherals, as well as continuous maintenance and service contracts; and

WHEREAS, the Parties further acknowledge that VNCI will undertake initiatives (hereinafter the "Work") on behalf of NEC and VNCI. Work shall include, but is not limited to, marketing activities to gain new customers; sales calls on school districts; development of bid specifications to meet school district requirements, the filing and follow up of critical forms with the Schools and Library Division (SLD) to ensure proper payment, and ongoing support to the school districts during a multi-year contract (such new customers including school districts hereinafter collectively referred to as the "Clients").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, it is hereby agreed as follows:

1. <u>Relationship</u>

   a. During the term of this Agreement the parties hereto shall be independent contractors. The Parties shall use their respective best efforts to secure the award of a Contract and to assist the other party by providing information and expertise for developing a response to a RFP or other proposal to the Client.

   b. In the event NEC is successful in its proposal and obtains the Contract for the Work, the parties shall, unless otherwise specifically required by the Client, and subject to approval of the Client and the requirement of the Contract, enter into good faith negotiations for a subcontract under which VNCI shall perform those areas of work pertaining to VNCI in the RFP to Client.

      Any such subcontract shall be subject to applicable laws, regulations, and mandatory terms of the Client, mutual agreement on pricing and other mutually acceptable subcontract terms and conditions and statement of work provided, however, that VNCI shall be obligated to honor all pricing and comply with all terms and conditions which it represents to NEC is acceptable and upon which NEC relies in its proposal to Client. NEC will exert all reasonable efforts to secure the Client's approval of the NEC/VNCI subcontract.

   c. Nothing in this Agreement shall be deemed to constitute, create, give effect to, or otherwise recognize a joint venture, partnership, or formal business entity of any kind.
      Nothing herein shall be construed as providing for the sharing of profits or losses arising out of the efforts of either or both of the parties, except, as may be provided for in any resultant subcontract agreed to between parties. The cooperation of the parties is for the purpose of complementing their respective abilities so that the Client may best accomplish the Work.

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2. Proposal Preparation

a. The Parties shall prepare and submit to the Client, a proposal in accordance with the terms and conditions of the RFP and any other documents, integrating therein the information and data provided by VNCI and identifying therein the contribution of VNCI to the proposal. NEC shall consult with VNCI on decisions affecting the VNCI content of the proposal and shall identify VNCI as a potential contractor under the proposal, but the ultimate responsibility for the content of the proposal to the Client shall rest with NEC.

b. VNCI shall provide appropriate highly qualified personnel for, and use its best efforts to support, the preparation of the proposal to be submitted to the Client.

c. Each party shall bear all of its own expenses incurred in connection with the preparation of the proposal under this Paragraph 2. Neither party has the authority to act for or on behalf of the other party unless specifically agreed in writing.

3. Contract Negotiations and Other Pre-Award activities

a. VNCI agrees to assist NEC after preparation of the proposal in providing the Client with any additional information and data reasonably required to assist the Client in its evaluation of the proposal, and shall participate with NEC as reasonably required by NEC, in any negotiations, presentations, additional submittals, or the like deemed necessary or advantageous by both parties in securing the award of the Contract for the Work. Each party hereto shall be solely responsible for the accuracy and completeness of any and all pricing or other data, materials, certifications or representations prepared by it and submitted to the Client in connection with the proposal, the Contract or the proposed NEC/VNCI subcontract, and each party agrees to release, defend, indemnify and hold the other harmless against any and all liability or loss which may arise in connection with such data, materials, certifications or representations.

b. Each party shall bear all of its own costs, expenses, risks and liabilities in performance of its obligations under this Paragraph 3.

4. Fee

a. NEC agrees to pay VNCI the following fee for Contracts awarded to NEC, as a result of the Work undertaken by VNCI. The fee will be applicable to Contracts that result from VNCI-identified opportunities and which VNCI obtains on behalf of NEC and VNCI. In the event the Contract with the Client is a multi-year contract, payment of fees shall apply to the total Contract amount and payments will be made on a pro-rata annual basis based on annual revenues paid by the Client to NEC. Existing NEC customers, such as those with current service contracts, are specifically excluded.

b. NEC shall pay to VNCI a fee equal to ten percent (10%) of the gross dollar value of the Contract entered into between NEC and the Client, excluding the gross dollar value of VNCI's products and services, if included in the Contract, and any sales taxes and other value added goods and services as mutually agreed to between VNCI and NEC at the time of preparation of the RFP.

c. The fee shall be due owing and payable only upon receipt of payment to NEC by the Client and shall be due to VNCI within 30 days of receipt of such payment from Client. NEC shall have the right to deduct from future fee payments any amounts that have been reimbursed to Client as a result of any termination of a Contract.

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5. Proprietary Information

a. NEC and VNCI, to the extent of their respective rights and abilities to do so, shall exchange such technical information and data as are reasonably required of each to perform its part of this join effort. Each party hereto agrees to keep in confidence and to use the same degree of care as it uses with respect to its own proprietary data to prevent the disclosure to third parties of all technical information and confidential business information (hereinafter called "Data") received from the other party under this Agreement, if such Data is disclosed in writing and designated by an appropriate stamp or legend by the disclosing party to be of a proprietary nature. Such restriction shall not apply, however, to the extent such Data: (a) was in the public domain at the time of disclosure or later comes into the public domain; or (b) was known to the receiving party at the time of disclosure; or (c) is authorized for disclosure by the written approval of the transmitting party, or (d) is not unlawfully derived by the receiving party from a source other than the disclosing party without restriction as to the use or disclosure of the Data; or (e) is independently developed by the receiving party without recourse to any proprietary data provided under this Agreement. The foregoing restrictions shall cease to apply upon the expiration of three (3) years from the date of this Agreement. The provisions of this paragraph shall not limit either party's right to use in accordance with the terms under which it is received, any information disclosed by a third party who the receiving party does not know or have reason to know received that information directly or indirectly from the other party hereto under an obligation prohibiting such disclosure.

b. Data qualifying as proprietary in accordance with Paragraph 5.a above may be disclosed in confidence to appropriate representatives of the Client for proposal evaluation purposes only and may be used only in connection with the submission of proposals resulting from this Agreement. Upon execution of a subcontract to VNCI as a result of any such proposal, the terms of that subcontract shall govern with respect to subsequent use or disclosure of Data.

c. Upon termination of this Agreement, Data shall be promptly returned to the owner thereof upon request of the owner of said Data. All Data furnished hereunder may be destroyed by the custodian of such Data sixty (60) days following termination of this Agreement, if the return of such Data was not requested prior to such destruction. The recipient of any Data under this Agreement may retain, one copy of Data transmitted pursuant to this Agreement solely for purposes of determining compliance with this Paragraph 5. It is agreed that no license to any patents of either party is granted by this Agreement or by any discussions or confidential business data and/or proprietary data or information supplied hereunder.

d. Each party hereto shall designate in writing one or more individuals within its organization as the only person(s) authorized to receive Data exchanged between parties. Any proposal submitted hereunder and the pages relating thereto which contain Data shall bear a restrictive legend acceptable to both parties and the Client.

e. Inventions made by employees of either party shall be owned by the party employing the inventor(s). Ownership of inventions made jointly by employees of the parties shall be mutually agreed upon by the parties to the agreement.

6. Termination of Agreement

This Agreement shall automatically expire upon the happening of any of the following events, whichever shall first occur:

a. By mutual agreement between the parties.

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b. By thirty (30) days written notice from one party to the other party stating its intent to terminate the Agreement; provided, however, that if a proposal has been submitted and is under consideration by a Client upon the expiration of such period, this Agreement shall continue in force for the limited purpose of fulfilling the terms of the Contract.

The parties hereto agree that the provisions of Paragraph 5 hereof shall survive any termination of this Agreement in accordance with the terms set forth therein.

7. Miscellaneous

a. Any publicity or advertising in connection with this Agreement or any resulting Contract to NEC shall not be released by either party if such release mentions the name of the other party, without the prior written consent of that party. Neither party shall unreasonably withhold such consent.

b. Neither party shall be precluded from revealing the contents of this Agreement to the Client. The parties agree that governmental agencies may compel disclosure of this Agreement.

c. This Agreement shall be interpreted under the Laws of the State of Delaware.

d. This Agreement contains the entire agreement between the parties and supersedes any prior or contemporaneous oral or written agreements, commitments, understandings or communications with respect to the subject matter hereof.

e. Neither party may assign its rights or responsibilities under this Agreement without the prior written consent of the other. Notwithstanding such consent, however, the assigning party shall remain responsible for the performance of the applicable terms of this Agreement by its assignee, unless otherwise agreed at the time of such assignment. The parties agree to look solely to each other with respect to performance of this Agreement.

f. No subsequent modification of this Agreement shall be binding upon the parties unless reduced to writing and signed by an authorized officer of the part sought to by bound thereby.

g. The failure of either party to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any party thereof, or the right of either party thereafter to enforce each and every provision.

h. In no event shall either party have any obligation or liability to the other nor shall any remedy be available to whether party, except as expressly set forth herein. Limitations on liability, indemnities and releases set forth in this Agreement shall apply even in the event of fault, negligence, or strict liability on the part of the party indemnified, released, or whose liability is limited.

i. The scope of this Agreement is confined solely to proposal preparation activities and the provisions hereof shall have no application or effect whatsoever to work which may be performed by NEC under any other agreement with Client, or by NEC under any other agreement with VNCI. In this connection, it is specifically understood with respect to such work that the terms of such other agreement shall government and solely apply.

j. Neither party shall be liable to the other party for any indirect, incidental, special or consequential damages, however caused, whether as a consequence of negligence or otherwise.

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k. Nothing in this Agreement shall preclude either party hereto from soliciting or accepting any contract from any third party for any other project or, to the extent not inconsistent with this Agreement, for the Work.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the day and year first above written.

NEC BUSINESS NETWORK SOLUTIONS, INC.	VIDEO NETWORK COMMUNICATIONS, INC.
By: [illegible]	By: [illegible]
Title: Vice President Sales	Title: [illegible]

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TAB 6

From: Larosa, Jim
Sent: Friday, December 17, 1999 9:58 AM
Subject: RE: E-Rate RFP bidders conference for December 17th (Poughkeepsie)

Ken and Gerard,

I will assume that the split is as Bill states 75/25, if different please confirm

Good Selling

thanks

Jim

-----Original Message-----
From: Holman, Bill
Sent: Friday, December 17, 1999 8:43 AM
To: Larosa, Jim; McNulty, Gerard; Wagner, Ken
Cc: Leonard, Susan; Macrides, Andy; Colvin, John; Bliss, Bob
Subject: RE: E-Rate RFP bidders conference for December 17th (Poughkeepsie)

The VNCI 10% is added to the top of our price. The established split is 75% McNulty/25% "local AE" unless it is determined by mutual agreement that there is a different division of responsibility and a different split agreed upon. However, local AE should only have to be involved in bid conference, possible demo and post sale transition. I hope this helps.

B.

-----Original Message-----
From: Larosa, Jim
Sent: Thursday, December 16, 1999 4:26 PM
To: McNulty, Gerard; Wagner, Ken
Cc: Leonard, Susan; Holman, Bill; Macrides, Andy
Subject: RE: E-Rate RFP bidders conference for December 17th (Poughkeepsie)

Bill, we need to establish the split upfront and how do we handle the VNCI commission . Do we add this to the job as a $ amount??

Also please include Andy in all correspondence on these type projects.

Gerard thanks for the potential business.
Jim

-----Original Message-----
From: McNulty, Gerard
Sent: Wednesday, December 15, 1999 6:49 PM
To: Wagner, Ken
Cc: Larosa, Jim; Leonard, Susan; Holman, Bill
Subject: E-Rate RFP bidders conference for December 17th (Poughkeepsie)

Ken,

This is a follow up to my voice mail message from yesterday. Please have someone attend the bidders conference for Poughkeepsie City public schools on Friday December 17th at 11:00am. We are developing a centralized response to this district and eight others that are being bid concurrently. They are all from the same consultant and we expect to be successful. Chuck Ferguson will be the lead engineer on the project along with Sohail from our NI group. We will offer a local split with the rep you assign provided they attend and help with local information but the bid itself will be responded to from Dallas. The address for the Poughkeepsie conference is 11 College Ave. in Poughkeepsie. The phone number for the district is 914-451-4900. Local contacts are Jeff Baker and Bram Moranis.
Please call to confirm your receipt of this e-mail and to let us know who will attend. My local telephone

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NEC ATD-004260

number is 925-543-5132

Jim,

This opportunity seems to be the only one in New York that George from VNCI gave us. If you have any questions Bill Holman could probably help answer them. As I understand it we will pay VNCI a commission for helping us enter the business.

Best Regards,

Gerard McNulty

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NECBNS CON 04862

NEC ATD-004261

TAB 7

From: Holman, Bill
Sent: Tuesday, December 21, 1999 1:45 PM
Subject: RE: VNCI Partner Agreement and Fees

John Colvin is to approve ALL pricing on these projects. The fee to VNCI is 10% provided gp is acceptable and only on approved portions of the project. There is no project management fees. Please, all on the team, read the teaming agreement and be completely familiar with the T&C's!

B.

-----Original Message-----
From: Bratcher, Peggy
Sent: Tuesday, December 21, 1999 11:43 AM
To: McNulty, Gerard; Leonard, Susan
Cc: Holman, Bill; Ferguson, Chuck; Qasim, Sohail
Subject: VNCI Partner Agreement and Fees

When we get the pricing for the E-Rate proposals will this be in the form of NEC cost with no-mark, or price with our mark including any finders or associated fees payable to VNCI? Thus far, Sohail has told me we are to put a 15% finders fee plus a 10% project management fee on top of the costs he has emailed to us. Please help me understand this and get the correct price on these bids.

Peggy Bratcher
Manager Sales Operations
NEC BNS National Accounts
(972)582-6030 fax:(972)582-6025
peggy.bratcher@bns.nec.com

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NEC ATD-004373

TAB 8

From: Leonard, Susan

Sent: Wednesday, December 22, 1999 1:13 PM

To: McNulty, Gerard; Colvin, John; Qasim, Sohail; 'george_marchelos@vnci.net'

Subject: Reseller's Agreement versus Teaming Agreement

This is a clairification of the questions we had of resellers versus teaming agreement....

The signed teaming agreement states that we will "turnkey" subcontract product, installation and service of the VNCI product for the e-rate projects. That means that we form a subcontractor/prime relationship for each project. (Except, perhaps, Mt.Clemens). Therefore, NEC is not obligated to buy equipment, spare parts, and invest in training of our technicians to support these projects. That makes sense, particularly since the school districts will have dedicated, on-site technicians that will be knowledgeable of their products versus training a significant percentage of our service personnel.

It is in VNCI's best interest to extend prices to us that reflect those of their dealers. We will apply a mark-up and still want to be competitive.
If you need a copy of the agreement, let me know. Hope this helps. Sue

Sue Leonard, Public Sector Industry Manager
(925) 543-5122
(925) 543-5151, fax
susan.leonard@bns.nec.com

TAB 9

From: Holman, Bill
Sent: Wednesday, December 29, 1999 4:17 PM
Subject: RE: Covert and Mt Clemens E-Rate Bids

Thanks for the clarification. No, I don't that is a conflict of interest.

B.

-----Original Message-----
From: McNulty, Gerard
Sent: Wednesday, December 29, 1999 3 13 PM
To: Holman, Bill; Bratcher, Peggy, Colvin, John; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Masood, Zahid
Subject: RE: Covert and Mt Clemens E-Rate Bids

Bill,

I may have chose my words poorly. Judy certainly will have a heavy influence in the outcome of these projects but ultimately its the decision of the school district. Judy will however assist the district once they have made a decision in preparing form 470 applications to the school and libraries corporation. Hopefully that in itself is not considered a conflict of interest.

-----Original Message-----
From: Holman, Bill
Sent: Wednesday, December 29, 1999 12:49 PM
To: McNulty, Gerard; Bratcher, Peggy; Colvin, John; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Masood, Zahid
Subject: RE: Covert and Mt Clemens E-Rate Bids

Gerard, thanks for the detailed update. It sounds like we are moving in the right direction. It probably does not matter whether we are prime or sub, as long as we are not responsible for the performance of another vendor, including VNCI, unless we are absolutely comfortable that they can perform and agree to be bound by the terms and conditions of the prime contract as if they were prime.

What do you mean when you say "she", as in Judy Green, awarding the contract? Is this a mistatement on your part or are you saying that Judy is somehow involved in the decision process directly as opposed to a position of influence? Is there any potential conflict of interest here??

B.

-----Original Message-----
From: McNulty, Gerard
Sent: Tuesday, December 28, 1999 6:36 PM
To: Holman, Bill; Bratcher, Peggy; Colvin, John; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Masood, Zahid
Subject: RE: Covert and Mt Clemens E-Rate Bids

Bill and et all,

Unfortunately Judy Green was out of the country during all the different bidders conferences and preliminary exchange of instructions from VNCI. She returned only today and informed us of new information and expectations that were never relayed to us by George Marchelos who was acting on her behalf during her absence.

George has been helpful but he was under the impression that we did not have to bid the cable at Covert and instructed us to use our judgement and keep in mind that in all likelihood Julius Green engineering would bid the cable on their own. On this basis we initially choose to cherry pick only section B and prepared our response accordingly.

In my meeting with Judy this morning we learned that she needed a bid for the cable portion of the project as Julius Green was busy on three other projects and may not be able to prime the cable project. According to

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NEC ATD-003475

Judy if they did not receive a cable bid they could not award this project including section B. I explained to her the difficulty this presented us in light of the bid being due tomorrow and she outlined how we could structure our response to section A and give her the flexibility to award the whole project to NEC. The net of the meeting was an agreement that we would charge the district $4,000 per classroom for all cabling requirements. There are 150 classrooms for a total cable value of $600,000. Based on our investigation of the site and conferring with our Chicago representatives this would result in a highly profitable piece of business for us. There are approximately two drops in each room with some minor electrical work associated with conduit placement and absolutely no trenching. It is a project for three schools but they share a contiguous property. Chicago estimates the work to cost us about $300,000.

With respect to the bid bond for section A Judy said she would waive the requirement for section A provided we make mention of the difficulty associated with getting bid bonds during the holidays. We also reviewed this with Glen Means today and visited with him regarding the project in advance of his signing the bid bond that we do have for section B.

With respect to Muskegon that was outside our control as VNCI appears to have lost their influence at that account and Judy would not be involved in the decision. Based on VNCI not being involved there appears to be no reason to participate.

Mt Clemans was a situation where our representative in Chicago Kristy Walden had to attend two bidders conferences on the same day in rural Michigan and was late to the second bidders conference due to a snow storm which delayed her about an hour. The district had a mandatory meeting for this project that we were late to which according to their policy prevents us from bidding as the prime however they have encouraged us to bid as a sub to either VNCI or Julius Green. VNCI is interested in having us bid as a sub and essentially do all the work for Mt. Clemans.

All other projects from my perspective should be on track. I have completed all the narrative responses for each section of the bid and they should almost be cookie cutter going forward with some slight customization for each district. We have attended bidders conferences at Jasper County, Ecorse, North Chicago, Dubois, Pittsburg,Ca, and Muskegon. We also plan on responding to Lee County which did not have a mandatory bidders conference.

As Peggy pointed out our biggest hurdle for Dallas is getting the valuations for these projects so we can request the appropriate bid bond. To that end Sohail and Chuck are trying to complete the pricing models for each project so we can have a per project total. We plan on having a conference call tomorrow to Finalize this piece of the process.

Bill, today definitely was stressful with Judy asking a great deal at the last minute (including my having to re-write several answers in the bid based on her new requests) but with her back in town the communication should be much better. She is very demanding but we seem to have found common ground and mutual interests regarding these projects. She has also committed to meet with me on the telephone Thursday following the opening of Covert to critique our response. I will keep you informed of our progress.

Please let me know if you have any specific questions or if there is additional information that I can provide you going forward.

Gerard

Original Message-----
Sent: Tuesday, December 28, 1999 2:18 PM
To: Bratcher, Peggy; Colvin, John; McNulty, Gerard; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Masood, Zahid
Subject: RE: Covert and Mt Clemens E-Rate Bids

Sounds like we need to get our act together with VNCI. This kind of miscommunication is death.

John, I think you should speak with Judy and perhaps her superiors at VNCI and make sure we are all on the same page!

B.

—Original Message-----
From: Bratcher, Peggy
Sent: Tuesday, December 28, 1999 11:31 AM
To: Colvin, John; McNulty, Gerard; Qasim, Sohail; Leonard, Susan; Walden, Kristy

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NEC ATD-003476

Cc: Ferguson, Chuck; Holman, Bill
Subject: Covert and Mt Clemens E-Rate Bids

Chuck Ferguson just received a call from Sohail and Judy Green indicating that if NEC wants to bid the jobs in Michigan, we need to bid all three sections of the RFPs. We are mailing one of those jobs today.

Two weeks ago, Kristy attended the bidders conference for Covert and we were told that bidders could pursue sections A, B, or C alone or parts of C. Considering the time involved and the fact that sections A and C required subcontractor bids to NEC, Sales Management decided not to bid sections A and C. Today we have only original signed forms for section B, bid bond for section B and pricing for section B for the Covert bid. During a conference call yesterday, I was advised to type "NEC is not responding to Section A" on the first 12 pages of that section and "NEC is not responding to section C" on the first 12 pages of that section. We have no bid bonds, pricing, or subcontractor arrangements made to bid the other sections of Covert.

Sohail advised Chuck that VNCI is now pursuing a bid bond for Mount Clemans and we would be sub-contracting to VNCI on that job. Earlier, Gerard advised me that we would not be bidding that job. Mount Clemans is now due 1/05 and I need to know what section if any we are mailing. Kristy also informed me that Muskegon has already purchased their PBX, WAN and LAN equipment from GTE so there is virtually nothing left for NEC to bid on.

Thus far, the jobs that I have been advised that we are bidding are:
Covert mailing 12/28
Jasper mailing 1/03
Ecorse mailing 1/04
Muskegon mailing 1/05
Lee County mailing 1/06
North Chicago mailing 1/11

It appears that Judy Green, by being on vacation for the last 2 weeks, failed to convey some key information regarding these bids and that the sales team needs to have a strategy meeting with her. After that we need to have a conference call where the jobs to be bid and the sections thereof are decided. Each section of each bid requires a separate bid bond and they take a week to obtain. This means that I need to know the value of the Jasper and Ecorse bids today. Thank you for your prompt replies.

Peggy Bratcher
Manager Sales Operations
NEC BNS National Accounts
(972)582-6030 fax:(972)582-6025
peggy.bratcher@bns.nec.com

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NEC ATD-003477

TAB 10

From: Holman, Bill
Sent: Wednesday, December 29, 1999 3:43 PM
To: Colvin, John
Subject: RE: Covert and Mt Clemens E-Rate Bids

Thanks!

B.

—Original Message—
From: Colvin, John
Sent: Tuesday, December 28, 1999 5:30 PM
To: Holman, Bill
Cc: McNulty, Gerard
Subject: RE: Covert and Mt Clemens E-Rate Bids

Bill,

Unfortunately Judy Green who owns the bid process and seems to be the brains behind the VNCI operation was out of the country and un-reachable until today. As such, we relied on George who gave us some erroneous information. Gerard, Peggy, Chuck and I have discussed this matter and tried to clear up some of the loose ends on the Covert bid. At this point we are finished with the bid but I do not believe that we feel like we have mastered the process. Gerard will be speaking to Judy Greer tomorrow after the bid opening to review our bid with her and to clarify just home we should respond to future bids.

John

—Original Message—
From: Holman, Bill
Sent: Tuesday, December 28, 1999 2:18 PM
To: Bratcher, Peggy; Colvin, John; McNulty, Gerard; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Masood, Zahid
Subject: RE: Covert and Mt Clemens E-Rate Bids

Sounds like we need to get our act together with VNCI. This kind of miscommunication is death.

John, I think you should speak with Judy and perhaps her superiors at VNCI and make sure we are all on the same page!

B.

—Original Message—
From: Bratcher, Peggy
Sent: Tuesday, December 28, 1999 11:31 AM
To: Colvin, John; McNulty, Gerard; Qasim, Sohail; Leonard, Susan; Walden, Kristy
Cc: Ferguson, Chuck; Holman, Bill
Subject: Covert and Mt Clemens E-Rate Bids

Chuck Ferguson just received a call from Sohail and Judy Green indicating that if NEC wants to bid the jobs in Michigan, we need to bid all three sections of the RFPs. We are mailing one of those jobs today.

Two weeks ago, Kristy attended the bidders conference for Covert and we were told that bidders could pursue sections A, B, or C alone or parts of C. Considering the time involved and the fact that sections A and C required subcontractor bids to NEC, Sales Management decided not to bid sections A and C. Today we have only original signed forms for section B, bid bond for section B and pricing for section B for the Covert bid. During a conference call yesterday, I was advised to type "NEC is not responding to Section A" on the first 12 pages of that section and "NEC is not responding to section C" on the first 12 pages of that section. We have no bid bonds, pricing, or subcontractor arrangements made to bid the other sections of Covert.

Sohail advised Chuck that VNCI is now pursuing a bid bond for Mount Clemans and we would be sub-

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NEC ATD-000799

contracting to VNCI on that job. Earlier, Gerard advised me that we would not be bidding that job. Mount Clemans is now due 1/05 and I need to know what section if any we are mailing. Kristy also informed me that Muskegon has already purchased their PBX, WAN and LAN equipment from GTE so there is virtually nothing left for NEC to bid on.

Thus far, the jobs that I have been advised that we are bidding are:
Covert mailing 12/28
Jasper mailing 1/03
Ecorse mailing 1/04
Muskegon mailing 1/05
Lee County mailing 1/06
North Chicago mailing 1/11

It appears that Judy Green, by being on vacation for the last 2 weeks, failed to convey some key information regarding these bids and that the sales team needs to have a strategy meeting with her. After that we need to have a conference call where the jobs to be bid and the sections thereof are decided. Each section of each bid requires a separate bid bond and they take a week to obtain. This means that I need to know the value of the Jasper and Ecorse bids today. Thank you for your prompt replies.

Peggy Bratcher
Manager Sales Operations
NEC BNS National Accounts
(972)582-6030 fax:(972)582-6025
peggy.bratcher@bns.nec.com

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT

PRE-BID MEETING **Bid Number: 121155**

January 3rd, 2000, 10:00 A.M.

ATTENDANCE SHEET

ORGANIZATION Print Name of Organization	NAME Print then Sign Your Name	TELEPHONE
Spring Electric / Data Systems	Bob Waters	PHONE (415) 242-3131 FAX ( )
NEC Business Comm. Systems	John Colucci	PHONE (925) 543-3421 FAX (925) 543-5151
Vision I.T.	Ann Todhunter	PHONE (415) 398-0606 FAX (415) 398-0638
Vision I.T.	Janice Ruiz	PHONE (415) 398-0629 FAX ( )
Ramp Networks	Brijesh Patel	PHONE (408) 588-2478 FAX (408) 988-6363
USM Distributors	Ramon Catbagan	PHONE (650) 623-9040 FAX (650) 623-7552
Pacific Northwest	Laurel Jones	PHONE (415) 730-1032 FAX ( )
Ameritech ~~Matthew Wilson~~	Matthew Wilson	PHONE (925) 251-2331 FAX (415) 951-8124
Pacific Bell	Larry Moore	PHONE (415) 542-2781 FAX (415) 545-1805
Pacific Bell	Jim Pinson	PHONE (415) 532-[illegible] FAX (415) 545-1805
Inter-Tel Inc	[illegible]	PHONE ( ) [illegible] FAX ( ) [illegible]
Spring Electric Data	Steve Bickford	PHONE (408) 298-3134 FAX (408) 298-2132
Structured Cabling Solutions	Ryan Richardson	PHONE (530) 879-5850 FAX (530) 879-5852
Amer.com	Michelle Boere	PHONE (310) 262-9703 FAX ( )
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		PHONE ( ) FAX ( )
		PHONE ( )

TAB 12

Womack, Laura

From: Holman, Bill
Sent: Wednesday, January 05, 2000 7:37 AM
To: McNulty, Gerard
Cc: Masood, Zahid; Colvin, John
Subject: RE: San Francisco Unified School District

Sounds good to me.

B.

-----Original Message-----
From: McNulty, Gerard
Sent: Monday, January 03, 2000 3:12 PM
To: Holman, Bill
Subject: RE: San Francisco Unified School District

Bill,

I'm in Cypress today with VNCI if you need to get me live. My only reluctance at SFSD was an uncertainty whether we would as a company agree to be a subcontractor to Intertel. Judy will help direct the data portion to us and is trying to help us enter the voice portion also. The reality is Intertel does have several systems at the district which may impede our ability to get the voice. Judy would like to see us bid everything asked in the bid and she and I will lobby to convince the district that the project exceeds the capabilities of Intertel. With that said both NEC and Intertel will bid VNCI product with their respective bids. By bidding independently we eliminate the potential conflict of being a sub to Intertel and empower the district with information on a competing vendor that exceeds their capabilities. Best case scenario we are successful lobbying the district on a turn key solution or next best thing we walk away with a significant data project.

Thanks

Gerard (sleepless in Cypress -48 consecutive hours with Sohail and Judy)

-----Original Message-----
From: Holman, Bill
Sent: Monday, January 03, 2000 12:11 PM
To: McNulty, Gerard
Cc: Colvin, John; Masood, Zahid
Subject: RE: San Francisco Unified School District

What is your reluctance to bid the data only? If Intertel has the inside track on voice and can pull through our data bid, why not? I assume this predates our teaming agreement with VNCI? Are they bidding with Intertel? I have a problem with this, given our new relationship, but we did exclude prior accounts (I would have to reread the language). Perhaps, if this is data only, then it should be bid by the Redwood City group?? Just some thoughts off the top.

B.

-----Original Message-----
From: McNulty, Gerard
Sent: Friday, December 31, 1999 11:10 AM
To: Holman, Bill
Subject: San Francisco Unified School District

Bill,

I had a meeting with San Francisco Unified yesterday and I would like to run the conversation by you.

This is a new project that will bid on January 17th. They have an existing relationship with Intertel and the primary contact for the district is a personal friend of Jason King the rep for Intertel. Intertel has approximately 15 systems installed and they seem to be well positioned for the remaining voice systems. Intertel however is not very strong in the data arena and we have been approached about possibly providing

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a bid on the data portion of the SFSD project. Intertel would like us to be a sub to them for this project and I wanted to confer with you on the merits of such a relationship. I'm not very comfortable with it and if at all possible I would want to see if we could bid only the data portion of section B. However if this is not permitted I want to know your thoughts regarding a potential joint effort for this project. VNCI is involved in this project and they were originally brought in by Intertel so they are not in a position to force Intertel's hand on this specific project.

Intertel will use Pac Bell network Integration (PBNI) as there sub if they do not use us.

One other option is we try to bid this independent of Intertel and try to get everything including the voice switches but I have to believe they will be able to leverage their existing relationship with the district for favorable consideration.

Gerard

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TAB 13

From: Holman, Bill
Sent: Wednesday, January 05, 2000 8:37 AM
To: Colvin, John; McNulty, Gerard
Cc: Masood, Zahid
Subject: RE: San Francisco Unified School District

Your call. Good luck.

B.

-----Original Message-----
From: Colvin, John
Sent: Monday, January 03, 2000 3:30 PM
To: Holman, Bill; McNulty, Gerard
Cc: Masood, Zahid
Subject: RE: San Francisco Unified School District

I just returned from the SFUSD bid meeting and hope to add clarity to this bid opportunity. Clearly we have heard from VNCI that Intertel has an inside track on this opportunity for the PBX business only. Information from Sohail indicates that Intertel will have a very difficult time responding to and subsequently implementing a data network. Realistically, we may not have a real opportunity to win the PBX portion of this bid but I believe that we are better suited than NI to win the remaining pieces. The cable plant will be a significant piece of this business as will the servers and data equipment but the most significant portion of this business will be project management and system implementation. It is my strong opinion that we are best suited to handle a project of this magnitude.

John

-----Original Message-----
From: Holman, Bill
Sent: Monday, January 03, 2000 12:11 PM
To: McNulty, Gerard
Cc: Colvin, John; Masood, Zahid
Subject: RE: San Francisco Unified School District

What is your reluctance to bid the data only? If Intertel has the inside track on voice and can pull through our data bid, why not? I assume this predates our teaming agreement with VNCI? Are they bidding with Intertel? I have a problem with this, given our new relationship, but we did exclude prior accounts (I would have to reread the language). Perhaps, if this is data only, then it should be bid by the Redwood City group?? Just some thoughts off the top.

B.

-----Original Message-----
From: McNulty, Gerard
Sent: Friday, December 31, 1999 11:10 AM
To: Holman, Bill
Subject: San Francisco Unified School District

Bill,

I had a meeting with San Francisco Unified yesterday and I would like to run the conversation by you.

This is a new project that will bid on January 17th. They have an existing relationship with Intertel and the primary contact for the district is a personal friend of Jason King the rep for Intertel. Intertel has approximately 15 systems installed and they seem to be well positioned for the remaining voice systems. Intertel however is not very strong in the data arena and we have been approached about possibly providing a bid on the data portion of the SFSD project. Intertel would like us to be a sub to them for this project and I wanted to confer with you on the merits of such a relationship. I'm not very comfortable with it and if at all possible I would want to see if we could bid only the data portion of section B. However if this is not permitted I want to know your thoughts regarding a potential joint effort for this project. VNCI is involved in this project and they were originally brought in by Intertel so they are not in a position to force Intertel's hand

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NEC ATD-001187

TAB 15

Womack, Laura

From:	GMarchelos@aol.com
Sent:	Monday, January 10, 2000 3:56 PM
To:	Colvin, John; atodhunter@vision.it.com; thewaterco@cdepot.net; bpatel@rampnet.com; ljmoore@msg.pacbell.com; jpillsbury@msg.pacbell.com
Subject:	SFUSD E Rate Addendum #2

SFUSD Addendum # 2.doc

Here are the latest addendum for the E Rate bid #121155.

Thank you,

George

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ADDENDUM # 2

TO

BID No. 121155

E-RATE SUBSIDY
at
San Francisco Unified School District
FOR
INFRASTRUCTURE CONDUIT FIBER OPTICAL, CATEGORY 5 AND CATEGORY 6 WIRING AND CABLING
FOR
PURCHASES OF EQUIPMENT AND SERVICES
FOR
DATA, INTERNET, ADVANCED TELECOMMUNICATIONS, and AUDIO/VIDEO NETWORKS
FOR
SATELLITE AND ADVANCED TELECOMMUNICATIONS SERVICES

JANUARY 10TH, 2000

NOTICE TO BIDDERS:

The following revisions shall be made to the BID (contract) documents and are hereby part of the Contract (BID) Documents

PLEASE INCORPORATE THE ATTACHED:

1) All bid's are due on January 14th, @ 3PM, PST at 834 Toland Street, San Francisco, CA. 94124

2) THE BIDS WILL BE ACCEPTED AS DISTRIBUTED. INCLUDE THE ORIGIONAL BID PACKAGE FORMS AND ALL MISSING FORMS MAY BE SUBMITTED POST AWARD BY THE WINNING CONTRACTOR/SUB-CONTRACTORS.

3) The district will accept a partial response to individual bid Section's as long as the partial response is accompanied by the corresponding maintenance and installation costs. It is preferred by SFUSD to have a complete response to each section of the bid. (Section A, B, & C)

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TAB 16

Womack, Laura

From: M. Sohail Qasim [qasim@home.com]
: Tuesday, January 11, 2000 12:54 AM
To: McNulty, Gerard; Colvin, John; Qasim, Sohail
Subject: San Francisco USD

Gerard and John,

'm going to ramble on a little bit so please bear with me.

've expressed concerns regarding letting the process entailed in winning the e-rate business through the Judy Green/VNCI coalition. These focus on the exposure NEC may create for itself if it loses control of the process. This not only involves the NEC-VNCI relationship but also the steps we are asked, or dictated to, to take to ensure success. There are many examples in general, just a couple of which are the claims we are asked to make pertaining the total validity of the design and the very high percentage of the NABSE bonus. Both of these potentially create legal and fiscal responsibility for NEC, a responsibility we may not like. Additionally Judy Green's claims made to the districts in reference to "turning them into model rural districts" has negative connotations in that the expectations raised are, or will be, for NEC to meet those promises. If we don't meet those expectations, at best, we will lose current and future business, and at the worst will be forced to meet them. We will find many other small details which, if overlooked, will have unfavorable results for NEC.

The latest example of wanton disregard for due and responsible process is the interference in our meeting with the SFUSD. Based on my assessment of the competitive and technical position of this district I had set up the meeting of this past Friday. It was to ensure a better understanding of the districts current infrastructure and growth needs. This was allowed to be canceled and now we are left with a design that DOES NOT COME CLOSE TO MEETING THE REQUIREMENTS OF OR PROVIDE INTEGRATION TO THE CURRENT INFRASTRUCTURE ALREADY IN PLACE. If we present this solution we will be opening ourselves to numerous problems in connection with project implementation and seamless integration into their current networks. Changes in design to accommodate current networks, after the fact, also opens up the doorway to contention from other vendors who are well entrenched in the district. At this time, using the standard formulae, the proposal amounts to **over $79 million for data and server components of section B**. About $15 million are attributed to NABSE bonus. All this money and a system that will not work properly. I will leave the consequences to your imagination.

I have similar misgivings regarding Pittsburgh, of a lesser degree though. Working with Howe Electric is a problem. We as an organization lose control of the whole process simply because we don't know what he is promising as the GC. If we want to protect our interests I don't believe we should. As you are aware we have no indication from Howe whether he even wants to do that. He has not returned your phone calls or those of the other vendors. If this relationship is started in such a manner imagine what will it be like afterwards.

My recommendations at this stage are as follows:
1. We do not bid San Francisco. If we bid, it should be with very clearly defined terms vis-a-vis our understanding of the District's needs and ability to meet them based on the bid specifications.

2. We keep open the option of bidding Pittsburgh for the data and server portion separately and independently as NEC instead of bidding as a sub to Howe.

I deem it an imperative to both success of this venture and limiting NEC's legal and fiscal exposure to maintain a black and white relationship with Judy Green/VNCI. Otherwise soon there will be a falling out between us because at a point will decide to dig in our heels. To maintain a healthy, safe and a mutually profitable "long term" relationship it needs to be put into perspective now. That perspective is: Judy/VNCI absolutely need NEC to be at all successful, NEC does not need them. It sounds somewhat final. It is not. As long as that is understood there can always be concessions made that ensure success without undue exposure.

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I urge you to consider this in your decisions.

Sohail Q.

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McNulty, Gerard

From: M. Sohail Qasim [qasim@home.com]
Sent: Wednesday, January 12, 2000 9:10 PM
To: Ferguson, Chuck; Bratcher, Peggy; Colvin, John; McNulty, Gerard; Leonard, Susan; Qasim, Sohail
Subject: SFUSD-Modified.

Attached are both the old and the new (SFUSD Price Work Sheet 01-09-2000-2.xls)pricing for SFUSD.

The changes made in the SFUSD numbers are in the following areas:

1. Extended Warranty: Previously there was a markup factor of 1.64 applied. Now it is1.35.

2. Installation: Previously markup factor of 1.2 was applied on top of the extra hours and rates. Now there is NO markup factor. Previously applied hours and rates are retained.

3. Material: Previously a markup factor of 1.45, 1.5 and 1.8 was applied on different items. Now a standard 1.065 markup factor is applied on all Cisco equipment and 1.5 on First Virtual is applied.

4. Additional Markup: Previously a factor of 1.06 was applied on all elements. In the new prices that has been taken out.

5. VNCI Marketing fee: 10% markup has been applied on all pricing. However the markup relevant to Cisco equipment has been applied towards its installation and Extended Warranty. These are therefore inflted to reflect that number. This is done per Judy's instructions.

6. NABSE Bonus: There are NO dollars set aside for this element.

The Gross Margin Statement reflects the net results of these changes. Some equipment has a negative margin and the over all margin is quite low, even after an additional charge of 1.5% shown as shipping and insurance on material. The over all margin is healthier though. However it is vulnerable to the portfolio changes since there are varying rates of return on different elements. Secondly if this project is broken down into Material from one vendor and Service from the other we could run into serious trouble. Therefore a condition needs to be inserted that may preclude such a division.

Please call me if there are any questions.

Sohail Q.

TAB 18

Bliss, Bob

From: Holman, Bill
Sent: Thursday, January 13, 2000 10:50 AM
To: Means, Glenn
Cc: Bliss, Bob; Larosa, Jim
Subject: RE: E-rate / VNCI

To answer the last question first, no we do not have a back up plan. Nor have we really taken the time to fully assess VNCI's viability. We came into this situation in the middle of a tornado and made the decision to charge ahead to try to create business opportunities. Now that it not only looks like we will realize business, but perhaps significant business, we need to step back and address the issues you raise. I am very glad that you have opened up a dialogue with their CFO. I know that you have been involved in at least a few similar situations where the former BCS East put partnerships together with companies less substantial than our own. Perhaps we should line item the critical issues or committments we feel we need from VNCI and incorporate those into either a more formal discussion or the actual subcontract agreements for each job. Perhaps we should think about an acquisition?

Depending on the outcome of this round of E-rate monies, and the forecast for the next round, Bob and I have discussed the possibility of creating a separate group (sales/engineering) to go after this business outside of the normal regional structure. If that makes sense, then I would get more involved in the process. Right now it is really being run by the West region sales team. Corporate sales is supporting RFP and engineering response and I facilitated the teaming agreement.

B.

> ----Original Message----
> **From:** Means, Glenn
> **Sent:** Thursday, January 13, 2000 10:31 AM
> **To:** Holman, Bill
> **Subject:** E-rate / VNCI
>
> Bill I was wondering what guidance you could give me as to who is really running the show on these deals from a high level. One of the things that came out as I got into conversations with the CFO of VNCI is their financial condition which is tenuous at best They have a story as to how they are going to tack the company on a run but they have huge accumulated losses and insufficient sales (less than $10M/year)to cover overhead (at least $8M/year) and an accumulated deficit of $50M!!! Have we done any background work on how we will deal with long term warranty. Do we have a work out solution (product replacement) if they go bust? I am concerned that we are protected.

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NEC 015-001-0169

NEC ATD-000522

TAB 19

Howe, Dean

From Ferguson Chuck
Sent Friday January 14 2000 4 27 PM
To Dean Howe McNulty Gerard
Subject 471 Form Spreadsheets for E Rate Projects

Importance High

Dean and Gerard

Attached are three files Please also read these notes about them

HOMEWORK for 471 XLS This file contains three configurations of AVT for Homework Hotline (HWH) 16 port 24 port and 36 port These are the only three that we bid and most locations got the 24 port system Note that the 24 port system price matches the HWH price for Mt Clemens I ve given the other two configurations in case you need them for other locations I really didn t spend much time on this Should be easy to find one that is close to what you need for a particular school and change the MarkUp (Cell H1) to make it match Be careful of the Michigan schools they have to match between schools If they need to be the same size but two different prices I suggest you discount the one that should be lower

MICHIGAN for 471 XLS This is the IVS spreadsheets for all of the Michigan locations It is very important that they all have the same MarkUp so that if someone compares them they will find the same Unit Price (i continued that philosophy across all of the sites even outside Michigan) So I chose the configuration for Ecourse since it is priced the highest (based on the spreadsheets directly from the Proposal) and combined certain items so that no end user equipment or video equipment is identified as such in the bid If you look to the far right column of the sheet I listed in text what items were included Please note that items with Part Numbers of VC xxxxx are for VNCI equipment and were completely made up by me The SP xxxxx Part Numbers are based on Bogen Part Numbers but have speakers and control buttons combined into the price for the control boxes After all the part descriptions looked good and the prices corrected and matched I then used Goal Seek on Ecourse to arrive at a standard MarkUp for all projects (1 59 or so) Then I went to each of the Michigan projects and changed the quantities of items to match what I figured they should be for that site Note that I also took some liberty with the VNCI configuration for the smaller sites (the Part Numbers and Descriptions are changed and I think they make some sense) As long as we don t try to order from these we ll be OK If I had to make some other adjustments (add a Discount or change the Misc Material value) to get the job to add to the correct total I made a note of that in the cells below the cell containing the BID price for PBX for that job

Other IVS for 471 XLS This spreadsheet contains the non Michigan locations I used the same MarkUp and similar techniques to make these work out I don t want someone at SLC looking these over and discovering some problem

I will be available to assist you tomorrow if needed Please leave an Urgent Voice Mail for me or call my Cell at 214 695 0959 Gerard I have your Cell number programmed into mine

Homework_for-471 xls Michigan_for-471 xls Other IVS for 471 xls

Good Luck

Chuck Ferguson
Director Sales Engineering
NEC BNS Inc
(972) 582 6026

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NEC ATD-000173

Bliss, Bob

From: Holman, Bill
Sent: Monday, January 24, 2000 4:06 PM
To: Bliss, Bob; Means, Glenn; Colvin, John
Subject: FW: Summary of E-Rate Bids

FYI, summary numbers for E-rate.

John, I think you need to work with Marie and identify the NABSE discounts and VNCI fees for the projects we have out on 471's.

B.
-----Original Message-----
From: Cloud, Marie
Sent: Monday, January 24, 2000 3:18 PM
To: Holman, Bill; Masood, Zahid
Subject: Summary of E-Rate Bids

Bill & Zahid

Attached is a copy of the summary for the E-Rate Bids. As you will notice on Covert, I have inserted a couple of comments to let you know what is included in the PBX and VNCI. Both PBX and VNCI have a lot of extra dollars thrown in as warranty and installation (Covert only).

If you have any questions, please call me.

Thanks.

Marie

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NEC 015-001-0149

NEC ATD-000520

TAB 21

From: Masood, Zahid
Sent: Wednesday, February 02, 2000 2:57 PM
To: Colvin, John
Subject: VNCI Projects

Draft

Bill,

I wanted to give you the E-Rate projects background and how BNS to date has put the responses for these projects.

The Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) provides affordable access to telecommunications services for all eligible schools and libraries in the United States. Funded at up to $2.25 billion annually, the Program provides discounts on telecommunications services, Internet access and internal connections.

In 1934 Congress established a policy that "a rapid, efficient, nation-wide, and worldwide wire and radio communication service with adequate facilities at reasonable charges" would be "available, so far as possible, to all the people of the United States."

In the Telecommunications Act of 1996, Congress expanded this principle to specifically include an obligation on telecommunications providers to make available discounted services to schools and libraries.

~~E-Rate is a program funded by putting a surcharge on the long distance bills by FCC. The pool of money is then administered by SLD.~~

VNCI, a manufacturer of video delivery systems and BNS have signed a teaming agreement whereas VNCI is targeting the K-12 market using the E-Rate funding program. VNCI's role is of consultative selling to the school districts, so that the schools can get the maximum allowable monies under this program. It is important to note that VNCI does not bill for any of the pre-sales efforts that they offer to school districts. The intent of the pre-sales consultative role is purley a marketing diecison that VNCI has made to drive sales opprtunities. VNCI has created a special vertical market program under the supervision of Carl Muscari - CEO, Bob Emery - CFO and Roger Booker - CTO. Marketing efforts and consulative services are provided by Judi Green and George Marcellos. VNCI has also joined and participated in the NABSE (National Associtation of Blacks School Educators) to promote the benefits of the E-Rate program and how using VNCI's knowledge of how the E-Rate program can work for their schools. A brochure of their promotional program is attached.

What is E-rate?

The Universal Service Fund for Schools and Libraries, popularly known as the "E-rate," provides all public and private schools and libraries access to affordable telecommunications and advanced technologies. The E-rate means that the rate or level schools and libraries pay for services (telecommunications services, Internet Access and internal connections) is discounted. Discounts are based on the number of students eligible for the National Free Lunch Program. Schools and libraries in low-income urban communities and rural areas qualify for the highest discounts.
The E-rate provides discounts of 20% to 90% on the cost of telecommunications, Internet Access, and network wiring within school and library buildings. The discounts are paid directly to the companies that provide schools and libraries with these technology services.

Who administers the program?

The Universal Service Program is administered by the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC). This not-for-profit corporation was appointed by the Federal Communications Commission (FCC) to ensure that the benefits of telecommunications services reach students and communities across the country.

The 470 Process.

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NEC ATD-001288

~~The Disctrict advertises on the web or through local newspapers a notice to solicit bids for Technology upgrade. The district fillis out a 470 form provided by the SLD and files and posts it on the Web.~~The Form 470 is the first FCC form which is filled out in order to receive E-rate discounts. The Form 470 describes the services and/or products a school district is seeking, and includes information about the school district that service providers need to know to best meet their needs.

Bid are recieved and reviewed by the district. VNCI may provide guideance to a school distirict on an as needed basis.

Once the Form 470 is filed, it is posted to the SLD Web site for competitive bidding. **The competitive bidding process demands the mandatory 28 day period during which service providers bid on the new services that have requested on the Form 470.** The FCC established this mandatory bidding period to benefit both vendors and applicants - vendors have greater access to potential customers, and applicants gain greater choice in vendor selection.
Upon processing or posting of the Form 470, the SLD will notify the school district the date upon which you may **sign a contract or enter into an agreement for new services or file Form 471**. This date will be referred to as the **"Allowable Contract Date."**
The school district is required to wait 28 days before they sign a contract or enter into an agreement for services. After you sign a contract or enter into an agreement, the schoold district can initiate the next step in the application process, the filing of FCC Form 471.

The district selects a vendor on the merits of the bids submitted by the vendors. The lowest qualified bid gets the recommendation. NABSE bonuses are not considered in evaluating the bids by the districts. They are not to be factored in by the district in making a recommendation for a given vendor. For example, NEC BNS did not get the award for the Pittsburgh or Ecourse projects, because we were deemed more expensive than the other bidders. Although if the district would have taken the NABSE bonuses into account we would have been a low bidder.

471 Process

The Form 471 is the second form that you are required to file to receive E-rate discounts on eligible services. The Form 471 lists the services for which you are requesting E-rate discounts, the entities that are eligible to receive these services, and establishes the discount rate that the school district will receive on these services

~~After choosing a bidder, the district must fill out an SLD provided 471 form to apply for the E-Rate funding.~~ The school district MUST have a plan (approved by its board or otherwise) to come up with its own share of the total project cost. It is the responsibility of the district to pay for its share and it must certify that when it files for the 471.

After choosing a vendor, the district may apply for more funds than the qualified bid totals based upon increasing the number of schools or classrooms it needs to wire in a given year under its technology programm.

~~The SLD funding is based upon how many students are enrolled in the government sponsored lunch program and the percentage of total student school population. The more students on the program the higher the percentage of the project funds will be for a school district.~~

The wait period after filing the 471s could be up to six months. Generally the needy districts gets their funds approved first. The SLD may approve portions of the bids submitted, for example if the district has submitted a 471 which includes, cabling, PBX , Servers and Data network, the SLD may pick and choose as to which of these items it funds and approve only partial those projects. The SLD has a nationwide product cost comparison charts, if it finds a given vendor exceeding those competitive cost comparisons, it may reject that portion of the bid. SLD wants to make sure that Vendors are not over charging for the products to the districts. The only area where the SLD may not be able to compare is the labor charges of a given vendor, which might be based upon the given geographic area or perhaps the extra cost a given vendor may incur if the school district is old and is in need of lot of conduit or other infrastructure work.

486 Process

Once the project is approved, SLD sends out a 486 to the district with approved projects. A copy of approval also goes to the vendor whose Spin number was on the 471. The district has 7 days to sign and return it to the SLD confirming that it still intends to use the same vendor whose spin number was on the 471 form.

Afte: that the SLD sends a notification of Receipt of Form 486 with a Funding Request Number. At that time the vendor can invoice the SLD for full payment. The receipt of payment can take from 3-8 weeks. If we file this electronically, this

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NEC ATD-001289

time frame can be reduced.

NEED TO EXPLAIN THE PAYMENT PROCESS. DISTRICT PERCENTAGES AND SLD PERCENTAGES. WHAT HAPPENS IF SCHOOL DOES NOT PAY ETCETC

Due to the nature of funding within school districts, we anticipate that from time to time there may be some school districts who will have a difficult time funding their portion of these projects. NEC BNS may elect to work with the district to reduce the scope of work and therefore reduce the amount of the overall project (and the school districts portion of that payment) or forgive the districts percentage of payment in its entirety. PLEASE NOTE, THAT UNDER NO CIRCUMSTANCES HAS NEC BNS AGREED TO FORGIVE THESE PAYMENTS IN RETURN FOR THE SCHOOL DISTRICTS RECOMMENDATION. ***????To protect ourselves from these remote possiblities, it is our desire to build contingenicies into each job to offset these potential costs. Although we recognize that our pre-sale gross profit percentages will drop, we believe that they will fall in line with our objective of 30% gross profit for each job. When we recieve payment by the school district, those contingenicy dollars can be recognized as profit to the job.????***

I

Jasper EXAMPLE

DIST. OF FUNDS + OUR RISKS

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NEC ATD-001290

TAB 22

From: Masood, Zahid
Sent: Wednesday, February 02, 2000 6:14 PM
To: Colvin, John
Subject: E-Rate

Bill,

I wanted to give you the E-Rate projects background and how BNS to date has put the responses for these projects.

This program started with our relationship with VNCI. VNCI, a manufacturer of video delivery systems and BNS have signed a teaming agreement whereas VNCI is targeting the K-12 market using the E-Rate funding program. VNCI's role is of consultative selling to the school districts, so that the schools can get the maximum allowable monies under this program. It is important to note that VNCI does not bill for any of the pre-sales efforts that they offer to school districts. The intent of the pre-sales consultative role is purely a marketing decision that VNCI has made to drive sales opportunities. VNCI has created a special vertical market program under the supervision of Carl Muscari - CEO, Bob Emery - CFO and Roger Booker - CTO. Marketing efforts and consultative services are provided by Judi Green and George Marcellos. VNCI has also joined and participated in the NABSE (National Associtation of Blacks School Educators) to promote the benefits of the E-Rate program and how using VNCI's knowledge of how the E-Rate program can work for their schools. A brochure of their promotional program is attached.

E-RATE BACKGROUND

The E-Rate program is a federal initiative to provide assistance to schools and libraries with the installation of technology enhancements that will allow connection to the Internet. The E-Rate program provides rebates and discounts on communications services such as basic phone service, internal phone connections infrastructure, servers and routers. The E-Rate program requires cash match in addition to the awarded funds. The match is computed using a formula that the Schools and Libraries Division (SLD) applies. The formula is based on the "Free and Reduced Priced Lunch Program" rate in the District. This rate varies from school to school and cluster to cluster in a large District. The E-Rate program is funded by putting a surcharge on the long distance bills by FCC.

Who administers the program?

The Universal Service Program is administered by the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC). This not-for-profit corporation was appointed by the Federal Communications Commission (FCC) to ensure that the benefits of telecommunications services reach students and communities across the country.

The 470 Process.

The Form 470 is the first FCC form which is filled out in order to receive E-rate discounts. The Form 470 describes the services and/or products a school district is seeking, and includes information about the school district that service providers need to know to best meet their needs.

Bid are recieved and reviewed by the district. VNCI may provide guidance to a school district on an as needed basis.

Once the Form 470 is filed, it is posted to the SLD Web site for competitive bidding. The competitive bidding process demands the mandatory 28 day period during which service providers bid on the new services that have requested on the Form 470. The FCC established this mandatory bidding period to benefit both vendors and applicants - vendors have greater access to potential customers, and applicants gain greater choice in vendor selection.
Upon processing or posting of the Form 470, the SLD will notify the school district the date upon which you may **sign a contract or enter into an agreement for new services or file Form 471.** This date will be referred to as the "Allowable Contract Date."
The school district is required to wait 28 days before they sign a contract or enter into an agreement for services. After you sign a contract or enter into an agreement, the school district can initiate the next step in the application process, the filing of FCC Form 471.

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NEC ATD-001078

The district selects a vendor on the merits of the bids submitted by the vendors. The lowest qualified bid gets the recommendation. NABSE bonuses are not considered in evaluating the bids by the districts. They are not to be factored in by the district in making a recommendation for a given vendor. For example, NEC BNS did not get the award for the Pittsburgh or Ecourse projects, because we were deemed more expensive than the other bidders. Although if the district would have taken the NABSE bonuses into account we would have been a low bidder.

471 Process

The Form 471 is the second form that you are required to file to receive E-rate discounts on eligible services. The Form 471 lists the services for which you are requesting E-rate discounts, the entities that are eligible to receive these services, and establishes the discount rate that the school district will receive on these services

The school district MUST have a plan (approved by its board or otherwise) to come up with its own share of the total project cost. It is the responsibility of the district to pay for its share and it must certify that when it files for the 471.

After choosing a vendor, the district may apply for more funds than the qualified bid totals based upon increasing the number of schools or classrooms it needs to wire in a given year under its technology programm.

The wait period after filing the 471s could be up to six months. Generally the needy districts gets their funds approved first. The SLD may approve portions of the bids submitted, for example if the district has submitted a 471 which includes, cabling, PBX , Servers and Data network, the SLD may pick and choose as to which of these items it funds and approve only partial those projects. The SLD has a nationwide product cost comparison charts, if it finds a given vendor exceeding those competitive cost comparisons, it may reject that portion of the bid. SLD wants to make sure that Vendors are not over charging for the products to the districts. The only area where the SLD may not be able to compare is the labor charges of a given vendor, which might be based upon the given geographic area or perhaps the extra cost a given vendor may incur if the school district is old and is in need of lot of conduit or other infrastructure work.

486 Process

Once the project is approved, SLD sends out a 486 to the district with approved projects. A copy of approval also goes to the vendor whose Spin number was on the 471. The district has 7 days to sign and return it to the SLD confirming that it still intends to use the same vendor whose spin number was on the 471 form.

After that the SLD sends a notification of Receipt of Form 486 with a Funding Request Number. At that time the vendor can invoice the SLD for full payment. The receipt of payment can take from 3-8 weeks. If we file this electronically, this time frame can be reduced.

SAMPLE PROJECT BID-JASPER DISTRICT

Please see attached excel file that has total costing break up by product and service area. The summary page outlines the sales, cost and profit margin numbers. It also indicates the marketing fee as a cost item for VNCI.

Value added services are the NABSE bonuses based upon what the district will be buying from us. Value added Services/NABSE bonus is built into our cost structure.

PAYMENT TERMS

In our example of Jasper, the total bid as submitted is $9,006,070.10. BNS would have to invoice the SLD for $8,105,463 and the District for $900,607. We will invoice the SLD up front and potentially get all of the monies up front for the $8M+ share. For the $900,607 we would have to wait until the project is complete and then invoice the district. For any reason if the district chooses not pay, we have the following options:

1-Only complete 90% of the work.
2-Realize cost effectiveness in project and materials management and therefore not invoice the District.
3-Roll over the project into Year 4.
4-Invoice and not collect the money and lower the margins on the job. In this scenario we will still have a gross profit of 22%.

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NEC ATD-001079

We need to keep in mind that due to the nature of reallocating funds within school districts, we anticipate that from time to time there may be some school districts who will have a difficult time funding their portion of these projects. **PLEASE NOTE, THAT UNDER NO CIRCUMSTANCES HAS NEC BNS TOLD ANY DISTRICT TO FORGIVE THESE PAYMENTS IN RETURN FOR THE SCHOOL DISTRICTS RECOMMENDATION.**

RISKS WITH PARTNERING WITH VNCI WHERE NEC IS THE PRIME CONTRACTOR

VNCI is a small company traded publicly at the NASDAQ. They are not financially sound but see this opportunity which can contribute 35% to 40% to their this years sales numbers. They expect to do about $17M this year.

I have checked with sales engineers and we can substitute other products to fulfill BNS obligations as a Prime in the event VNCI becomes insolvent.

IMMEDIATE OPPORTUNITIES

We have two or three school districts who are in the Year 2 of the funding cycle where VNCI and its partners have the contracts to perform work. Two of the projects are where VNCI is the prime we have recieved Letters of Intent. The first project is $648K for Highland Park District (Michigan) for cable are electrical work and the second project is $614K for W. Fresno School District (California) to provide servers and on site data technical support.

We need to execute an agreement with VNCI. I understand the risk is how we will collect our monies since VNCI is in not sound financial shape. We need to come up with an escrow account stipulation where we can collect our money on a timely basis. I need assistance from Glen to come up with a financial transactional structure where by we can protect BNS's interest.

We do not have much time. The Year 2 projects need to be completed by end of June, 2000.

Zahid.

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NEC ATD-001080

TAB 23

Bliss, Bob

From: Masood, Zahid
Sent: Thursday, February 03, 2000 12:03 PM
To: Bliss, Bob
Subject: FW: E-Rate Projects

Importance: High

Bob,

Here is the original message, Bill's response and my counter response.

Zahid.

—Original Message—
From: Masood, Zahid
Sent: Thursday, February 03, 2000 11:12 AM
To: Holman, Bill
Subject: E-Rate Projects
Importance: High

Bill,

Here is the response. Let's discuss the payment process live.

I will call you.

Zahid.

Questions on spreadsheets.

1- I don't see any mention of the NABSE calculations. NABSE BONUS ARE LABELED AS VALUE ADDED PRODUCTS
2- Where is the VNCI product subcontract portion. I don't see them listed anywhere.IT IS IN THE PBX TAB
3- On the summary page the "VNCI Charge" represents the fee or the subcontract?FEE
4- GP net and GP gross...what is difference and why show both. Which is our true margin?GP NET (WHICH IS TOTAL GM LESS VNCI FEE)
5- On the "Total Costs" worksheet the VNCI fees appear to be much more than 10%. What's up? NO. IT IS 10%
B.

—Original Message—
From: Masood, Zahid
Sent: Wednesday, February 02, 2000 7:05 PM
To: Bliss, Bob; Holman, Bill
Subject: E-Rate Projects Background

DRAFT DRAFT DRAFT

Gentlemen:

I wanted to give you the E-Rate projects background and how BNS to date has put together the responses for these projects.

This program started with our relationship with VNCI. VNCI, a manufacturer of video delivery systems and BNS have signed a teaming agreement whereas VNCI is targeting the K-12 market using the E-Rate funding program. VNCI's role is of consultative selling to the school districts, so that the schools can get the maximum allowable monies under this program. It is important to note that VNCI does not bill for any of the pre-sales efforts that they offer to school districts. The intent of the pre-sales consultative role is purely a marketing decision that VNCI has made to drive sales opportunities. VNCI has created a special vertical market program under the supervision of Carl Muscari - CEO, Bob Emery - CFO and Roger Booker - CTO. Marketing efforts and consultative services are provided by Judi Green and George Marcellos. VNCI has

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TAB 24

Rafnson, Rod

From: Masood, Zahid
Sent: Friday, February 04, 2000 8:28 AM
To: Bliss, Bob; Holman, Bill; Burger, Tom; Means, Glenn; Rafnson, Rod
Subject: VNCI Projects Background

Importance: High

Gentlemen:

I wanted to give you the E-Rate projects background and how BNS to date has put together the responses for these projects.

This program started with our relationship with VNCI. VNCI, a manufacturer of video delivery systems and BNS have signed a teaming agreement whereas VNCI is targeting the K-12 market using the E-Rate funding program. VNCI's role is of consultative selling to the school districts, so that the schools can get the maximum allowable monies under this program. It is important to note that VNCI does not bill for any of the pre-sales efforts that they offer to school districts. The intent of the pre-sales consultative role is purely a marketing decision that VNCI has made to drive sales opportunities. VNCI has created a special vertical market program under the supervision of Carl Muscari - CEO, Bob Emery - CFO and Roger Booker - CTO. Marketing efforts and consultative services are provided by Judi Green and George Marcellos. VNCI has also joined and participated in the NABSE (National Association of Black School Educators) to promote the benefits of the E-Rate program and how using VNCI's knowledge of the E-Rate program can work for their schools.

Tim Scarafiotti-VP of Sales at Inter-Tel and Steve Newton-VP of Sales at Premio (manufacturer of servers for K-12 market) told me that their companies have successfully used programs labeled "Enhanced Services" for the Year 1 and 2 of the funding to the school districts. These Enhanced Services are marketing programs which provide competitive advantage to the companies competing in the K-12 market. According to Steve, Lucent and others have used these programs to gain huge advantage, specially in the LA Unified District.

National Association of Black School Educators (NABSE) has developed a cadre of special vendors known as the "Vendor Resource Team". VNCI is one of the team members and promoting to the participant school districts, the concept of how to maximize on E-Rate funding for their districts. VNCI has put together a marketing package similar to "Enhanced Services" called "E-Rate Bonus Package" for NABSE members. The purpose is to promote NABSE, and in return get solid leads into NABSE member school districts. NABSE Bonus Package provides the districts X dollars worth of products or services based upon Y dollars purchased.

NABSE Bonus is In-Kind donation of products and services priced in as cost line items in the pricing sheets. These bonuses have been marked up before including in the costs of various items, and therefore in most cases reflect a net margin accruing towards BNS after these bonuses are paid out in the form of products and services. Bonuses are tied to specific categories, for example, if they buy PVBX, they get NABSE Bonus of handsets and voice mail.

If a project is bid at $10M for a 90% district, the district will pay $1M and the $9M will be paid by the SLD. The NABSE Bonus which is part of the total cost will be paid in products and services by BNS to the district. The district is still responsible for it's 10% share and the NABSE bonus is independent of that.

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E-RATE BACKGROUND

The E-Rate program is a federal initiative to provide assistance to schools and libraries with the installation of technology enhancements that will allow connection to the Internet. The E-Rate program provides rebates and discounts on communications services such as basic phone service, internal phone connections infrastructure, servers and routers. The E-Rate program requires cash match in addition to

the awarded funds. The match is computed using a formula that the Schools and Libraries Division (SLD) applies. The formula is based on the "Free and Reduced Priced Lunch Program" rate in the district. This rate varies from school to school and cluster to cluster in a large district. The E-Rate program is funded by putting a surcharge on the long distance bills by the FCC.

WHO ADMINISTERS THE PROGRAM?

The Universal Service Program is administered by the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC). This not-for-profit corporation was appointed by the Federal Communications Commission (FCC) to ensure that the benefits of telecommunications services reach students and communities across the country.

THE BIDDING PROCESS- 470 FORM

The Form 470 is the first FCC form which is filled out in order to receive E-rate discounts. The Form 470 describes the services and/or products a school district is seeking, and includes information about the school district that service providers need to know to best meet their needs.

Bids are received and reviewed by the district. VNCI may provide guidance to a school district on an as needed basis.

Once the Form 470 is filed, it is posted to the SLD Web site for competitive bidding. The competitive bidding process demands the mandatory 28 day period during which service providers bid on the new services that have been requested on the Form 470. The FCC established this mandatory bidding period to benefit both vendors and applicants - vendors have greater access to potential customers, and applicants gain greater choice in vendor selection.

Upon processing or posting of the Form 470, the SLD notifies the school district as to the date upon which they may **sign a contract or enter into an agreement for new services or file Form 471**. This date is referred to as the "Allowable Contract Date." The district may sign a contract with the winning vendor and make it contingent upon SLD funding approvals.

The district selects a vendor on the merits of the bids submitted by the vendors. The lowest qualified bid gets the recommendation. NABSE Bonuses are not considered in evaluating the bids by the districts. They are not to be factored in by the district in making a recommendation for a given vendor. For example, NEC BNS did not get the award for the Pittsburgh or Ecourse projects because we were deemed more expensive than the other bidders. Although if the district would have taken the NABSE Bonuses into account we would have been a low bidder.

THE APPROVAL PROCESS-471 FORM

The Form 471 is the second form that they are required to file to receive E-rate discounts on eligible services. The Form 471 lists the services for which they are requesting E-rate discounts, the entities that are eligible to receive these services, and establishes the discount rate that the school district will receive on these services.

The school district MUST have a plan (approved by its board or otherwise) to come up with its own share of the total project cost. It is the responsibility of the district to pay for its share and it must certify that it can when it files for the 471.

After choosing a vendor, the district may apply for more funds than the qualified bid totals based upon increasing the number of schools or classrooms it needs to wire in a given year under its technology program.

The wait period after filing the 471's could be up to six months. Generally the needy districts gets their funds approved first. The SLD may approve portions of the bids submitted, for example if the district has submitted a 471 which includes, Cabling, PBX , Servers and Data Network, the SLD may pick and

TAB 25

Bliss, Bob

From: Means, Glenn
Sent: Tuesday, February 15, 2000 5:04 PM
To: Masood, Zahid; Burger, Tom; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: RE: VNCI Meeting in Dallas

Importance: High

I can not speak to other schedules but I can be flexible. So that we are on the same page I will throw out some of the items which have identified in conversation as to topics for review - not sure if for this meeting or not.

First - VNCI capacity - this is difficult as we do not have a feel - unless someone has heard other wise- as to the scope of the relationship - all bid / 10% / reconfigurations??? But we need to understand their approach to scale up. Availability of H/W - there was some discussion that they would fill initial orders with inventory they purchased 6 months ago. Is this current?

Second - Similar concern to their implementation capacity from a Project Mgt, Implementation and Eng support perspective.

Third - (This probably belongs first) I at least (who cares right?) am not clear that we know how much gear like what we have proposed is out in the field working and are we comfortable with any functionality issues in regards to the proposed scope (if they help write it I would hope not) or interoperatablity issues.

Fourth - The extended warranty needs to be understood on how it is covered and what potential risk factors may exist.

Fifth - We need to address contractual issues - the escrow agreement is an element of this but there are others. We understand they are not bondable so we need to determine how we address the risk with that. We have not worked up a cashflow for the projects (premature at this point but we need a framework as a basis). Our Master Subagreement would be the basis we would typically look to utilize. Are there adjustments we feel are required to the teaming agreement?

Sixth - The issue of us operating as a sub to them needs to be addressed. There are several ways to cover this and it seems given the scope of the initial project trying to get to elaborate will not be cost effective (trust vs. escrow). As for Mt Clemens we need to be sensitive that the 60-day window on that is ticking and there are some real issues with us bonding them off - internal and not necessarily stuff we want to review with them but there are restrictions. The more we know about the BIG stuff the better armed we will be to resolved these issues.

Those are some of the bigger issues which come to mind - I am sure you folks have a number of other items related to them.

-----Original Message-----
From: Masood, Zahid
Sent: Tuesday, February 15, 2000 9:08 AM
To: Burger, Tom; Means, Glenn; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: VNCI Meeting in Dallas
Importance: High

Gentlemen:

VNCI is asking me to arrange for a meeting in Dallas as early as This Friday. The purpose of the meeting is to 1) Gain understanding of the mutual issues, 2) Understand how BNS will deploy these projects (resources), 3) Answer any questions on the VNCI's financials and 4) Discuss how to go after more of these opportunities. A formal agenda to follow later.

The meeting should not last more than 3 hours. Their CEO and CFO will be in attendance.

They are ready this Friday or on Monday February 21, or 22.

Please advise of your availability.

Zahid.

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NEC 015-001-0135

NEC ATD-000508

TAB 26

Rafnson, Rod

From: Means, Glenn
Sent: Thursday, February 17, 2000 5:19 PM
To: Burger, Tom; Masood, Zahid; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: RE: VNCI Meeting in Dallas

Importance: High

One of the pieces that is critical that we obtain is a list of all bidders for each project. If possible what would be preferred is a list of pre-bid attendees as well as those who actually submitted. An additional clarification would be are the bids a public record - AKA a traditional opening where they read off the summary pricing? Where do we stand with the rest of the pricing info. We need to be able to identify in a summary format the amount of "in-kind" which is proposed for each site. Is it possible to have this information early Fri?

—Original Message—
From: Burger, Tom
Sent: Thursday, February 17, 2000 1:29 AM
To: Means, Glenn; Masood, Zahid; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: RE: VNCI Meeting in Dallas

Please arrange for this Friday. I would like a short meeting with Z, Bill, Glenn and I before the VNCI meeting. Thanks, TOM

—Original Message—
From: Means, Glenn
Sent: Tuesday, February 15, 2000 7:04 PM
To: Masood, Zahid; Burger, Tom; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: RE: VNCI Meeting in Dallas
Importance: High

I can not speak to other schedules but I can be flexible. So that we are on the same page I will throw out some of the items which have identified in conversation as to topics for review - not sure if for this meeting or not.

First - VNCI capacity - this is difficult as we do not have a feel - unless someone has heard other wise- as to the scope of the relationship - all bid / 10% / reconfigurations??? But we need to understand their approach to scale up. Availability of H/W - there was some discussion that they would fill initial orders with inventory they purchased 6 months ago. Is this current?

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Fourth - The extended warranty needs to be understood on how it is covered and what potential risk factors may exist.

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Those are some of the bigger issues which come to mind - I am sure you folks have a number of other items related to them.

—Original Message—
From: Masood, Zahid
Sent: Tuesday, February 15, 2000 9:08 AM
To: Burger, Tom; Means, Glenn; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: VNCI Meeting in Dallas

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NECBNS CON 05149

NEC 016-001-0071

NEC ATD-000544

TAB 27

Bliss, Bob

From: Masood, Zahid
Sent: Friday, February 18, 2000 4:01 AM
To: Burger, Tom; Means, Glenn; Holman, Bill
Cc: Bliss, Bob; Rafnson, Rod
Subject: VNCI Pricing

Importance: High

Gentlemen:

Below you will find the pricing summary for the E-Rate projects as we bid to the individual school districts. I have also included attachments detailing pricing for each of the projects.

Glenn, you can find in-kind/NABSE Bonuses in the Value Added section.

I will be on hand for the 9:00 am meeting to discuss further.

Zahid.

SUMMARY SHEET ON AS SUBMITTED BIDS FOR THE E-RATE PROJECTS
18-Feb-00

PROJECT	NAME	GROSS AMOUNT
1	Covert	$ 5,812,768
2	Ecourse	$ 7,354,063
3	Inkster	$ 8,862,575
4	Jasper	$ 8,314,045
5	Lee	$ 8,742,231
6	Mt. Clemens	$ 12,880,682
7	Muskegon	$ 15,721,668
8	N. Chicago	$ 24,294,965
9	SFUSD	$ 37,393,739
10	Travis	$ 1,872,363
Total Projects Bid and Accepted for 471.		**$ 131,249,100**

The above districts include 45 NEC PBX systems, almost all of them Neax 2000.

Ceria Travis - 3 01-28-2000.x... | Covert - 3 01-28-2000.xls | Ecorse - 3 01-28-2000.xls | Inkster - 3 01-28-2000.xls | Jasper - 3 01-28-200.xls | Lee - 3 01-28-2000.xls
Mt. Clemens - 3 01-28-2000.xls... | Muskegan - 3 01-28-2000.xls | N. Chicago - 3 01-28-2000.xls | SFUSD - 3 01-28-2000.xls

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NEC 015-001-0134

NEC ATD-000507

TAB 28

Bliss, Bob

From: Holman, Bill
Sent: Sunday, March 12, 2000 8:54 AM
To: Colvin, John
Cc: Masood, Zahid; Means, Glenn; Bliss, Bob; Burger, Tom
Subject: RE: E-Rate updates

Good update. I will forward to Tom, Bob and Glenn.

B.

-----Original Message-----
From: Colvin, John
Sent: Thursday, March 09, 2000 7:17 PM
To: Masood, Zahid; McNulty, Gerard
Cc: Holman, Bill
Subject: FW: E-Rate updates

-----Original Message-----
From: Masood, Zahid
Sent: Thursday, March 09, 2000 6:39 AM
To: Colvin, John; McNulty, Gerard; Masood, Zahid
Subject: E-Rate updates

Gentlemen:

Let's use this format to update each other on the closing opportunities for March. I will send this out on a daily basis to all of us and just provide your feed back in the format below.

1- Grant Van Nuys: Z's the prime. Update: See my e-mail. Tim is wavering. Need Judy and Bernardo's help to push him. I will follow up with Judy. Cisco conf. call with Sohail today on design?

2-SFUSD: Z's the Prime:Update: Meeting with John and Cisco AM on Monday at 10 am for design review.

3-Mt. Clemens: John's the prime: Update: Received a contract format from Gerry Kenney (NEC Legal) to present to VNCI for review and to Mt. Clemens for signature. Gerard and I will have a conference call set up with Venkat (sp?) and his technology consultant on Monday to discuss the project scope and contract specifics.

4-Jasper: John's the Prime:Update: Gerard has placed a call to Mike Duncan at Jasper to follow up on the contract. We will call him tomorrow morning when Gerard returns to the office.

5-Fresno: John's the Prime:Update: Worked with Bob Emery and George Marchellos to tighten up the equipment design. I anticipate have the pricing finalized tomorrow and anticipate a P.O. from VNCI by 3/15/00.

6-N. Chicago: John's the Prime:Update: Gerard and I will be contacting N. Chicago to set up a conference call to discuss the contract. In all likelihood, I will need to go to N.Chicago next week to meet with the Superintendent to hopefully get sign off.

Zahid.

CONFIDENTIAL
NECBNS CON 05204

NEC 015-001-0129

NEC ATD-000503

TAB 29

Bowman, Alicia

From: McNulty, Gerard
Sent: Tuesday, March 21, 2000 1:37 PM
To: Walden, Kristy
Cc: Colvin, John
Subject: Chicago number forwarded to Judy in LA

Kristy,

Is it possible to provide Judy a telephone number out of our Chicago office that could forward to her LA number of 562-985-1394? Based on some recent conversations with the SLD it may be advisable to provide a more local number for the sites in Illinois and Michigan. We would have to be careful and not provide any zero out capabilities so that there is no risk of NEC being referenced in the call. Please let me know what you can find out from your switch administrator.

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NECBNS CON 05230

NEC 007-007-0760

NEC ATD-000369

TAB 30

From: "George_Marchelos"@vnci.net
Sent: Thursday, March 23, 2000 11:51 AM
To: Colvin, John; McNulty, Gerard; hsherman@rmi.net; Rajnesh_Bharadwaj@inter-tel.com
Cc: "Robert_Emery"@vnci.net; "Roger_Booker"@vnci.net; "judy_green"@vnci.net
Subject: NABSE HQ in D.C.

Hello Team,

I got a call from NABSE today inquiring as to the possibility of equipment donations for their new headquarters office in D.C. As the NABSE corporate sponsors we would get a lot of good press, place signs and a nice place to display our technology in a very visable organization. I have a wish list from them and I would appreciate whatever you can do. They are looking to move in by the end of April or mid May.

Please, NABSE has requested that you channel all of your information through me. Here is what they need.

1- T1 lines for voice, internet, data, videoconferencing (Can 1, T1 line work???)
2- 15 - 20 PC's (They don't need to be the top of the line but must have a full PCI slot for the VNCI A/V card)
3- Telephone PBX switch for 25 phones with phone sets, VM, etc..
4- Videoconferencing/inter-com system for 10 - 15 users (VNCI switch with satilite connection ability and videoconferencing)

NABSE is an excellent source of continued leads for all of us. I appreciate whatever you can do as quickly as you can do it.

Sincerely,

George

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NECBNS CON 05241

NEC ATD-001269

TAB 31

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Saturday, April 08, 2000 8:40 AM
To: McNulty, Gerard
Cc: Colvin, John
Subject: Important Information re:NABSE and May

Lotus Manuscript 1.0

Hello Gerard,

Here is some information regarding upcomming NABSE activity in May in DC. The schedule is confidential, so please keep it for those very imortant eyes that need to know.

Please try to get the ball rolling and finalized so that you have more than 4-5 days to get ready for the National Policy Institute. I forsee the need for 30 computers and the VNCI/PBX demo for a hands-on seminar for the superintendents. This opportunity should and will produce additional contracts for both Years 3 and 4 with at least an additional 10-20 School Districts. You can do the math on that!

Until ALL issues are resolved I can not formally have you participating. This should also assist you with your own negotiations. There is no reason for you to get over $600 million in sales and revenue for NEC if all you have to get is...

(See attached file: NABSE Scedule.doc)

Regards,

Judy

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NECBNS CON 05279

NEC 003-003-1504

NEC ATD-000157

TAB 32

From: Holman, Bill
Sent: Tuesday, April 11, 2000 9:16 PM
To: Colvin, John
Subject: RE: National Education Policy Institute (NABSE) May 3-6 Requirements

$25K is probably doable. My biggest concern is the time frame! How much will VNCI contribute? 50/50? Maybe some comes out of the marketing fiee (which we have to talk about; 10% assumed they brought us deals ready to sign!). Where is this meeting? Let's talk asap!

B.

-----Original Message-----
From: Colvin, John
Sent: Tuesday, April 11, 2000 6:59 PM
To: Holman, Bill
Subject: FW: National Education Policy Institute (NABSE) May 3-6 Requirements

Bill,

Once you get over the "bombshell" request we need to discuss ASAP.

John

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Tuesday, April 11, 2000 8:16 AM
To: McNulty, Gerard
Cc: Colvin, John; Jon_James@vnci.net; "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net; "Carl _Muscari"@vnci.net
Subject: National Education Policy Institute (NABSE) May 3-6 Requirements

Hello Gerard,

Here is some background information regarding the May 3-6 NABSE opportunity
in DC.

1. This is an opportunity to meet with and sign up additional Districts, other than those with whom we already have contracts.

2. This opportunity should net us at least 5-10 new Districts, in addition to the existing, for year 4 applications. However, we can also implement within the July 1, 2000 to June 30, 2001 the new districts with a lease-purchase plan. The action plan would be to provide
all services as for the existing Districts, but under a lease-purchase agreement that would be funded and paid for by E-Rate for July 1, 2001.

3. Lease-purchase would mean that additional revenue would be realized almost immediately, instead of having to wait until July 1, 2001
for such Districts as Rockford, Ill and Grand Rapids, amongst others
who will be attending the NABSE Institute.

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NEC ATD-001263

Webpage and access to NEC net server for webcast, with links
back to NABSE web site
4-servers with encoding devices for webcast at webcast area
of lobby, with technical engineer to run it

3. Lobby area to house the other 2- 33" monitors for broadcast and live demoinstration of equipment within NEC/VNCI Package to Districts.
Also, creation of internal web page that will allow us to complete Form 470 for new Districts and hold until SLD is ready to accept
for year 4.
Lease purchase credit application requirements forms, on line etc.
Lobby area is place for majority of us to be working for purpose of selling for year 4 etc.
We will need at least 4-full time sales and 2-technicians from NEC
VNCI will provide: Judy Green, George Marchelos, Jon James,
Ray Ransdale, and possibly one other sales person.
Color brochures and information packages to hand-out.
Give-aways to the Superintendents who sign up at the Institute
Writable CD for recording of attendees and snap-shots,
Good quality color printer with photo inkjet paper for snapshots of attendees

Although this NABSE event is not as large as the annual conference in November, it will provide us the opportunity to meet and get new Districts
in time for the
year 4 application cycle with a jump start. Again, we should be able to secure 5-10 additional Districts during this event, if we have everything
planned.

In addition please plan for a trip to NABSE headquarters to discuss NEC/VNCI roles within the new headquarters. It is a key opportunity to make NABSE headquarters a "lobby center" for NEC/VNCI connected to each of
the more than 250 african-american superintendents and the university affiliates of NABSE. In addition we will also connect from NABSE to NABE(National Association of Bilingual Educators) thus we will have covered
at least half of the more than 15,000 school districts nationwide.

Let me know ASAP

Regards,

Judy

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NECBNS CON 05288

NEC ATD-001265

TAB 33

Colvin, John at NECBNS

From: "judy_green"@vnci.net
Sent: Friday, April 14, 2000 8:24 AM
To: McNulty, Gerard
Cc: Colvin, John; "George_Marchelos"@vnci.net

Hello Gerard,

Also, during the time you're in Las Vegas, you'll need to check the SLD website for funding waves for our Districts, then you'll be able to determine if you received an approval letter. The funding approval letters go to the vendors before they get to the Districts. These letters to the vendors go out even before the posting to the web site, so I will also be checking the web site, but also the SLD server where they are held before they get posted for public view.

When and if I ever get a good working lap top that doesn't weigh a ton, (hint, hint) I'll show you two how to get into the SLD's server to get information even before it is posted on the web site. This by the way is perfectly ethical and legal. It's just too bad that we can't make changes to the information on the server.

Any way, looking forward to the phone conference this a.m., remember in order to get to NAHSE we need to make it as early as possible, so that George and I can still reach the NAHSE folks for confirmation on everything.

Regards,

Judy

Colvin, John at NECBNS

From: "judy_green"@vnci.net
Sent: Friday, April 14, 2000 5:34 AM
To: Colvin, John; McNulty, Gerard
Cc: "Carl _Muscan"@vnci.net; "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: Year 3 Funding Waves to Start Week of April 13, as FCC Sets Cap at $2.25 Billion

Hello Gerard and John,

Below you will see the latest news on E-Rate. You will need to:

1. Check with the SLD to see where they will mail you letters of notification of approvals. THIS IS CRITICAL, if there are any errors we need to get them corrected at once.

2. THIS IS significant, because Year 4 funding requests(Form 471) application period will start at 12:01 A.M. July 1, 2000. That means that the FORM 470 must be posted for 28 days prior for NEW Districts/Applicants.

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NECBNS CON 05305

NEC 007-002-1594
NEC ATD-000241

3. The last day for posting of a Form 470 to make the July 1, 2000 application start date is Friday, June 2, 2000.

4. WE NEED to DEVELOP a NEW RFP(BID) and have it ready for NABSE, for May 3, 2000. To actually give out to the on site applicants, who are new Districts.

5. Now starts the most complicated and the hardest part:
a. Setting up the operations for implementation of approved and funded Districts

b. Enrolling new Districts, going Nationally to recruit, do the RFP(bid) cycle of pre-bidder's meetings, bid-openings, then applications.

c. We will do paper applications because the experience with on-line applications followed by certification forms and attachments is major headache.

6. Tell the group they are really in for it, because we will also be doing Hospitals and Rural Health Service Providers!!!! at the same time.

Regards,

Judy
---------- Forwarded by Judy Green/VNCI on 04/14/2000 06:20 AM ----------

Robert Emery
04/14/2000 09:11 AM

To: Judy Green/VNCI@OCXOM, George Matchelos/VNCI@OCCOM
cc:
Subject: Year 3 Funding Waves to Start as FCC Sets Cap at $2.25 Billion

---------- Forwarded by Robert Emery/VNCI on 04/14/2000 09:08 AM ----------

Carl Muscari
04/13/2000 08:39 PM

To: Robert Emery
cc:
Subject: Year 3 Funding Waves to Start as FCC Sets Cap at $2.25 Billion

I signed up for their FREE newsletter.

---------- Forwarded by Carl Muscari/VNCI on 04/13/2000 08:27 PM ----------

"Funds For Learning" <info@fundsforlearning.com> on 04/13/2000 03:30:17 PM

To: Carl Muscari/VNCI

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NECBNS CON 05306

NEC 007-002-1595

NEC ATD-000242

Funds
For Learning, simply send an e-mail to info@fundsforlearning.com with the
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of
the message.

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http://www.fundsforlearning.com. The company's main offices are located at
2111 Wilson Blvd. Suite 700, Arlington, VA 22201.

Cheers,

Bob

Bob Emery
Chief Financial Officer
Vice President Administration
(603) 334-6741 (T)
(603) 334-6742 (F)
(603) 431-4748 Ext. 6741 (V)
Robert_Emery@vnci.net

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NECBNS CON 05308

NEC 007-002-1597

NEC ATD-000244

TAB 34

Colvin, John at NECBNS

From: "judy_green"@vnci.net
Sent: Thursday, April 27, 2000 8:03 AM
To: Colvin, John; "Carl _Muscari"@vnci.net
Cc: "Jonathan_James"@vnci.net; McNulty, Gerard; "George_Marchelos"@vnci.net
Subject: NABSE, May 3-6

Lotus Manuscript 1.0 Lotus Manuscript 1.0

Hello,

Attached you'll find roster of attendees to this point. I have starred the
key people, about 40, that we will focus upon for new applications and contracts.

We will scale down our efforts to small demonstration of technology. We will work with the production person Ernest has on board for ALL audio/visual needs etc.

We will take vhs tapes only of seminars and following the conference encode
and webcast the seminars from our websites, linked with NABSE's web site.

I am scheduling with Quentin to have separate sit-down with FCC/SLD for just our team to get us up and moving and assist the FCC/SLD with their current delemma.

This will be a working meeting that requires only our level of personnel commitment, displaying constructive teaming relationship of companies.

We will meet with Ernest Rosemond of NABSE on Saturday to work out some of
the details and logistics for the big NABSE conference for Nov. 2000 in Philedelphia, PA.

Wxcept for costs of shipping equipment, travel and small entertainment of
certain attendees, the over-all costs for this effort should remain fairly
small. No more than a total of about $5-$7 thousand per company.

We'll work out more details later. (See attached file: NEPI Roster.doc)

(See attached file: Full2.doc)

We will NOT be using anything from hotel, except for electricity, everything else audio/visual we should be getting from Michael Seamons. Let's do a conference call with him.

After NABSE, switch and 4- demo systems need to be shipped to Highland Park, we'll work out those details later.

Regards,

Judy

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NECBNS CON 05328

NEC 007-002-1561

NEC ATD-000223

TAB 35

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Friday, May 12, 2000 4:56 PM
To: Colvin, John; McNulty, Gerard
Subject: Re: FW: E-Rate Application 202872 Indentifier: Distance Learnin g

These are critical items. Please read with original from SLD to Desmond.
Please call me Monday to discuss. I'll be in Detroit.

Regards,

Judy
---------- Forwarded by Judy Green/VNCI on 05/12/2000 07:54 PM

Judy Green
05/12/2000 07:50 PM

To: George Marchelos/VNCI
cc:
bcc:

George,

Desmond needs to CALL ME, BEFORE he talks or sends anything to SLD. He needs to make certain that the information matches our application.
Without WAN connectivity there is NOTHING for anyone else.

Please call Desmond Monday early AM and then REACH me!!! This is critical.
When you mentioned this last week, the details were NOT clear. Please take care what is said to Districts regarding matters involved with substantiating food program numbers.

Regards,

Judy

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NECBNS CON 05345

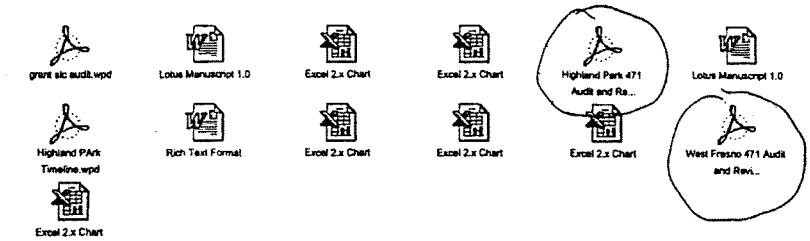
NEC 001-002-0401

NEC ATD-000003

TAB 36

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Monday, May 15, 2000 10:51 AM
To: McNulty, Gerard
Cc: Colvin, John; wholman@bns.nec.com
Subject: FCC Item 25 Review



Hello Gerard,

Ceria Travis just received their FCC Item 25 Review. This now makes three of the applicants who have received the Item 25: Lee County, Ecorse and Ceria M. Travis. For these, once the Item 25 is received and all is well, then funding approval follows usually within 2-3 weeks.

I fully expect the others to also receive the Item 25 Review. I am now really bogged down because these Item 25 Reviews require a tremendous amount of documentation from the districts as well as a fully detailed narrative.

The Districts that can not respond with a GOOD narrative DO NOT get funded! Case in point Ravenswood! Thus the narrative and other documentation is critical to the success of the applications.

The narratives must be detailed and provide information and back-up explanations of the printed District budget information. I can not stress the importance and the critical need to have the narrative be excellent. You are the only other person within our team that I would entrust with the following:

I am attaching the narratives I used for Highland Park and West Fresno last year. YOU need to re-write the narrative and change it somewhat, so that it looks and reads differently. WE CAN NOT submit the same narrative for each applicant. LEE County and Ecorse's narrative needs to look and sound completely different!! I am relying on you and your expertise!! We have also run out of time, because these FCC Item 25 Reviews must be back in the hands of the SLD by Wednesday!! to meet the 7-day turn around. We will be attaching the District's copies of their budgets to substantiate the information.

Please let me know if you have any questions. The narratives are in Word Perfect, sorry!
(See attached file: grant slc audit.wpd)(See attached file: Highland Park Fax 471 Review Coversheet.doc)(See attached file: Highland Park Budget Summary for Audit 1999-2000.xls)(See attached file: Highland Park Budget Summary for Audit.xls)(See attached file: Highland Park 471 Audit and Review.wpd)(See attached file: Highland Park Verification of 471 Eligible Students.doc)(See attached file: Highland PArk Timeline.wpd)(See attached file: West FresnoTimeline.doc)(See attached file: WEST FRESNO ADD REV Budget Summary for Audit 1999-2000.xls)(See attached file: WEST FRESNO Budget Summary for Audit 1999-2000.xls)(See attached file: WEST FRESNO Expenditures Budget Summary for Audit 1998-99.xls)(See attached file: West Fresno 471 Audit and Review version 2.wpd)(See attached file: WEST FRESNO ADD REV Budget Summary for Audit 1998-99.xls)

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NECBNS CON 05352

NEC 001-002-0716

NEC ATD-000072

TAB 37

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Thursday, May 18, 2000 7:01 PM
To: McNulty, Gerard
Cc: Bill.Holman@bns.nec.com; Colvin, John; "Robert_Emery"@vnci.net
Subject: Re: E-rate Narrative on implementation and other mattters

ECORSE471 Audit and Review.wpd... Excel 2.x Chart

Hello Gerard,

Thanks, you've done the usual GREAT job.!!!

You're right it does require more meat. However, the important parts are the narratives. Here is the one for ECORSE that has already been sent into SLD. I also completed the financial information. The page one fax back, requires major guestimates, since NONE of the Districts has available the information as requested by SLD. Even Bob Emery, CFO, had several areas that he had problems when completing the page one.

I got some type of food poisoning from this great hotel, so I had to fax him the information and read it to him, so he could have it typed onto the form. Even with the detailed district budget print-out, he couldn't get the numbers.

Without this form completed correctly, there is NO chance of funding approvals, that is what makes VNCI and your relationship with the project so uniquely different!! NO US, NO contracts etc. NO MONEY!!

(See attached file: ECORSE471 Audit and Review.wpd)(See attached file: ECORSE ITEM 25 BUDGET 2000-2001.xls)

Did you follow up with Kate Moore re: North Chicago? Call me in the a.m. at 734-728-9200 room 129, on a land line so we can discuss these things.

I did get Anne Marie's e-mail and will incorporate into Ceria Travis, and Lee partially.

Regards,

Judy

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NECBNS CON 05356

NEC 001-002-0402

NEC ATD-000004

TAB 38

Womack, Laura

From: McNulty, Gerard
Sent: Monday, June 12, 2000 6:00 PM
To: Colvin, John
Subject: FW: Erate review of NEC's contract

Internet HTML

JC,

I finally got on RAS. Attached is the e-mail from Desmond at SFUSD. I think we need to see this before George sends anything back to Desmond. Perhaps John K. can review and help us dress up the answer and customize it a little given that one of the SLD's complaints is that it looks strangely familiar to other applications.

Maybe we can talk tonight or tomorrow with George. If you are adverse to it maybe you can give George a call and request to see what he wants to respond with so that we can insure the quality of what gets sent to the sld and optimize our chances of approval. Please let me know what you think.

Thank,
GM

-----Original Message-----
From: "George_Marchelos"@vnci.net [mailto:"George_Marchelos"@vnci.net]
Sent: Thursday, June 08, 2000 5:49 PM
To: "judy_green"@vnci.net
Cc: gerard.mcnulty@bns.nec.com
Subject: Erate review of NEC's contract

Des,

Please see below.

We will need the following information:

---------- Forwarded by George Marchelos/VNCI on 06/08/2000 08:12 AM ----------

"Desmond McQuoid" <dmcquoi@muse.sfusd.k12.ca.us> on 06/07/2000 05:30:31 PM

CONFIDENTIAL
INFORMATION

TAB 39

Womack, Laura

From: "George_Marchelos"@vnci.net
Sent: Monday, June 12, 2000 7:19 PM
To: McNulty, Gerard
Cc: Colvin, John
Subject: RE: SFUSD Erate review

Server Network Diagram Correct... | Lotus Manuscript 1.0 | Lotus Manuscript 1.0

Excel 2.x Chart | Lotus Manuscript 1.0

I want as much input as possible for this one. Hrer is what I have so far.
Feedback is welcome and I will not send this in until I hear from you.

George

(See attached file: Server Network Diagram Corrected SFUSD.ppt)
(See attached file: Multiple Server Architecture and A Server for Each Classroom The key word and premise to always keep in mind is simple.doc)
(See attached file: Server Justification2.doc)
(See attached file: Cable Pricing sfusd.xls)
(See attached file: SLD Service Response.doc)

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INFORMATION

MULTIPLE SERVER ARCHITECTURE AND JUSTIFICATION FOR A SERVER IN EACH CLASSROOM

Based on current information from Compaq, NEC and IBM

Sociological and Psychological Foundations and Justifications

The premise is to keep in mind is simple "change." K-12 classrooms and teaching methodologies have changed little in over 200 years. Regarding the change cycle Heifitz considers political barriers to change an important factor. *"Some of the most trying problems to be faced in implementing change are political in nature."* (Heifitz, 1993, p.133) The changes involving technology and the integration of that technology into the curriculum in a K-12 setting is revolutionary rather than evolutionary. Political rather than quality decisions abide in terms of which teacher's received the very expensive equipment. The shift to a new paradigm brings with it the usual reluctance and resistance that is commonly associated with such paradigm shifts, according to D.L. Barker. (Barker, 1992)

The old paradigm of training and learning typically involves the traditional teacher directed classroom. The new paradigm of integrated technology that requires changes within the roles of teachers and students is very difficult to accept. Combine these changes with the need to understand the mechanics of the new tools and the formula for disaster follows. Teachers must re-learn their roles, they can not, at the same time learn enough about the new technical terms and requirements to even begin to understand the complexities. The District personnel concluded through research in visiting with other successful schools and Districts in several States that the teacher's comfort level with the new technology increased as their knowledge of its use increased.

It was further concluded that the teachers at the Elementary and Middle School levels were used to having self-contained classrooms where-in they knew ALL of the various components of their classrooms and felt great security and comfort within their four-walls. It was determined, through the experiences of other schools and districts that the teachers who had or believed they had everything required for the new technology under their own control within their classrooms, succeeded in a highly successful implementation of the new technologies into their classrooms and the curriculum. The results of these successful implementations were higher student achievement.

Thus, the creation of a LAN into each classroom with its own server gave the teachers the confidence to make the changes and integrate the new technologies. The schools and Districts where the server was in a central location, far removed from the teacher and the classroom, left the teacher with great feelings of trepidation and insecurity, since they believed that the "main office" had control and the teacher themselves did not have hands on control. It is for these and other sound technical and security reasons that the District has concluded that the most efficient and best method to insure permanent change is to have specialized file servers in each classroom.

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Technical Security Considerations and Justifications

Individual classroom servers provide the additional security for determining where students, can go on the World Wide Web. The student work stations log-on to the classroom server and the teacher controls ALL access. Parents, students and teachers can also dial-in from home to the individual classroom server without fear of accessing other teachers or District's confidential information. In addition with the classroom server as the Internet Gateway, students accessing Internet from home through that server will be "supervised" as to where they are allowed to go on the Internet. Both the District and the Parents will have maximum protection.

Classroom based servers will also be necessary because of the number of client stations within each classroom. Having 20-30 students in each classroom translates into 20-30 client workstations in each classroom. Due to the inhospitable environment to technology within the K-12 Public School environment having more than 20-30 clients per server becomes disastrous both for maintenance and for access. Thus with the classroom server the students will retain access inside of the classroom, regardless to whatever is occurring outside of the classroom. If the main network is down, students will retain access to files and stored web sites on the classroom server.

JUSTIFICATION FOR MULTIPLE SERVER ARCHITECTURE

PERFORMANCE AND MANAGEMENT

The separation of application functionality onto multiple servers simplifies many tasks related to performance management. First and foremost, this separate server approach makes the identification of performance bottlenecks much easier. With cross-application complexity removed, the system manager can quickly associate specific workloads with particular hardware, software, cabling, and switch limitations. Furthermore, remedies for performance problems are easier to test and implement. Changes to hardware, software, cabling, network equipment configurations are isolated to a single server in a single location; thus reducing the risk of impacting other applications running and/or users on the network.

SYSTEM RELIABILITY AND SECURITY

Multiple server architecture provides the additional benefit of providing the ability to isolate system faults. On monolithic system architectures, a single hardware or software fault causes all processing to cease. For multiple server architectures, however, a fault will stop the processing for and on a single application only. Most organizations can adapt to this "partial" failure and continue to be productive using other application resources that may still be available. A school organization is a good example of this situation. For example, the failure of a video server does not preclude the use of Intranet or data server resources that would allow teachers and students to continue meaningful lesson activities, especially with the server housed in the individual classroom.

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UPGRADE MANAGEMENT

Hardware and software upgrades should be an expected and planned activity for computer networks and systems. Segmentation of processing functionality onto separate servers has several advantages when it comes to managing these upgrades. During the time for upgrades, individual classroom servers are not affected, thus learning activities can continue, without interruption. Planned and scheduled upgrade's with teachers reduces the "down time" within a particular classroom. In most cases, upgrades can be installed and tested independently on each server, in each classroom without impacting other critical applications. As mentioned previously, organizations can better adapt and retain higher levels of productivity when partial system down time occurs. Upgrades can be accomplished on an incremental basis and thus avoid complications frequently associated with the "big bang" approach to system upgrades. For monolithic systems, the complexity and inherent risk of failure can overwhelm management organizations and force them to put off upgrades indefinitely. These delays for introducing latest technologies are the current state of affairs at most Districts. Students are thus, not prepared for the "real world" technology. In many School Districts, Apple II e and II c's are still the "advanced technology." Neither students nor teachers can access the Internet, nor any other current software with these outdated relics. School Districts are notorious for Not making changes and not upgrading. Individual classroom, multiple server architecture encourages easy upgrade changes.

SECURITY

Look at what is happening with all of the Internet Viruses that are killing peoples computers and file servers. Implementing separate applications, and separate classroom location servers often has the added benefit of providing higher, more secure levels of program integrity and security. Frequently, more granular access rights can be implemented at the server level. Should a security breach occur, it is easier to identify and isolate on that single system, in a single-pre-assigned classroom location. With multiple applications on a single server, hardware, there is a constant threat that a minor security problem in one application might expose ALL applications. As an added measure of defense, network security tools can provide enhanced protection against potential security threats.

RESOURCE UTILIZATION

Separate application and location servers make it easier for system managers to apply appropriate resources to satisfy processing requirements. Some applications may be CPU intensive and require multiple processors; others may be I/O intensive and require high speed RAID disk arrays; still others may require extensive memory data structures. Separating applications onto individual servers makes it easier to size system resources and insures the optimal allocation of processing and financial resources.

REDUNDANCY AND DOWN-TIME

NECBNS CON 03997

The classroom data/file/internet server is named the Tier I Serer to identify and separate it from the other servers within the network. The intermediate server is the Tier II Server housed in an IDF, it is redundant for the Tier I as five to eight (5-8) classroom Tier I servers are connected to the Tier II, where information is backed-up, in the event that the classroom server is unavailable, or has "crashed". The main school LAN Server is the Tier III server housed in or at the MDF. There are a minimum of three Tier III Servers at each school and corresponding servers at the Main

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Administrative Building if the District. The Tier II Servers connect directly back to the Tier III servers through and over both the ATM and Gigabit Ethernet Switche's, connected via fiber. The purpose is again for redundancy in the "inhospitable" and barely suited environment. Security and access codes and permission will be assigned as deemed fit by the District's Technology Specialist.

No access even for a short time becomes a major deterrent for the acceptance of technology into the schools and classrooms. The majority of teachers, surveyed cited the total lack of reliability as the major reason for NOT using or wanting technology in their classrooms. Only through the careful planning and redundant features within the network of servers can the District gain confidence that the network will be stable and rarely "crash." The following diagram depicts the Server Network Distribution within a typical School/District environment. See attached.

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Server Justification:

For years school districts have tried to keep up with the pace of technology without much success. By the time a school implemented a technology it was out dated or not adequate to meet the needs of the entire school. New applications and school district needs always made equipment, especially file servers prone to pre-mature obsolescence. School Districts are always looking to save a dime here or there which adds to the dilemma by not buying the right equipment, the first time. We found ourselves replacing equipment every year. We therefore decided, as other school districts have as well, that smaller numbers of users (30) with their own File Server & LAN equipment made a lot of sense for reliability and equipment life cycles are concerned.

The Internet is a mixed blessing for school districts in that it offers our teachers a new tool to teach with and new materials to present. We have found that teachers that should have been retired years ago are rejuvenated by this new technology and they all want it in their classrooms. Before long our network and file servers were getting bombarded by the Internet to the point where we had to limit access. Now, with a 30 student LAN in every classroom and a file server to support that LAN and all the Internet files along with it, we don't have the network file caching issues and file server over-load that currently exists in our schools.

Our approach at SFUSD is not unlike that of many other schools around the country in that we fully agree with the "Server per Classroom" approach.
One of our vendors is NEC and they have an E-Rate Swat Team that works with school districts throughout the country to provide solutions to the education market. So if this information look familiar it is getting a lot of circulation lately.

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San Francisco Unified School District:

Detail Pricing Breakdown for Network Cabling

School	Conduit Material	Conduit Labor	Fiber Optic Cabling Material	Fiber Optic Cabling Labor	Category 5 Material	Category 5 Labor	Category 6 Material	Category 6 Labor
Bret Harte Elementary School	$30,368.70	$70,860.70	$94,537.55	$141,806.32	$44,284.50	$66,426.75	$39,776.80	$92,812.53
John Muir Elementary School	$9,747.00	$22,743.47	$20,080.73	$30,121.10	$6,626.69	$15,462.27	$13,253.38	$19,880.06
Filipino Education Center	$6,479.03	$9,718.53	$10,203.02	$15,304.51	$3,341.51	$5,012.26	$4,484.64	$6,726.96
E.R. Taylor Elementary School	$66,884.63	$100,326.93	$156,157.91	$234,236.85	$73,149.51	$109,724.25	$87,604.86	$131,407.29
John Swett Elementary School	$35,540.34	$53,310.53	$82,979.72	$124,469.56	$38,869.31	$58,303.95	$46,550.42	$69,825.63
Sutro Elementary School	$22,206.01	$33,309.01	$42,444.06	$63,666.09	$17,812.73	$26,719.10	$28,807.64	$43,211.47
Roosevelt Middle School	$63,339.29	$95,008.93	$147,880.49	$221,820.73	$69,272.09	$103,908.13	$82,961.22	$124,441.82
Sub-Total	$234,565.00	$385,278.10	$554,283.48	$831,425.16	$253,356.34	$385,556.71	$303,438.96	$488,305.76
Total Year 1 amount	$3,436,209.51							

* Prices for Conduit, Fiber Optic Cable, Category 5 Cable and Category 6 Cable are based on site walkthroughs and industry standard calculations.

NECBNS CON 04000

SERVICE CONTRACT DETAILS AND DEFINITIONS

Each basic labor only service contract is subject to the following:
At least one (1) A+ trained System Engineers, and at least one (1) MCSE LAN Engineer for hardware, service and repair in each of the specific contract specialty areas: ATM, Gigabit Ethernet Equipment and NT Servers PBX, and Cabling and Wiring Infrastructure including service and repair, labor hours only on ALL newly installed data/voice conduit and panduit/channel conduit.

The above engineers are subject to interview and acceptance by the Schools/District.

Coverage to be Monday through Friday, inclusive, 7:30 to 4:30. Engineers not to exceed 12 hour day; over-time billable over an 8-hour day.

Monthly hours are to be 180 hours for each engineer on a paid monthly basis from July 1, 2000 upto and through June 30, 2001.

Definitions:
System Engineer; Fully certified in the specialty area. Provides diagnosing and repair of server hardware and E-Rate eligible related peripherals. Troubleshoots system. Restores complete connectivity to and from servers. Minimum of A+ certified in area of required specialty.

LAN MCSE Engineer; network operating system level engineer, fully certified and expert in the required specialty area. Provides expert diagnosis and repair of equipment related problems exclusive of servers, ATM, and Gigabit Ethernet equipment and related specialized infrastructure. Manipulates the server and specialty equipment environments. Maintains connectivity throughout the network and to Internet services. Primarily supports school technical staff with needed service repair as required. Minimum of CNE, MCSE and ATM certified.

On-site Services

On-site service contract personnel will provide the following services with respect to the equipment and technology for which they are responsible, i.e., servers and public branch exchanges (PBXs) and ATM/Gigabit and 10/100 Ethernet Switches and Cabling and conduit infrastructure.

- Service contract personnel will act as the primary technical resource for the client with respect to equipment installed by the vendor at client locations.

- Service contract personnel will be responsible for service and repair of the installed equipment to the level of their expertise and to implement the manufacturer's extended "depot" warranty as required. Equipment disconnects, packing, shipping of all equipment to manufacturer as detailed in manufacturer's contract specifications. Make's all appropriate notifications of such impending shipments.

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- Service contract personnel will respond to equipment failures and trouble calls generated by the client(s) as the first line of service. They will correct system problems and repair equipment as practical on-site in a timely fashion. Usually with in two hours. Initial responses to equipment failures and trouble calls will take place within notification of an equipment failure or system problem.

- For those issues that require additional technical support, the on-site service contract personnel will coordinate all warranty and non-warranty service and repair activities with the appropriate corporate entity, equipment provider and outside service organization(s). Coordination will include determination of warranty applicability, documentation and shipping. The service contract personnel will promptly notify the appropriate client personnel regarding any diminishment of system functionality due to equipment or system failures requiring repair.

- Service contract personnel will maintain a service log for maintenance and service that will include the following information at a minimum:

  (1) date and time notified;
  (2) date and time of initial response;
  (3) time equipment was made available for service;
  (4) equipment identification data, e.g., model number, serial number;
  (5) description of the problem being responded to;
  (6) time spent addressing and correcting the problem;
  (7) time at which the equipment or system was returned to the client in proper working order,
  (8) summary of all corrective action undertaken.

BASIC SERVICE AND REPAIR CONTRACTS

Labor Only Service Contract Description for Equipment

Contracts for Basic On-Site Labor Services & Repair of ATM & Ethernet Equipment
Contract for Basic On-Site Labor Services & Repair of NT Servers
Contracts for Basic On-Site Labor Services & Repair for PBX
Contracts for Basic On-Site Labor Services & Repair for Internet telecommunications equipment. (Routers, CSU/DSU and specialized internet servers).

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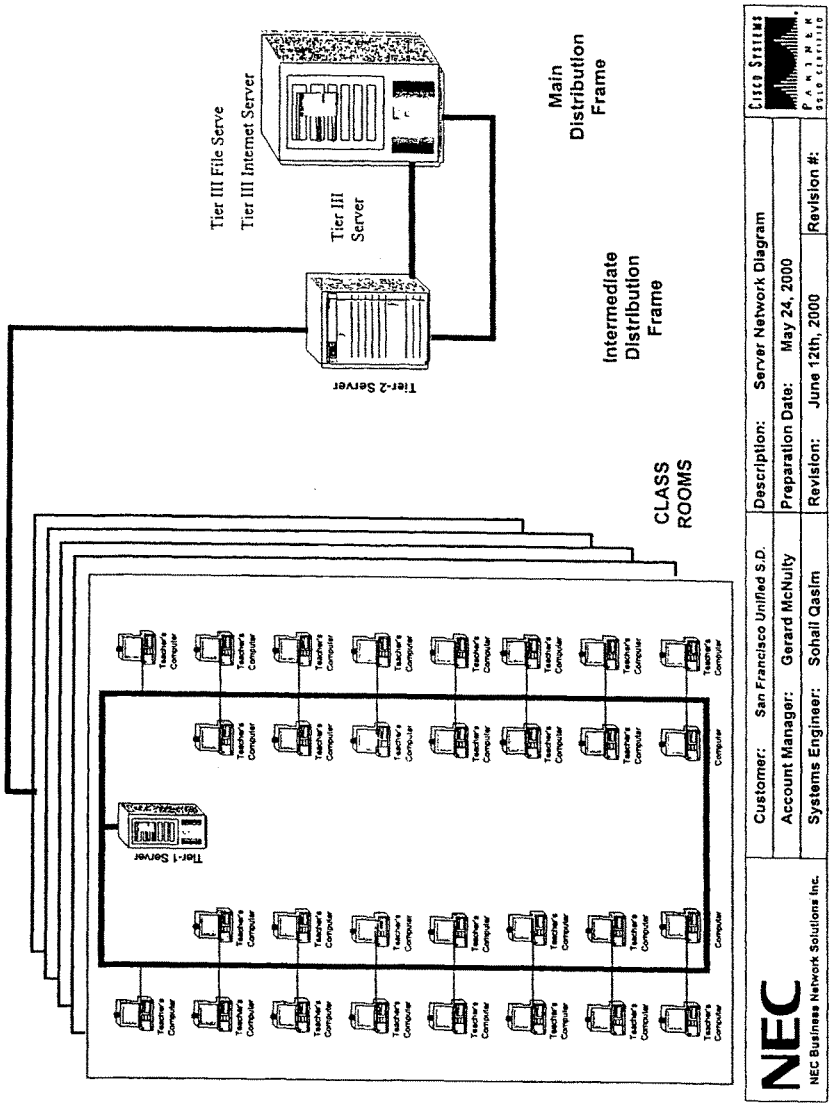

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TAB 40

From: M. Sohail Qasim [qasim@home.com]
Sent: Tuesday, June 20, 2000 1:00 PM
To: Gerard McNulty; John Colvin; Sohail Qasim
Subject: Lee County: Data Distribution

Gerard:

Attached are the spread sheets containing distribution of data and server equipment between individual schools for Lee County. Since I didn't have any concrete way of doing this distribution I made certain assumptions that may or may not be supportable. The challenge I am facing is to technically justify the existence, or the lack of it, of some equipment and quantities of data equipment. Judy has constantly tried to work around my demand that there be a technical justification for every piece of equipment being proposed. While I understand that by the time funding is approved the design requirements by the schools may change I find it difficult to fully reconcile the numbers Judy "throws" together.

Secondly, in the technical note I am writing in support of the network diagram I will clearly state the limitation(s) under which NEC has provided this information. Judy asked yesterday that we should not state that the distribution and or the design was based on the bid specification. Complying with that "demand" puts NEC at risk by seemingly accepting responsibility for the deficiencies in a design it did not propose. So far NEC has simply responded to pricing request for certain quantities of equipment and developed a "concept" design diagram, which also reflects possible integration of VNCI equipment as they suggested. Please note that despite my many requests VNCI has not provided any technical proof of their ability to integrate their equipment into the data backbone. This design also reflects an ATM 25 connection into two machines in every class room. This is contrary to my understanding, which is that there will be ONE ATM25 connection per room into the Teacher's computer. The question is: who is paying for the second ATM NIC per class room?

Third, learning from this fire drill perhaps we need to develop a time table for an orderly way of developing all these supplementary documents.

I would strongly recommend that NEC review any document Judy is submitting to SLD on our behalf. While she knows the funding process very well she is not as well entrenched in the nuances of technology. I'm afraid she may make changes in content pertaining to technical matter that is not supportable by NEC.

Please call me at 510-657-4449 or 510-334-0328, in that order, if you have any questions.

Sohail Q.

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NECBNS CON 05424

TAB 41

Womack, Laura

From: "judy_green"@vnci.net
Sent: Wednesday, June 21, 2000 6:57 PM
To: "George_Marchelos"@vnci.net; McNulty, Gerard
Cc: "Carl _Muscari"@vnci.net; "Robert_Emery"@vnci.net; Holman, Bill; Colvin, John
Subject: San Francisco Unified Cabling Details

Excel 2.x Chart

George,

Here are the corrected SFUSD seven school cabling details as requested by
the SLD. Please forward them to Desmond. If you can't get Brian's fax number I will look for it. Please try to get it from Desmond and I will fax to Brian.

(See attached file: Cabling Details NEC 2000.xls)

Gerard,
Please, before I fax, and George before you e-mail to Desmond, PLEASE
have John K. Check the dollar categories for the items, I really do NOT want any embarrassing moments, especially in respect to the trenching labor
dollars. It's better to be safe, than sorry!! Get SOME really responsible
and experienced CABLE person to check things over.

Gerard, these cabling details need to go, along with the rest of the 39 schools details from the 471, into Schedule B of the Contract after the Schedule A for Cabling.

I have not had time to review the SFUSD contract, will try to do so after I
send Jasper off in the AM.

I will also forward latest update on ALL districts.

Regards,

Judy

P.S. Gerard and George, somebody needs a new calculator over there. Quite
a few of the totals were really OFF.

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San Francisco Unified School District

JOHN SWETT ELEMENTARY SCHOOL 9 Buildings and 29 rooms 12 Acres	Quantity	Material Unit Cost	Material Extended Cost	Labor Unit Cost	Labor Extended Cost	Sales Tax 8.25%
Conduit & Trenching & Fiber 12-Strand						
Trenching	1,500	$15.00	$22,500.00	$0.00	$70,500.00	$1,856.25
3" PVC	1,300	$1.16	$1,508.00	$5.00	$6,591.37	$124.41
1 1/4" Innerduct	1,245	$1.00	$1,245.00	$2.50	$3,156.25	$102.71
Bertek Fiber - 12 strand	1,000	$1.31	$1,310.00	$12.50	$12,675.72	$108.08
3" Conduit	1,000	$9.98	$9,980.00	$6.00	$6,084.35	$823.35
3"Conduit ELL	12	$31.43	$377.16	$15.00	$182.53	$31.12
3" Core Drilling	14	$0.00	$0.00	$75.00	$1,064.76	$0.00
Junction/Pull Can	12	$75.00	$900.00	$150.00	$1,825.30	$74.25
AMP Fiber Connectors/Jumpers, ST Polymer Lot 5400 Fittings	4	$650.00	$2,600.00	$1,000.00	$4,056.23	$214.50
Concrete	100	$80.00	$8,000.00	$25.00	$2,535.14	$660.00
Spoils	100	$0.00	$0.00	$20.00	$2,028.12	$0.00
Concrete C/R/P	22	$10.00	$220.00	$15.00	$334.64	$18.15
Warning Tape	978	$0.15	$146.70	$0.10	$99.17	$12.10
Conc. Pull Box	11	$650.00	$7,150.00	$400.00	$4,461.85	$589.88
WM 5400	1,675	$8.00	$13,400.00	$7.00	$11,889.82	$1,105.50
12" Flex Tray	85	$10.00	$850.00	$12.50	$1,077.44	$70.13
Tray Support	22	$15.00	$330.00	$30.00	$669.28	$27.23
12" Flex Tray ELL	16	$5.00	$80.00	$27.50	$446.19	$6.60
Conduit Shroud	8	$650.00	$5,200.00	$400.00	$3,244.98	$429.00
Adirondak/APW IDF Wall Mount Rack per Classroom	29	$175.00	$5,075.00	$650.00	$19,114.98	$418.69
Adirondak/APW IDF Wall Mount Rack per IDF	12	$195.00	$2,340.00	$650.00	$7,909.65	$193.05
48 port rack mt. Patch Panel Fiber	29	$175.00	$5,075.00	$322.75	$9,491.33	$418.69
12 port rack mounted cat. 5/6 patch panel	35	$42.00	$1,470.00	$62.50	$2,218.25	$121.28
Backboards	45	$180.00	$8,100.00	$425.75	$19,428.08	$668.25
sub total			**$97,856.86**		**$191,085.44**	**$8,073.19**
Category 5/6 Wiring						
Category 5/6 Cable to each classroom from MDF						
AMP CAT 5 cable plenum blue TELCO	8,965	$1.80	$16,137.00	$10.00	$90,068.26	$1,331.30
AMP CAT 6 cable plenum white Data	8,470	$1.80	$15,246.00	$10.00	$85,095.17	$1,257.80
300 pair cable PIC	1167	$2.00	$2,334.00	$1.00	$1,172.44	$192.56
sub total			**$33,717.00**		**$176,335.87**	**$2,781.65**
JOHN SWETT ELEMENTARY SCHOOL TOTAL			$509,849.46			

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NECBNS CON 03993

TAB 42

Womack, Laura

From: "judy_green"@vnci.net
Sent: Thursday, June 22, 2000 4:44 PM
To: Colvin, John; McNulty, Gerard
Cc: Holman, Bill; "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net; Ken Baxley
Subject: SFUSD Corrected Cabling Details

Excel 2.x Chart

Gerard,

I double checked and with CNE's help noticed some inconsistencies, so I changed them. I want more money from everyone, NOW that I am also a cable
pricing specialist.

Please attach these to the SFUSD contract. George please forward these final revisions to Desmond. Also, what has he used as a fax cover to Brian? I should have a copy, if you can arrange it, so that it looks as if
it came from Desmond.

(See attached file: Cabling Details NEC #2.xls)

I will fax these to Brian in the A.M.

Regards,

Judy

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San Francisco Unified School District

Roosevelt Middle School 18 Buildings and 80 rooms on 16 Acres	Quantity	Material Unit Cost	Material Extended Cost	Labor Unit Cost	Labor Extended Cost	Sales Tax 8.25%
Conduit & Trenching & Fiber 12-Strand						
Trenching	1,690	$15.00	$25,350.00	$0.00	$170,718.96	$2,091.38
3" PVC	1,500	$1.16	$1,740.00	$5.00	$7,521.39	$143.55
1 1/4" Innerduct	2,175	$1.00	$2,175.00	$2.50	$5,453.01	$179.44
Bertek Fiber - 12 strand	2,275	$1.31	$2,980.25	$12.50	$28,518.62	$245.87
3" Conduit	1,615	$9.98	$16,117.70	$6.00	$9,717.64	$1,329.71
3"Conduit ELL	20	$31.43	$628.60	$15.00	$300.86	$51.86
3" Core Drilling	10	$0.00	$0.00	$75.00	$752.14	$0.00
Junction/Pull Can	30	$75.00	$2,250.00	$150.00	$4,512.84	$185.63
AMP Fiber Connectors/Jumpers, ST Polymer Lot 5400 Fittings	3	$650.00	$1,950.00	$1,000.00	$3,008.56	$160.88
Concrete	875	$80.00	$70,000.00	$25.00	$21,937.40	$5,775.00
Spoils	65	$0.00	$0.00	$20.00	$1,303.71	$0.00
Concrete C/R/P	22	$10.00	$220.00	$15.00	$330.94	$18.15
Warning Tape	1,510	$0.15	$226.50	$0.10	$151.43	$18.69
Conc. Pull Box	50	$650.00	$32,500.00	$400.00	$20,057.05	$2,681.25
WM 5400	850	$8.00	$6,800.00	$7.00	$5,966.97	$561.00
12" Flex Tray	95	$10.00	$950.00	$12.50	$1,190.89	$78.38
Tray Support	40	$15.00	$600.00	$30.00	$1,203.42	$49.50
12" Flex Tray ELL	15	$5.00	$75.00	$27.50	$413.68	$6.19
Conduit Shroud	10	$650.00	$6,500.00	$400.00	$4,011.41	$536.25
Adirondak/APW IDF Wall Mount Rack per Classroom	50	$175.00	$8,750.00	$650.00	$32,592.71	$721.88
Adirondak/APW IDF Wall Mount Rack per IDF	15	$195.00	$2,925.00	$650.00	$9,777.81	$241.31
48 port rack mt. Patch Panel Fiber	60	$175.00	$10,500.00	$322.75	$19,420.24	$866.25
12 port rack mounted cat. 5/6 patch panel	40	$42.00	$1,680.00	$62.50	$2,507.13	$138.60
Backboards	32	$180.00	$5,760.00	$425.75	$13,662.86	$475.20
Sub Totals			**$200,678.05**		**$365,031.67**	**$16,555.94**
Category 5/6 Wiring						
Category 5/6 Cable to each classroom from MDF						
AMP CAT 5 cable plenum blue TELCO	14,800	$1.80	$26,640.00	$10.00	$147,378.08	$2,197.80
AMP CAT 6 cable plenum white Data	12,400	$1.80	$22,320.00	$10.00	$123,478.93	$1,841.40
300 pair cable PIC	565	$2.00	$1,800.00	$1.00	$562.63	$148.50
Sub Totals			**$50,760.00**		**$271,419.64**	**$4,187.70**
TOTAL for ROOSEVELT MIDDLE SCHOOL			**$908,632.70**			

NEC

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NECBNS CON 04009

TAB 43

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Thursday, June 29, 2000 4:19 AM
To: Colvin, John
Cc: McNulty, Gerard; "Robert_Emery"@vnci.net
Subject: SFUSD Contract

Lotus Manuscript 1.0 | Excel 2.x Chart | Excel 2.x Chart | Excel 2.x Chart | Excel 2.x Chart | Lotus Manuscript 1.0

Gerard, John and

Please read over the attached SFUSD NEC Equipment contract, NOTICE:

1. I have ADDED the 5-year language. This will need to be added to ALL contracts.(See attached file: SFUSD NEC EQUIPMENT CONTRACT FIVE YEAR.doc)

2. I need the Attachment "B" Data, by School Names; to shorten our work load and faxes, please look at the number of students at each of the elementary schools, the schools with similiar enrollments the data Schedule B can have those multiple names saying on top that each of the schools gets the same quantity equipment, etc.

3. You'll need to do the Middle Schools separately and of course any unique schools separately.

4. As you are creating the excel sheets by school, PLEASE remember to delete the item, if the quantity is "0". There is NO point in having that remain on the schedule B.

5. You'll need to do the same with the Server Attachment B.

6. Please attach cabling details that are on 471, and the seven we submitted as part of the Cabling Attachment B.

7. We also need the Service broken out, by school site and equipment with a summary for each school and category of equipment by dollar and percentage. Note the attached WEb DuBois details for service. (See attached file: Cabling Details NEC #2.xls)(See attached file: Web DuBois Data Attachments.xls)(See attached file: Web DuBois PBX Attach.xls)(See attached file: Web DuBois SERVER ATTACHMENT TO CONTRACT.xls)(See attached file: San Francisco Service Contract.doc)

I'm sorry to do this to you, but I need to have this ALL done and back to me via e-mail NO LATER than this evening, so I can fax to Desmond early tomorrow morning and he can get it to Brian, as early as possible. We will do the same with West Fresno and Web DuBois. That way Brian will at least move the applications to the next level.

Just for you to know, Brian has been holding on to the applications since early May. That is why we haven't gotten anywhere with them.. Once they are out of his hands, at least they'll be in the proper chain for funding and notification. He has held them for the longest I have ever heard of anyone at the SLD holding paperwork. That's probably why he is leaving TODAY for good, I hope.

If you need me you can reach me on my cell phone, until about 1:00 p.m. my time.

Good Luck,

Regards,

Judy

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NECBNS CON 05445

NEC 001-002-0455

NEC ATD-000034

TAB 44

From: "George_Marchelos"@vnci.net
Sent: Friday, June 30, 2000 4:33 PM
To: Colvin, John
Cc: McNulty, Gerard
Subject: New procedure for USMACH

John & Gerard,

I just spoke to Desmond after I spoke to John and this guy Al Filart is twisting everything you (NEC) say.

From this point on & for everyones sake, don't talk to US Mach. Please direct them to me as per Desmond. I told Desmond that Al is feeding him a
line of b#$^%%#@%t to make NEC the vilan and he (Desmond) will take care of
Al on Wednesday next week. I will get to him on the 10th or 11th.
John,
in the mean time please try to get the sub-contract agreement signed for them if you can.

Have a great fourth,

George

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NECBNS CON 05349

NEC ATD-001136

TAB 45

McNulty, Gerard

From: des [des@sfusd.com]
Sent: Wednesday, July 05, 2000 10:40 PM
To: Colvin, John

John, the previous emails are a glimpse of some of the concerns with the way the application has been processed.

We have no excuse in the public eye, for not establishing a contract directly with NEC. We cannot use an unrecognized group of people claiming no affiliation as a Proxy interface.

We cannot justify now or at any time, the role played by Judy. If she is representing both sides in drawing up and submitting a contract, we have a serious conflict of interest, and there is another name for circumventing the competitive process of a contract negotiation with the intention to secure federal funds..... ....

We are required to get the best deal for the people we represent, the kids and other stake holders in the SFUSD educational process.

VNCI is an intended sub contractor of Inter-Tel for the same funding process. Who does Judy represent? According to George, no-one. She is simply gathering information for each company to process on their own behalf.

How can any persons, claiming to represent no-one, legally craft and call the shots on contract design and creation, and determine its destiny right down to delivery and completion, of 90 plus million dollars of Federal monies, without having any authority for its disbursement from either of the two entities authorized to validate and deliver it through goods and labor to the intended constituents?

It is not possible.

If no affiliation, authority or representation is claimed in the development, none can be claimed in the deployment.

That being the case, what the hell is going on here?

We know that Judy put together most if not all of the figures on the initial NEC contract.

Brian of the SLD has already stated that the problems and the M.O of this application is identical to the format and problems of several other applications he has for review, except in some cases the names of the vendors are changed.

I am expecting a call from him when he gets back in the office.

I have a list of all of the districts Nationwide that VNCI has participated with under similar infrastructures for this years funding.

We are grateful for the light and direction provided us to get our feet pointed in the right direction by George, in our District's quest to secure the opportunity of Federal funds to further technology in our schools. I am sure he did it in the hope that VNCI might successfully competitively bid on the project. They fucked out and apparently that has happened.

Help and guidance is all G/Judy or VNCI have claimed to offer.

However we draw the line, and they have crossed legal lines of false representation and undisclosed intent when they take a contract from NEC, do not allow us to review it, and forge someone's signature without their consent, in fact with his express adamation that they do NOT sign his name, in two telephone calls in front of witnesses and submit it as a legal binding document with the intent to obtain $90,000,000 in federal funds.

This is not the type of business typical with the NEC Corporate M.O.

It is our intention to pursue federal funding. It is also our intention to straighten out this mess.

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NECBNS CON 0546

NEC 003-001-0224

NEC ATD-000101

TAB 46

McNulty, Gerard

From: des [des@sfusd.com]
Sent: Wednesday, July 05, 2000 9:37 PM
To: Colvin, John
Subject: Fw: OFFICIAL NOTIFICATION

John,

George responded candidly to the first email, defending NEC's integrity and agreeing with the legal aspects of the "no contract" if we really didn't sign one....However he left the following areas unresolved, hence the need for this second email.

From George's responses, Judy has been informed/copied under cc: for all of these email communications.

---- Original Message ----
From: des [illegible]
To: "George Marchelos"@vnci.net
Cc: Tim Tronson
Sent: Monday, July 03, 2000 12:56 PM
Subject: Re: OFFICIAL NOTIFICATION

George thank you for your response. I understand your reponse. While the goal of everyone in every aspect is to be funded by the SLD, the process has been way more complicated than it should have been.

We should have received a copy 2.5 weeks ago when it was supposed to be sent with NEC's signature attached. We would have had an opportunity to review it.

Ther can be no argument on the matter of the district having the opportunity to read a document before it is sent as representative at any time.

You have mentioned several times that there is no valid contract until funding. We know that, at least as far as NEC & SFUSD is concerned. However, legal opinion here says that the nuances and verbage of the contract are binding to the SLD and the funder (Feds/SLD) can re determine funding releases based on an integrity comparison of the original contract and 486's submitted.

Everything the District does is open to public review, including any unreviewed documents submitted on its behalf. And that document was submitted before it arrived at the district.

You understand the position of Judy going around me to get permission for what we were in the middle of clearing up. This was rude and unprofessional.

Failure to submit for review the legal-ese on a document that was ready for review
2.5 weeks ago doesn't look right from any angle. The fact that the document was placed in a situation 2.5 weeks later where now there wasn't any time to review it, but had to be sent with the Districts proxied signature and not their review makes it look even worse.

Mundane redundancy is not an acceptable answer.

It is considered a legal and binding document by the SLD, binding the consideration of federal funds for deployment. Submitting to obtain federal funds requires its own measure of correctness. No matter how many times it has been done before and no matter how mundane the contract language.

Nobody wants this application killed, but neither do we want it killed later, after funding, for failure to submit according to due process where all three parties, the SLD, NEC and SFUSD were not in consensus, even if NEC and SFUSD are.

The bid process was won by, Sprig for the cabling, usmach fro the hardware, and NEC for the internal components and PacBell for the transport.

Each of these entities have legal claim against the district, based on the SLD's due process, despite NEC's

grandfathering them into one contract.

The SLD can review that process. It's funding is transparently based in part on the integrity of that process.

No contract with NEC is valid if it violates the process or the companies rights and claims against the District, on that successful bid. The District is liable to the results of the process. Grandfathering them all under one NEC contract, if funded will result in their deployment pro-rated against funding, or measures necessary to eliminate district liability will have to occur, up to and including petitioning of the SLD for a spin modification consistent with the integration of the original successful bidders.

I have made that clear on the phone before.

As far as Judy and the run around is concerned, I will discuss this with those in charge and see who the Point of Contact person will be in the future, and how they will be positioned to take care of business for the future.

Somebody, probably not me, will get back to you on that.

----- Original Message -----

From: dmcq [always@sfusd.com]
Sent: Thursday, July 06, 2000 12:29 AM
To: John.Colvin@bns.nec.com
Subject: Fw: OFFICIAL NOTIFICATION

TAB 47

First email to VNCI after discovering the contract was sent without District Review, with district signature possibly forged. While the character and integrity of NEC is questioned here, we realise where the true mechanations are coming from, however the practices going on here are not "best practices"that would be expected from a Billion dollar company like NEC.

Even Inter-Tel, aware of what was going on here said they only had one word for the way it was being handled by Judy. "Mafia."

—— Original Message ——
From: dmcq
To: George_Marchelos@vnci.net
Cc: Tim Tronson
Sent: Sunday, July 02, 2000 9:44 AM
Subject: OFFICIAL NOTIFICATION

George, to date I have not seen a copy of NEC's contract. It was supposed to have been emailed to me 2 and 1/2 weeks ago, and as we discussed the morning after the conference call the night before with Gerard McNulty, It was not faxed. (As you know, the SLD has requested a signed copy of it for about 3 weeks now.) Neither was it faxed to me Friday. Although you mentioned that it was supposed to have been sent twice that morning.

I can only wonder why. Perhaps the verbage is not something the District would be happy with? I am assuming that Judie is acting as NEC's agent on this as she has been compiling the necessary data and modifying the contract to better effect a response to the SLD's needs.

However, without a district signature it means nothing.

As it stands right now, NEC without our signature has a contract with no one.

There is something not right when a simple contract is compiled and reviewed by one party and not the other.

While none of this may amount to a hill of beans in the long run, it has set the stage, and given us a glimpse of character of NEC. Failure to produce a contract that we can review is a violation of the process. And Judy as their agent building that contract is also in direct violation of the process.

We are not prepared to put the District in a situation that is legally untennable.

We do not have the authority to do so.

Should any funding be applied to our 471 application, it will be so without a valid and binding contract between NEC and SFUSD.

Should NEC or its designates in any way attempt to act as agent for the SFUSD in any of the SLD process, and place the District in a legally untennable position, it will take the necessary steps ot void the anticipated as yet unfulfilled relationship.

You understand the need for this notification.

Please forward it to Gerard McNulty, for despite the position of NEC in this Erate process, other than a brief confirmation 2.5 weeks ago that he was sending a copy of the contract for review, we have not had any contact with him or his company since the bid opening, where their package was one one of the smaller ones out of three

others successfully competetively bid.

Desmond McQuoid

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NECBNS CON 05474

NEC ATD-003892

TAB 48

Womack, Laura

From: des [des@sfusd.com]
Sent: Friday, July 07, 2000 3:37 PM
To: Colvin, John
Subject: Re:

11.00 am is fine.

----- Original Message -----
From: Colvin, John <John.Colvin@bns.nec.com>
To: 'des' <des@sfusd.com>
Sent: Friday, July 07, 2000 11:36 AM
Subject: RE:

> Desmond,
>
> Thank you very much for the string of emails, having all this information
> makes me want to meet with you even more so. As you so well put it; it is
> not the M.O. of NEC to operate in a vacuum with anybody or any company. I
> look forward to straightening out some of the rough spots and put us all
> back on the right track.
>
> With regards to our Tuesday, July 11th meeting, my boss, Bill Holman, VP of
> Sales is planing to attend the meeting with Gerard and I. We thought it
> important that Bill be in attendance as I am leaving the next day on a two
> week holiday (no telephones) and will be out of touch the entire time. If
> something needs to be handled of a managerial nature, Bill will take care of
> it during my absence. If it is not too much of a difficulty, we would like
> to see if we can move the meeting up to 11:00 a.m.. If it does not work out
> then we will be at your facilities at 2:00 p.m..
>
> Regards,

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labor
> to the intended constituents?
>
> It is not possible.
>
> If no affiliation, authority or representation is claimed in the
> development, none can be claimed in the deployment.
>
> That being the case, what the hell is going on here?
>
> We know that Judy put together most if not all of the figures on the
initial
> NEC contract.
>
> Brian of the SLD has already stated that the problems and the M.O of
this
> application is identical to the format and problems of several other
> applications he has for review, except in some cases the names of the
> vendors are changed.
>
> I am expecting a call from him when he gets back in the office.
>
> I have a list of all of the districts Nationwide that VNCI has
participated
> with under similar infrastructures for this years funding.
>
> We are grateful for the light and direction provided us to get our
feet
> pointed in the right direction by George, in our District's quest to
secure
> the opportunity of Federal funds to further technology in our schools.
I
am
> sure he did it in the hope that VNCI might successfully competitively
bid
on
> the project. They lucked out and apparently that has happened.
>
> Help and guidance is all G/Judy or VNCI have claimed to offer.
>
> However we draw the line, and they have crossed legal lines of false
> representation and undisclosed intent when they take a contract from
NEC,
do
> not allow us to review it, and forge someone's signature without their
> consent, in fact with his express adamation that they do NOT sign his
name,
> in two telephone calls in front of witnesses and submit it as a legal
> binding document with the intent to obtain $90,000,000 in federal

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funds.
>
> This is not the type of business typical with the NEC Corporate M.O.
>
> It is our intention to pursue federal funding. It is also our
intention to
> straighten out this mess.
>
> The meeting on Tuesday will be to establish clear lines of direct
> communication between NEC and SFUSD and review after the fact, the
contract
> submitted without District signatures, and determine whether there is
enough
> in common to validate.
>

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INFORMATION

TAB 49

NEC

July 14, 2000

Mr. Desmond E. McQuoid
Assistant Director, Systems Security
S. F. Unified School District
834 Toland Street
San Francisco, CA 94124

Dear Mr. McQuoid,

Thank you for taking the time to meet with John, Gerard and myself on July 11, 2000. We are very pleased to have been selected by S. F. Unified School District for the internal connections and cabling portion of the voice and data campus infrastructure project. We share in your enthusiasm and optimism toward a successful conclusion with the SLD.

Please allow this letter to confirm our discussion with regards to NEC Business Network Solutions, Inc.'s (NEC BNS) points of contact and authorized representatives for all business transactions between our two organizations. Gerard McNulty is your assigned Account Executive and should be your primary point of contact. Gerard's direct supervisor is John Colvin, Director of Sales. John will support Gerard in all activities and is your second point of contact. I, of course, am available to you at any time as well. As we move forward with your project and as necessary Gerard, John and I will engage other NEC BNS personnel as needed in different departments. Should we need the assistance of NEC's Legal Division, Mr. Gerry Kenney, General Council, is our primary point of contact and will be happy to work directly with your legal and contracts departments. No other persons or entities are authorized to represent NEC BNS in any discussions or transactions with S. F. Unified School District, including any third party organizations which may be teaming or subcontracting with NEC BNS on this or any future projects.

I look forward to speaking with you again soon.

Best Regards,

William J. Holman

cc: Gerard McNulty
John Colvin
Gerry Kenney

NECBNS CON 03432

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INFORMATION

TAB 50

Vomack, Laura

:rom: dmcq [always@sfusd.com]

ient: Tuesday, July 25, 2000 3:11 PM

'o: Colvin, John

iubject: Sub Contractors

have tried to clarify with the SLD the role of sub contractors in our ongoing relationship with them. While their processing is tied to ıe spin numbers represented to them by the various public agencies, they have responded that the policies and guidelines pplying to all main contractors, apply also to all of the sub contractors, or any other entity their funding is distributed through.

/ith that in mind, I believe that in order to finalize a contract with Sprig and USM, perhaps a meeting should take place, where what ppears to be now only minor differences in contract language can be put to rest, and a contract issued to both that best meets the eeds of all, including the removal of any liability for the school district based on claims against it from the bidding process.

efore we finalize a contract with NEC and Inter-Tel, it is in our best interest that all the winning bidders have contracts with the ieneral Contractor and that the terms of those contracts are consistent with the funding mechanisms and intentions of the SLD in ıe deployment of payment for hardware and pre funded "486" items that require sign off.

y establishing ahead of time, the entire template of contractual deployment, regardless of the volume to be deployed, we position urselves after already, a two month delay, to quickly hit the ground running and be in compliance with SLD processes.

he differences between previous submitions can be cleared up, and when and if funding does occur, the roads that lead to Rome re already paved.

erhaps a meeting sometime this week to finalize this infrastructure would be in order?

/e anticipate, providing deployment goes smoothly, to keep this same infrastructure in place for our application for year four ınding aswell.

NECBNS CON 03975

:/:1/01

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INFORMATION

TAB 51

Womack, Laura

From: McNulty, Gerard
Sent: Tuesday, July 25, 2000 6:35 PM
To: Colvin, John; Holman, Bill
Subject: FW: SLD contact for SF

FYI, San Francisco.
Regards,
Gerard

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Tuesday, July 25, 2000 12:49 PM
To: McNulty, Gerard
Subject: Re: SLD contact

The SLD has two steps left to completion prior to listing this application
on a funding wave.

1.The line 25 review.
2.The QA review

The QA review will be an in depth review of the application by itself. Prior
to this, the application has been reviewed on a bin basis, where multiple
apps are reviewed by one person, 1 bin at a time.

The QA review is one application reviewed by several people in detail. It
goes to funding on the next wave after that review.

The QA review takes about a week to complete, if their are no glitches.

As best as I can determine, we are on the path to full funding, and the
reviews so far have been based on that.

Of course some obscure algorithym could always be introduced last minute to
pare down the funding, one never knows.

George and Judy have offered to fill out the item 25 review, and I will be
meeting with my administrators this afternoon to review that involvement.

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A lot of the item 25 review is tied to the 471 which they filled out
with
modifications, of which the modus operandi is unknown to us.Therefore I
forsee their playing a role in this as closure of this process.

However, we are looking for an honest accurate representation of our
resources, this review will be Public record at some point in time, and
we
are under the media microscope.

Brian, (Bentrawicz) did a job interview while on vacation and is now
working
for that company. John Piznak has taken over and I have resolved several
of
the issues with him already.

----- Original Message -----
From: McNulty, Gerard <Gerard.McNulty@bns.nec.com>
To: des <des@sfusd.com>
Cc: Colvin, John <John.Colvin@bns.nec.com>
Sent: Tuesday, July 25, 2000 12:21 PM
Subject: RE: SLD contact

> Thank you for the update. Is George Marchelos helping you with the
> information for the form 25 review? Please let me know if we can be
of
> assistance. When do you have to have the form 25 completed? Did the
SLD
> give you any indication how your application is progressing? Thanks
again
> and best regards.
>
> Gerard
>
>
>
> -----Original Message-----
> From: des [mailto:des@sfusd.com]
> Sent: Sunday, July 23, 2000 6:30 PM
> To: McNulty, Gerard
> Subject: Re: SLD contact
>
>
> I have been in contact with John Piznak and Koree Knight of the SLD as
we
> are now currently doing the line 25 review, separate and independent

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INFORMATION

of
the
> other information requested.
>
> ----- Original Message -----
> From: McNulty, Gerard <Gerard.McNulty@bns.nec.com>
> To: <Des@sfusd.com>
> Sent: Monday, July 17, 2000 3:24 PM
> Subject: SLD contact
>
>
> > Desmond,
> >
> > Thank you for your time last week. I enjoyed our meeting and felt
that
we
> > accomplished a great deal in terms of defining NEC's role within the
> overall
> > project and establishing a direct line with the district for on
going
> > communication. We appreciate your continued confidence in NEC and
look
> > forward to working with you on this important project.
> >
> > During our meeting you had also mentioned that you would be in touch
with
> > Brian Bentrewicz to check on the progress of your application. Have
you
> had
> > a chance to visit with him and what did you discover? Hopefully you
are
> > hearing encouraging news.
> >
> > Best Regards,
> > Gerard

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TAB 52

McNulty, Gerard

From: "Robert_Emery"@vnci.net
Sent: Thursday, July 27, 2000 3:33 PM
To: Des@SFUSD.COM
Cc: TIM@SFUSD.COM
Subject: Item 25 Response

Desmond,

In order to fulfill the requirements I forwarded earlier, below, I need the actual, district budget computer printouts by school and the summary page for the district. I know this is a lot of information and burdensome but it is the only way to satisfy the SLD. Fax it to me here, 603 334-6742, if you can by Friday noon. If not, have it ready Monday morning and I will do it in SF with you and Tim. In either case, please send the brief letter authorizing me to work on this to 603 334-6742.

The other material you e-mailed is valuable - thanks - but it is not sufficient to answer the SLD's questions satisfactorily. Per SLD's e-mail, SFUSD is a lot of money and they will want a comprehensive response.

Thanks,

Judy

P.S. Please respond to my e-mail as well as Bob Emery's. Mine is Judy_Green@vnci.net
---------- Forwarded by Robert Emery/VNCI on 07/27/2000 06:20 PM ----------

Robert Emery
07/27/2000 12:19 PM

To: Des@SFUSD.com, Tim@SFUSD.co
cc: George Marchelos/VNCI@OCOM, John.Colvin@bns.nec.com, gerard.mcnulty@bns.nec.com
Subject: Item 25 Response

Desmond,

In order to complete the Item 25 review, I will need the following today - by 3 pm your time.

The universities that are participating with the 46 schools within the application and how they are participating
Grants awarded to the 46 schools - how much and from whom
Budget: beginning and ending year summaries for each of 46 schools and SFUSD for 1999-2000
Projected budgets for each school and SFUSD 2000-2001
Summaries should include:
- IMA (instructional material)
- Bond expenditures
- Capital improvements
- Conference attendance
- Travel dollars
- Objective Code 6,000 series: other equipment with any computer purchases, etc.

I know this is a lot of information to forward but it is essential to respond authoritatively. If you cannot provide it by 3, you will have to ask the SLD for an extension until Thursday of next week.

You can reach me at (603) 334-6700 for the rest of the day. Information can be faxed to (603) 334-6742.

Thanks,

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NECBNS CON 05569

NEC 001-002-0517

NEC ATD-000062

Judy

Cheers,

Bob

Bob Emery
Chief Financial Officer
Vice President Administration
(603) 334-6741 (T)
(603) 334-6742 (F)
(603) 431-4748 Ext. 6741 (V)
Robert_Emery@vnci.net

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NECBNS CON 05570

NEC 001-002-0518

NEC ATD-000063

TAB 53

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Thursday, July 27, 2000 11:47 AM
To: McNulty, Gerard
Subject: Re: San Francisco form 25 review!

Hello Gerard,

Where are you? I have been in touch with SFUSD and forwarded to you and John the authortzation for extension, until Wed. Aug. 4, 2000. You are aware that the Item 25 requires a detailed statement regarding Strategy for Implementation, since NOT ALL sites are at same level of technology. This requires that I give a strategy for implementation. Since this is crossing over to NEC's domain, I will need a letter from NEC recognizing that I will be discussing implementation across the board. There will of course, as in the past, be NO specific dates given; however, just to avoid any complications I need to have that letter from NEC recognizing this fact.

The District has seven days to respond. Goodness Gerard, if G'd could make the entire Earth and Solar System, plus the animals and people in six days, we should be able to complete 45-50 pages in just about the same time.

Will you be around for some assistance and input?

Judy

TAB 54

/omack, Laura

>m: dmcq [always@sfusd.com]
:ent: Thursday, July 27, 2000 7:12 PM
:o: Robert_Emery@vnci.net
:c: judy_green@vnci.net; Tim Tronson; Kelly Nguyen; George_Marchelos@vnci.net; Colvin, John; Jason King
:ubject: copy of authorization to use information from contractors to assist the SFUSD in its item 25 review.
axed signature forth coming.

NECBNS CON 04014

/31/01

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San Francisco Unified School District
Facilities Development Management
Desmond E. McQuoid
Director, Systems Development
834 Toland Street,
S.F, CA 94124
(415) 317-7701 Phone
(415) 920-5052 Fax
des@sfusd.com

July 27, 2000

Robert Emery
Chief Financial Officer
VNCI
6227 Napoli Court
Long Beach, CA 90803
Robert_Emery@vnci.

Dear Mr Emery,

The San Francisco Unified School District (SFUSD) authorizes VNCI to assist it in the preparation and submittal of the Schools and Library Division's (SLD's) Item 25 Review.

Under the direction of the District, VNCI will be aggregating the information required to complete the Item 25 Review. We authorize VNCI to collect, collate and prioritize documentation from our intended contractors to facilitate the completion of the Item 25 Review.

However, under no circumstances will VNCI or any agent of VNCI submit any documentation to the Schools Library Division on behalf of the San Francisco Unified School District without the San Francisco Unified School District's review and written consent.

We look forward to working in co-counsel with VNCI in the preparation of the San Francisco Unified School District's Item 25 review.

Sincerely,

Desmond McQuoid
FDM, SFUSD

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INFORMATION

TAB 55

C:\My Documents\2000ERate\SF USD\item 25.doc

July 28, 2000

Ms. Judy Greene
Regional Manager
VNCI
6227 Napoli Court
Long Beach, CA 90803

RE: San Francisco Unified School District

Dear Judy,

Pursuant to your request, NEC BNS acknowledges the support role that VNCI is providing to San Francisco Unified School District (SFUSD) in the preparation and submittal of the Schools and Library Division's (SLD's) Item 25 Review. As VNCI will be aggregating the information required to complete the Item 25 Review, we authorize VNCI to provide documentation on behalf of NEC to facilitate in the completion of the Item 25 Review. However, under no circumstances will VNCI or an agent of VNCI submit any documentation on behalf of NEC without NEC's review and written consent.

As SFUSD has requested our support to complete the review process, Gerard McNulty will work closely with you and SFUSD to finalize the Item 25. As such, Gerard will attend the scheduled meeting between SFUSD and VNCI on Monday, July 31, 2000, Tuesday, August 1, 2000 and if required Wednesday, August 2, 2000 to support this effort.

We look forward to supporting the efforts of VNCI to complete SFUSD's Item 25 review.

Sincerely,

John F. Colvin
Director of Sales – Public Sector

Cc: Bob Emery - VNCI
Bill Holman – NEC
Gerard McNulty - NEC

NECBNS CON 04016

Created on 07/25/00 2:37 PM

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TAB 56

Womack, Laura

From: dmcq [always@sfusd.com]
Sent: Monday, July 31, 2000 12:20 PM
To: Colvin, John
Subject: Re: Item 25 review.

I have them.

----- Original Message -----
From: Colvin, John <John.Colvin@bns.nec.com>
To: 'dmcq' <always@sfusd.com>
Cc: McNulty, Gerard <Gerard.McNulty@bns.nec.com>
Sent: Monday, July 31, 2000 9:55 AM
Subject: Item 25 review.

> Desmond,
>
> I just spoke with Gerard McNulty, he has had trouble getting through email
> so he has asked that I send this off to you. Gerard and Judy Green will be
> at your offices around 2:30 p.m. this afternoon. They are requesting to
> have the following information at their disposal to complete the Item 25
> Review:
>
> * Beginning and ending budgets of each school on the 471
> Application
> * Object codes for each school (Accounts Payable should
> be able to provide).
>
> Thanks,
>
>
> John F. Colvin
> Director of Sales - Public Sector
> NEC BNS, Inc.
> Tel: 972-582-6118
> Fax: 972-582-6025
> email: jcolvin@bns.nec.com
>
>

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>

NECBNS CON 03969

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TAB 57

Womack, Laura

rom: McNulty, Gerard
t: Tuesday, August 01, 2000 11:55 AM
To: Colvin, John
Subject: RE: We have a problem

Manson and Desmond/Tronson do not talk and they do not want Manson involved in this project because he will try and derail it (Manson is the IT person that we spoke of the last time you and Bill were out). The problem is they do not have his information from his application so they do not know how to roll his numbers into the form 25. I'm certain we will be talking about this today when we meet with Tronson. Hopefully there is some way they can get a copy of his application without having to contact him.

-----Original Message-----
From: Colvin, John
Sent: Tuesday, August 01, 2000 9:49 AM
To: McNulty, Gerard
Subject: RE: We have a problem

What needs to be done.

-----Original Message-----
From: McNulty, Gerard
Sent: Tuesday, August 01, 2000 11:48 AM
To: Colvin, John
Subject: RE: We have a problem

This is a major problem.

-----Original Message-----
From: Colvin, John
Sent: Tuesday, August 01, 2000 9:15 AM
To: McNulty, Gerard
Subject: FW: We have a problem

FYI

JC

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Tuesday, August 01, 2000 11:05 AM
To: judy_green@vnci.net
Cc: Robert_Emery@vnci.net; George_Marchelos@vnci.net; Colvin, John
Subject: We have a problem

We have something to think about.

When I got off the phone with the SLD, the following is now a problem.

The SLD has inadvertantly combined our application with Mansons.

The item 25 review has to be done to include his figures aswell

There can be only 1 nine page review done for all of the applications combined.

The total figure of monies applied for is around 111,000,000 dollars when it includes Manson's applications.

All the SFUSD applications have the same BEN number.

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NECBNS CON 05592

NEC 007-008-1004

NEC ATD-000391

TAB 58

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Tuesday, August 08, 2000 12:04 PM
To: des
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net; Colvin, John; Ferguson, Chuck; McNulty, Gerard
Subject: SFUSD to SLD's Latest Questions

SFUSDTech Plan 1 upto Curricul... SFUSD Technology Plan Part II ...

Hello Desmond,

Here are the responses to Tom Schnipp's questions:

1. The reasons that the pages sent as part of attachment to Item 25 differ from the "Proposed, SFUSD 2000-2001 Budget on the SFUSD Web Site," are:
1. the PROPOSED budget on the web site was put onto the web site as long ago as May, 2000;
2. the Proposed budget changes almost daily, until final approval by Board in September.
3. the information we provided is the most accurate up-to-date information, considering that final dollars have NOT and will NOT be authorized until the end of August, when the final figures from the 1999-2000 budget are submitted to the Board and accepted. The 2000-2001 Budget will be in place for use, sometime arounf October 1, 2000. At that time any columns with "0" will be replaced by real dollars, thus the Board wil have real increase or decrease, reflected through that time. HOWEVER, since school district budgets and dollars fluctuate, almost daily the actual real dollar budget is not finalized until official audits, which usually take place every two years.
4. To summarize, the reason there is a difference between web site budget and budget sent to SLD, is due to the fact that it is a PROPOSED BUDGET
and is subject to change for at least 6 months to 12 months. The pages we sent, are the most accurate and up-to-date, as far as we know.

2. The attached is part of our technology plan, as requested. In item 2, please NOTE that the schools have additional funds, "Trust Funds" that they use for additional contracts and other goods and services, as they require under the E-Rate, if you total these trust fund dollars, that are NOT accounted for in the General Budget you will see substantial resources additional financial resources. Also, out technology plan is an ever evolving plan, living and changing and each school takes from the plan the over-all goals, network infrastructure etc. but they also must incorporate their own plans into the District OVER-ALL plans.
Our District has over 100 schools and more than 65,000 students. Please keep in mind that we are the thirs largest in the most populated State.

3. THERE is NO reduction in dollars, but util Board accepts the new budget, if any line item has a "0" we must, by State proceedures, offset so that the columns have "no carry-over" dollars, although we know that they actually exist. Many times, the District is reimbursed 12-18 months after expending funds, and this is the only way that we can account for the funds that are reimbursed. If you have further questions please contact the District CFO and of the State Budget Department. These are LOCAL and STATE budgeting practices and DO NOT FALL UNDER SLD authority.

4. Here is copy of technology plan in Word Perfect 8. Maybe one of the above people can convert without losing integrity to Word.(See attached file: SFUSDTech Plan 1 upto Curriculum.wpd)(See attached file: SFUSD Technology Plan Part II from Curriculum.wpd)

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NECBNS CON 05605

Regards,

NEC 001-002-0458

NEC ATD-000037

TAB 59

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Tuesday, August 08, 2000 12:25 PM
To: des
Cc: Robet_Emery@vnci.net; "George_Marchelos"@vnci.net; Colvin, John; McNulty, Gerard
Subject: Further Responses to Schnipps

Hello Desmond,

Forgot to add the following: Mr. Schnipps, please keep in mind that the budget dollars are "PROPOSED" because, we have already had one of the applications denied, for which this Item 25 was requested. The denial was based upon the fact that the discount rate was only 65%, and fell below the 81%. We have of course appealed this denial; however, in light of that denial, the /district, i.e. the Board would only have to pay about $18 million dollars and not the "proposed, projected $35 million" as per the Item 25. We, the District Administrative Staff and E-Rate Team, including the Superintendent and the CFO would look VERY BAD if they had asked the Board for $35 million, but only required $18 million.

Thus ALL figures and dollars at this point are PROPOSED!

In addition: The FCC rules clearly state that we have to have our completed technology plan certified by our State Agency at the time we are funded!! We will have that certification at that time. What I am sending you, has NOT yet been Board approved and is a "DRAFT" of the technology plan. I am only doing this at your request to expedite our applications, two of which HAVE ALREADY BEEN APPROVED!!!
I should NOT be sending you this Technology Plan but am doing so, becuase of the way in which it was requested.

Desmond, feel free to change the wording, but this Mr. Schnipps, does not deserve to get more.

Regards,

Judy

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NECBNS CON 05606

NEC 003-001-0321

NEC ATD-000113

TAB 60

Womack, Laura

From: "judy_green"@vnci.net
Sent: Tuesday, August 08, 2000 2:37 PM
To: Colvin, John; McNulty, Gerard
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: RE: SFUSD to SLD's Latest Questions

John,

Can you get someone to go over the Technology Plan, inlcude some of the diagrams that I sent to Gerard re: the servers; and the Data that we provided as part of the Q and R to Bentrewizc. Once you have the technology plan in Word, making certain that the tables etc. are intact and
the page numbering is correct, please send me copy of what you send Desmond.

Desmond will have to include or complete, what the District has done until
now; and some of the other blank areas, especially changing the vision and
goals statements to accurately reflect the District's as stated in their Budget Handbook. He'll have to include the partners they are already working with.

Gerard, did you return the small booklet to Kelly, at SFUSD? That Professional Development Hand Book contained ALL of SFUSD's partners.

Regards,

Judy

NECBNS CON 04020

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INFORMATION

TAB 61

From: "judy_green"@vnci.net
Sent: Wednesday, August 09, 2000 10:46 AM
To: Colvin, John
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: RE: SFUSD to SLD's Latest Questions

San Francisco Unified Data Des...

Server Network Diagram San Fra...

Server Network Diagram SFUSD.p...

Lotus Manuscript 1.0

John,

The SLD responses should have been sent back already!(See attached file: San Francisco Unified Data Design 2000.ppt)(See attached file: Server Network Diagram San Francisco.ppt)(See attached file: Server Network Diagram SFUSD.ppt)(See attached file: Justification for Switch Design and
Servers SFUSD SLD 2000.doc)Here are the diagrams and justifications. The
justifications are already included in the "Draft" Technology plan.

Regards,

Judy

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NECBNS CON 05641

NEC ATD-001537

TAB 62

McNulty, Gerard

From: McNulty, Gerard
Sent: Wednesday, August 09, 2000 2:43 PM
To: 'Judy_green@vnci.net'
Cc: Colvin, John
Subject: Desmond call today.

Judy,

I spoke with Desmond today and he was on his way to Kinko's to print out your technology plan for SFUSD. He had indicated that you had already changed the document to reflect SFUSD versus another district.

John will transfer the document to word and insert the network diagrams as you had requested and he will forward them to your and Desmond's attention.

Please let us know if that completes what the SLD is looking for at SFUSD. Apparently you had already briefed Desmond as to what to say regarding the budget issue and he has told Shipp from the SLD. I believe he plan's on following up with him in writing.

That is the latest that I know.

Regards,
Gerard

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NECBNS CON 05636

NEC 001-002-0409

NEC ATD-000010

TAB 63

McNulty, Gerard

From: McNulty, Gerard
Sent: Thursday, August 10, 2000 12:38 PM
To: "judy_green"@vnci.net"; McNulty, Gerard
Cc: Colvin, John; "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: RE: Desmond call today.

Judy,

Please get in touch with John in the Dallas office regarding your message. I know that John is converting the wordperfect file to word and plans on sending it to you in word format. If you do not have word you will not be able to add the budget information and keep it part of the one file. I'm sure that if you and John connect you guy's can resolve it.

Regards,
Gerard

—Original Message—
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Thursday, August 10, 2000 8:37 AM
To: McNulty, Gerard
Cc: Colvin, John; "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: Re: Desmond call today.

Hello Gerard,

The Tech. plan really needs to also say in very very large letters DRAFT. I'll need to see the tech.plan in Word before it goes out. I have to add the budget and other resources. With that, it should conclude what SLD wants to see.

Hope you're NOT too hot in Dallas.

Thanks,

Judy

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NECBNS CON 05655

NEC 001-002-0410

NEC ATD-000011

TAB 64

Womack, Laura

From: erate [erate@SFUSD.com]
Sent: Thursday, August 10, 2000 3:54 PM
To: Colvin, John

Preceeding are the three emails I have received with regards to where we are
at.

Please schedule a meeting next week across the table with your subs to finalize and neutralize the missing links of liability to the district based
on the SLD application process and their right to claims against us as successful bidders in the SLD mandated bidding process.

In a recent call from USM, they indicated they were ready and willing to meet across the table to finalize a contract.

The District position on this is that all contracts need to be established
before funding as per SLD guidelines for all successful bidders.

This process has been ongoing for several months already, and if it cannot
be resolved immediately, as it should have been months ago,it may not be resolved at all and any and all funding may become subject to SLD refusal
pending legal appeals against the district and the SLD by USMACH's legal team.

I do not want to get in the middle of this, but USMACH and Sprig does have
claim against us, and any interruption in the funding process can eliminate
or delay the possibility of federal funding.

Legal teams behind the support lines can move ahead or destroy a process. It
is always a matter of interpretation.

At some point the torch to get this done needs to be taken up by those whose
best interest is represented on the front lines of the anticipated funding.

I trust that NEC can negotiate the necessary agreements to eliminate all liability as a result of their grandfathering the district's successful bidders as subs.

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Jim, if this isn't resolved next week, we will hand it over to the City attorneys office (our legal branch), to make sure that the district is removed from any liability assosciated with this grandfathering contract.

That WILL DELAY funding and deployment. It will also focus the City microscope on the entire contract process and the process of funding aquisition. It will take months to resolve based on their schedule requirements.

I will not subject the district to any additional liability over processing
issues.

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INFORMATION

TAB 65

Womack, Laura

From: des [des@SFUSD.com]
Sent: Thursday, August 10, 2000 3:15 PM
To: Colvin, John
Subject: FW: SFUSD to SLD's Latest Questions

SFUSDTech Plan 1 upto Curricul... SFUSD Technology Plan Part II ... <<SFUSDTech Plan 1 upto Curriculum.wpd>> <<SFUSD Technology Plan Part II from Curriculum.wpd>>

-----Original Message-----
From: des
To: des
Cc: 'rjc@usmach.com'
Sent: 8/8/00 9:09 PM
Subject: FW: SFUSD to SLD's Latest Questions

<<SFUSDTech Plan 1 upto Curriculum.wpd>> <<SFUSD Technology Plan Part II from Curriculum.wpd>>

-----Original Message-----
From: "judy_green"@vnci.net
To: des
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net; Colvin, John; Ferguson, Chuck; McNulty, Gerard
Sent: 8/8/00 12:04 PM
Subject: SFUSD to SLD's Latest Questions

Hello Desmond,

Here are the responses to Tom Schnipp's questions:

1. The reasons that the pages sent as part of attachment to Item 25 differ from the "Proposed, SFUSD 2000-2001 Budget on the SFUSD Web Site," are:
   1. the PROPOSED budget on the web site was put onto the web site as long ago as May, 2000;
   2. the Proposed budget changes almost daily, until final approval by Board in September.
   3. the information we provided is the most accurate up-to-date

information, considering that final dollars have NOT and will NOT be authorized until the end of August, when the final figures from
the 1999-2000 budget are submitted to the Board and accepted. The 2000-2001 Budget will be in place for use, sometime arounf October
1, 2000. At that time any columns with "0" will be replaced by real dollars, thus the Board wil have real increase or decrease, reflected through that time. HOWEVER, since school district budgets and dollars fluctuate, almost daily the actual real dollar budget is not finalized until official audits, which usually take place every two years.

4. To summarize, the reason there is a difference between web site budget and budget sent to SLD, is due to the fact that it is a PROPOSED BUDGET
and is subject to change for at least 6 months to 12 months. The
pages we sent, are the most accurate and up-to-date, as far as we know.

2. The attached is part of our technology plan, as requested. In item 2,
please NOTE that the schools have additional funds, "Trust Funds" that they
use for additional contracts and other goods and services, as they require
under the E-Rate, if you total these trust fund dollars, that are NOT accounted for in the General Budget you will see substantial resources additional financial resources. Also, out technology plan is an ever evolving plan, living and changing and each school takes from the plan the
over-all goals, network infrastructure etc. but they also must incorporate
their own plans into the District OVER-ALL plans.
Our District has over 100 schools and more than 65,000 students. Please keep in mind that we are the thirs largest in the most populated State.

3. THERE is NO reduction in dollars, but util Board accepts the new budget, if any line item has a "0" we must, by State proceedures, offset so
that the columns have "no carry-over" dollars, although we know that they
actually exist. Many times, the District is reimbursed 12-18 months after
expending funds, and this is the only way that we can account for the funds
that are reimbursed. If you have further questions please contact the District CFO and of the State Budget Department. These are LOCAL and STATE
budgeting practices and DO NOT FALL UNDER SLD authority.

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NECBNS CON 05653

NEC 007-008-1905

NEC ATD-000446

4. Here is copy of technology plan in Word Perfect 8. Maybe one of the above people can convert without losing integrity to Word.(See attached file: SFUSDTech Plan 1 upto Curriculum.wpd)(See attached file: SFUSD Technology Plan Part II from Curriculum.wpd)

Regards,

Judy
<<SFUSDTech Plan 1 upto Curriculum.wpd>> <<SFUSD Technology Plan Part II from Curriculum.wpd>>

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NECBNS CON 05654

NEC 007-008-1906

NEC ATD-000447

TAB 66

McNulty, Gerard

From: Colvin, John
Sent: Friday, August 11, 2000 11:16 AM
To: McNulty, Gerard
Subject: FW: SFUSD to SLD's Latest Questions

Colvin, John.vcf SFUSDTech Plan 1 upto Curricul... SFUSD Technology Plan Part II ...

Here you go.

-----Original Message-----
From: Colvin, John
Sent: Thursday, August 10, 2000 5:24 PM
To: "judy_green"@vnci.net'; 'des@sfusd.com'; McNulty, Gerard
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: RE: SFUSD to SLD's Latest Questions

Lady & Gentlemen;

Per Judy's request, we have reformatted and cleaned up SFUSD's DRAFT (draft denoted on footer of each page and title page)Technology Plan. Additionally, we have inserted the system design drawings on the final pages to the Technology Plan (pages 69-71)

Please let me know if you have any questions or if we need to make modifications or revisions.

John F. Colvin
Director of Sales - Public Sector
NEC BNS, Inc.
Tel: 972-582-6118
Fax: 972-582-6025
email: jcolvin@bns.nec.com

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Wednesday, August 09, 2000 9:46 AM
To: Colvin, John
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: RE: SFUSD to SLD's Latest Questions

John,

The SLD responses should have been sent back already!(See attached file: San Francisco Unified Data Design 2000.ppt)(See attached file: Server Network Diagram San Francisco.ppt)(See attached file: Server Network Diagram SFUSD.ppt)(See attached file: Justification for Switch Design and Servers SFUSD SLD 2000.doc)Here are the diagrams and justifications. The justifications are already included in the "Draft" Technology plan.

Regards,

Judy

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NECBNS CON 05668

NEC 003-001-0320

NEC ATD-000112

TAB 67

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Tuesday, August 15, 2000 7:44 AM
To: McNulty, Gerard
Subject: Re: Fw: Tech Plan

---------- Forwarded by Judy Green/VNCI on 08/15/2000 10:43 AM

Judy Green
08/15/2000 10:06 AM

To: "des" <des@sfusd.com>
cc: Robert Emery/VNCI
Subject: Re: Fw: Tech Plan (Document link not converted)

Desmond,

Please send Tom an e-mail, stating that he will have the Draft version of the tech. plan, which is not a requirement for certification, until 486, but we are cooperating and you should have the draft version as soon as CFO of SFUSD and four other divisions working on their parts gets it back.

This should reassure him that it is forthcoming, and you really need to emphasize to him that it is NOT really due until after SLD aproval and certification on 486. You can also ask Tom what exact portions he is looking for, that might expedite his request and your ability to respond.

Regards,

Judy

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NECBNS CON 05671

NEC 003-001-0230

NEC ATD-000103

TAB 68

McNulty, Gerard

From: McNulty, Gerard
Sent: Tuesday, August 15, 2000 10:24 AM
To: Colvin, John
Subject: FW: Tech Plan Draft..

John,

This is what Judy and I discussed last night.

GM

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Tuesday, August 15, 2000 7:09 AM
To: McNulty, Gerard
Subject: Re: Tech Plan Draft..

Here is e-mail we spoke about last night.

Judy
---------- Forwarded by Judy Green/VNCI on 08/15/2000 10:07 AM ----------

George Marchelos
08/14/2000 11:58 AM

To: Robert Emery/VNCI@OCOM, Judy Green/VNCI@OCOM
cc:
Subject: Re: Tech Plan Draft..

From SFUSD. PLEASE READ..

George
---------- Forwarded by George Marchelos/VNCI on 08/14/2000 11:57 AM ----------

"des" <des@sfusd.com> on 08/14/2000 02:23:30 PM

To: George Marchelos/VNCI
cc: "Tim Tronson" <tim@sfusd.com>
Subject: Re: Tech Plan Draft..

Remember George, that while the plan submitted will reference an anticipated
technology plan for the district, it will be subject to integration by Manson and his crowd down at IT.

Manson is the certifying officer for the County and State, and he has his own plan. So finalization of a technology plan will be a hybrid of what is and isn't currently available for SLD review.

To maximize inclusive buy in by the district on the existing plan, we are now mobilizing the necessary support infrastructures to validate much of

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NECBNS CON 05678

NEC 001-002-0411

NEC ATD-000012

this document, which has represented changes that have not yet occurred internally throughout this district in an organized fashion.

I and a district team I have put together continue to read through the plan with a critical eye to make sure that none of the interests of any of the participating parties are eliminated through representation of services that
are not covered by SLD funding.

Wednesday will be too late.

Our Delay while unavoidable, has been over a week, since the SLD's original request. This application is supposed to go out in funding wave 18, which has been on hold for two weeks.

The SLD reserves the right to fund or not fund against the application based on what they have received already, if we do not respond immediately.

Anything else we can appeal. Their words, not mine.

Manson has already geared up and is building a plan that is independent of what we intend to submit, one that includes the original plan certified in 1993.

It is a time of transition where there is no time left outside of what has already been given. We knew the game before we joined. The rules haven't changed just because we are here.

----- Original Message -----
From: <"George_Marchelos"@vnci.net>
To: des <des@sfusd.com>
Sent: Monday, August 14, 2000 7:46 AM
Subject: Re: Tech Plan Draft..

> Des,
>
> Tell the SLD that they will have it shortly and that the first "draft"
> didn't have all of the information the SLD requested, so you sent them back
> to the drawing board and you hope to have it completed by Wednesday.
>
> George
>

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NECBNS CON 05679

NEC 001-002-0412

NEC ATD-000013

TAB 69

McNulty, Gerard

From: McNulty, Gerard
Sent: Tuesday, August 15, 2000 10:29 AM
To: Colvin, John
Subject: FW: SFUSD complete?

John,

This is the issue regarding westEd.

Gerard

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Monday, August 14, 2000 3:55 PM
To: McNulty, Gerard
Cc: "Robert_Emery"@vnci.net; "George_Marchelos"@vnci.net
Subject: Re: SFUSD complete?

Hello Gerard,

Are you home? You survived the HEAT!!!

I am sending the final pages to Emery for Budget for Tech. Plan for SFUSD. I hope Desmond has NOT sent in anything, because we have to talk to WEST Ed. before he does that. The Northwest RTEC will certify the Tech Plan, because NO MATTER what, NO ONE can write and then certify their own plan. This is the case with SFUSD also being the County office.

Did you give Kelly back that small booklet? It has the West Ed. Contact and I need to have it, Or nothing will be resolved. The SLD relies on Regional Labs and RTECs for education related items such as the tech plan. Since we have named West Ed. as a resource in Item 25, we have to cover and make certain that they, West Ed. tells the SLD the same thing we wrote. Of course they will, but West Ed. is large and since they will be hired by SFUSD to evaluate the tech. program, they, West Ed. have a vested interest in making certain that SFUSD gets funded.

I'll try and reach tonight to explain, or early in the a.m. tomorrow.

Regards,

Judy

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NECBNS CON 05681

NEC 001-002-0414

TAB 70

Womack, Laura

From: des [des@sfusd.com]
Sent: Tuesday, August 15, 2000 11:48 AM
To: judy_green@vnci.net; George_Marchelos@vnci.net; McNulty, Gerard; Colvin, John
Subject: Fw: Tech Plan

Message from SLD in writing. He finally put in writing what they have
been
pushing us about on the phone.

----- Original Message -----
From: Thomas Schnipp <tschnip@sl.universalservice.org>
To: <des@sfusd.com>
Sent: Tuesday, August 15, 2000 6:51 AM
Subject: Tech Plan

Dear Desmond-

I have not received a technology plan for San Fransisco Unified School District. The purpose of this e mail is to re-iterate that we need this document as soon as possible and to request the information within seven days. The information requested is required within seven days (not
later
than the close of business on August 22, 2000) so that we may continue
our
review. Failure to respond with the requested information within seven
days
might place your applications at risk of rejection.

Please feel free to contact me if you have questions.

Sincerely,

Tom Schnipp
Schools and Libraries Division, USAC
ph: (973) 581-6712
fax: (973) 581-6759
e mail: tschnip@sl.universalservice.org

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NECBNS CON 05677

NEC 007-008-1121

NEC ATD-000409

TAB 71

McNulty, Gerard

From: McNulty, Gerard
Sent: Thursday, August 17, 2000 11:52 AM
To: "judy_green"@vnci.net'
Subject: RE: Additional information

The only concern I have is that he is asking for all fm's for the district. Does Desmond have Manson's information and does Schnipp expect that information as well.

Regards,
Gerard

—Original Message—
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Thursday, August 17, 2000 7:26 AM
To: McNulty, Gerard
Subject: FW: Additional information

———————— Forwarded by Judy Green/VNCI on 08/17/2000 10:25 AM
————————

des <des@SFUSD.com> on 08/16/2000 05:19:15 PM

To: Judy Green/VNCI
cc: George Marchelos/VNCI
Subject: FW: Additional information

—Original Message—
From: Thomas Schnipp
To: always@sfusd.com; des@sfusd.com
Cc: mwerner@sl.universalservice.org
Sent: 8/16/00 11:22 AM
Subject: Additional information

Re: Item 25 certification review
BEN: 144152

Time Sensitive - 7-Day Response Required

It is important that we receive all of the information requested below within 7 calendar days of the date of this memorandum so that we can continue our review of your Universal Service request. If we do not receive the requested information within this time frame, your application (s) will be at risk of rejection.

Date of request: 8/16/00
Date requested information due: 8/23/00

Dear Mr. McQuoid,

Thank you for the Technology Plan that you provided in a timely manner. I have several follow up questions/requests. Please respond to the

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NECBNS CON 05724

NEC 001-002-0421

NEC ATD-000022

following for all FRNs on all year 3 (July 1, 2000 - June 30, 2001) Form 471s:

For the services contained on each FRN:
1) How many bids did you receive? Please provide the names of all bidders.
2) What was the evaluation process to rank the bids? Please provide written documentation of the evaluation process.
3) Please supply the ranking sheets or evaluation measurements on all bidders.

Information may be faxed, mailed or e mailed as long as it is received within the 7 day time frame. Contact information is below. I look forward to receiving this information. Please call me if you have questions. Thank you.

Sincerely,

Tom Schnipp
voice: (973) 581-6712
fax: (973) 581-6759
e mail: tschnip@sl.universalservice.org
Schools and Libraries Division, USAC
Attn: Tom Schnipp
80 South Jefferson Road
Whippany, NJ 07981

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NECBNS CON 05725

NEC 001-002-0422

NEC ATD-000023

TAB 72

Womack, Laura

From: McNulty, Gerard
Sent: Friday, August 18, 2000 12:26 PM
To: Colvin, John
Subject: FW: SFUSD ANSWERS TO SLD

Keeping you in the loop.

-----Original Message-----
From: McNulty, Gerard
Sent: Thursday, August 17, 2000 12:18 PM
To: "'judy_green"@vnci.net'
Subject: RE: SFUSD ANSWERS TO SLD

Judy,

Please remove my name from the NEC reference. I do not believe a rep should be mentioned when referring to a company. Also there is no reference as to why some of the vendor's were not compliant and other were. Is not having a bid bond enough detail?

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Thursday, August 17, 2000 8:59 AM
To: McNulty, Gerard
Subject: SFUSD ANSWERS TO SLD

---------- Forwarded by Judy Green/VNCI on 08/17/2000 11:58 AM

Judy Green
08/16/2000 07:24 PM

To: George Marchelos/VNCI
cc:
Subject: SFUSD ANSWERS TO SLD

(See attached file: BID SUMMARIES AND ANALYSIS.xls)

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INFORMATION

TAB 73

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Thursday, August 17, 2000 8:56 AM
To: McNulty, Gerard
Subject: RE: Additional information

Hello Gerard,

I noticed that also, I told George to cover that. They did not need to go out to bid for Manson's stuff because it falls under tarif services.

Gerard, were you able to find out from Dallas and Government Contracting about a requirement for the number of bids, on a competitive bid? We'll need to information on State of Arkansas, South Carolina and Wisconsin. If we could get a legal cite for the parts it would be the best.

I'm forwarding to you my response to SLD for SFUSD that Desmond is working on currently.

Regards,
Judy

TAB 74

From: McNulty, Gerard
Sent: Friday, August 18, 2000 1:25 PM
To: Colvin, John
Subject: FW: SLD LATEST RESPONSES TO Mr. Schnipp

Keeping you in the loop.

-----Original Message-----
From: McNulty, Gerard
Sent: Thursday, August 17, 2000 12:24 PM
To: '"judy_green"@vnci.net'
Subject: RE: SLD LATEST RESPONSES TO Mr. Schnipp

This looks provocative and might have the opposite desired affect on Schnipp. Lets take a minute and focus on SFUSD and be careful how much LA is in the body of our letter. They will begin to focus on our knowledge of their bid and how it could possibly tie into SFUSD. I believe its ok to talk to these issues in a telephone conversation but when you mention them in print it might backfire. Just some thoughts

-----Original Message-----
From: "judy_green"@vnci.net [mailto:"judy_green"@vnci.net]
Sent: Thursday, August 17, 2000 8:58 AM
To: McNulty, Gerard
Subject: SLD LATEST RESPONSES TO Mr. Schnipp

---------- Forwarded by Judy Green/VNCI on 08/17/2000 11:56 AM

Judy Green
08/16/2000 05:15 PM

To: George Marchelos/VNCI
cc: "des" <des@sfusd.com>, Robert Emery/VNCI
Subject: SLD LATEST RESPONSES TO Mr. Schnipp

Hello George and Desmond,

Here is what needs to go back in response:

1. The SFUSD followed both the SLD/FCC Federal Bidding guidelines, as well
as, the local State of California required local bidding codes and laws. In the State of California, as per local law, there is NO requirement to have more than one bid response. If that response meets the needs of the
local governing entity, it does NOT have to have more than a single bid. If however there are NO bid responses, and the entity still requires to make the purchase, then the entity MUST go out for a "re-bid." Re-bid is
at the discretion of the local entity, unless NO legal bid responses are received, and/or the governing entity determines that it is in the best interest of said entity to do a re-bid, and/or if the entity determines that some irregularity had occurred during the bid process, neccessitating

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NEC ATD-001144

another or "re-bid." (pursuant to California Education Code Sections 39645
and 39802)

2. The SFUSD in compliance with Federal and State regulations, and pursuant to California Education Codes Sections 39645 and 39802 re: Award
of Contract- If an award is made on a Bid, the contract will be awarded according to the auhtority granted the Board of Education of the San Francisco Unified School District under California Law. Ordinarily, Contracts are awarded to the lowest most responsible bidder. However, the
statutes referenced above, authoriz award for certain Contracts to other than the lowest responsible bidder, at the discretion of the Board of Education. The awards for E-Rate contracts were designed to be awarded to
the lowest, most highly qualified bidder on specific items or parts. This
intention was clearly delineated as part of the Bid documents, and bidders
were cautioned to pay specific attention to all terms and conditions in the
Bid documents pertaining to such awards.

*3. The SFUSD complied with ALL local and federal regulations, issuing a
multi-year comprehensive RFP, open to ALL vendors fulfilling the requirements mandated by local regulations. We know for a FACT that the LAUSD did NOT issue an RFP in any manner, and although the District has 604
schools/sites it applied for funds for more than 700 sites. The funding for LAUSD was approved for $200 MILLION. We respectfully request a copy of
the "bid" documentation provided to the SLD (public domain) by the LAUSD.
SFUSD, students should NOT be deprived because LAUSD took the SFUSD's funds, through ....? * number 3 is optional, but keep in mind, LAUSD got their funds by NOT following the rules. Also, there is NO way that anyone
can cable five-hard-wired fiber drops into each of the district's 30,000 classrooms, NOR does the District or schools have the equipment to plug in,
nor will the teachers be ready to use the drops and equipment by June 30,
2001.

RESPONSES DIRECTLY TO Mr. Schnipp's questions:

1. The bid was extensive and comprehensive for five-year annually renewed
contracts. The bid had four sections requiring responses: Section A data
and voice cabling for infrastructure with conduit, trenching, fiber, category 5 and category 5e/6 wiring into a total of 64 schools and approximately 2,900 classrooms. The contract response was to be for bringing the main backbone upto the classroom. The second thru fifth years
the cabling to complete those schools and rooms NOT requested for year 1,
and to begin hard-wire category 5e/6 drops within the classrooms. Years 3-5 internal classroom copper drops, for student workstations.
Section B Part Iof the bid covered the PBX, data switches, routers and telecommunications/file/data/ and Internet Servers. Equipment purchases,

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with manufacturer's warranties(depot), installation freight and integration
were included as part of section b.
Section B Part II labor only, minimum, service/repair contracts for the equipment requested.

Section C involved bid for telephone, T-1 digital, analog and fiber sevice,
both point-to-point for wide area intra-District connectivity, and public
access. Also, a Tier 1 Internet Service Provider. The labor only service/repair for Section C was included as part of Section B.

Attached is the list of bidder's who attended thus qualified to bid, as attendance was mandatory, at pre-bidder's conference.

We received bids:
Section A from NEC, Pac Bell and Sprig Electric. Both Pac Bell and Sprig
bids were accepted and read aloud at formal opening, even though neither of
the two was considered "responsive", since they failed to meet the bid requirements. NEC, however, met ALL of the bid requirements and was the lowest, most responsible bidder.

Section B: from NEC, Pac Bell, InterTel and US Machines(servers only). NEC
was the lowest most responsible bidder for the data switches, ATM and Ethernet, Routers, Workgroup Switches, Servers and Labor Maintenance contract of section B. InterTel was the lowest on the PBX portion of section B thus was awarded the PBX portion and NEC was awarded the other portions/items within Section B along with the maintenance contract for the PBX.

Section C: from Pac Bell only, their section of the 471 application is currently under appeal.* Please see number 1 above*

2. The evaluation process was clearly spelled out within the RFP documents, as per #2 in the above, and the SFUSD determined by lowest bid
pricing submitted and qualifications that NEC, and InterTel be awarded their respective items under Section B.

3. Attached are the bidder sign-in sheets for pre-bidder, mandatory, conference; bidder sign-in for public bid opening; summary of the results
for the Board of Education (as required by law) on the submitted bids with
recommendations and validations for their action on the awarding of the multi-year contracts.

Again, we are extremely anxious to provide any and all documentation required and requested; however, we are a large School District and we need
to begin implementation. We also are aware that these requests are part of
the on-going Integrity review process and appreciate that documentation be
provided. However, we are also aware that far greater/larger funds have been approved for LAUSD, despite the fact that LAUSD (according to their 470's and State documentation) were NOT required to provide this type of information. If they were required to provide similar information, and actually provided such documentation we, respectfully request (since ALL bids and results are public domain) a copy of their BID documents and/or

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NEC ATD-001146

documentation. It is a fact, that contracts were awarded by LAUSD for "phantom schools", wiring to nowhere, ALL without competitive bidding or formal RFP.

Again please feel free to contact me if you require further information. Will the requests ever stop?

(See attached file: BID SUMMARIES AND ANALYSIS.xls)(See attached file: Bid
Review and Board Presentation of Information General.xls)

Please try to put everything into the return e-mail that I have written. I
know we really do not want to be whistle blowers, but...

Also, when the SLD went from the FCC Form 42, review into the Item 25, they
forgot the cover sheet of the old form. On that cover sheet any funding request over $3 million had to provide this same information, that is currently being requested. It was a form, and easier to handle ALL of the
things at once. The SLD will learn.

Regards,

Judy

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NEC ATD-001147

McNulty, Gerard

From: erate [erate@sfusd.com]
Sent: Sunday, August 20, 2000 6:29 PM
To: Colvin, John; George_Marchelos@vnci.net; McNulty, Gerard; Robert_Emery@vnci.net
Subject: Item 25 Review

Gentleman, we are at the closing end of the item 25 review.

A little while ago, the district was placed in a position where it could not sign or review a document requested under the SLD review process. This was the district's supposed contract with NEC.

The verbiage in this document positioned NEC to dispatch or dismiss its subcontractors at will, including the subcontractors that have legal claim upon the district through their winning of the SLD bidding process.

We are at another juncture of this process, where the integrity of this grandfathering of the original bidders is once again at stake.

A contract must be signed with the winning contractors/sub contractors as is consistent with correct SLD application processing requirements, that indemnifies the district from any legal suit or liability by these same successful winning bidders.

Under SLD guidelines a contract should have been in place with all entities that have legal claim to involvement in this application process on January 14, 2000.

That was seven months ago.

I have been told for three months now, that removing liability from the district by NEC signing a contract with the successful bidders in its SLD application process would be no problem.

If this cannot be done immediately, there will be no contract with NEC.

I met with district administration most of last Friday afternoon and this was made very clear.

The early positioning by NEC in the earlier contract combined with virtually little or no movement for closure with those who have legal claim against the district clearly points to an agenda of non-compliance.

There is no one in the district, willing to commit political suicide by endorsing a relationship that will end in lawsuits, which in turn will end both politically and legally any claim the district has on Erate funding for the future.

The item 25 review is currently being held up by this lack of attention to legally compelling detail.

I must confess, I am baffled at this lack of progress. Blaming semantic issues only muddies the water.

It has to be personal. The M.O way is too irrational.

No legitimate corporate approach to the appropriation of 90 million dollars in honest business for education, would drag out the indemnification requirements, protecting its client from legal liability.

Legal liability that was created by NEC's grand fathering of the district's "successfully bid SLD contractors" in the first place.

No major corporation would want legal documentation submitted in the appropriation of those monies that was false or misrepresented true legal claim on the process.

If you want to guarantee failure of this Erate application, continue doing business as usual. Do nothing.

I will be meeting with George tommorrow. No documentation will be submitted to the SLD with the false representation of corpororate entities in any part of the process.

If it is the intention of NEC and VNCI to continue in this application process, finalize the requirements necessary to place the district in a position where it is not legally liable in this environment of your own creation.

Deliver on your corporate word.

I call the SLD every single day now, sometimes with mundane questions, as a matter of course.

Since the last submitted documentation, the SLD has been informed that I am the single "Point of Contact" for any future submittal of documents, review or otherwise.

No documentation will be accepted at the SLD *with out a verbal review by me* immediately following submission. It is an arrangement established with them to ensure integrity in providing them accurate coverage of all their requests.

It also *eliminates the possibility* of any future documentation being submitted without the districts prior review and approval.

TAB 76

McNulty, Gerard

From: "judy_green"@vnci.net
Sent: Tuesday, August 29, 2000 5:25 PM
To: McNulty, Gerard
Subject: Re: Can we get this done?

---------- Forwarded by Judy Green/VNCI on 08/29/2000 08:24 PM ----------

Judy Green
08/29/2000 12:05 PM

To: George Marchelos/VNCI
cc: Robert Emery/VNCI
Subject: Re: Can we get this done? (Document link not converted)

George,

On this and the summary, Tim will have to set up a meeting for me with himself, and the Curriculum and IT people, they (SFUSD) need to know and be comfortable that the curriculum and content came from the instruction side and not the facility(maintenance) side, otherwise everything within the plan as the Superintendent and other instruction people look at it , will be discarded.

I am available Tuesday, the fifth, 5 of September only. I leave for corporate on Wednesday and will not be back for almost a month.

Let me know ASAP.

Regards,

Judy

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NEC 001-002-0486

NEC ATD-000050

TAB 77

From: "judy_green"@vnci.net
Sent: Monday, September 18, 2000 6:24 PM
To: Colvin, John
Cc: "Robert_Emery"@vnci.net; "Carl _Muscari"@vnci.net; McNulty, Gerard
Subject: RE:

John,
Please just relax. The best thing anyone could do, would be to tell Desmond to stop calling the SLD. It is NOT the thing to be doing. HE is
really pushing it, unless maybe he doesn't want the funding. This is the
perfect way to annoy them enough that they deny it. Remember they, SLD, can do anything they want.

I know how things are moving over there, from a much more reliable insider.
Wave 22 will be next week, unless more people quit on the SLD. Wave 21 ws
never held up, it wasn't posted until today.

I have a call with Mike Duncan in the A.M. regarding some issues with his
Board. I was expecting this and quite frankly had warned him about it.
I'll let you know the results. I am trying to delay a lengthy meeting with
their Board until the next Board meeting in October to give NEC plenty of
time to get everything worked out, schedule wise etc. Monday, the 25th is
too soon, unless you've got it all together already. At the Board meeting
we need to introduce the NEC project manager etc. I really don't think
we're ready for that for this Monday. I'll let you know. What ever is
said or given to the Board has to be final, and please correct me if I'm
wrong, but I don't think you're going to have everything ready with no
changes at all by Monday. If you do, great, but I'm being a realist. I
will have something interum that provides no commitments of any kind, just
an explanation of what they can expect a classroom to look like when it's
all finished.

The information I have tells me that certain Board members have other
motives, for wanting ALL the explicit details and schedules with NO
changes. Gove me a call if you want tomorow after 10 a.m. my time.

Regards,

Judy

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NEC ATD-000779

TAB 78

From: "judy_green"@vnci.net
Sent: Wednesday, September 27, 2000 8:05 AM
To: Colvin, John
Cc: McNulty, Gerard; "Robert_Emery"@vnci.net; "Carl _Muscari"@vnci.net; "George_Marchelos"@vnci.net
Subject: Jasper

Hello John,

I received a copy of the revised MOU for Jasper, very well written. Please don't think that this interferes, or is set to interfere in any way with NEC's total control of the implementation and the project. Just some thoughts that may help with the process. Please keep in mind that the following are mere suggestions that will make the process flow smoother, take them, don't take them it's entirely up to you. I just wanted to make certain, since this is your first one of these, that everything was clear and above board and easily understood. If you don't mind and don't take offense there are a couple of small corrections that need your attention:

The SLD because of the one-time charges for installation of the T-1's, Internet T-1's, Internet equipment i.e. e-mail server, web server, domain set up and modem racks etc. Chose to change the funding category from Telecommunications and Internet into internal connections. This of course depends upon who is reviewing the application as you have probably surmised by now.

FRN 451297 is for telecommunications for the point-to-point T1 lines leased from Telco, not network connection. Normally this is part of local and long distance.
FRN 451301 is for Internet ISP, set up and access charges with dial-up for remote users, using the T-1 lines 3 of them as 800 numbers.

FRN 451329 is NOT for anything related to NEC. It is for the District's existing and past annual local and long distance telephone service, with Sprint. We did make the same changes in Jasper as we did in Lee (that were NOT funded) .

Also, NO application was made for PVBX, only PBX. It was changed in the Bid documents, through an addendum. I know what you are saying, but please change it, for everyone's protection.

Finally, the Board needs to see a document with some details, but not anything that looks like this MOU.

It is my feeling that if these corrections are made it will resolve a

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NEC ATD-000946

great
deal of concern, as they have caused unneccessary confusion and concern.

If not too disturbing could the following also be tweaked, slightly changed?

1. would it be possible to change the additional server description to hard
drives. The servers themselves are NOT bonus items, but the hard-drives are bonus items.

2. the teacher's work station and desk, need to be added into the bonus package this will mean adjusting dollars, since the teacher's multimedia stations were in addition to the student work stations. In other words there are approximately 200 teacher stations and an additional number upto
400 student stations, with different configuration from the teacher's PC workstation. In all there it is actually 600 PC's that you are providing,
if the dollars allow. You could modify one of the other bonuses, and/or reduce one of them, or use some of the point-to-point T-1 or telephone charges to augment these dollars, to maintain your profit line. Again these are just suggestions to make the process flow smoother.

3. Could you put the approximately 200 teacher's work stations and desks,
under the PBX bonus package, the appearance of suc high dollars on telephone hand sets is extremely disturbing, to people who are not in the
business.

4. Did you put the security into this somewhere? Sorry I couldn't see it
through one eye, since I got the fax, before 6:00 a.m. this morning.

Judy

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NEC ATD-000947

TAB 79

From: "Robert_Emery"@vnci.net
Sent: Wednesday, September 27, 2000 12:58 PM
To: qlawson@nabse.org
Cc: dparker2@us.ibm.com; John.Colvin@bns.nec.com
Subject: Moving Ahead

Quentin,

As discussed yesterday, I had fairly lengthy discussions yesterday with both IBM (Don Parker) and NEC (John Colvin and Gerard McNulty) on 1) how we will move forward with current NABSE customers, 2) how we will try and bring additional NABSE members the benefits of participation in the e-rate this coming year, and 3) how we would like to participate in the NABSE show in Philadelphia.

NABSE membership information with any demographic data is essential if we are to properly identify those schools with the greatest need. While NEC and IBM are large, they still have some constraints. While we would like to see everyone of your members benefit from e-rate, we will maximize our ability to contribute to your members by identifying those with the best chance for success. Collectively we will identify as large a group of candidates as we can effectively pursue. If some choose not to participate in the program we will add new candidates to the list - always with a weather eye towards achieving success with the greatest possible number of schools that we can effectively support through the application process and the fulfillment activities after awards are made.

You mentioned that you had a membership book and that it became dated quickly. While the personalities at the top may change frequently, the demographic details of the districts and schools should be fairly constant. We would like to construct selection criteria and make initial choices and contacts within the next two weeks. Can you provide membership information to me, John and Don. We would also appreciate your advice on any other sources of information that might assist us in this early selection of candidates.

On the matter of the NABSE show in Philadelphia: we all appreciate the necessity to move quickly. Don, John and I will be scheduling a conference call next week. If you can participate for a short time it would prove most beneficial. If you can let me know when you might be available (e.g., Monday am., Tuesday pm. etc. I will set it up and let you know the details.

Cheers,

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NEC ATD-001257

Bob

Bob Emery
Chief Financial Officer
Vice President Administration
(603) 334-6741 (T)
(603) 334-6742 (F)
(603) 431-4748 Ext. 6741 (V)
Robert_Emery@vnci.net

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NEC ATD-001258

TAB 80

From: "Robert_Emery"@vnci.net
Sent: Thursday, September 28, 2000 2:47 PM
To: John.Colvin@bns.nec.com
Subject: Teamwork

John,

I understand from SFUSD that you had a meeting with them yesterday to discuss Year 3 fulfillment. As you are all too well aware, the politics and bureacracy at San Francisco can conspire to undo what we have worked so hard to achieve. George and Judy have played a key role there since the outset and have quite unique insight into the externalities that might affect the e-rate project per se. Their opinions are certainly worth listening to.

San Francisco is certainly the largest and potentially the most prestigeous project in our portfolio to date. I understand that we cannot and should not keep one another advised of each and every development in our joint undertakings. Early stage meetings with our largest customer, meetings that could determine the direction and extent our the entire project, merit preparation and joint discussions if our team is to acheive maximum results.

Can you let me know the outcome of yesterday's discussions?

Other notes:

Inter-Tel and VNCI have a meeting with SF tomorrow called by Desmond.

Ceria Travis has been awarded. The woman who called George was over the moon. Looks like the reductions similar to others. We now assume Ecourse has been/will be awarded.

Cheers,

Bob

Bob Emery
Chief Financial Officer
Vice President Administration
(603) 334-6741 (T)
(603) 334-6742 (F)
(603) 431-4748 Ext. 6741 (V)
Robert_Emery@vnci.net

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NEC ATD-001133

TAB 81

McNulty, Gerard

From: McNulty, Gerard
Sent: Monday, October 02, 2000 3:10 PM
To: Colvin, John
Subject: SFUSD

John,

I'm striking out on the sprig information. I believe when Judy and I were together working on the sld narrative response that it got mixed into her paperwork and I do not have another copy. However as Judy mentioned not all schools were identified on Sprigs list however a great many were. I do not think it would be out of line to get this info from Desmond. We will of course add our margin and add a contingency rate to the numbers because we believe that sprig did not bid accurately and did not make a walkthrough of all sites (some yes but not all). What do you think?

Gerard

TAB 82

nack, Laura

n: M. Sohail Qasim [qasim@home.com]
Tuesday, October 31, 2000 11:17 AM
Colvin, John
ject: (no subject)

NECBNS CON 03340

:/31/01

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INFORMATION

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NECBNS CON 03341

NABSE BONUS PRODUCTS and SERVICES PACKAGE
Section B

As a result of agreements with National Association of Black School Educators (NABSE), NEC and its partners will be providing the District and its schools the following "in kind" bonus products and services as depicted in the attached matrix:

CONTRACT PURCHASE ITEMS	"IN KIND" BONUS PRODUCTS	APPROXIMATE VALUE
Tier-1, 2 and 3 Servers	Student Stations complete with Microsoft Office97, Monitors, Digital Pan, Tilt and Zoom Cameras, Ink Jet Printers	• $1,399,200
ATM Large Chassis Multi Blade Backbone Switch Catalyst 5500 Ethernet 100/1000 Mb Backbone Catalyst 5509 Switch 10/100 Base/T Ethernet Switch Catalyst 2924C-XL & CISCO 4700 Router ATM-25 SWITCHES	Xerox Color Network Copier or Equivalent Higher Education Training for Teachers and Staff Specialized End User Technical Training	• $ 30,846 • $ 100,000 • $ 15,000

These Bonus products and services are based on the volume of purchase. Any changes in the total volume will result in an adjusted Bonus Package.

TAB 83

Womack, Laura

From: des [des@SFUSD.com]
Sent: Wednesday, November 08, 2000 3:18 PM
To: Colvin, John
Cc: Holman, Bill
Subject: FW: Last Meeting.

Meeting is scheduled for 11.30am tommorrow next to the airport.

I have been reviewing the rooms for the sites nad discovered some errors in
the room/site data I was given, so I am verifying it all before releasing
it.

However I have found a consistent thread of 15 rooms per elementary school
ie: Edison, and 29 classrooms per middle school, ie:Ben Franklin, Hoover.

There has been little or no variance outside of that so far. With the
exception of 2-3 schools, all cabling will be confined to the main building.
Most sites have only one two story complex. Bungalows or pod units will not
be cabled at any site.

The Sprig bid allowed approx. 1/4 million per site. Thats approx. 100k more
than the generous bids from Prop A for identical sites, and those bids
included electrical wiring upgrades for each room.

Something to consider, since the JG modifications bill each site out at over
1/2 a million dollars per

-----Original Message-----
From: des
To: 'bholman@bns.nec.com '
Cc: 'john.colvin@bns.nec.com '
Sent: 11/6/00 2:18 PM
Subject: Last Meeting.

Last meeting will be this Thursday. One or both of you should attend.
Press already notified. 1st interview complete.

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Packages based on anticipated delivery will be finished tommorrow.

Reply with a time convenient with your schedule. Gerard is not an acceptable substitute, although his presence is welcome.

Intertel has agreed to INKind totalling 2+ Mill.

Please respond on what time, so as we can adjust our schedule. It is going to be a roller coaster, hate for it to leave without you, hope you can make it.

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AGENDA

1. Agree or Cancel
2. Figure
3. How - PT purchase contract
4. Sign contract
5. No signed contract today – Cancel. End.

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INFORMATION

TAB 84

NEC

NEC Business Network Solutions, Inc
2425 Gateway Drive, Suite 200
Irving, TX 75063

November 13, 2000

San Francisco Unified School District
Desmond E. McQuoid
834 Toland Street
San Francisco, CA 94124

Dear Mr. McQuoid:

NEC Business Network Solutions, Inc (NEC BNS) has agreed with San Francisco Unified School District (SFUSD) to utilize the products and services of US MACH, Inc. for the deployment of the "in-kind" dollars appropriated by NEC BNS to SFUSD. These "in-kind" dollars are associated with SFUSD's award of contract to NEC BNS for the deployment of Year 3 Erate dollars as outlined in the Universal Service Administrations Funding Commitment Decision Letter dated September 29, 2000 (Funding Request Numbers 450115 and 450124

As designed, US Mach, Inc. will provide Teacher/Student Workstations, Professional Project Management and K-12 Distance Learning Software development directly to SFUSD. US MACH will directly be responsible for the deployment of equipment, services and support to SFUSD. SFUSD will deal directly with US MACH regarding product warranty, service and implementation support for the goods and services provided by US MACH. As a part of this deployment agreement, NEC BNS will be held blameless for the performance of all US MACH products and services outlined herein.

We look forward to working very closely with you and your staff to begin to put this plan into place.

Sincerely,

John F. Colvin
Director of Sales – Public Sector

NECBNS CON 03528

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INFORMATION

TAB 85

Colvin, John at NECBNS

From: Colvin, John
Sent: Tuesday, December 26, 2000 1:45 PM
To: McNulty, Gerard
Subject: RE: NABSE Leads

Great, can you send me a copy of the updated list and do you have any idea when the 3 new districts will send out the RFP and when will they be due?

JC

-----Original Message-----
From: McNulty, Gerard
Sent: Tuesday, December 26, 2000 12:53 PM
To: Colvin, John
Subject: RE: NABSE Leads

John,

I have updated my portion of the list. In addition George and I worked on getting three more deals on Thursday/Friday. We activated Normandy, Helena and Holly Grove. These will appear on George's list for convenience however we were involved in these projects as well.

GM

-----Original Message-----
From: Colvin, John
Sent: Thursday, December 21, 2000 3:41 PM
To: Don Parker (E-mail); 'robert_emery@vnci.net'; Quentin Larson (E-mail)
Cc: McNulty, Gerard; Rissler, William
Subject: NABSE Leads

Gentlemen,

Enclosed please find the latest update to the NABSE leads list. Please make sure that you update the RFP release dates and submittal dates and get back to me ASAP.

Have a Happy Holiday Season,

John F. Colvin
Director Public Sector Sales
NEC Business Network Solutions
Tel: 972-582-6118
Fax: 972-582-6025
email: jcolvin@bns.nec.com

<< File: 12-19-00leads.xls >>

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NEC 007-002-1649

NEC ATD-000270

TAB 86

Colvin, John at NECBNS

From: Colvin, John
Sent: Friday, December 29, 2000 2:14 PM
To: Holman, Bill; Means, Glenn
Subject: Year 4 Teaming Agreement

Bill & Glenn,

Attached please find a DRAFT Teaming Agreement between NEC BNS and VNCI for Year 4 E-Rate opportunities. I have not sent this document to VNCI as of yet as I would like to discuss the details of it with the both of you for your input. In light of recent events (see below), I would like to get this executed as quickly as possible. I would like to see if we can set a time on Tuesday to get together to discuss it.

Earlier today I received a call from Bill Rissler with some interesting information. He was speaking to our contact at Humphrey's County School District (Humphrey's, AR) who indicated that a company from Puerto Rico was frantically trying to overnight payment to Humphrey's County so that they would overnight an RFP to them. What makes this so peculiar is the fact that Judy Green (VNCI) has been working almost exclusively with a company in Puerto Rico to bid a state wide proposal for all schools in Puerto Rico. I had discussed the Puerto Rico opportunity with Bob Emery some while back and he indicated that VNCI was pulled in by this Puerto Rican interconnect company to work with them. I have no issue with VNCI's participation in this deal however I am very concerned that we are now seeing a company from Puerto Rico looking into obscure school districts within the continental United States. I smell a rat in the form of Judy Green who would in my mind love nothing better than to find a new home competing head to head with us for this business. I tried to call Bob Emery to discuss this situation but he was un-reachable. I did get in touch with Carl Muscari who stated that he believed that it smelled rotten. Carl asked for the name of this Puerto Rican company but unfortunately we do not know it. Bill Rissler tried to get in touch with contact in Humphrey's County but she is will not be in until Tuesday. I will provide more information as I receive it

John

NEC-VNCI Teaming Agreement.doc

CONFIDENTIAL
NECBNS CON 06170

NEC 007-002-1639

NEC ATD-000269

NABSE

NATIONAL ALLIANCE OF BLACK SCHOOL EDUCATORS

2816 GEORGIA AVENUE, N.W.
WASHINGTON, D.C. 20001
Phone (202) 483-1549
(800) 221-2654
Fax (202) 483-8323
www.nabse.org ♦ nabse@nabse.org

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QUENTIN R. LAWSON
Executive Director

To: Bob Emery, VNCI
Don Parker, IBM
John Colvin, NEC

From: Quentin R. Lawson, NABSE

Date: January 2, 2001

Re: Memorandum of Understanding- the E-Rate Program

I trust you had a very relaxing holiday and by now you are back into the work stream.

As we discussed during our mid-December conference call I am forwarding four original copies of the Memorandum of Understanding for your signatures. Upon your signature, John, please return all copies to me. An original containing all signatures will be forwarded to each of you.

Please sign and forward to the next person expeditiously as possible.

Many thanks for giving this matter your immediate attention.

NABSE
310 Pennsylvania Ave. S.E.
Washington, DC 20003

Memorandum of Understanding

This represents an E-Rate Program Alliance between the National Alliance of Black School Educators (NABSE) and NEC, VNCI and IBM, uniformly, collectively and individually. The above reference entities desire to cooperate to provide assistance to selected school districts to insure that they secure maximum E-rate funding for the purpose of improving telecommunication services and internet access for the benefit of teachers, students and administrators, in each school district.

VNCI, NEC & IBM are capable of providing assistance to school districts in accomplishing the above objectives; and VNCI, NEC and IBM are each willing to provide such assistance and whatever assistance is needed by the school districts throughout the E-rate funding program application process, at no cost to the school district or NABSE.

NABSE is willing to inquire and capable of inquiring, of school districts regarding their interest in, and the extent of, their knowledge of E-rate programs and their funding.

NABSE is willing to inquire and capable of inquiring of school districts regarding the extent to which such districts need and desire assistance in completing the E-rate Program application.

NABSE will make the above inquiries of districts NABSE selects, under conditions NABSE imposes as a precedent for selection and shall notify VNCI, NEC and IBM of the results of the inquiries and the needs for assistance, which are identified.

VNCI, NEC and IBM will upon receipt of the knowledge and information obtained by NABSE, contact the respective school districts to offer specific assistance to the district.

If, after (or when) the knowledge obtained by NABSE, a contract to implement a resultant project grant approved by federal authorities is entered into between the district and VNCI, NEC and IBM, or either of them, said entity or entities shall make to NABSE an unrestricted contribution of 1.5% (one and one-half percent) of the gross revenue of said contract.

This agreement shall remain in effect so long as NABSE is performing the functions set forth in paragraph 3,4 and 5 above, or until the Memorandum of Understanding of initial understanding is modified or terminated in writing by each of the parties hereto.

Quentin Lawson 1-2-2001
NABSE

IBM

1-17-01
VNCI

William J. Hale 1/18/01
NEC

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INFORMATION

NECBNS CON 04779

Nomack, Laura

From: des [des@sfusd.com]

Sent: Friday, January 19, 2001 10:52 AM

To: Colvin, John

Cc: Holman, Bill

As per my voice mail to you last night. I am still working for the district. I have been working with a group hired by the district to do a management audit - Arthur Andersen Consulting. Since early last week we have been working on the incorporation of the 48.6 million dollar package from year 3's E-Rate, into their set of deliverables.

And yes I am fully aware of the year 4 activity that has gone on, the 486 activity and your anticipated meeting next week.

I need a copy of the Sprigg Electric document that was issued either giving up on the bid and allowing it to default to NEC or authorizing NEC to take over their contract.

I need it today.

AA got quite excited over the whole affair after it became apparent it could be included into the consulting groups deliverables.

However, there are still alot of unresolved issues and the board has not approved it yet. Don't trip.

Bill, give me a call when you get a chance.

CONFIDENTIAL
INFORMATION

TAB 89

Nomack, Laura

From: des [des@sfusd.com]
Sent: Wednesday, January 24, 2001 1:00 PM
To: George_Marchelos@vnci.net
Cc: Erate Arthur Andersen Consulting File; Colvin, John
Subject: George, the question discussed about forgiving the district's copay

n a discussion with the Client Service Bureau at the Schools Libraries Division. I asked the following question:

s it legal for a vendor to pay the non discounted portion/difference owed by the applicant after being reimbursed for the rest of the vork by the SLD with discounted funding.

'he agent had to go off line for 10 minutes to be advised by her supervisor.

'he answer she returned with was:
'here are no rules or guidelines specifically prohibiting that. However, if it can be construed that the original guidelines of the SLD ıpplication have been violated, where the SLD in an audit determines that the real cost should have been the discounted amount, ınd not the pre discounted amount, then penalties to the applicant and reimbursements may be required.

This because *the amount that was forgiven by the Vendor becomes subject to the interpretation that* it shouldn't have been ıcluded in the prediscounted price in the first place.

'he amount represented by the vendor in the bid process and the applicant in the application submitted, is then in violation of the ıriginal guidelines and in violation of the intention of the mechanism described by the SLD as "discounted services."

talked with a second agent at the SLD Client Service Bureau about the process of price differentials, specifically if the market price ıf a widget dropped by half between bid submittion and bid processing time.

lis response was the following:

the cost of items or services drops, then the amount submitted for reimbursement should also drop on the 486 authorization and ıe 474 request for payment.

'he Applicants co-pay will also be reduced by that percentage amount.

'he amount of the cost submitted to the SLD is supposed to be real world, real time costing, adjusting constantly, but submitted at ıe real market rate at the time the cost is incurred, not applied for. If the cost went up, the SLD will not fund the difference, if it went own, they expect to be billed for the reduced amount only. The applicant is supposed to pay his copay percentage on whatever the aily market value is of the goods and services on the day of delivery, and the vendor is supposed to represent the most recent, if uctuating cost, as it occurs daily, to the SLD.

' it is determined in an audit, that costs charged were over fair market value at the time of delivery, and the applicant's copay was ıaived as a result of it, the applicant and vendor both may be subject to penalties that may or may not include reimbursement to the iLD and fines if it is determined that federal laws superceeding the preliminary SLD rules governing access to federal funding were iolated.

discussed this with Richard Boyd, previous CTO from LAUSD and current head of the Arthur Andersen Consulting team wanting to ıclude year 3 erate into their deliverables. His understanding is the same as the SLD interpretation.

ı a discussion with Richard Boyd this morning, he mentioned that the CFO asked him to investigate a vendor's request for her to ign off on approximately 50,000,000 on dollars of erate funding.

:ither it is you, Nec or your wireless guy or all three.

'erhaps under different circumstances it might have all worked out.

ınyway, good luck on future applications.

NECBNS CON 03945

3/31/01

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INFORMATION

TAB 90

Nomack, Laura

From: des [des@sfusd.com]
Sent: Friday, January 26, 2001 12:24 PM
To: Thomas A Holland; Richard R Boyd
Cc: Erate Correspondence File; John Bitoff; Colvin, John; Cheryl@Sfusd.Com; Arlene Ackerman; Holman, Bill; Bill Boehm; Cathi Vogel; Bruce Manson; Elois Brooks
Subject: E-Rate

Thank you for your phone call. In reference to our discussion regarding the E-rate I am confirming our scheduled meeting for Monday January 29th, 2001 at 8.30am in the Chief Financial Officer's Conference Room. As you mentioned it is to review year 3 and year 4 applications Erate applications.

As I stated on the phone, I had no idea that a 471 application for year 4, with my name on it, had been prepared and submitted to SLD .

If it was filed it was done so without my participation, knowledge or authorization.

You represented a *George Marchelos* as the person submitting an application for 50 million dollars on behalf of the district. He is an employee of VNCI, a video-pbx company qualified as an E-Rate vendor and has represented several school districts in their year 4 E-Rate applications across the United States. To the best of my knowledge he was not authorized to represent the San Francisco Unified School District.

You mentioned the names of year 3 vendors also being on year 4's application. A similar situation occurred in year 3 where unauthorized representation between key successfully bid vendors was a brief problem. It was resolved with letters from both Key vendors saying pretty much the same thing - No one other then they themselves was authorized to represent their interests in any process. I have attached an updated one to this email for your review and will forward a copy of the NEC letter, which is similar in content.

In response to several queries from Year three vendors on process, I have had numerous discussions with the SLD regarding the legality of the application and deployment process.

Regardless of what is going on and who seems to be doing what, one thing remains perfectly clear,

No funding for any E-Rate application will be released by the S.L.D. without the district's board review and approval.

As a resource to the 48.6 million in funding through the year 3 applicaton process, I will be able to discuss this further in our meeting Monday.

CONFIDENTIAL
INFORMATION

August 15, 2000

Mr. Desmond McQuoid
San Francisco Unified School District
834 Toland Street
San Francisco, CA 94102

Dear Desmond:

I felt it necessary as part of any discussion regarding our involvement in the year three e-rate project with SFUSD, that I clarify our relationship with the district. As a vendor, we bid on the telecommunications specifications for year three e-rate funding. From the onset it has been our desire to work directly with the district and to represent ourselves in any and all ongoing negotiations.

It has come to my attention that Mr. George Marchellos and Ms. Judy Green of VNCI as part of their efforts to secure a portion of the overall opportunity may have represented themselves as speaking and or representing other vendors than themselves. Although, I am not certain why they might imply that they were negotiation and representing our interests, it is vital for me to categorically state that VNCI nor any of its' employees have authority or permission to either speak for or negotiate any terms or issues in Inter-Tel's behalf. We have given no such license or authority and request that any issues concerning the Inter-Tel bid only be communicated directly with us. It is important that the district have a clear understanding of who represents the interests of Inter-Tel in any and all negotiations or commitments that would be made to the district.

Should you have any questions about this issue further, please feel free to call me at 801-492-7838 or bill_boehm@inter-tel.com.

Best regards,

Bill Boehm
National Director E-Rate Division, Inter-Tel Technologies

CONFIDENTIAL
INFORMATION

TAB 91

Nomack, Laura

From: McNulty, Gerard

Sent: Wednesday, January 31, 2001 3:39 PM

To: Colvin, John

Subject: FW: SFUSD project

These guys are no help. Lets drop them. At least I wish we could.
-----Original Message-----
From: Rex Indra [mailto:rexi@sprigelectric.com]
Sent: Wednesday, January 31, 2001 12:02 PM
To: gerard.mcnulty@bns.nec.com
Cc: Pepper
Subject: SFUSD project

When Sprig Electric bid the subject project,our walkthroughs did not address electrical requirements.
Sprig cannot comment on the status of the existing electrical in any of the schools, nor can we comment on any electrical upgrades which the District may have recently done.
I apologize for not being able to be of more help, however, I cannot make assumptions or statements that may be misleading to some.

Rex Indra

NECBNS CON 04152

8/31/01

CONFIDENTIAL
INFORMATION

TAB 92

Womack, Laura

From: McNulty, Gerard
Sent: Wednesday, January 31, 2001 1:50 PM
To: 'sprigelec@aol.com'
Cc: Colvin, John
Subject: FW: SFUSD Electrical Outlets

Q_electOutlets.zip Q_electOutlets.xls

Rex & Pepper,

As per my message today, I have forwarded a copy of all the electrical outlets for every school in the district. It is imperative that we get an e-mail back today from your company addressing the issues that were raised by one dissenting voice at the district. Namely his contention is that the district may not have sufficient power to drive 20-25 pc'c in the classroom.

As we discussed, Desmond needs an e-mail that would essentially say that in light of the district completing significant electrical upgrades recently that Sprig would anticipate that power for the PC's should not be a problem. Further more PC's do not require a significant draw which would add to your confidence level that they can be accommodated by the existing infrastructure. At this point you can caveat your statement that even though you do not anticipate additional electrical work to support this technology addition it is not included in your scope and any work that would be done would be outside the scope and additive to the project.

We need to do this to keep the wolves at bay and continue down our path of getting board approval. I need to hear from you today and preferably via e-mail touching on the subject above. We are fairly confident that we can drive this home but we need your assistance.

Thank you in advance for your help.

Regards,

Gerard McNulty

-----Original Message-----
From: Colvin, John
Sent: Tuesday, January 30, 2001 12:16 PM
To: McNulty, Gerard
Subject: FW: SFUSD Electrical Outlets

NECBNS CON 04153

CONFIDENTIAL INFORMATION

Gerard,

Pass this along to Sprig. I believe that they would want/need this information.

John

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Tuesday, January 30, 2001 11:29 AM
To: Colvin, John
Subject: Fw: SFUSD Electrical Outlets

Attached is a listing of electrical outlets in every classroom of almost every school in the district. Sprig may find this helpful.

----- Original Message -----
From: "Huffhines, John" <jhuffhines@srs.net>
To: "'Desmond McQuoid (SFUSD)'" <des@sfusd.com>
Cc: "Graciano, Hugh" <hgraciano@srs.net>; "Kornegay, David" <dkornegay@actware.com>
Sent: Monday, January 29, 2001 5:06 PM
Subject: FW: SFUSD Electrical Outlets

> Desmond,
>
> Here's the report on electrical outlets that you requested.
>
> Thanks,
>
> John Huffhines
> SRS - Project Manager
> 512-773-5456 Cell
> 415-643-3174 Office
> 834 Toland St., San Francisco, CA 94124
>
>
> -----Original Message-----
> From: Kornegay, David
> Sent: Monday, January 29, 2001 4:36 PM
> To: Huffhines, John
> Subject: SFUSD Electrical Outlets
>
> Contains path, space type, Number of outlets, and condition.
>

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INFORMATION

> <<Q_electOutlets.zip>>
> David Kornegay
> Software Project Manager
> SRS Software
> Capital Planning and Management Solutions
> 5625 Dillard Dr.
> Cary, NC 27511
> -Office- 800-488-4128 x1154
> (919) 816-1154
> -Fax- 800-455-3326
> -Cell- (919) 244-6206
> dkornegay@srs.net <mailto:dkornegay@srs.net>
> www.actware.com <http://www.actware.com>
>
>

NECBNS CON 04155

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INFORMATION

TAB 93

/omack, Laura

rom: des [des@sfusd.com]
Thursday, February 01, 2001 12:33 PM
o: Jason King; Bill Boehm; Holman, Bill; Colvin, John
ubject: Revised short sheet revised.
orry people, I had the number wrong in two of the fields.

CONFIDENTIAL
INFORMATION

48.6 MILLION ERATE FACT SHEET

The San Francisco Unified School District was awarded 48.6 million dollars for year 3. It is estimated as the 5th largest award in the nation.

E-Rate is funded through an Internet tax. The Universal Services Acceptance Company distributes the funding for the F.C.C. The name of the USAC division administering the funds is called the "Schools and Libraries Division" or SLD.

Approx. 2.2 Billion Dollars annually, is allotted for five years towards the technological advancement of schools and libraries nationwide. Of the five years, the application deadlines to four of them are over. *1 application year* remains.

The award is focused on two funding categories:

Telecommunications **Contractor: Inter-Tel**

The upgrade and modernization of existing telephone communications systems.

E-Rate award	District Co-Pay	Payment Options
$14,791,335.38	$2.761M	Lease Purchase
Terms	**Annual Payment Option**	**Monthly Payment Option**
60 Months	$646,531.19	$52,738.89
Negotiate Terms	**1st Payment due**	**In Kind Donations**
Yes	January, 2002	$1,332,500.00

Network Communications **Contractor: NEC BNS**

Linking classrooms district wide through technology. Providing the necessary infrastructure to supplement curriculum, provide global research tools and develop new ways of delivering instruction and testing in the classroom.

E-Rate award	District Co-Pay	Payment Options
$33,888,442.67	$6,941,006.33	Lease Purchase
Terms	**Annual Payment Option**	**Monthly Payment Option**
60 Months	$1,596,756.00	$133,063.00
Negotiate Terms	**1st Payment due**	**In Kind Donations**
Yes	January, 2002	4600 PC's Installed

The district is not obligated to use any or all of the funding granted. The district's Co-Pay on the Grant is 17c per dollar. The option not to use any of the SLD funding in year 3 may exclude future funding application approval. No other program exists to position the district this extensively in advancing technology. The district's telecommunications system is 15 years old and obsolete, replacement parts-manufacture is terminating. If discounted telecom dollars are not leveraged today, the *full* non-discounted cost will be due in a year or two. The funding for network communications was granted solely on the need to develop educational tools for the classroom.

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INFORMATION

TAB 94

lomack, Laura

rom: des [des@sfusd.com]
(Friday, February 02, 2001 1:22 PM
o: Colvin, John
c: Holman, Bill
omments submitted to Athur Andersen to be incorporated into the Superintendents review package.

NECBNS CON 03489

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INFORMATION

San Francisco Unified School District

E-Rate Overview

January 29, 2001

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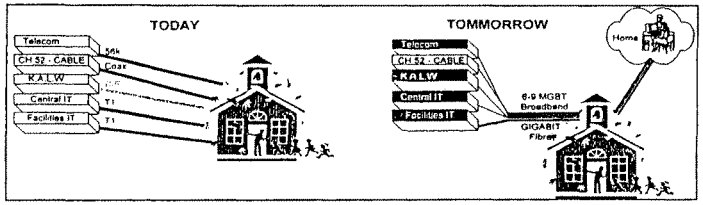
INFORMATION

NECBNS CON 03490

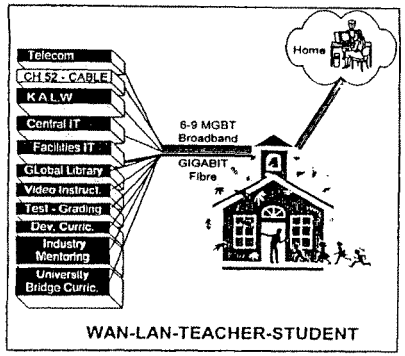
CONFIDENTIAL INFORMATION

Network Architecture Overview

Description	Comments
District Network Vision	
Voice The district's analog system is obsolete. Integrate a new system that offers all the modern business communications and savings capability of a digital communications network. Global paging and broadcast. Superintendent Ackerman can pick up her phone and talk/broadcast to every classroom and office in the district, or specifically to one or a group of schools, or even classrooms by grade across the district. Supports Office of Emergency Services (OES) functions.	Convergence. Voice, Data, Video, Telecommunications. We have multiple platforms in the district. These platforms use different forms of transport to communicate data, voice, video and telecommunications. The convergence of all of these platforms through a single broadband connection provides huge savings and limitless expansion with the tool sets necessary for educational collaboration between students, faculty, private industry mentoring, and the world. (See diagram). 
Digitize the district's communications platform creating an open architecture capable of leveraging future technology, including Computer Telephony Integration, Voice over IP, Automated Auditing, Remote Servicing, Web based Telephony, centralized Fax, Voice and Email and more, ad infinitum .	Convergence brings all communications under a single management tool. Centralized control from the Superintendent down is managed and accessed locally through a LAN or globally through the web. Convergence means that all communications costs, savings, programming, auditing, monitoring, maintenance, trends, are managed in a central relational database. Forecasting and historic evaluation across all platforms provides the necessary data to future proof district planning, and determine the individual and relational value of anything that is momentum based or under development.
Data Leverage year 3 ERate bandwidth expansion subsidies to improve data transmission rates, simplify data transport mechanisms, establish firmer TCP/IP standards, provide data access to, from and through the internet. Establish a single centralized point of data management, software distribution and related desktop control.	Data transmission speeds have been a constant problem for Facilities communications. PeopleSoft is a good example. Increased bandwidth is only part of the solution. Faster more robust servers managing the distribution of data are needed. Data transmission redundancy is also required. There should always be two paths for data to travel to reach a destination. The primary path would be the district WAN. The secondary path if heavy traffic were encountered could be through the Facilities WAN.

NECBNS CON 03491

Network Architecture Overview

Description	Comments
Wide Area Network Infrastructure (WAN)  **WAN-LAN-TEACHER-STUDENT**	The district has two WAN'S that are virtually identical in structure. One WAN is used for all school and commerce based transactions within the district, the other is used for life safety data transmission between facilities. The Facilities WAN was the foundation and basis of the year 3, Erate application. It was determined that the facilities WAN if enhanced, could carry educational data and interactive communications between classrooms. A communications network could be built on the existing facilites template, a pure and uninterrupted high speed delivery system, delivering digital curriculum, video conferencing, and video teaching. Interactive video classrooms could be established. Curriculum can be developed, archived and made available online to the classroom. It could also be portaled to the web, where developed courses of K-12 instruction, the homework and testing related to it, could be done at home, the library, a hospital bed or anywhere in the world. By digitizing curriculum, every child is set free. If they have a propensity in one discipline, they can let their interest, their desire for knowlege, take them ahead with the click of a mouse. If they are struggling in another discipline, that same click will allow them to go back, review, test, validate themselves and raise their performance. If we expand our WAN by deploying ERate funding, this can happen. The links, the bandwidth and the platform necessary to support it, are all provided through Year 3's Erate funding. We have the foundation to support it. It is a great undertaking. The funding for this cannot be found anywhere except in Erate. The libraries of the world, the best teaching practices, all the private sector resources, all of the best practices in education from this district, can be organized, focused, packaged with instructional guidelines and delivered to any student or teacher at any desktop.
School Site Network Vision **Voice**	Global telephony paging and broadcast. Broadcast and paging can be classroom specific. All schools will be able to share resources, and communicate transparently between sites. Touch to talk desktop telephony, classroom-desktop-interactive telephony, with sharing student resources through teleconference bridging, allowing broad based curriculum to receive focused student input by workstation, classroom's), school's), or grade levels joined across the district. Each site will have central voice processing. Student homework hotline by phone or web. The new Inter-Tel system will take advantage of Pac-Bell's Digital Services. The district will have complete control over every aspect of its communication infrastructure. It will have centralized reporting, monitoring, and enhanced security.

CONFIDENTIAL INFORMATION

NECBNS CON 03492

Network Architecture Overview

Description	Comments
Data	With the Infrastructure provided by Erate, the following is made possible. First through controlled deployment individually on each LAN, then across the Facilities Curricular WAN, and outward and across the existing IT Infrastructure. Standardize all data management and distribution. Implement SMS (Microsoft Systems Management Server) where all client PC's in any school can be accessed centrally, and managed remotely, thereby reducing local LAN software/Data maintenance requirements. Mass distribution of software/Data updates across the WAN to the LAN from a central location. LAN based software and hardware inventory databases determined and updated monthly, centralized licensing as a result of this, leading to full legal accountability and LAN system integrity.
School Site Network Infrastructure (LAN)	Year 3 Erate makes it possible to build a physical curricular educational LAN. One that is independen
	Online testing developed over time will establish tags and trigger recognition algorythms that track weaknesses, aptitudes and propensities for higher learning, refining instructional focus by student, class, school or district. The LAN funded by year 3's Erate makes the fullfillment of this delivery possible.

CONFIDENTIAL INFORMATION

NECBNS CON 03493

Funding Package Descriptions

	Package Description	Comments
General		
	E-rate is a federal program that allows schools and libraries to realize substantial savings in purchasing Internet access, telecommunications services and internal connections throughout an infrastructure of a facility. The goal of the E-rate program was created by the Federal Communications Commission (FCC) shortly after congressional approval of the Telecommunications Act of 1996. The E-rate program includes provisions for a $2.25 billion annual discount/funding.	Proposition A (97) paid $30 million for E-rate Projects. Funding was suppose to be returned to Prop A
Year 1		
	Various Vendors Year 1 E-Rate Request from Facilities was $90 Million, District Match $16M Non-Discounted Costs Include: Computers @ $1,500 each, Staff Training, Technology Support Staff, Facilities upgrades (Electrical, Etc)	What role does Leroy Greene play? 1 computer per student over 5 years
Year 2		
	Bid Pack A Pac Bell	Staff Development 45 hours/year 1 technology staff person per school
	Bid Pack B CRF	Facilities upgrade (Electrical)
	Miscellaneous	Category 5 & 6, 1 Fiber, 1 voice, 2 ATM, 6 Ethernet
	Total Construction	Bidders: NEC BNS , Pacific Bell, Sprig Electric, USMACH
	Other Internal Connections	
Year 3		
T3-1	**Internet Service Provider (ISP)** Annual fees for access to the Internet provided by PacBell	$ 1,504,935.87
F3-1	**Phone**	$ 14,791,335.38
	Telecommunications package to 46 school sites The positioning of a Telephone System (PBX) infrastructure in such a way that it will service all internal and external communication needs through the Voice Switching Network. This platform will facilitate advanced multimedia communications through a seamless and uniform backbone of state-of-the-art District-wide communication allowing additional functionality now, and in the future. *WHAT TYPES OF ADD AND FUTURE FUNCTIONALITY?*	
	In Kind Donations $1,332,500.00 in handsets, voice mail and power redundancy.	

What do we get now?	What do we get in the future?
Fully Transparent Networked Telephone Systems	Computer Telephony Applications
Ability to blend voice into WAN easily	Unified Messaging Applications
Open Architecture	Seamless integration of the rest of the District Telephony systems
Replace Old Discontinued Executone for .17 on the Dollar by the Company who bought Executone	IP Phone, Soft IP Phones
Easy upgrade path from old to new equipment made possible by Inter-Tel/Executone purchase	Web enabled touch to talk telephony for your online services
Simplified & less expensive connectivity to each school	Web Enabled Telephony support solutions for applications such as: Student Registration, digital High School, Homework Hotline and web-lines
Centralized Voice mail	Ongoing product development from Inter-Tel partnership
Less complicated management of the solution	Financial participation by Inter-Tel on additional contracts
Less need for Power and Cable	Integrated Wireless Telephony Solutions
Enhanced Security for Teachers, Students & Admin.	Interactive Voice Recognition Solutions
Training and On-Site Support	Inter-Tel Developers Tool Kit
CTI ready platform	Unlimited Growth Potential of Solutions
Web Telephony ready Platform	Advanced Call Center Software Solutions
IP Telephony ready Platform	Advanced Security enhancements
Wireless Telephony ready Platform	Integration to unlike systems for networking during transition
Unified Messaging ready Platform	Enhanced Video Telephony LAN/WAN based

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NECBNS CON 03494

Funding Package Descriptions

	Package Description		Comments
F3-2	WAN **Installation of T1 networked bandwidth to increase bandwidth between school sites.** Educational delivery in the classroom is enhanced by E-Rate subsidized technology. By increasing communication bandwidth and transmission speed between schools, all district multi media, video, interactive instructional training can be delivered directly on demand to any desktop. Even at home, web access to these materials can be made available through controlled permissions.	$	18,156,829.34
F3-3	LAN **Installation of the network cabling of every classroom at 46 sites.** *At the infrastructure level:* A platform-independent policy effectively integrating voice, video and data communications over multiple media, based on IP. *At the network management level:* Advanced networking products facilitate consolidation and convergence efficiencies for serving diverse technology needs both on and off campus, for staff and students. *At the Student level:* Converged solutions foster an environment of learning by bringing the world to the desktop, providing convenient access to curriculum and learning from a managed global environment with limitless opportunities. Does this reduce Prop A funding requirements? YES - Limited, to the sites not yet addressed by Prop A. In Kind Donations: 4,600 PC's installed and managed remotely by software at a centralized site. 100 PC's per 46 Sites.	$	15,731,613.33
Year 4			

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NECBNS CON 03495

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E-Rate Finanaces

	Description	Requested	Awarded	Rescinded Unused	District Contribution	Net	Comments
Year 1							
	Various Vendors	$ 1,154,233.00	$ 504,474.00	$ -		$ 504,474.00	
	Total Year 1	$ 1,154,233.00	$ 504,474.00	$ -		$ 504,474.00	
Year 2							
	Bid Pack A Pac Bell	$ 2,553,483.34	$ 2,553,483.34	0		$ 2,553,483.34	
	Bid Pack B CRF	$ 252,465.82	$ 252,465.82	$ 252,465.82		$ -	Contracts Withdrawn
	Miscellaneous	$ 171,144.00	$ 171,144.00	0		$ 171,144.00	
	Total Year 2	$ 2,977,093.16	$ 2,977,093.16	$ 252,465.82		$ 2,724,627.34	
Year 3							
	Net Devices for Year 2 construction	$ 961,030.10	$ 187,614.00			$ 187,614.00	
T3-1	Telecom						
	Year 1 Telecom/ISP 18 months	$ 437,215.82	$ 437,215.82		$ 87,443.16		
	Year 2 Telecom/ISP	$ 322,768.05	$ 322,768.05		$ 64,553.61		
	Year 3 Telecom/ISP	$ 744,952.00	$ 744,952.00	$ 332,290.25	$ 148,990.40	$ 412,661.75	**Estimated - and originally based on doubling T-1/ISP capacity T-1/ISP which has not yet occurred.**
	Facilities						
F3-1	Internal Connections	$ 17,820,886.00	$ 14,791,335.38		$ 2,958,267.08		**Inter-Tel Technologies, Inc** phone systems Dollars requested were reduced to remove the ineligible products/services
F3-2	Internal Connections	$ 21,875,698.00	$ 18,156,829.34		$ 3,631,365.87		**NEC Business Network Solutions, Inc.** Network Switches and Routers Approved as submitted
F3-3	Internal Connections	$ 18,953,751.00	$ 15,731,613.33		$ 3,146,322.67		**NEC Business Network Solutions, Inc.** Cabling throughout the school campus Dollars requested were reduced to remove the ineligible products/services
F3-4	Internal Connections	$ 21,987,223.00	$ -		$ -		**NEC Business Network Solutions, Inc.** 30% or more of this request includes a request for ineligible use of servers based on program rules
F3-5	Internal Connections	$ 2,287,918.60	$ -		$ -		**NEC Business Network Solutions, Inc.** 30% or more of this request includes a request for maintenance on ineligible products and services ~~use of servers~~ based on program rules

E-Rate Finanaces

	Description	Requested	Awarded	Rescinded Unused	District Contribution	Net	Comments
	Total Year 3	$ 85,391,440.57	$ 50,372,327.92	$ 332,290.25	$ 10,036,942.78	$ 600,275.75	
Year 4							
	Total Year 4						
		Requested	Awarded	Rescinded Unused		Net	
Total Program-To-Date		$ 90,483,796.83	$ 54,041,509.08	$ 584,756.07	$ 10,036,942.78	$ 4,016,991.09	

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NECBNS CON 03497

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Non E-Rate Finances (District provided funding)

	Requested	Approved	Unused	Net	Comments
Year 1					
Electrical					
Work Stations					
Other					
Total Year 1	$ -	$ -	$ -	$ -	
Year 2					
Electrical					
Work Stations					
Other					
Total Year 2	$ -	$ -	$ -	$ -	
Year 3					
Electrical					
Work Stations					
Other					
Total Year 3	$ -	$ -	$ -	$ -	
Year 4					
Electrical					
Work Stations					
Other					
Total Year 4	$ -	$ -	$ -	$ -	
	Requested	Approved	Unused	Net	
Total Program to Date	$ -	$ -	$ -	$ -	

NECBNS CON 03498

CONFIDENTIAL INFORMATION

Outstanding Issues

	Description	Resolution NEC	Resolution Inter-Tel
1	What role should ATM have in our network strategy?	Through general agreement across the district, ATM has been dropped. It's high cost of maintenance and the emerging prominence and adaptability of IP has superceded our need to go to Asynchronous Transfer Mode technology.	ATM has no impact on Inter-Tel's telecommunications solution.
2	What role should Category 6 cable play in our network strategy?	As the cost of Category 6 cable is essentially the same as Category 5 the benefits in Cat 6 far out weigh those of Cat 5. As Cat 6 is able to support speeds 10 times that of Cat 5 (Gig. vs 100). As the speed of the network ultimately defines performance, Cat 6 will provide a more useful long-term investment	Does not affect Inter-Tel's telecommunications solution.
	ERATE concerns, objections, issues voiced by Bruce and Jim at the meeting Held Monday Jan 29, 2001 in the CFO's conference Room		
3	Erate Interferes with other Site funding mechanism's in the district	At 17 cents on a dollar, E-Rate buys SFUSD a much larger portion of technology. Impact on other funding is minimal.	Inter-Tel is offering to postpone district's portion until they are finished with the initial project which will not be until the next Fiscal year. Indeed if Inter-Tel comes in under budget Which they are know to do, they will return the unused portion to the SLD and the district will pay even less. Inter-Tel is willing to set up a lease which customizes payment terms. This means that Inter-Tel can customize the first lease payment and not expect an additional payment until 2002. These payments can be set up yearly to add additional value to the District. Inter-Tel is willing to invest this amount back into the district if they proceed with future installations beyond the initial 46 sites.
4	Duplicates Previous Year's E-Rate Funding requests for the same components.	Based on the $'s associated with Year 1 & 2 awards, the scale for Year 3 is much larger and able to support greater number of schools and classrooms. If some of this equipment is duplicate, we can augment the equipment with other desired technology.	There is no Duplicate on the inter-tel portion

NECBNS CON 03499

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Outstanding Issues

	Description	Resolution NEC	Resolution Inter-Tel
5	Co-Pay Robs money from this years IT budget's anticipated request of $2 million.	At 17 cents on a dollar, E-Rate buys SFUSD a much larger portion of technology. Impact on other funding is minimal. A some point there has to be movement beyond annual maintenance issues when 48.6 million dollars is available to advance the greater portion of the district as a whole.	Inter-Tel is offering to postpone district's portion until they are finished with the initial project which will not be until the next Fiscal year. Indeed if Inter-Tel comes in under budget Which they are know to do, they will return the unused portion to the SLD and the district will pay even less. Inter-Tel is willing to set up a lease which customizes payment terms. This means that Inter-Tel can customize the first lease payment and not expect an additional payment until 2002. These payments can be set up yearly to add additional value to the District. Inter-Tel is willing to invest this amount back into the district if they proceed with future installations beyond the initial 46 sites.
6	Power Requirements below local site capacity for 30 drops per classroom	In preparation of Year 3 bids, twenty three schools were surveyed by NEC BNS sub - contractor, Sprig Electric. They did not find any deficiency in the electrical system that would prevent the initial proliferation of PC's into the schools. Preliminary evaluations from B&G and FP also appear to support this premise.	Inter-Tel places no additional power requirements on the District. The New Telephone Systems use the same power and outlets which currently exist to operate the old Executone Systems. The District's current phone system uses 4 wires to every phone to make them work. Inter-Tel phones us only 2 wires. The district actually Recovers cable for future needs with the Inter-Tel Solution
7	Principals won't stand for another construction project in their schools - despite promises of free stuff.	We are not promising "free stuff". We are promising tools for the teachers and the students to compete in the 21st Century.	No additional construction needed. Inter-Tel will replace the existing big Executone "BOX" with a smaller Inter-Tel "BOX" by either hanging it on the wall in the old systems place or placing it on an Inter-Tel provided 19" RACK. This can be done after school hours where necessary.
8	No co-ordination with IT on design. ATM an unwelcome option.	The design of the network has been modified to remove ATM and bridge the existing IP gap that exists within many of the schools today.	The Inter-Tel design is not effected by the type of transport method the District uses. ATM does not effect Inter-Tel at all
9	Unaware of Fiber to the Curb or conversion roll over of existing T1 cabling to fiber.	The internal design does not require fiber to the curb. LAN speeds are determined by on-site switches. However when fiber is available, we will switch, this will facilitate broadband on demand.	The Inter-Tel design is not effected by this design. The Inter-Tel Systems will operate regardless of the presence of Fiber
10	Uncertain on rationality of concept for design infrastructure.	Design of the network was to provide redundancy in dual networks. This has been redesigned to eliminate ATM in favor of a total IP network.	For the same reason you would network LANs you network PBX's. This is a very common practice. PBX's like Wide Area Networks function better and more cost effectively if they can share resources. They also provide more functionality to the users in this type of configuration.

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Outstanding Issues

	Description	Resolution NEC	Resolution Inter-Tel
11	Presumption that Site Faculty would be unwilling to use network even if it is installed.	This is a team effort of support, guidance and training. NEC BNS has committed to training of staff and faculty. Recent polling of principals that may be affected by Erate indicate not only approval but enthusiasm aswell. PacBell is willing to provide teacher training throughout the district in classroom technology integration.	As it relates to the Inter-Tel portion, this would be transparent to the Site faculty. If someone form an elementary school calls someone at another networked location no additional effort was required by the caller. The caller and the called party however act as though they are in the same office. With one common Voice Mail (Donated by Inter-Tel) message waiting lights on phones (donated by Inter-Tel) communication will become much more efficient. Also it is important to know that if in an emergency situation a Faculty member dials 911 from their phone, not only will the police arrive as is expected but even before the phone rings at the 911 center, everyone at that school office and anywhere else you desire in the network of Inter-Tel systems will know who dialed 911 and from what phone. Your response time to these types of situations increases exponentially.
12	Insufficient money available in this years budget to facilitate Co-Pay.	After extensive counsel from the SLD, it has been determined that the payment of the Co-Pay must occur, to qualify for funding. However, the payment options are not controlled or regulated by the SLD. Any payment arrangements between the Applicant and the Vendor are acceptable, as long as the criteria requiring the district to fully pay its unsubsidized portion is fulfilled. NEC and INter-Tel have both structured payment options and will customize a payment agreement that suits the district.	Inter-Tel is offering to postpone district's portion until they are finished with the initial project which will not be until the next Fiscal year. Indeed if Inter-Tel comes in under budget Which they are know to do, they will return the unused portion to the SLD and the district will pay even less. Inter-Tel is willing to set up a lease which customizes payment terms. This means that Inter-Tel can customize the first lease payment and not expect an additional payment until 2002. These payments can be set up yearly to add additional value to the District. Inter-Tel is willing to invest this amount back into the district if they proceed with future installations beyond the initial 46 sites.
13	Superintendent's Administration unable to grasp the key IT needs of the district necessary to make a qualified decision.	This is the role of the IT staff to demonstrate to the Admin. Staff that they have vision aswell as the desire to use E funding to provide the district the highest level of curricular delivery, to better prepare its constituents to march into the 21st century with the tools and skill sets necessary to survive by leveraging and building upon this technology today.	

NECBNS CON 03501

Outstanding Issues

	Description	Resolution NEC	Resolution Inter-Tel
14	Not enough room or space at school sites for cabling and component placement.	Preliminary site surveys indicate that there is adequate space for the LAN/WAN and voice cabling. In areas where space is tight, NEC will create new pathways.	Inter-Tel places no additional power requirements on the District. The New Telephone Systems use the same power and outlets which currently exist to operate the old Executone Systems. The District's current phone system uses 4 wires to every phone to make them work. Inter-Tel phones us only 2 wires. The district actually Recovers cable and space for future needs with the Inter-Tel Solution
15	Why two W.A.N's. Why not one? Why not combine the two.	Design has already begun at facilities to address this. The possibility of cross redundancy, where traffic has two options to travel to its final destination is the lead design contender at the moment.	Inter-Tel can operate as designed in both scenarios. Inter-Tel's bandwidth requirement is minimal when in use
16	The whole thing is just pie in the sky and not do-able.	As designed, NEC BNS has implemented all of this technology through E-Rate funds at various school districts nationwide. This design has been installed and tested at numerous other districts nationwide.	As it relates to the Inter-Tel portion, The upgrade and replacement of the Discontinued Executone equipment is easy. "Take down the old system, install the new system, unplug the old phones, plug in the new phones, turn on the power, make a call".
17	Facilities has money to build out and expand its system, IT does not.	Facilities has been innovative and frugal.It's current WAN operates and is maintained on a miniscule funding percentage compared to Central IT.	Inter-Tel is offering to postpone district's portion until they are finished with the initial project which will not be until the next Fiscal year. Indeed if Inter-Tel comes in under budget Which they are know to do, they will return the unused portion to the SLD and the district will pay even less. Inter-Tel is even willing to set up a lease which customizes payment terms. This means that Inter-Tel can customize the first lease payment and not expect an additional payment until 2002. These payments can be set up yearly to add additional value to the District. Also they are willing invest this amount back into the district if they can proceed with future installations beyond the initial 46 sites.
18	**Telecom:** New contract pending for Ed Belton on old system.		Let Ed Belton maintain the rest of the sites, Let Inter-Tel Certify Ed Belton on the new equipment, and involve him in every aspect of the project. Inter-Tel is not interested in replacing Ed Belton. Inter-Tel wants to Train Ed. Ed is a valuable resource to both the District and Inter-Tel. Inter-Tel will compensate Ed Belton during this learning process.

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NECBNS CON 03502

Outstanding Issues

	Description	Resolution NEC	Resolution Inter-Tel
19	**Telecom:** Why replace PBX's with new ones if what we have works already?		Executone is now Inter-Tel. The Executone systems the district has are discontinued. Inter-Tel will support replacement parts for only a short time. It will become increasingly expensive to operate the old Executone Equipment. The District can get replacement equipment for .17 cents on the dollar. As is the case with old proprietary equipment, it cannot evolve to meet the changes in technology. The Inter-Tel system was designed for this evolutionary purpose. Please see the fact sheet I included showing some of the differences.
20	**Telecom:** Why incur the cost this year, why not deal with it in later years?		Inter-Tel is offering to postpone district's portion until they are finished with the initial project which will not be until the next Fiscal year. Indeed if Inter-Tel comes in under budget Which they are know to do, they will return the unused portion to the SLD and the district will pay even less. Inter-Tel is even willing to set up a lease which customizes payment terms. This means that Inter-Tel can customize the first lease payment and not expect an additional payment until 2002. These payments can be set up yearly to add additional value to the District. Also they are willing invest this amount back into the district if they can proceed with future installations beyond the initial 46 sites.
21	**Telecom:** Training, how do we deal with training to resolve our support needs?		Inter-Tel manages and provides all the Technical and enduser training. This process is customized to work around the Districts needs.
22	The whole thing is just pie in the sky and not do-able.	As designed, NEC BNS has implemented all of this technology through E-Rate funds at various school districts nationwide. It has a proven track record and is historically sound in content and deployment.	

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NECBNS CON 03503

TAB 95

omack, Laura

rom: des [des@sfusd.com]

Monday, February 05, 2001 3:32 PM

o. Bruce Manson

c: James H. Levine; Richard R Boyd; Erate Arthur Andersen Consulting File

ubject: Meeting

; we left the meeting last Monday, you mentioned you would call me to schedule getting together to respond to Athur Andersen's commendation that it would take collaboration between us to successfully utilize the essence of what Erate Year 3 had to offer. erhaps as early as later that day. I have since submitted my recommendations to A.A.

aven't heard from you. Is this something you still intend to do.

n another issue. Year 4. I am not sure that I am clear on what has happened with that. I believe it is dead. However, I will check ı it. I am certain that I do not want an application with my name on it, submitting a request for 50 million dollars, without my prior owledge or authorization. NEC and INTERTEL have submitted documentation denying authorization of George Marchelous, of NCI, to submit an application representing them without their prior knowledge and consent. George insisted that he was working th the approval of district personnel from IT/IS and some wireless guy on this.

vill submit to the SLD the necessary documentation negating the application, if that hasn't happened already, unless there is some her explanation as to why it needs to remain active as an application and why my name was illegally represented on a district ocument that petitions federal funding.

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TAB 96

Womack, Laura

From:	"George_Marchelos"@vnci.net
Sent:	Wednesday, February 21, 2001 10:28 PM
To:	"Robert_Emery"@vnci.net
Cc:	"judy_green"@vnci.net; Colvin, John; McNulty, Gerard; jason_king@inter-tel.com
Subject:	Re: SFUSD Year 4

Bo,

There is no 471 for Year 4 for SFUSD for any of us (VNCI/NEC/Inter-Tel). There was no "Block 6" signature page, so therefore no Year4 and NEC knows that and so does Inter-Tel. I wonder who is asking for a copy of it? Why don't they double check with the district? What about Year3? That's what I would be concerned with.

GM

"Robert_Emery"@vnci.net on 02/21/2001 08:17:14 AM

To: George Marchelos/VNCI
cc: Judy Green/VNCI, JColvin@bns.nec.com, gerard.mcnulty@bns.nec.com
Subject: SFUSD Year 4

George,

Do you have a copy of the 471 that you helped put together on SFUSD. NEC has formally requested a copy given their position as SPIN holder. If you have a copy, please forward it to me and John Colvin or Gerard McNulty.

Cheers,

Bob

Bob Emery
Chief Financial Officer
Vice President Administration

NECBNS CON 04127

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(603) 334-6741 (T)
(603) 334-6742 (F)
(603) 431-4748 Ext. 6741 (V)
Robert_Emery@vnci.net

NECBNS CON 04128

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TAB 97

Womack, Laura

From: McNulty, Gerard
Sent: Friday, February 23, 2001 4:56 PM
To: Colvin, John
Subject: Richard Boyd of Arthur Anderson

John,

Some notes from my call with Richard Boyd.

He is based in LA. His telephone number is 213-614-1552

He was engaged by Cathy Vogel the CFO for the district. His initial assignment was to review the facilities org but Cathy also asked him to look into the e-rate project for year three.

He worked with Desmond and Bruce Manson in an effort to get them to work together. He indicated they agreed that the network was overbuilt and he had recommended the removal of the ATM piece from the project. He had also instructed them to work with Cathy to offer a laymen's description of what the district would receive from the SLD award as she was not clear as to the benefits of the award.

He has not been involved for over two weeks but his last contact with Cathy was getting her a copy of the SLD award letter and directing her to the SLD web site so she could investigate her next steps. His recommendation was that the district should try to find some way to take advantage of the funding as there was no guarantee that the program would be in existence in the future and that we are in year 4 of what is a 5 year program and funding opportunities are slipping away.

He had said Cathy was looking at borrowing money through a program called COPS that provides low interest loans to districts as a way to come up with their match. He seems to think this is their biggest issue.

He was surprised that Lois Brooks did not know anything as he thought she was involved. He suggested that we contact Cathy Vogel to see where it is at.

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TAB 98

lomack, Laura

rom: des [des@sfusd.com]
Monday, February 26, 2001 3:58 AM
Colvin, John; Holman, Bill
ubject: Fw: Thank You!

— Original Message -----
·om: des
ɔ: Arlene Ackerman ; Elois Brooks
c: Erate Correspondence File ; E-rate ; John Bitoff
ent: Monday, February 26, 2001 1:56 AM
ubject: Thank You!

ıankyou meeting with me in your office Friday. I felt like Daniel in the Lion's Den.

appreciate your statement that ***"this Chief of Staff and Superintendent Ackerman are as honest as the day is long."***

ıe lies and misconceptions about Erate proffered to you and Ms. Ackerman by others will not stand in the same light of day. The -Rate application in question is completely honest.

nder the direction of the Superintendents office I have met in a two hour conference with one of several Journalists, outlining the -Rate process. Every word spoken the truth. Every application process honest, full of integrity and brilliant and pure under the ɔon day sun.

he understanding given to you by others, and represented to me in our discussion was inconsistent with the true and honest ·ocesses of the application. I was greatful for the opportunity to have outlined that.

r se these are public funds, and the press is showing interest, any *false misrepresentation* of the process, it's intentions and its ʌ ., will come out as what they are. False.

/hoever is misrepresenting the truth has not been in counsel with anyone associated with the application. No one has come to ɔunsel looking for discovery to establish the integrity of the process. Everyone has shown up with hatchets and shovels fully intent ı killing it and burying it without review.

it were reviewed they would be embarrassed and subject to the full public outrage over the disenfranchising of its trust, where ɔnest subsidies are cast aside, leaving the public to foot the full cost in later years.

the process is impuned, then so it appears am I. I have heard such from top level administrators.

welcome the Lions, with integrity they are my friends, and we all know what happened to the false accusers.

lease feel free to review the process under the light of day any time, any day. There are very few people that know the process ·ell enough to give you an answer about the application, let alone an honest one. I do, will and have.

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/omack, Laura

rom: Holman, Bill

: Monday, February 26, 2001 7:51 AM

'o: 'des'; Holman, Bill

:c: Colvin, John

ubject: RE: Elois Brooks

hanks for the updates. I think (and John can confirm) that it was Elois who used the $16M figure. I think (and John can confirm) at the only "alternative funding" John spoke to was the leasing option that we submitted at the District's request in preparing the cent report. Perhaps, as you say, Elois is confused due to the George M. statements. The meeting with Arlene Ackerman in DC as a very good one and Arlene understood the program quite well, though as she said, she had not seen any detail and would wait the report. I don't know what SF discussion with Arlene she is referring to?? We have taken the high road from day one on is project, as you know. We too are honest as the day is long and will do nothing to compromise the District or our Company. opefully, Elois and Arlene will have a good and positive discussion today. But, given no advanced package to the Board, etc, I on't see how this could ever reach the Board tomorrow???

egards,

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Monday, February 26, 2001 2:38 AM
To: Bill Holman
Cc: Colvin, John
Subject: Elois Brooks

I met with Ms Brooks late Friday afternoon. She had already spoken to John. She said she had been disconnected for several months and decided to take the call since she was in the office.

I called John before the meeting to which he said he would have his phone on for the next three hours. I called him several times after the meeting, got his answering service and left a message, he hasn't called back as yet.

Elois had the following misconceptions after talking with John.

1) The district co-pay was 16 million dollars. She kept saying this over and over again.
2) She stated that after her discussion with John she thought NEC was the vendor that played the role VNCI did. She had given up the idea that you were the sucessful bidder and was now thinking you were something akin to George Marchelos's role.
3)She stated that as a vendor at a NABSE meeting you had briefly run into Arlene, who didn't fully understand what it was you were representing. She was unaware of the San Francisco discussion with Arlene.
4)She said that John started the conversation by asking if the district was ready to pay it's 16 million in copayment.
5)She will be meeting with Arlene, when she returns Monday, to go over the ERATE.
6)She felt that the alternative funding options (which she had been coached by IT to look out for as illegal if you were to forgive the debt) might be crooked.

I am assuming that she was honest in the above.

I met with her for 45 minutes and clarified the above. Her concern was for the honesty and integrity of the application process.

It was clear that VNCI's role with Manson and the wireless guy recently has damaged the reputation of the year 3 process. His offers to IT to manage year 4 applications in what appeared less than honest processing, and the representation by George to them that he was King of the year 3 application process, has by association lent the year 3 application suspect status.

Since IT was claiming this all along, it was a form of reaffirmation.

NECBNS CON 03453

There appears to be a game of opposition going on here. A battle is being fought against IT and the blatant lies and

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misconceptions they are spreading, and they are being assisted by what only be described as "friendly fire." Casualties on the pro erate side being caused by the pro erate side.

She stated that she was calling a meeting with IT and myself Monday or Tuesday. Without question it will be a show down.

There is support from the other sectors, so it will be interesting. If the integrity issue can be clarified, then 90% of the oppposition will clear away with it.

She made it very clear with a finger in my face, that she and the superintendent were as honest as the day is long and that they would not endorse anything that was dishonest, now or ever.

This is an update, not a very happy one, but not one without hope. If I can get past the selective memory process that everyone is using in order to isolate their agenda in confrontation for discovery, perhaps the best interests of the children of the SFUSD will be represented.

There is still much to do, but to be sure, Erate will either be on the way to the board this week or it will be dead.

Incoming mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com).
Version: 6.0.231 / Virus Database: 112 - Release Date: 2/12/2001

-
utgoing mail is certified Virus Free.
hecked by AVG anti-virus system (http://www.grisoft.com).
ersion: 6.0.231 / Virus Database: 112 - Release Date: 2/12/2001

;omack, Laura

rom: des [des@sfusd.com]
Monday, February 26, 2001 9:43 AM
o: Colvin, John
ubject: Re: Elois Brooks

wil be an interesting couple of days. We are taking IT head on in this, I will send you some of the questions raised about the ›plication by her already.

—— Original Message ——
From: Colvin, John at NECBNS
To: 'des'
Cc: Holman, Bill
Sent: Monday, February 26, 2001 7:34 AM
Subject: RE: Elois Brooks

Des,

We have committed to you that we, NEC BNS would do anything within our legal and moral powers to support this process. As such, we stand ready to react to whatever requests of time or process are required of us.

John

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Monday, February 26, 2001 9:32 AM
Colvin, John at NECBNS
Holman, Bill
Subject: Re: Elois Brooks

It appears by what you have said, that either there is some real confusion, or some real cat and mouse switch and bait discovery going on with Elois.

We are at crossroads. Despite what may appear as her manipulations, the biggest issue is the integrity issue. She has been bombarded with with the integrity issue by Manson every day since she arrived.

Marchelos's involvement has created a friendly fire environment where we are taking casualties. George trusted Manson too much, and should not have taken or alluded to being responsible for year 3.

Whether anything can elevate the situation to the agenda tommorrow is another question. Because the ERATE package is a done deal so to speak (as far as the award is concerned), it can probably be dealt with in a private independent session. The board meets on these every week. If so, you and one of you legal team along with a similar compliment from Inter-Tel familiar with SLD rules and guidelines may be required to show up last minute.

Everything has been mobilized on this end for Monday, today. So we shall see.

—— Original Message ——
From: Colvin, John at NECBNS
To: 'des'
Cc: Holman, Bill
Sent: Monday, February 26, 2001 6:55 AM
Subject: RE: Elois Brooks

NECBNS CON 03448

Des,

Thanks for the message. I waited for your call on Friday evening and never did hear from you. On the way back home last evening from Oklahoma City my phone lit up with a voice mail indication; for some reason my phone must not have been able to see the network. In any case, I would like to comment on two of the issues that were raised in your

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conversation with Elois Brooks.

1. I did not start the conversation by asking Ms. Brooks if the district was ready to makes its $16m co-payment. I opened the conversation by
introducing myself and explaining to her why I have been calling her three times a day for the last 20 business days. I explained that we (NEC BNS)
met with Superintendent Ackerman in Washington D.C. on January 26th to discuss SFUSD's E-Rate award and what steps if any SFUSD was going to take
to accept these funds. I explained to Ms. Brooks that Ms. Ackerman requested that I contact her to discuss SFUSD's E-Rate application as this was the
proper protocol of the District.

2. With regard to NEC BNS' role in the project, I spent the better part of two minutes explaining to Ms. Brooks that we were the successful bidder for this
opportunity. I cannot imagine that after my explanation she felt that were anything but the successful bidder.

From my vantage point, I believe that there may have been a disconnect between Ms. Ackerman and Ms Brooks as to my frequent and urgent calls to speak to Ms. Brooks about the E-Rate application. I would trust that Ms. Brooks will speak to Ms. Ackerman upon her return to office today and will clear up the mystery behind NEC BNS. Ms. Brooks has promised to call me tomorrow to give me an update of her conversation with Superintendent Ackerman. However, I did not get the impression that this conversation would elevate the E-Rate package to the Board agenda by Tuesday evening.

John

-----Original Message-----
From: des [mailto:des@sfusd.com]
Sent: Monday, February 26, 2001 2:38 AM
To: Bill Holman
Cc: Colvin, John
Subject: Elois Brooks

I met with Ms Brooks late Friday afternoon. She had already spoken to John. She said she had been disconnected for several months and decided to take the call since she was in the office.

I called John before the meeting to which he said he would have his phone on for the next three hours. I called him several times after the meeting, got his answering service and left a message, he hasn't called back as yet.

Elois had the following misconceptions after talking with John.

1) The district co-pay was 16 million dollars. She kept saying this over and over again.
2) She stated that after her discussion with John she thought NEC was the vendor that played the role VNCI did. She had given up the idea that you were the sucessful bidder and was now thinking you were something akin to George Marchelos's role.
3)She stated that as a vendor at a NABSE meeting you had briefly run into Arlene, who didn't fully understand what it was you were representing. She was unaware of the San Francisco discussion with Arlene.
4)She said that John started the conversation by asking if the district was ready to pay it's 16 million in copayment.
5)She will be meeting with Arlene, when she returns Monday, to go over the ERATE.
6)She felt that the alternative funding options (which she had been coached by IT to look out for as illegal if you were to forgive the debt) might be crooked.

I am assuming that she was honest in the above.

NECBNS CON 03449

I met with her for 45 minutes and clarified the above. Her concern was for the honesty and integrity of the application process.

It was clear that VNCI's role with Manson and the wireless guy recently has damaged the reputation of the year 3 process. His offers to IT to manage year 4 applications in what appeared less than honest processing, and the

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representation by George to them that he was King of the year 3 application process, has by association lent the year 3 application suspect status.

Since IT was claiming this all along, it was a form of reaffirmation.

There appears to be a game of opposition going on here. A battle is being fought against IT and the blatant lies and misconceptions they are spreading, and they are being assisted by what only be described as "friendly fire." Casualties on the pro erate side being caused by the pro erate side.

She stated that she was calling a meeting with IT and myself Monday or Tuesday. Without question it will be a show down.

There is support from the other sectors, so it will be interesting. If the integrity issue can be clarified, then 90% of the oppposition will clear away with it.

She made it very clear with a finger in my face, that she and the superintendent were as honest as the day is long and that they would not endorse anything that was dishonest, now or ever.

This is an update, not a very happy one, but not one without hope. If I can get past the selective memory process that everyone is using in order to isolate their agenda in confrontation for discovery, perhaps the best interests of the children of the SFUSD will be represented.

There is still much to do, but to be sure, Erate will either be on the way to the board this week or it will be dead.

TAB 101

/omack, Laura

rom: des [des@sfusd.com]
Monday, February 26, 2001 2:27 PM
o: Colvin, John; Holman, Bill
ubject: Fw: Review of meeting held Friday on Erate questions asked. Sent to Ms Brooks and Ackerman

--- Original Message ---
rom: des
o: Elois Brooks ; Arlene Ackerman
c: Erate Correspondence File ; John Bitoff
ent: Monday, February 26, 2001 12:15 PM
ubject: Review of meeting held Friday on Erate questions asked.

NECBNS CON 03444

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MS Brooks, you came across as a straight shooter and someone who would prefer to be straight talked to. I shall do so here.

Clarification and written reaffirmation of the ERATE Items discussed in the meeting held Friday 2/23/01 at 4.50pm

The E-Rate will cost the district 16 million dollars
This is misinformation. The Award is 48.6 million dollars. The award represents 83% of the total due in October at completion of the project.

The co-pay was 9.9 million dollars, however both vendors have modified their original bids down due to the removal of ATM and price drops in technology since the original bid, leaving the districts co-pay at approximately 8 million.

This will be due at the contracts completion in October, next fiscal year.

Legal departments from both companies have contacted the Federal agents – FCC/USAC/SLD and have been cleared to offer the district terms on their co-pay. They have left it negotiable, but initially offered a lease purchase agreement over 5 years with the first payment due in January 2002.

Why didn't IT have input into the application process
We were applying to expand the SRS WAN, not the district WAN under the direction of Superintendent Linda Davis. If superintendent Ackerman were to instruct me to do the same thing today, I would, without hesitation.

However we met and coordinated with Bruce Manson, and we did compare ERATE applications and numbers so as to clearly delineate equipment differences between IT WAN sites and the same SRS WAN sites. In fact, Bruce had neglected to file for Internal Components in his 470 that year, and was no longer eligible to request equipment for year 3. We had a spare 470 application that did include internal components, which we handed over to him allowing him to apply and redeem himself.

Under the superintendent's office instruction I met with Bruce and he assisted us in finalizing the numbers for F&R lunches and the final application portions of our 471 application process.

NEC is one of the annoying vendors associated with assisting the application
NEC did not assist us in the application process. NEC was *one of two successful bidders* on the E-Rate, *not* one of the consultants that originally stepped in to assist us with the initial application process. The other successful bidder is Inter-Tel Telecommunications Systems.

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Is the technology awarded what the district really needs - Telecommunications?
The district's telecommunications system is 15 years old and obsolete, replacement parts-manufacture is terminating. If discounted telecom dollars are not leveraged today, the *full* non-discounted cost will be due in a year or two.

Facilities designed and built the current telephone system.

Applying for telecommunications was a no-brainer. Under the public trust we are compelled to use discounted funding when we have full knowledge that the system is obsolete and parts manufacture is about to stop.

Telecommunications **Contractor: Inter-Tel**
The upgrade and modernization of existing telephone communications systems.

E-Rate award	District Co-Pay	Payment Options
$14,791,335.38	$2.761M	Lease Purchase
Terms	**Annual Payment Option**	**Monthly Payment Option**
60 Months	$646,531.19	$52,738.89
Negotiate Terms	**1st Payment due**	**In Kind Donations**
Yes	January, 2002	$1,332,500.00

Is the technology awarded what the district really needs – WAN-LAN?
The second part of the award is a WAN based Network solution. It is a *generic foundation* of technology that is being applied for and used by hundreds of districts across the nation. It *is broad enough* to meet the transport needs of *every facet* of curricular development the district decides to layer on top of it.

It is required to be in place, before you can even begin to develop and establish digital curriculum in the classroom.

It is designed in its deployment to eliminate the majority of overhead in manpower to software mismanagement that the current IT WAN has.

Network Communications **Contractor: NEC BNS**
Linking classrooms district wide through technology. Providing the necessary infrastructure to supplement curriculum delivery, provide global research tools and the *foundation* to develop new ways of delivering instruction and testing to the classroom.

E-Rate award	District Co-Pay	Payment Options
$33,888,442.67	$6,941,006.33	Lease Purchase
Terms	**Annual Payment Option**	**Monthly Payment Option**
60 Months	$1,596,756.00	$133,063.00
Negotiate Terms	**1st Payment due**	**In Kind Donations**
Yes	January, 2002	4600 PC's Installed

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It was clear from our discussion that while you were there to discover, you were also basing that discovery on a series of negative and damaging misinformation you had received about the work that I do, have done or have envisioned to do. It was up to me to explain your concerns from a defensive position, justifying actions and invalidating preconceived notions of integrity, or rather lack thereof.

The truth is out there. You don't need me to point it out, it simply is. All the deception and misinformation you are receiving in counsel will soon be seen for what it is. Even if you ignore me pointing to it, the truth about all that we do will prevail.

This work that has been done is a great and marvelous work for the district. It started because I.T. refused to allow web based facilities-required software to work across their WAN. We built our own to accommodate the life safety communications systems that we have today.

Under the superintendent's direction, we sought to honestly leverage our facilities based system one step further. It was an opportunity to provide a secure platform that would allow curriculum groups to develop and test digital curriculum delivery to their sites in a secure controlled environment. Eventually it would serve as the foundation for that delivery. We did this through ERATE. Even your new CTO will applaud the genius behind this.

I cannot comprehend the barrage of unwarranted, unfounded criticism received from Bruce Manson, IT and CFO Vogel.

It has been one sided without validation. I am in a quandary as to why the opinion of those who know so very little about any of the SRS WAN, ERATE, or Security have had their opinion Deified while we at the source are ignored, condemned without so much as an *honest* how do you do, tell me what you have here?

When you finally discover the good behind the great work we have accomplished, and you will, ask yourself this. What motive did those who mislead you have? What could they have to fear that they should so blatantly lie and attack everything so well crafted, honest, praiseworthy and of good report?

This modus operandi of "Guilty until proven innocent" is something I pray never reaches our children in the district.

Sincerely,

Desmond McQuoid
Dir, Systems, Security, Facilities Management

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/omack, Laura

rom: des [des@sfusd.com]
Tuesday, March 13, 2001 11:35 AM
o: Colvin, John; Holman, Bill
ubject: Fw: Attached Article on Erate from Oakland Tribune and Washington D.C Post
opy of an email sent to Ms Brooks this morning.

— Original Message —
rom: des
o: Elois Brooks
c: E-rate ; Erate Correspondence File ; John Bitoff
ent: Tuesday, March 13, 2001 9:30 AM
ubject: Attached Article on Erate from Oakland Tribune and Washington D.C Post

/hether or not the district decides to run with the Erate award, it appears that it will not be eligible in future years.

here are extensive requirements established in the SLD 3 month audit, Item 25 Review, where they reviewed our elibility.

you do decide to deploy, caution is advised.

ruce doesn't have the faintest idea of what takes place in an item 25 review, he's never brought in enough funding to qualify for an xhaustive one, and neither C.F.O Vogel nor Bruce have the faintest idea as to what was established in that review.

/hen a large sum is granted, it is based on a plan, a vision. The reviewing officers at the SLD collectively were convinced that the ision we presented would work, and based on the criteria used to establish that vision, the grant was awarded.

'eparture from that vision where the design and infrastructure of what was intended is modified or detracted from in any way, .squalify the application.

epending on how radical the modifications, any other internal component grant the district has filed may be disqualified aswell.

/hen discussing this with the supposed district "erate" specialist, it is important to bear in mind, that he should not only already be ognizant of this, (and perhaps he is), but the design and intent, should you decide to deploy piecemeal, may be exactly that. To kill e application.

here is no one in the district specialist "erate" group that has any legacy knowledge of the application, it's process of acceptance, 's 3 month review or the conditions placed upon delivery of agreements established in that review. They have not actively pursued understand it either. Their ignoring of this 48.6 million dollar grant and the good that could be crafted in the district through it's se, has been set aside for cries of demonized semmantic process.

log Wash! It is what it is, It is what it promises, and all the cries that the district doesn't have the capacity to expand to adapt to the romise it brings are coward based by those whose responsibility to have made sure the district had a vision years ago did not, and o not even still.

believe you and Ms. Ackerman are honest and true.

o was the application.

can prove, should you ever decide to deploy "*that*" erate, that "*it*" will work in every school, and *is* working now. That the vision for e district based on technology is marvelous to behold, it will eclipse a thousand times over the promise of consent decree in ising grades and bringing knowledge to the less privileged.

specialist counsel can only project it failing based on fear. Why? Because they haven't bothered to learn enough about it to . an honest subjective analysis.

know, I am the lone district keeper left with that knowledge, and they have not come to me.

NECBNS CON 03438

appears that much of the truth that I speak will come out in the court of public opinion. Between media requests and genuine

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ıblic outrage over the application being ignored and left to wallow for 8 months, until it is now near death, the district specialists e done their job well. It is the truth of the promise lost, that will be their undoing.

I ⌐ convinced of one thing, it is that you and MS. Ackerman desire only what is best for our district.

ɜ God is my witness, you have a good and honest application.

ɔan only hope and pray that some day your advisory counsel will be equal to the task.

NECBNS CON 03439

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TOP STORY
ERATE
Schools may lose key Net hookups
Bush looks at axing 'E-rate' surcharge
WASHINGTON -- A controversial government initiative that keeps schools and libraries Internet-wired on the cheap has caught President Bush's eye, and supporters fear the changes he's proposing will quietly kill the program.

Federal Communications Commission chairman, Michael Powell, likened the digital divide to a "Mercedes divide," saying, "I'd like to have one and I can't afford one." Schools may lose key Net hookups

Bush looks at axing 'E-rate' surcharge

By Lisa Friedman WASHINGTON BUREAU

WASHINGTON -- A controversial government initiative that keeps schools and libraries Internet-wired on the cheap has caught President Bush's eye, and supporters fear the changes he's proposing will quietly kill the program.

The "E-Rate" program has doled out more than $1.8 billion in discounts and rebates to California schools since it was launched in 1998. Alameda County schools and libraries have raked in about $13 million, while San Mateo educational facilities have received more than $3.5 million.

The program underwrites some of the costs of wiring, Internet connections and services. Funding comes from a monthly surcharge on phone bills that netted $2.25 billion last year.

Congressional Republicans have long sought to scrap the E-Rate program, maintaining that the fee telephone companies charge consumers to pay for the discounts is illegal.

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Democrats and the education lobbies don't want the program changed one whit.

Schools are caught in the crosscurrents. Information back roads

If not for E-Rate, local administrators say, **students would still be on the information back roads** instead of the superhighway...

"Without the federal government's aid, we wouldn't stand a chance of being able to provide our students with what they need," said Lorrie Owens, director of technology services for the Alameda City Unified School District, which according to government records received more than $234,000 in discounts over the past three years.

But, Owens added, "it has created an enormous amount of paperwork and a burden on school districts."

Closing the gap between technology haves and have-nots was a celebrated cause in the Clinton administration, when the widely accepted view was that government must take a strong hand in making things equitable. 'Mercedes divide'....

Enacted as part of the 1996 Telecommunications Act, E-Rate was designed as a quid-pro-quo. In return for the explosive profits promised by the law's deregulation provisions, telephone companies agreed to subsidize the initial costs of high-tech wiring, networking and monthly telephone Internet services. Since 1998 the program has spent about $6 billion, wiring about 30,000 schools across the country.

The amount of the discount depends on the economic needs of the area and the number of children who receive free and reduced lunches. **So, the poorer the school or library, the higher the discount....**

Under President Bush's new education plan, the E-Rate program would be taken out of the FCC and blended with a $3 billion technology grant program at the Department of Education. Instead of being funded by the telephone surcharge, the money would come from the department's budget and be appropriated by Congress.

And instead of making individual schools and libraries apply each year, the discounts would be doled out in block grants under a funding formula...

Education lobbyists, however, are warning that Bush's ideas are ***nothing more than a back-door way of snuffing out E-Rate altogether.*** The Education Department, they say, **lacks the legal power to collect fees from telephone**

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companies, which now total $2.25 billion per year. Without that funding source, Congress would have to appropriate money for the program each year.

"The history of block grants is first to block grant the money and then to slowly eliminate it," said Leslie Harris, who heads a nonprofit communications advocacy group. **"We view it, either intentionally or unintentionally as killing the program."**

It remains unclear how President Bush and the Education Department will ultimately reform the E-Rate program, and whether it would meet the needs of East Bay school districts.

"Schools are stuck in the middle," Owens said.

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Colvin, John

⁻om:	McNulty, Gerard
nt:	Monday, March 19, 2001 3:33 PM
. o:	Colvin, John at NECBNS
Subject:	FW: Thank you for our E-Rate meeting

FYI

—Original Message—
From: McNulty, Gerard
Sent: Monday, March 19, 2001 1:09 PM
To: 'MTHernandez@worldnet.att.net'; 'FChong@muse.sfusd.edu'
Subject: Thank you for our E-Rate meeting

Dear Mr. Chong & Ms. Hernandez,

Thank you for taking the time to sit down with NEC this past week to discuss the E-Rate project for San Francisco Unified School District. We enjoyed our visit and appreciated your consideration and guidance.

As you discovered, when the program is explained and reviewed most people become very excited and quickly recognize the value of a government program that will significantly impact in a positive way the educational experience of children within the district. San Francisco Unified was selected through the E-Rate program to receive approximately $50 million in subsidies to bring technology to the classroom. This award includes new structured cabling with fiber to the desktop for advanced applications, all new data equipment from Cisco for a district wide and site specific LAN/WAN with an emphasis on distance learning and mixed media instruction, on-going maintenance for the new technology, new telephone systems to replace existing systems that are over 12 years old and discontinued. In addition, the award will bring "in kind" programs from the vendors to help with computers and related software purchases that are not a part of the E-Rate program.

we pointed out the award is a subsidy and leverages FCC monies to the level of 17 cents on the dollar. For the district , take advantage of the award it will need to come up with matching funds that equal 17 percent of the awarded dollars. Based on our conversation we know that the district is trying to best determine how to prepare financially for this sum and we wanted to make certain that you were aware that we have many financing options available for your portion of matching funds and that this amount can be paid over time. An example of the options is contained in the package that we left behind from our meeting.

Also please be aware that the timeline for accepting the funding is running out as is the timeline for completing the project. For this reason we wanted to communicate with you and the other board members the urgency and importance of action related to acceptance of the funds. If San Francisco is unable to accept the funds, for whatever reason the funds will go elsewhere to another district. In addition, the prospect of a future E-Rate award for the district looks grim as there are significantly more schools requesting these subsidies and doing so at higher dollar levels. When this happen, the funding levels at which qualifying schools receive money rise to the point where the SLD(School and Libraries Division) anticipates not being able to fund below 90% (last year the SLD funded down to the 82% level which allowed SFUSD to be successful). Funding percentage is tied to the free and reduced lunch program for the district. SFUSD's percentage is at 83% (which is why the distinct would provide a 17% match for the award).

Thank you again for your time and your consideration. Please let me know if there is any additional information that I can provide you as you continue your evaluation or if there are any other board members that you would like me to brief in the same way that we did with each of you. We look forward to the prospect of working with you and the district on this important project.

Sincerely,

Gerard McNulty- National Accounts Manager-NEC

TAB 104

Colvin, John

From: Mary T Hernandez [MTHernandez@worldnet.att.net]
Sent: Wednesday, March 21, 2001 10:03 AM
To: Colvin, John at NECBNS
Cc: fchong@muse.sfusd.edu
Subject: Re: SFUSD E-Rate $

I have asked for a formal response from the Supe on this issue. I should
get one in the next week.

Mary
----- Original Message -----
From: "Colvin, John at NECBNS" <jcolvin@necbns.com>
To: <mthernandez@worldnet.att.net>; <fchong@muse.sfusd.edu>
Cc: "McNulty, Gerard" <gmcnulty@necbns.com>
Sent: Wednesday, March 21, 2001 7:34 AM
Subject: SFUSD E-Rate $

> Ms. Hernandez and Mr. Chong,
>
> Thank you once again for agreeing to meet with NEC Business Network
> Solutions, Inc. to discuss the current state of the E-Rate grant awarded
to
> SFUSD. At the direction of Ms. Hernandez, I have been attempting to
contact
> Superintendent Ackerman to continue to escalate this issue within the
> administration but heretofore have been unsuccessful in reaching her.
> Additionally I have continued to try to contact Eloise Brooks but I
> understand that her father passed away and she is currently out of the
> office dealing with this unfortunate situation.
>
> As we discussed in our meeting, the time clock from the Schools and
Library
> Division (the governing body of the E-Rate program) continues to pass
> without a decision from SFUSD. It is critical that we move this issue
onto
> the Board Agenda (March 27, 2001) for a decision before the window of
> opportunity closes. Our main obstacle at this point is time. The
issues
is
> not simply waiting for a Board decision but being able to implement
this
> enormous project within a specified timeline. To comply with SLD
> directives, we (NEC BNS) are to be complete with all of our
installation
> work at SFUSD by June 30, 2001 to qualify for funding. However, there
is
an
> opportunity to apply for an extension to that deadline but we are
prohibited
> from making that request of the SLD until we get Board Approval of the
> Project and a sign off from the district that they are going to accept
the
> E-Rate funds (SLD Form 486).
>
> We are clearly at a cross roads and solicit your support to give us
> direction as to how to elevate this within the district. The design
and
> goal of the E-Rate program was to provide dollars to school districts
to

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> help eliminate the "Digital Divide" that currently exists within our
> national school systems. We believe that the students and teachers of
San
Francisco should be able to take advantage of these same technology
tools
to
> compete in today's world. Accepting the $48 million dollar grant
extended
> to SFUSD by the Schools and Library Division is the quickest and least
> expensive way to achieving that goal.
>
> I look forward to your response.
>
> Regards,
>
> John F. Colvin
> Director Public Sector Sales
> NEC Business Network Solutions
> Tel: 214-262-6118
> Fax: 214-262-6800
> email: jcolvin@necbns.com
>
>

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TAB 105

Womack, Laura

From: McNulty, Gerard
Sent: Thursday, March 29, 2001 6:58 PM
To: 'BManson@esp.sfusd.edu'
Cc: 'Lzahtila@cisco.com'; Colvin, John
Subject: SFUSD E-Rate Project

Dear Mr. Manson,

I received a copy of the e-mail that Laura Zahtila sent to your attention today regarding the e-rate project at San Francisco Unified School District. I hope that the information we provided is helpful to you as you continue your evaluation. I realize that you have an important decision to make and I wanted to make myself available for any questions or discussions you would like to have.

As Laura had mentioned, NEC is prepared to demonstrate flexibility in how this project will roll out. As you may be aware, NEC is Cisco's second largest distributor globally and a gold partner with significant resources in system's integration and professional services. Because of this background and our familiarity with e-rate we feel uniquely positioned to partner with you in deploying your vision of the network.

The flexibility that I referenced has been enhanced by recent rulings from the FCC including DA-01387 which allows certain changes in project designs after award. NEC understands this change process and knows how to navigate through the complex paperwork and decision chain of the School and Libraries Division. Laura has outlined your desired changes to us and we are not adverse to the removal of ATM switches from our proposal or a re-design that helps you to achieve the goals of the district. These changes could potentially incorporate the needs of the district as they relate to the Digital California Project(DCP) or the addition of other non application schools through "in kind" programs.

As Laura stated the NEC application stands on its own and is not tied to the Intertel proposal. The FRN's for each category and vendor are separate and unrelated.

Mr. Manson, I would welcome the opportunity to discuss this in more detail with you at your convenience. I'm hopeful that together we can chart a path that will allow the district to avail themselves of this subsidy. It would be unfortunate to lose the opportunity to acquire much needed infrastructure at such a heavily discounted price.

Thank you for your continued consideration. We look forward to the prospect of working with you on this important project.

Sincerely,

Gerard McNulty
National Accounts Manager-NEC

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TAB 106

NEC Business Network Solutions, Inc
6555 N. State Highway 161, 8th Floor
Irving TX 75039-2402

April 9, 2001

Mrs. Arlene Ackerman
Superintendent
San Francisco Unified School District
555 Franklin Street, 3rd Floor
San Francisco, CA 94102

Dear Mrs. Ackerman:

As promised during our telephone conversation on April 4, 2001 I have researched your two major concerns and below are my responses. I did attempt to reach you in the early afternoon last Friday, April 6, 2001, and left a message requesting a return telephone call. I know how busy you are at this point in time, so I will recap briefly for you in this letter should we not connect real time over the telephone.

First, with regards to the recent coverage of the E-Rate application in the local press, I assure you that no authorized representative of NEC Business Network Solutions, Inc. has spoken to the press nor have we provided any information to anyone other than District representatives when asked. It is our policy to conduct ourselves professionally at all times: we do not endorse discussions with the press without the approval of our customers or potential customers. As we discussed, your staff can and should validate this directly with the reporter(s). I trust you have done so to your satisfaction.

Second, with regard to our meeting and/or having discussion(s) with Board members, I can also assure you that we responded only to requests from District staff and Board members and did not initiate contact with the Board members. Please allow me to expand on this point.

On March 9, 2001, we received a call from Desmond McQuiod of the District staff advising us that one or more Board members had requested a meeting with us. On that same day Mr. John Colvin, Director Public Sector Sales for NEC Business Network Solutions, Inc., left a number of messages requesting a return call from Elois Brooks of your staff to inform her of this request. Unfortunately, Ms. Brooks was unable to return the call.

On March 11, 2001 Mr. Colvin received a second call from Mr. McQuiod requesting our attendance at a meeting on March 12, 2001 at 12:30 pm with another vendor (involved in the project, but independent of NEC) and "some" members of the Board.

On March 12, 2001 Mr. Colvin and Gerard McNulty, Account Manager, NEC Business Network Solutions, Inc., met with Mary Hernandez and Frank Chong along with Mr. Bill Boehm and Mr. Jason King of Inter-Tel. The Board members had many questions about the E-Rate project and funding options. Mr. Colvin and Mr. McNulty did their best to answer questions openly and candidly while expressing their support and understanding of the District staff's concerns about the project.

At the conclusion of the March 12, 2001 meeting, Ms. Hernandez requested that we send a courtesy email to the other Board members to advise them of the meeting and to offer to provide the same information, should they desire to also meet. We did follow up as requested via email, which I believe you have read. Ms. Hernandez also requested that we continue to work with Ms. Brooks and you as Ms. Hernandez stated that she wanted this initiative to be carried forward by the Administration staff, not the Board. We did attempt to follow up as requested with Ms. Brooks, but were unable to make contact.

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Again, our interaction with the Board members was only upon request by the District. We made every effort to keep all parties informed of our every action and discussion. We view the Administration and the Board as one in representing the District and feel compelled to respond to both equally.

In closing, I want to reiterate what I said in our recent conversation. We are an ethical and professional company. We will support the District in any decision it makes concerning this project. We are following the directives of your staff, as we have been advised to do. We will continue to support you and your staff regardless of the outcome of this project. If I can provide any more detail or answer any questions, please let me know. I look forward to your return telephone call. As always, I may be reached at my office 214/262-6020.

Best regards,

William J. Holman
Senior Vice President
NEC Business Network Solutions, Inc.
bcc: Tom Burger
cc: John Hoffman, Director Public Sector Sales, NEC Business Network Solutions, Inc.
Gerard McNulty, National Account Manager Public Sector Sales, NEC Business Network Solutions, Inc.

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TAB 107

Womack, Laura

From: des [des@SFUSD.com]
Sent: Tuesday, April 10, 2001 10:43 AM
To: Colvin, John

Url Below about the Erate application.

http://www.colemanadvocates.org/AAAdovacateAlert.htm

The Media's Phony War on the SFUSD
You read it in the Chron this week: once again the SFUSD screwed up - this time by failing to accept a $50 million computer grant because it didn't have matching funds. The true story could not be more different.
Remember Tim Tronson, the now-fired facilities director who bought buildings with money we didn't have? Remember his employee, Desmond McQuoid, the also now-fired janitorial supervisor who collected obscene amounts of bogus overtime? These are the 2 guys who, WITHOUT AUTHORIZATION, wrote the federal grant proposal - a $50 million project (that contained no funds for classroom computers - despite what the Chronicle says) for wiring that the SFUSD had no plans to acquire and does not need! Interestingly, also included in the grant was the provision that there be a sole source contract. Given the track record of these guys, we would all be surprised if the contractors (vendors including NEC) were not cronies of Tronson and/or McQuoid. The contractors seem to have also found an ally in School Bd. member Mary Hernandez, who (according to the Chron) is meeting with them and working on some kind of deal. Deal for whom? we want to know. The District, which claims the grant will cost the $18 million? Or the contractors and their patrons? So here's the real headline: New Superintendent Ackerman Halts Financial Scam of Former SFUSD Corrupt Employees. Demands Review of Unauthorized Federal Grant That Would Cost SF Schools Millions for Unneeded Services. Thank you Ms. Ackerman. We are glad that you are finally demanding financial accountability for money intended to educate our kids!

TAB 108

/omack, Laura

'rom: des [des@sfusd.com]
; Wednesday, April 11, 2001 11:18 AM
'o: Colvin, John; Jason King
:c: Elois Brooks
;ubject: Communications on Erate

s directed by Superintendent, there are to be no Erate related communications between myself and either of the contractors who ıccessfully received the award.

·ealize that you are used to calling me hoping to hear of any progress on the application locally. Please do not do this in the the ıture.

ll communications related to the Erate in this district are to be handled directly by Ms. Ackerman's office @ 415-241-6000 or the strict I.T department, or any other department or person(s) she designates through that same general number.

NECBNS CON 03433

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TAB 109

Womack, Laura

From: McNulty, Gerard
Sent: Wednesday, April 11, 2001 5:56 PM
To: Colvin, John; Holman, Bill
Subject: Meeting with Bruce Manson of SFUSD on Friday& Covert update

J & B,

I have a meeting scheduled for Friday at 9:00am with Bruce Manson. He wants to review our notes regarding the cabling and discuss the changes he wants to make to the overall design. His position is there are a number of schools in the application that have a genuine need for cabling and data augmentation however, not all schools are candidates for e-rate as they have already been retro-fitted with new cabling and data equipment. He wants to have a resolution by next week as to what mix of products and services make sense from what we have proposed and submit an adjusted design request to the SLD/FCC for their approval. He has indicated that the SLD have expressed a desire to work with the district and that someone from the FCC will have to make the final decision as to approval of the new design and reduced funding. He also made mention that he is not enamored of awarding the voice systems at this time as he has purposely allowed certain contracts for maintenance to expire so he could entertain other systems from competing vendors. He said he feels forced into a sole source situation with Intertel and would prefer to see what else is available. At first he thought we were tied to the voice portion of the project with Intertel but I made it very clear that we are independent and have no direct relationship. This is when he shared his concerns with me over Intertel. He still may have to push some voice but he would prefer not to.

John, we will probably need to have an RCDD available next week if requested and access to data engineering (Biggs&Ferguson?)for any re-designs that will take place. I would imagine we also need to make a decision about Sprig Electric and their involvement and what assistance they can provide us if any.

Incidentally, Covert was approved today for the PBX systems as well. FYI.

Thanks again for today and for dinner last night. Next time its Postrio.

Regards,

Gerard

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TAB 110

NEC
Business Network Solutions, Inc.
Corporate Communications 6555 N State Highway 161, 8th Floor, Irving, TX 75039 (214) 262-6000 Fax: (214) 262-6025 www.necbns.com

To: All in NEC BNS

From: Bill Holman

Date: May 10, 2001

Re: E-Rate Program

As you are aware, NEC BNS has been an active participant in the federally funded E-Rate Program in over 100 school districts throughout the United States.

Recently there has been some press coverage surrounding a disagreement between the prior and current administration in the San Francisco Unified School district, and the media may be contacting NEC BNS for comment on the situation. NEC BNS is the selected vendor for a major portion of this project and it is critical that we maintain a neutral position and not jeopardize this opportunity.

Should a reporter or anyone else contact you looking for comment on the San Francisco Unified School District or the E-Rate Program, please immediately direct them to Dana Burger at 214-262-6059.

Thank you for your cooperation.

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TAB 111

Womack, Laura

From:	James H. Levine [levine@muse.sfusd.k12.ca.us]
Sent:	Tuesday, June 05, 2001 6:10 PM
To:	Colvin, John; Kacperski, John; Colvin, John; Kerner, Chuck
Cc:	bmanson@esp.sfusd.edu; McNulty, Gerard
Subject:	RE: Sending the Tech Guide and counts requested...

NECestimates_6_6_01.xls ATT600606.txt

John,

The answers are below under the questions.

Also, you will have the counts for the ten schools you are wiring since you
will design them. That is why I did not include them.

Hope the answere below help,

Jim

At 04:35 PM 6/5/01 -0100, Colvin, John wrote:
>Jim and Bruce,
>
>We have some questions regarding your email. Please take a look at the
>attached worksheet for clarifications to this email. It appears that you
>missed the first 10 schools on the list that we thought needed both cable
>and data hardware equipment. I have highlighted those schools in yellow on
>the worksheet. I also have the following questions regarding the final
>design:
>
>1. How many spare ports do we want to build into these configurations?
Since we will be activating ports in the closet at 100% we do not need to
provide spares. Also, in your new designs, please provide for a 20% growth
in conduit and cabinet space.
>
>2. Do we want to configure UPS systems for all switches and routers?
We should include UPS' since we are starting to have power outages but only
if they are covered under our erate reimbursement. Bruce might want to
comment on this.

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>3. Port counts do not seem to work out (i.e.: Monroe ES = 212 ports - 26
>classrooms x 7 ports per class =
> 182 classroom ports, 1 lab = 25 ports leaves 5 ports for administrative
>purposes)

Sorry, I did not include labs in my count because most schools do not have
that many computers to connect. But, I'll update the counts and send back
the Excel file.

>4. Should we be configuring ports for classroom computers connected to the
>LAN, if so how many?

Not sure what you mean here, but I'll assume that you want to include
computers already in the classrooms connected to the existing Netday LAN
wiring. If we activate all available ports in the closets (100%
activation), that is all we can provide.

>5. How many patch cords do you want included and how long do you want them?
>
There should be as many patch cables in the closets for each port in the
patch panel. The length is usually 5ft in the closets if the patch panels
are located on the racks. I they are located on an adjacent wall, then
should be long enough to reach the racks. The patch cables for the
classrooms should be equal to the number of ports installed and 1/3 of them
should be 10 feet in length, 1/3 of them 15 feet, and the last 1/3 be 20
feet.

>6. Do you want to configure the switches with line power capability for
>future voice over IP considerations?

No. We won't be using voice over IP for a number of years and by that time
the routers will be obsolete.

>
>Please get back to me ASAP so we can turn this information back around to
>you all.
>
>If you need to contact me directly I can be reached at the following

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number
>242-363-3000 room 14-533 (Bahamas). Do not hesitate to call me as I
will
>not be able to enjoy myself until we get this finished for you.
>
>Thanks,
>
>John F. Colvin
>Director Public Sector Sales
>NEC Business Network Solutions
>Tel: 214-262-6118
>Fax: 214-262-6800
>email: jcolvin@necbns.com
>
>
>
>
>
>
>
>-----Original Message-----
>From: James H. Levine [mailto:levine@muse.sfusd.k12.ca.us]
>Sent: Monday, June 04, 2001 2:46 PM
>To: Kacperski, John; jcolvin@necbns.com; ckerner@necbns.com
>Cc: bmanson@esp.sfusd.edu
>Subject: Sending the Tech Guide and counts requested...
>
>
>John, John and Chuck,
>
>Here are the counts you requested and I'm sending our SFUSD General
>Technical Guide as well.
>
>The legend for the drawings and other school blueprint files have been
>requested. Will send them as soon as I get them which is supposed to
be
>today Monday June 4, 2001.
>
>Bruce Manson has asked that estimates for work and components be
returned
>to him as soon as possible since he must submit change paperwork to the
SLD.
>
>Let me know what else you need.
>
>Thanks,
>
>Jim
>

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>
>
>

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SFUSD IST estimated counts for E-rated schools

School Name	Facilities Classroom Count	# of Labs	# Ports	# IDFs
Visitacion Valley MS	39	2	360	3
Visitacion Valley ES	30	1	270	1
Monroe ES	26	1	242	2
Miraloma ES	17	1	246	2
Longfellow ES	30	1	270	2
Gordon Lau ES	27	1	249	2
Glorai Davis MS	24	2	420	3
Glen Park ES	18	0	156	1
Francis Scott Key ES	22	1	214	2
Everett MS	53	1	431	3
Ceasar Chavez ES	28	1	270	2
Bryant ES	17	1	200	2
Brett Harte ES	23	1	235	2
Bessie Carmichael ES	24	0	48	1
Treasure Island	22			
Sutro	17			
Redding	14			
McKinley	19			
Harvey Milk Civil Rights	13			
George Peabody	14			
Frank McCoppin	17			
Filipino Education Center	8			
El Dorado	18			
Daniel Webster	25			
Edison	25			

Questions:

1. How many spare ports do we we want to build into these configurations?
2. Do we want to configure UPS systems for all switches and routers?
3. Port counts do not seem to work out (ie: Monroe ES = 212 ports - 26 classrooms x 7 ports per class = 182 classroom ports, 1 lab = 25 ports leaves 5 ports for administrative purposes)
4. Should we be configuring ports for classroom computers connected to the LAN, if so how many?
5. How many patch cords do you want included and how long do you want them?
6. Do you want to configure the switches with line power capability for future voice over IP considerations?

Notes:

1. These are estimates based on Facilities Department's blueprints.
2. Activation of ports will be at 100%.
3. Routers for each school will be Cisco 2651 with one WIC-2T, one CAB-SS-V35MT and IP IOS.
4. One Cisco 3662 router with one WIC-2T will be needed as well.
5. Gigabit backplanes using 12 strand fiber will be installed from MDF to all IDFs.
6. 10/100 switched ports will be offered to each device on the network.
7. See the SFUSD Techical Guidelines for more information.

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```
James H. Levine                          |          ***
Manager, Systems and Networking          |       #* ### *#
San Francisco Unified School District    |      ##  -  -  ##
Information Technologies Department      |      #\(O)^(O)/#
555 Franklin Street  Room 207            |      #**  J   **#
San Francisco, CA  94102-4456            |      # **---]** #
                                         |      # ******* #
levine@muse.sfusd.edu                    |        *******
Voice:  (415) 241-6169                   |          *****
Fax:    (415) 241-6038                   |
http://www.sfusd.edu/                    |'Smiling is Contagious'
```

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TAB 112

Womack, Laura

From:	George_Marchelos@vnci.net
Sent:	Saturday, June 09, 2001 12:50 AM
To:	Colvin, John
Cc:	Robert_Emery@vnci.net; judy_green@vnci.net; Jason King
Subject:	SFUSD Investigation...
Importance:	High

I was contacted last night by the San Francisco District Attorney's office.
They are doing a "Fact Finding" misson at the request of Arlene Ackerman into the E-Rate process and Desmond. He wants to interview me and tape record the conversation. I am asking for advise and or permission as to wheather I do or do not speak to him. I will be leaving for Seattle for the
weekend returning Monday. I am as always availble via my cell phone at 408-832-1462.

Please send all replies to this e-mail to my AOL account which I may have
access to this weekend. gmarchelos@aol.com

Thanks,

George

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TAB 113

Womack, Laura

From: Robert_Emery@vnci.net
Sent: Tuesday, June 12, 2001 7:42 AM
To: JColvin@bns.nec.com
Subject: GM & SFUSD

John,

I told George to beg off and request more info regarding the genesis of the
request. He should tell me more today.

I spoke to Bill Boehm. They are getting no word from SFUSD and wondered how you were being communicated with by SFUSD. I recommended that he call
you directly.

Regards,

Bob

Robert Emery
CFO
(603) 334-6741 (T)
(603) 334-6742 (F)

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TAB 114

Womack, Laura

From: Robert_Emery@vnci.net
Sent: Wednesday, June 13, 2001 6:44 AM
To: JColvin@bns.nec.com
Subject: WAN Quote to reflect correct prices and products being delivered

John,

We are doing what we can to help your margins.

I talked to the guy from SF. It appears to be concentrated on Inter-Tel and Desmond. I answered his questions as best I could. The fact that we provided a pro forma RFP was discussed and I said that Southwestern Bell and others did similar things to advance sales. Pleasant conversation - no threats or recriminations. I think the fact that it appears we will sell not equipment to SFUSD will help mitigate their concerns.

Regards,

Bob

Robert Emery
CFO
(603) 334-6741 (T)
(603) 334-6742 (F)
----- Forwarded by Robert Emery/VNCI on 06/13/01 07:39 AM -----

Jon James
06/12/01 06:44 PM

To: kmorrison@bns.nec.com, BBarber@bns.nec.com
cc: Robert Emery/VNCI@OCOM, Darden Rives/VNCI@OCOM
Subject: WAN Quote to reflect correct prices and products being delivered

Ken,

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Please find the following quote for WAN equipment and services. Based upon
our discussion this equipment's total is roughly 10% less than the previous
quote. Please review this quote and submit the necessary change orders so
your PO and our Quote and converted Sales order to you reflect the same
part numbers and prices. This quote is against your WES0000635 32A
document Thanks in advance for the prompt attention.

I'll be out of the office tomorrow and returning on Thursday. Please info
Bill Barber and I will answer any questions. Please also indicate who I
should talk to, expedite this change.

Regards,

jjames

Video Network Communications, Inc.
50 International Drive, Portsmouth, NH 03801
Phone: (603) 334-6700 Fax: (603) 334-6701

-

Quotation

Acc't Mgr.: Jon James
Quote # JJAS-4XN3CS
Quote Date 06/12/2001
Fax to 972.582.6115
Customer's P.O.
For shipment to
Freight (est.)

NEC BNS, Jasper
2425 Gateway Dr.
Irving, TX 75063

Dear :

Video Network Communications is pleased to submit the following quotation.

Item PN/Model	Description	Qty	Price	Extension

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1	NIV-6100-0000-AAA VNCI	1	$33,655.00	$33,655.00
	V-Gate 5000 Custom			
2	NIV-6200-0000-AAA VNCI	5	$17,100.00	$85,500.00
	VSW-2100 Network Access Switch Custom			
3	NIV-6300-0000-AAA VNCI	20	$2,100.00	$42,000.00
	ATM Network Adapter			
4	INT-0100-0001-AAA Services,	5	$5,000.00	$25,000.00
	Custom Integration Services.			
5	SRV-3000-0001-AAA Services,	1	$24,000.00	$24,000.00
	Partner Warranty Program Advanced Replacements and Software Upgrades			
6	NIV-0000-0000-AAA VNCI	1	$2,417.33	$2,417.33
	Shipping and Handling -- Price for ground shipping at 1.5 % of total			

Total Extension $212,572.33

Prices are stated in $ US Delivery: UPS Ground
Prices are valid for 30 days from the above date. F.O.B.: Origin
Terms: Due Upon Receipt

Thank you for the opportunity to quote. If you have any questions, please
do not hesitate to contact me.

Sincerely,

NECBNS CON 04133

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Jon James

Customer Signature

Terms Accepted by: _____

Title: _____

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Note: The information contained herein represents NEC's understanding of the subject of the meeting. Discrepancies or corrections shall be brought to the attention of NEC within five days, or this report shall be considered accurate.

Project: San Francisco Unified School District
Meeting Location: Conference Call Meeting Date: June 22, 2001
Meeting Subject: Internal Leadership Meeting
Meeting Attendees: John Colvin, Rod Rafnson, Evelyn Collins, Joe Bruketta, John Kacperski, Bob Biggs, James Dong, Gerard McNulty

Distribution: **Meeting Attendees**
Prepared by: **Pat Richardson** Issue Date: June 29, 2001

Notes:
- San Francisco Unified School District (S.F.U.S.D.) is comprised of more than 100 schools. Currently, we are concentrating on a few select schools.
- Originally, the project was a $27M dollar project, but has been scaled back to approximately $6M.
- There are two separate job packets for data and cabling. Bob Biggs and Chuck Ferguson developed the data information. No CCIEs from NEC have reviewed the data information, but is has been reviewed by Cisco engineers
- Two major internal issues of the S.F.U.S.D. are: (1) facilities department hasn't managed funding well and a lot of people have been removed from their jobs, and (2) this project was originally a facilities project, but now is an IT department project. NEC resources should align themselves with the IT department. The two main IT contacts are Bruce Mason (the IT Director) and Jim Levine (direct report of Bruce Mason).
- NEC is waiting for an "Official Notice to Proceed" to kickoff the project with S.F.U.S.D.
- There are no unions involved. NEC will be dealing with three groups from S.F.U.S.D. The three groups are (1)IT group –NEC direct customer, (2) Project management from facilities, and (3) Hazardous materials group.
- NEC plans to rack Cisco equipment ASAP (even if cabling work is not done).
- S.F.U.S.D. may program the Cisco equipment. It is questionable at this point if NEC will load any configurations.
- John Kacperski's group will rack the data equipment for all 10 sites associated with cabling.
- Labor pricing and material pricing have been marked up by a factor of 2.
- S.F.U.S.D. is part of the E-Rate program. E-Rate program participants receive a 45% discount off Cisco equipment. For this project, a 23.5% discount was given.
- SmartNet is free for the first year for E-Rate customers.
- There is no NEC service sold with this project.

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Note: The information contained herein represents NEC's understanding of the subject of the meeting. Discrepancies or corrections shall be brought to the attention of NEC within five days, or this report shall be considered accurate.

Project: San Francisco Unified School District
Meeting Location: Conference Call Meeting Date: June 22, 2001
Meeting Subject: Internal Leadership Meeting
Meeting Attendees: John Colvin, Rod Rafnson, Evelyn Collins, Joe Bruketta, John Kacperski, Bob Biggs, James Dong, Gerard McNulty

Distribution: **Meeting Attendees**
Prepared by: **Pat Richardson** Issue Date: June 29, 2001

-Action Items:

Discussion	Status	Action/Decisions Pending/ Follow-up	Owner(s)	Date Opened	Date Due	Date Completed
1. Feedback from other school system	White (Level 3)	6/22/01: Get feedback from other school systems regarding cabling, data, and video installations	Bob Biggs	6/22/01	7/9/01	
2. Contact PM for Jasper County E-Rate project in South Carolina	White (Level 3)	6/22/01: Contact Ken Morrison and review the "How Do We Integrate w/E-Rate projects" document.	Pat Richardson	6/22/01	7/9/01	
3. Obtain CD on E-Rate project from Cleveland class	White (Level 3)	6/22/01: Give a copy of the CD on "How Do We Integrate w/E-Rate projects" to Pat Richardson	John Kacperski	6/22/01	7/9/01	
4. Obtain "Official Notice to Proceed"	White (Level 3)	6/22/01: Obtain status on the "Official Notice to Proceed" for data and cabling project	John Colvin	6/22/01	6/29/01	
5. Obtain Calendar of Events	White (Level 3)	6/22/01: Obtain the "Calendar of Events" for each school so that these events can be built into the timeline	Gerard McNulty	6/22/01	7/9/01	
6. Obtain permits	White (Level 3)	6/22/01: Obtain horizontal cabling permits	John Kacperski	6/22/01	7/16/01 (?)	

NEC Business Network Solutions, Inc.
720 Bay Road, Ste 100
Redwood City, CA 94063
Phone: 415-308-3548

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Status codes: Level 1 (Red) = Critical/May Cause Project Delay; Level 2 (Yellow) = Needs attention / Pending; Level 3 (White) = On target / No issues

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Note: The information contained herein represents NEC's understanding of the subject of the meeting. Discrepancies or corrections shall be brought to the attention of NEC within five days, or this report shall be considered accurate.

Project: San Francisco Unified School District
Meeting Location: Conference Call Meeting Date: June 22, 2001
Meeting Subject: Internal Leadership Meeting
Meeting Attendees: John Colvin, Rod Rafnson, Evelyn Collins, Joe Bruketta, John Kacperski, Bob Biggs, James Dong, Gerard McNulty

Distribution: **Meeting Attendees**
Prepared by: **Pat Richardson** Issue Date: June 29, 2001

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Discussion	Status	Action/Decisions Pending/ Follow-up	Owner(s)	Date Opened	Date Due	Date Completed
7. Cabling PM	White (Level 3)	6/22/01: Provide cabling PM that will perform a weekly walkthrough of sites, update cabling timeline, manage cabling vendors, and inform overall project mgr of any issues	John Kacperski	6/22/01	7/9/01	
8. Subcontractors for cabling work	White (Level 3)	6/22/01: Determine cabling subcontractors for 10 sites. John is pushing to have all cabling work complete before school starts	John Kacperski	6/22/01	7/9/01	
9 Ensure data is entered into PeopleSoft	White (Level 3)	6/22/01: Ensure proper data is entered into PeopleSoft	John Colvin/ Pat Richardson	6/22/01	7/9/01	
10. Confirm customer expectation of PM hours and on-site commitment	White (Level 3)	6/22/01: Ensure that customer understands that there are no specific hours of support for the Project Manager and that the Project Manager will not be working on-site at customer location	Gerard McNulty	6/22/01	7/10/01	
11. Breakdown of costing elements	White (Level 3)	6/22/01: Provide Pat Richardson with breakdown of costing elements for each S.F.U.S.D. site	John Colvin	6/22/01	7/9/01	
12. Complete Data SOW	White (Level 3)	6/22/01: Provide James Dong and Pat Richardson with Data SOW	John Colvin, Bob Biggs, Gerard McNulty	6/22/01	7/9/01 7/13	

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Status codes: Level 1 (Red) = Critical/May Cause Project Delay; Level 2 (Yellow) = Needs attention / Pending; Level 3 (White) = On target / No issues

Note: The information contained herein represents NEC's understanding of the subject of the meeting. Discrepancies or corrections shall be brought to the attention of NEC within five days, or this report shall be considered accurate.

Project: San Francisco Unified School District
Meeting Location: Conference Call Meeting Date: June 22, 2001
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Distribution: **Meeting Attendees**
Prepared by: **Pat Richardson** Issue Date: June 29, 2001

CONFIDENTIAL INFORMATION

Discussion	Status	Action/Decisions Pending/ Follow-up	Owner(s)	Date Opened	Date Due	Date Completed
13, Schedule internal kickoff meeting	White (Level 3)	6/22/01: Schedule internal kickoff meeting for Monday, July 9th, in Redwood City office at 2:00pm	Pat Richardson	6/22/01	7/2/01	
14. Schedule customer kickoff meeting	White (Level 3)	6/22/01: Scheduled customer kickoff meeting for Tuesday, July 10th, at 2:00pm	John Colvin	6/22/01	6/22/01	6/22/01
15. Vendor to rack data equipment for additional 15 sites	(White Level 3)	6/22/01: Determine who will rack the data equipment for the additional 15 sites	John Kacperski	6/22/01	7/9/01	

NECBNS CON 03059

NEC Business Network Solutions, Inc.
720 Bay Road, Ste 100
Redwood City, CA 94063
phone: 415-308-3548

Status codes: Level 1 (Red) = Critical/May Cause Project Delay; Level 2 (Yellow) = Needs attention / Pending; Level 3 (White) = On target / No issues

TAB 116

Womack, Laura

From: McNulty, Gerard
Sent: Wednesday, July 11, 2001 1:04 PM
To: Colvin, John
Subject: FW: Thanks, and FYI

JC,

FYI.

-----Original Message-----
From: Bruce Manson [mailto:bmanson@esp.sfusd.edu]
Sent: Wednesday, July 11, 2001 8:00 AM
To: McNulty, Gerard
Subject: RE: Thanks, and FYI

I cannot answer that definitively, but I do not think we will have an issue.

At 11:08 AM 7/11/01 -0600, you wrote:
>Thanks for the update. Has Paul indicated that he is prepared to move
>forward? Thank you for your comments regarding Pat. I believe she will be
>an asset to the project.
>
>Best Regards,
>
>Gerard
>
>-----Original Message-----
>From: Bruce Manson [mailto:bmanson@esp.sfusd.edu]
>Sent: Wednesday, July 11, 2001 7:21 AM
>To: jcolvin@necbns.com; gmcnulty@necbns.com
>Subject: Thanks, and FYI
>
>
>Hi, thanks for the meeting yesterday. FYI, the new Facilities manager has
>delegated the decision to Paul Cardoni about whether to go forward, based on
>their deparmentmental workload. In essence this is him dropping any
>objections he might have, based on his personal reservations.
>
>We are impressed with Pat.
>Bruce Manson
>Voice 415 241-6169
>Fax 415 241-6038

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INFORMATION

>---
>Incoming mail is certified Virus Free.
>Checked by AVG anti-virus system (http://www.grisoft.com).
>Version: 6.0.227 / Virus Database: 109 - Release Date: 1/17/01
>
>---
>Outgoing mail is certified Virus Free.
>Checked by AVG anti-virus system (http://www.grisoft.com).
>Version: 6.0.227 / Virus Database: 109 - Release Date: 1/17/01
>
>
Bruce Manson
Voice 415 241-6169
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Incoming mail is certified Virus Free.
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Outgoing mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com).
Version: 6.0.227 / Virus Database: 109 - Release Date: 1/17/01

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TAB 117

Womack, Laura

From: Bruce Manson [bmanson@esp.sfusd.edu]
Sent: Thursday, July 12, 2001 9:36 AM
To: Colvin, John
Subject: RE: Thanks, and FYI

Defer is too strong a word. I do not think we have an issue here, instead
we have taken an issue off the table that recently arrived. We are with you
here, John...

At 12:56 AM 7/12/01 -0100, you wrote:
>Bruce,
>
>Thanks for the message and good words about Pat. I am however puzzled over
>the decision making being deferred back to the Facilities Department; as
>part of our meetings and discussion with Superintendent Ackerman and Ms.
>Brooks we were specifically told that all decisions about this project would
>be made through the IS department. We were then instructed not to have any
>interaction with the Facilities Dept., how do we now proceed if in fact
>Facilities owns the decision to move forward and when?
>
>Thanks for your input
>
>John F. Colvin
>Director Public Sector Sales
>NEC Business Network Solutions, Inc.
>Tel: 214-262-6118
>Fax: 214-262-6800
>email: jcolvin@necbns.com
>
>-----Original Message-----
>From: Bruce Manson [mailto:bmanson@esp.sfusd.edu]
>Sent: Wednesday, July 11, 2001 9:21 AM
>To: jcolvin@necbns.com; gmcnulty@necbns.com
>Subject: Thanks, and FYI
>
>
>Hi, thanks for the meeting yesterday. FYI, the new Facilities manager has
>delegated the decision to Paul Cardoni about whether to go forward,

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INFORMATION

based on
>their deparmentmental workload. In essence this is him dropping any
>objections he might have, based on his personal reservations.
>
>We are impressed with Pat.
>Bruce Manson
>Voice 415 241-6169
>Fax 415 241-6038
>
>
Bruce Manson
Voice 415 241-6169
Fax 415 241-6038

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INFORMATION

TAB 118

NEC
Business Network Solutions, Inc.

September 18, 2001

Mrs. Arlene Ackerman
Superintendent
San Francisco Unified School District
555 Franklin Street, 3rd Floor
San Francisco, CA 94102

SENT VIA PRIORITY FEDERAL EXPRESS

Dear Mrs. Ackerman:

I am writing this letter to you in an effort to reopen a line of communication with the San Francisco Unified School District. Frankly, we are confused. Since the first week of August, 2001 there has been no communication from the District whatsoever. We have left numerous voice mail and telephone messages as well as email messages for your IT staff, none of which have been returned. I personally placed a call to Ms. Eloise Brooks on August 24th and have not received a reply.

Our confusion is caused by the fact that after a rather difficult start, we were asked to participate in a series of meetings in early July with your IT staff to rework the design and implementation plan for the District's Year 3 E-Rate project. We deployed several cable engineers (RCDD's) to work with Mr. Jim Levine to redesign and reduce the overall scope of the proposed cable plant. We reconfigured the network and quantities of components needed. This effort produced an extensive amount of cost savings opportunities for the District in our mutual efforts to reduce the scope of the project to a level your administration could support. Subsequent to this effort, we were advised by Mr. Bruce Manson that the District would, in fact, be going forward with its Forms 486 and 500 submittals to the SLD. We were invited to and did attend a "kick off" meeting to prepare for the start of work upon final SLD approval. Subsequently, all communication has stopped.

Arlene, we are simply trying to understand the status of the Year 3 E-Rate Project at the District. If you would be so kind as to call or write and let us know I will appreciate it very much. I can be reached at 214/262-6020. Thank you in advance for your response. I look forward to hearing from you shortly.

Sincerely,

William J. Holman
Senior Vice President

Cc: Mr. John Colvin – NEC BNS – Director of Sales

6555 N. State Highway 161 • Irving, Texas 75039 • 214.262.6000 • fax 214.262.6065 • www.necbns.com

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FCC Form 471

471 01-19-00 5000056

Approval by OMB
3060-0806

NEC47101-19-0005000056

Applicant ID 202719

202719

Serv Service
rm 471

This form asks schools and libraries t ordered and estimate the annual charges for them so that the Fund Ad ers for services.

Please read instruction g for filing this form online)

Applicant's Form Identifier: Desmond 121155
(Create your own code to identify THIS Form 471)

Form 471 Application #: 202719
(To be inserted by Fund Administrator)

Block 1: Billed Entity Information

(The "Billed Entity" is the entity paying the bills for the services listed on this form.)

1 Name of Billed Entity (30 characters max.) SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2 Funding Year: July 1, 2000 through June 30, 2001 | 3 Entity Number (up to 10 digits) 144152

4a Street Address, P.O. Box, or Route Number: 834 Toland Street

City San Francisco | State CA | Zip Code 94102-5207

b Telephone Number (10 digits + ext.) (415) 920 - 5049

c Fax Number (10 digits) (415) 241 - 6482

d E-mail Address (50 characters max.)

5 Type of Applicant
- ☐ Individual School (individual public or non-public school)
- ☒ School District (LEA; public or non-public (e.g., diocesan) local district representing multiple schools)
- ☐ Library (including library system, library branch, or library consortium applying as a library)
- ☐ Consortium (intermediate service agencies, states, state networks, special consortia)
- ☐ Check here if any members of this consortium are ineligible non-governmental entities.

6a Contact Person's Name Desmond McQuoid

First, fill in ***every*** *item of the Contact Person's information below* ***that is different from Item 4, above****.*

Then check the box next to the preferred mode of contact. (At least one box ***MUST*** *be checked.)*

b ☐ Street Address, P.O. Box, or Route Number

City | State | Zip Code

c ☒ Telephone Number (10 digits + ext.) (415) 920- 5049

d ☐ Fax Number (10 digits) ( ) -

e ☒ E-mail Address (50 characters max.) DesOSFUSD.com

f Holiday/vacation contact information *(optional)*:

2000 JAN 19 A 9:37

000003

Block 2: Minor Modification to Existing Contract?

7 ☐ Check ONLY if this Form 471 represents a minor modification, such as a modification of services, to a contract included in a Form 471 for which you already have a Receipt Acknowledgement Letter. Provide the data requested below, attach a Description of Services highlighting the modified service, and sign Block 6.

Form 471 Application #: | Funding Request Number:

Minor modification requests can be filed MANUALLY only. Please see www.sl.universalservice.org for filing instructions.

NCS Funding Request Denials — FY3

lease complete 1 Worksheet for **EACH FORM 471 APPLICATION** that has FR Denial(s).

.PPLICANT NAME: San Francisco Unified School District

.PPLICANT'S FORM IDENTIFIER: Osmond 121155

'ORM 471 APPLICATION NUMBER: 202719

age ___ of ___	Category of Service (Item 11) T= Telecom. Service IA= Internet Access IC =Internal Conn.	SPIN (Item 13)	Service Provider Name (Item 14)	% Discount (Item 23, Col. J)	Funding Commitment Request (Item 23, Col. K)	Rejection Reason (Number Only)
age 6 of 7	IA	143004610	Pacific Bell Internet	80%	52,256.00	395
age 7 of 7	T	143002665	Pacific Bell	80%	572,426.00	395
age ___ of ___						
age ___ of ___						
age ___ of ___						
age ___ of ___						
age ___ of ___						
age ___ of ___						
age ___ of ___						
age ___ of ___						

lote: If more than 10 FR Denials, use a second copy of this form and renumber FR lines above.

ICS Staff Member Completing Form: Joann Cook Date: 05-18-00

ICS Supervisor Review: Eddie [illegible] Date: 6-1-00 Page 1 of 1

SPC Review Form
(Exhibit 2.2-1)

This form must be filled out prior to placing a form in SPC Review. Please make sure to fill out all pertinent sections and provide your name. Insert this sheet in the folder in front of the form and place it in the SPC Review inbox

Today's Date: 3 16 00

Your Name: Donna

Form ID#: 471 (Type) 1 19 00 (Date) 5000056 (Sequence Number)

Current Queue Status: 300.425

Label Reprint? Yes No

If Yes – What is the form ID?: / /

New Label? Yes No

If Yes – What Date? / / Form Type?: ____ How many? ____

Problem: B5 pg 4+7 #28 blank

FR Demand

What Queue does this form need to return to? ____ ____

Resolved by: ____ Date: / /

Comments:

Pacific

PR Operator: Laura

Problem Resolution Form Detail Log

Application #: 202719
FormType: 471
Funding Year: 3
Applicant/Provider Name: San Francisco USD.
Contact Person: Desmond McDonald
Phone Number: 415-920-5049
Fax Number:

George Marchelous

Action Needed (List Problems on Form)

Item 22 blank pg 1 of 7 - SPC Review
#15 blank #16 blank

	Call Date	Call Time	Spoke With	Call Result
1	3-16	11		voice mail
2	3-17	10:35		" "
3	3-20	10:05		" "
4				
5				
6				
7				
8				
9				
10				

Action Taken (List Steps Taken to Resolve Form)

Desmond faxed me corrections to block 5

Entity Number 144152 Applicant's Form Identifier Desmond 121155
Contact Person DESMOND McQUOID Phone Number 415-241-5482

Block 3: Impact of Services Ordered in THIS Application

8 **Please provide your best estimate of the number of people who will be served by all of the services ordered in THIS Form 471. Schools/school districts complete 8a. Libraries complete 8b. Consortia complete 8a and/or 8b.**

a Number of students to be served **18,804** b Number of library patrons to be served

9 **The following questions seek summary outcome information based on the services ordered in this Form 471 application. Please complete only those rows that are relevant to THIS application.**

	IF THIS APPLICATION INCLUDES...	BEFORE ORDER	AFTER ORDER
a	*(Schools/districts/consortia only)* Telephone service: How many classrooms had phone service before and after your order?	100	2000
b	High-bandwidth voice/data/video service: How many buildings served before and after your order?	20	60
c	High-bandwidth voice/data/video service: Highest speed to a building before and after your order?	56kbps	2-T-1
d	Dial-up Internet connections: How many before and after your order?	200	1000
e	Dial-up Internet connections: Highest speed before and after your order?	56kbps	T-1
f	Direct connections to the Internet: How many before and after your order?	20	60
g	Direct connections to the Internet: Highest speed before and after your order?	128kbps	T-1
h	Internet access (for schools): How many rooms have Internet access before and after your order?	400	1700
i	Internet access (for libraries): How many buildings have Internet access before and after your order?		
j	Internet access: How many computers (or other devices) with Internet access before and after your order?	1000	4000
k	Other technology outcomes: (please specify):		

Block 4: Discount Calculation Worksheets *(pages 3a, 3b, and 3c)*

The following 3 pages (3a, 3b, and 3c) are Block 4 worksheets for use in calculating your discount for services. You will complete one or more depending on the type of applicant you are, the number of sites you represent, and how services will be provided to those sites. Each worksheet has instructions.

- (●) If you are an individual school or a school district, use Worksheet A (page 3a)
- ( ) If you are a library (system and/or outlet), use Worksheet B (page 3b)
- ( ) If you are a consortium, use Worksheet C (page 3c), and include as many Worksheets A and B as you need for back-up documentation.

Number 144152 Applicant's Form Identifier Desmond121155
:t Person MR. DESMOND McQUOID Phone Number 415-920-5049

›ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-1
Page 1
of 6

ɹctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for ;pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

- ☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.
- ☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.
- ☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
CONE ELEMENTARY	108144 ~~5615~~	U	356	285	80% .056	90%	320.4
ASURE ISLAND ELEMENTARY	108331 ~~5675~~	U	477	379	79% .454	90%	429.3
ACION VALLEY ELEM.	203729 ~~5677~~	U	458	355	77.510 ~~78%~~	90%	412.2
FIELD ELEMENTARY	108360 ~~5613~~	U	240	182	75.833 ~~76%~~	90%	216
ELEMENTARY	203730 ~~5599~~	U	680	541	79.558 ~~80%~~	90%	612
ANT ELEMENTARY	108152 ~~5602~~	U	239	196	82% .008	90%	215.1
T HARTE ELEMENTARY	108321 ~~5601~~	U	431	329	76% .334	90%	387.9
DEN GATE ELEMENTARY	108227 ~~5619~~	U	320	242	75.625 ~~76%~~	90%	288
SHALL ELEMENTARY	108118 ~~5646~~	U	268	207	77.238 ~~77%~~	90%	241.2
District Totals for calculating Weighted Average Discount			3469				3122.1

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

Number _____144152_____ Applicant's Form Identifier Desmond121155_____
:t Person ___MR. DESMOND McQUOID_____ Phone Number ____415-920-5049_____

›ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-__2__
Page _2___
of __6__

ɹctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

] **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.

2] **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.

] **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
ıKLIN MIDDLE	108222 ~~5589~~	U	568	472	83% .098	90%	511.2
. ELEMENTARY	108252 ~~6633~~	U	310	236	76% .129	90%	279
ıETT MIDDLE	108197 ~~7642~~	U	518	320	61.776 ~~62%~~	80%	414.4
/EZ ELEMENTARY	108151 ~~5623~~	U	504	386	76.587 ~~77%~~	90%	453.6
:HEZ ELEMENTARY	108194 ~~5664~~	U	390	295	75.641 ~~76%~~	90%	351
STER ELEMENTARY	108128 ~~5600~~	U	438	338	77.168 ~~77%~~	90%	394.2
MICHAEL ELEMENTARY	108119 ~~5590~~	U	393	267	67.938 ~~68%~~	80%	314.4
ıODY ELEMENTARY	108261 ~~5614~~	U	236	150	63.559 ~~64%~~	80%	188.8
V ACADEMIC MIDDLE	108150 ~~5626~~	U	615	363	59% .024	80%	492
District Totals for calculating Weighted Average Discount			3972				3398.6

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

Number 144152 Applicant's Form Identifier Desmond121155
t Person MR. DESMOND McQUOID Phone Number 415-920-5049

ıck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-3
Page 3
of 6

ıctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.

☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in **10c** (below) to complete Block 5 for shared services.

☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
DING ELEMENTARY	108141 ~~5659~~	U	358	248	69% .273	80%	286.4
RIDAN ELEMENTARY	108182 ~~5667~~	U	360	231	64% .166	80%	288
VILA ELEMENTARY	108251 ~~5680~~	U	304	211	69% .407	80%	243.2
DALUPE ELEMENTARY	108191 ~~5621~~	U	418	265	63% .397	80%	334.4
INO EDUCATION CENTER	108122 ~~5608~~	U	56	41	73.214 ~~73%~~	80%	44.8
ERE ELEMENTARY	108164 ~~5654~~	U	553	359	64.918 ~~65%~~	80%	442.4
N PARK ELEMENTARY	108341 ~~5618~~	U	322	192	59.627 ~~60%~~	80%	257.6
B ELEMENTARY	108220 ~~5681~~	U	249	176	70.682 ~~71%~~	80%	199.2
ORADO ELEMENTARY	108373 ~~5605~~	U	338	209	61.834 ~~62%~~	80%	270.4
District Totals for calculating Weighted Average Discount			2958				2366.4

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

Number 144152 Applicant's Form Identifier Desmond121155
t Person MR. DESMOND McQUOID Phone Number 415-920-5049

ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-4
Page 4
of 6

ctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

- ☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.
- ☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.
- ☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
RO ELEMENTARY	108257 ~~5674~~	U	285	164	57.543 ~~58%~~	80%	228
W ELEMENTARY	108317 ~~8191~~	U	291	164	56% .357	80%	232.8
IROE ELEMENTARY	108176 ~~5651~~	U	453	275	60.706 ~~61%~~	80%	362.4
ON ELEMENTARY	108203 ~~5603~~	U	547	318	58% .135	80%	437.6
ELEMENTARY	108293 ~~5609~~	U	512	320	62.500 ~~63%~~	80%	409.6
CREST ELEMENTARY	108364 ~~5625~~	U	515	344	66.796 ~~67%~~	80%	412
IS ACAD.MIDDLE	108311 NEW	U	357	238	66.666 ~~67%~~	80%	285.6
MONT ELEMENTARY	108338 ~~5607~~	U	357	196	54.981 ~~55%~~	80%	285.6
ALOMA ELEMENTARY	108327 ~~5648~~	U	323	230	71% .207	80%	258.4
District Totals for calculating Weighted Average Discount			3640				2912

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

lumber 144152 Applicant's Form Identifier Desmond121155
t Person MR. DESMOND McQUOID Phone Number 415-920-5049

ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-5
Page 5
of 6

ctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

] **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.

] **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in **10c** (below) to complete Block 5 for shared services.

] **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
NLEY ELEMENTARY	108193 ~~5647~~	U	261	167	63.984 ~~64%~~	80%	208.8
.OR ELEMENTARY	108366 ~~5604~~	U	694	448	64.533 ~~65%~~	80%	555.2
VEY MILK CIVIL RIGHTS	108199 ~~5601~~	U	245	157	64% .081	80%	196
OPPIN ELEMENTARY	108269 ~~5611~~	U	345	235	68% .115	80%	276
DA ELEMENTARY	108238 ~~5678~~	U	509	274	53.831 ~~54%~~	80%	407.2
TERO HILL MIDDLE	108126 ~~5666~~	U	448	273	60.937 ~~61%~~	80%	358.4
TT ELEMENTARY	108115 ~~5634~~	U	334	183	54.790 ~~55%~~	80%	267.2
SEVELT MIDDLE	108262 ~~5662~~	U	815	448	54.969 ~~55%~~	80%	652
TACION VALLEY MIDDLE	108374 ~~5678~~	U	537	269	50% .083	80%	429.6
District Totals for calculating Weighted Average Discount			4188				3350.4

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

Number 144152 Applicant's Form Identifier Desmond121155
t Person MR. DESMOND McQUOID Phone Number 415-920-5049

ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A- 6
Page 6
of 6

ctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.

☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.

☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209264

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
GFELLOW ELEMENTARY	108190 ~~5641~~	U	577	317	54.93 ~~55%~~	80%	461.6
			~~577~~				~~461.6~~
			~~3489~~				~~3122.1~~
			~~3972~~				~~3398.6~~
			~~2958~~				~~2366.4~~
AL			~~3640~~				~~2912~~
			~~4198~~				~~3358.4~~
District Totals for calculating Weighted Average Discount			18804				15611.1

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) → 83%

1/19/00 CP

ity Number 144152 Applicant's Form Identifier DESMOND 121155
ntact Person MR.DESMOND McQUOID Phone Number 415-920-5049

lock 5: Discount Funding Request(s)

Block 5, page 1 of 7

structions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

GTIPD 3-3-21

RN:# 450112 (to be assigned by administrator)

11	Category of Service (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15 Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions)	~~NOT PROVIDED~~ NA
		16 Billing Account Number (e.g., billed telephone number)	~~NOT PROVIDED~~ NA
12	Form 470 Application Number (15 digits) 402210000279049	17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing)	1/13/00
13	SPIN - Service Provider Identification Number (9 digits) 143007625	18 Contract Award Date (mm/dd/yyyy)	01/14/00
		19 Service Start Date (mm/dd/yyyy)	07/01/00
14	Service Provider Name INTERTEL	20 Contract Expiration Date (mm/dd/yyyy)	06/30/05

11 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.
Attachment # _1-_PBX DISTRICT TOTAL

12 **Entity/Entities Receiving This Service:**
a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service :
b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1 209264 83%

13 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
onthly $ charges otal amount per onth for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
0	0	0	~~6~~ 12	0	$21,409,369.0	0	$21,409,369.0	$21,409,369.0	83%	$17,769,776.27

R - GTIPD

ıtity Number 144152 Applicant's Form Identifier DESMOND 121155
ɔntact Person MR.DESMOND McQUOID Phone Number 415-920-5049

3lock 5: Discount Funding Request(s)

Block 5, page 2 of 7

ıstructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

G/PR 321

RN # 460115 (to be assigned by administrator)

11 Category of Service (only ONE category should be checked)
○ Telecommunications Service ○ Internet Access ◉ Internal Connections

12 Form 470 Application Number (15 digits) 402210000279049

13 SPIN - Service Provider Identification Number (9 digits) 143008317

14 Service Provider Name NEC

15 Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions) NA ~~NOT PROVIDED~~

16 Billing Account Number (e.g., billed telephone number) ER-SFUSD-CAB-01

17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing) 1/13/00

18 Contract Award Date (mm/dd/yyyy) 01/14/00

19 Service Start Date (mm/dd/yyyy) 07/01/00

20 Contract Expiration Date (mm/dd/yyyy) 06/30/05

21 Description of This Service: You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.
Attachment # CABLING 1; CABLING 2

22 Entity/Entities Receiving This Service:
a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service :
b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1-A- 209264 83026

23 Calculations

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
ıonthly $ charges (total amount per ıonth for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
0	0	0	~~0~~ 12	0	$21,875,698.0	0	$21,875,698.0	$21,875,698.0	83%	$18,156,829.34

G/PR

ity Number 144152 | Applicant's Form Identifier DESMOND 121155
ntact Person MR.DESMOND McQUOID | Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 3 of 7

structions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 450124 (to be assigned by administrator)

11 Category of Service (only ONE category should be checked)
○ Telecommunications Service ○ Internet Access ◉ Internal Connections

12 Form 470 Application Number (15 digits) 402210000278049

13 SPIN - Service Provider Identification Number (9 digits) 143008317

14 Service Provider Name NEC

15 Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions) NA NOT PROVIDED

16 Billing Account Number (e.g., billed telephone number) ER-SFUSD-DAT-02

17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing) 1/13/00

18 Contract Award Date (mm/dd/yyyy) 01/14/00

19 Service Start Date (mm/dd/yyyy) 07/01/00

20 Contract Expiration Date (mm/dd/yyyy) 06/30/05

21 Description of This Service: You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.
Attachment # ___DATA-1; DATA-2; DATA-3 DISTRICT TOTAL

22 Entity/Entities Receiving This Service:
a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : ___
b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1 209264 8306

23 Calculations

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
0	0	0	~~0~~ 12	0	$22,987,223.0	0	$22,987,223.0	$22,987,223.0	83%	$19,079,395.09

BETPR

tity Number 144152 — Applicant's Form Identifier DESMOND 121155
ntact Person MR.DESMOND McQUOID — Phone Number 415-920-5049

llock 5: Discount Funding Request(s)

Block 5, page 4 of 7

structions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 450138 (to be assigned by administrator)

11	Category of Service (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15	Contract Number (if available; use "T" if tariffed services, "M/M" if month-to-month services as described in instructions) NA
		16	Billing Account Number (e.g., billed telephone number) ER-SFUSD-SRVR-03
12	Form 470 Application Number (15 digits) 402210000279049	17	Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing) 1/13/00
13	SPIN - Service Provider Identification Number (9 digits) 143008317	18	Contract Award Date (mm/dd/yyyy) 01/14/00
		19	Service Start Date (mm/dd/yyyy) 07/01/00
14	Service Provider Name NEC	20	Contract Expiration Date (mm/dd/yyyy) 06/30/05

11 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # __SERVER-1; SERVER-2; SERVER-3 DISTRICT TOTAL_____

12 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : _____

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1 209264 83%

13 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
onthly $ charges otal amount per onth for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
0	0	0	~~6~~ 12	0	$21,987,223.0	0	$21,987,223.0	$21,987,223.0	83%	$18,249,395.09

ity Number 144152 Applicant's Form Identifier DESMOND 121155
ntact Person MR.DESMOND McQUOID Phone Number 415-920-5049

lock 5: Discount Funding Request(s)

Block 5, page 5 of 7

structions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 150146 (to be assigned by administrator)

1	Category of Service (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	(16) Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions)	NA
		16 Billing Account Number (e.g., billed telephone number)	ER-SFUSD-SRVCE-04
2	Form 470 Application Number (15 digits) 402210000279049	17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing)	1/13/00
3	SPIN - Service Provider Identification Number (9 digits) 143008317	18 Contract Award Date (mm/dd/yyyy)	01/14/00
		19 Service Start Date (mm/dd/yyyy)	07/01/00
4	Service Provider Name NEC	20 Contract Expiration Date (mm/dd/yyyy)	06/30/05

1 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # SERVICE DISTRICT TOTAL

2 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service :

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1 209264 83%

3 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
onthly $ charges otal amount per onth for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
0	0	0	~~0~~ 12	0	$2,287,916.6	0	$2,287,916.6	$2,287,916.6	83%	$1,898,970.78

335

Entity Number 144152 Applicant's Form Identifier DES121155
Contact Person Desmond McQold Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 6 of 7

Instructions: Use one Block 5 page for **EACH** service (Funding Request Number) for which you are requesting discounts.
Make as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

FRN # _____ **(to be assigned by administrator)**

11 **Category of Service** (only ONE category should be checked) ○ Telecommunications Service ◉ Internet Access ○ Internal Connections		15 **Contract Number** (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions)	SF5347-Pbell
		16 **Billing Account Number** (e.g., billed telephone number)	415-354-1234
12 **Form 470 Application Number** (15 digits) F 402210000279049		17 **Allowable Contract Date** (mm/dd/yyyy, based on Form 470 filing)	01/13/00 ~~1/18/00~~
13 **SPIN - Service Provider**	**Identification Number** (9 digits) 143004610	18 **Contract Award Date** (mm/dd/yyyy)	01/18/00
		19 **Service Start Date** (mm/dd/yyyy)	07/01/00
14 **Service Provider Name** Pacific Bell Internet		20 **Contract Expiration Date** (mm/dd/yyyy)	07/01/01

21 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # _____**Internet Service**

22 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service: _____

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): _____

23 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
5,410	0	5410	12	$ 64,920.00	$ 400.00	0	$ 400	$ 65,320	80%	$ 52,256

OTHR 2-3-16

FR Denial

Entity Number 144152 Applicant's Form Identifier DES121155
Contact Person Desmond McQold Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 7 of 7

Instructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
Make as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

GT|PR
f-21

FRN # _____ **(to be assigned by administrator)**

11 **Category of Service** (only ONE category should be checked) ◉ Telecommunications Service ○ Internet Access ○ Internal Connections		15 **Contract Number** (if available; use "1" if tariffed services, "MTM" if month-to-month services as described in instructions)	SF5347-Pbell
		16 **Billing Account Number** (e.g., billed telephone number)	415-354-1234
12 **Form 470 Application Number** (15 digits)	F 402210000279049	17 **Allowable Contract Date** (mm/dd/yyyy, based on Form 470 filing)	1/13/00 ~~1/18/00~~
13 **SPIN - Service Provider**	**Identification Number** (9 digits) 143002665	18 **Contract Award Date** (mm/dd/yyyy)	01/18/00
		19 **Service Start Date** (mm/dd/yyyy)	07/01/00
14 **Service Provider Name**	Pacific Bell	20 **Contract Expiration Date** (mm/dd/yyyy)	07/01/01

21 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # _____**Local T1 and DS3 Service**

22 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service: _____

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): _____

23 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
43,635	0	43635	12	$ 523,620.00	$ 191,912.00	0	$ 191,912	$ 715,532	80%	$ 572,426

GT|PR f 3-16

FR Denial

Entity Number 147132	Applicant's Form Identifier DCSmond 121153
Contact Person Desmond McQuoid	Phone Number 415-920-5049

Block 6: Certifications and Signature

24 The applicant is eligible for support because it includes: (Check one or both.)

- a ☒ schools under the statutory definitions of elementary and secondary schools found in the Elementary and Secondary Education Act of 1965, 20 U.S.C. Secs. 8801(14) and (25), that do not operate as for-profit businesses and do not have endowments exceeding $50 million; and/or
- b ☐ libraries or library consortia eligible for assistance from a state library administrative agency under the Library Services and Technology Act of 1996 that do not operate as for-profit businesses and whose budgets are completely separate from any schools, including, but not limited to, elementary and secondary schools, colleges, or universities.

25 The schools and libraries I represent have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.

26 All of the individual schools, libraries, and library consortia listed in Block 4 are covered by:

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

27 Status of technology plans (if representing multiple entities with mixed technology plan status, check both a and b):

- a ☒ technology plan(s) has/have been approved.
- b ☒ technology plan(s) will be approved by a state or other authorized body.
- c ☐ no technology plan needed; applying for basic local and long distance telephone service only.

28 I certify that the entities eligible for support that I am representing have complied with all applicable state and local laws regarding procurement of services for which support is being sought.

29 I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value.

30 I certify that the entity(ies) I represent has complied with all program rules and I acknowledge that failure to do so may result in denial of discount funding and/or cancellation of funding commitments.

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

32 I recognize that I may be audited pursuant to this application and will retain for five years any and all worksheets and other records that I rely upon to fill out this application.

33 I certify that I am authorized to submit this request on behalf of the above-named entities, that I have examined this request, and to the best of my knowledge, information, and belief, all statements of fact contained herein are true.

34 Signature	**35** Date 1/16/2000
36 Printed name of authorized person Desmond McQuoid	
37 Title or position of authorized person Director, Systems Security FDM	
38 Telephone number of authorized person: (415) 920-5049 ext. _____	

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

Entity Number _1144152_____ Applicant's Form Identifier Desmond 121155__
Contact Person __Desmond McQuoid_____ Phone Number 415-920-5049_____

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

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

The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or a potential violation of a FCC statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government is a party of a proceeding before the body or has an interest in the proceeding.

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

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

The foregoing Notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

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

Please submit this form to:

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

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

SLD-Form 471
c/o Ms. Smith
3833 Greenway Drive
Lawrence Kansas 66046
(888) 203-8100

Schedule A
PBX Parts
Elementary and Middle School System

Application ID Desmond 121155
Entity No. 144152

Part	Description	Quantity	Each	Extended
550.1300	PBX Card Cabinet	2	$2,251.80	$4,503.60
550.0110	Main Power supply	2	$1,426.14	$2,852.28
550.90.17	256 CPU	1	$14,711.77	$14,711.77
827.8801	5.1 Application Processor	1	$2,777.22	$2,777.22
550.3026	Remote Modem	1	$112.59	$112.59
900.0506	Surge Protection	1	$15.01	$15.01
550.8001	Documentation	1	$37.53	$37.53
827.8802	Database Programming Interface	1	$851.18	$851.18
550.8000	I&M Manual	1	$37.53	$37.53
550.8015	Addendum To I&M Manual	1	$7.51	$7.51
813.1576	Expansion Cabinet Cable	1	$225.18	$225.18
827.1457	CPU MEM Kit	1	$768.61	$768.61
827.8909	Programmable Array Logic Chip\25	1	$10,479.88	$10,479.88
550.2101	Analog Interface-8	1	$2,059.65	$2,059.65
550.2116	Analog Interface-16	4	$3,837.07	$15,348.28
550.2102	Analog Power Supply-8	1	$421.84	$421.84
550.2104	Analog Power Supply-16	4	$453.36	$1,813.45
550.2200	Digital Interface–8	1	$1,218.98	$1,218.98
550.2600	DSP Processor	1	$1,086.87	$1,086.87
834.2566	DTMF Receivers	1	$388.81	$388.81
827.8024	DSP Register	1	$771.62	$771.62
834.2566	Conference Receiver	1	$388.81	$388.81
827.1020	911 Transmitter	1	$388.81	$388.81
550.2300	PBX Trunk Interface-4	1	$906.73	$906.73
550.2730	PBX Digital Trunk Interface -24	1	$3,840.07	$3,840.07
828.1397	Gain Controller	1	$372.30	$372.30
550.2732	Network Clock	1	$280.72	$280.72
550.2733	Internal Primary Rate Controller	1	$1,519.22	$1,519.22
828.1459	Digital Firmware Module	1	$178.64	$178.64
900.1013	PBX/PA System Interface	1	$3,202.81	$3,202.81
900.1050	Display Interface Controller	1	$120,021.01	$120,021.01
900.1020	Primary Voice Compression Interface	1	$80,506.40	$80,506.40
900.1010	Secondary Voice Compression Interface	1	$43,601.63	$43,601.63
900.0500	PBX Conference Interface	1	$10,912.23	$10,912.23
900.0400	PBX Direct Inward Access Card	1	$5,134.11	$5,134.11
900.0001	PBX Direct Inward Access Cable	1	$255.05	$255.05
900.1000	ISDN Gateway Controller	1	$5,788.63	$5,788.63
900.8401	Primary Rate VOIP Gateway Interface	1	$66,878.50	$66,878.50
900.1155	PC Attendant Console	1	$38,655.92	$38,655.92
900.1804	Programmed Audio Card	1	$3,512.81	$3,512.81
900.5000	Required Audio Amplifier	1	$3,514.01	$3,514.01
900.8000	Redundant Power Amplifier	1	$4,068.85	$4,068.85
900.8001	Gateway MEM Kit	1	$11,004.40	$11,004.40
		1		$465,421.07
		46		**$21,409,369.00**

Schedule A
Inter-Tel Technologies, Inc.
PBX Parts & Pricing Matrix
BID # 121155

Part	Description	Quantity	Each	Extended
550.1300	PBX Card Cabinet	2	$2,251.80	$4,503.60
550.0110	Main Power supply	2	$1,426.14	$2,852.28
550.90.17	256 CPU	1	$14,711.77	$14,711.77
827.8801	5.1 Application Processor	1	$2,777.22	$2,777.22
550.3026	Remote Modem	1	$112.59	$112.59
900.0506	Surge Protection	1	$15.01	$15.01
550.8001	Documentation	1	$37.53	$37.53
827.8802	Database Programming Interface	1	$851.18	$851.18
550.8000	I&M Manual	1	$37.53	$37.53
550.8015	Addendum To I&M Manual	1	$7.51	$7.51
813.1576	Expansion Cabinet Cable	1	$225.18	$225.18
827.1457	CPU MEM Kit	1	$768.81	$768.81
827.8909	Programmable Array Logic Chip\25	1	$10,479.88	$10,479.88
550.2101	Analog Interface-8	1	$2,059.65	$2,059.65
550.2116	Analog Interface-16	4	$3,837.07	$15,348.28
550.2102	Analog Power Supply-8	1	$421.84	$421.84
550.2104	Analog Power Supply-16	4	$453.36	$1,813.45
550.2200	Digital Interface--8	1	$1,218.98	$1,218.98
550.2600	DSP Processor	1	$1,086.87	$1,086.87
834.2566	DTMF Receivers	1	$388.81	$388.81
827.8024	DSP Register	1	$771.62	$771.62
834.2566	Conference Receiver	1	$388.81	$388.81
827.1020	911 Transmitter	1	$388.81	$388.81
550.2300	PBX Trunk Interface-4	1	$906.73	$906.73
550.2730	PBX Digital Trunk Interface -24	1	$3,840.07	$3,840.07
828.1397	Gain Controller	1	$372.30	$372.30
550.2732	Network Clock	1	$280.72	$280.72
550.2733	Internal Primary Rate Controller	1	$1,519.22	$1,519.22
828.1459	Digital Firmware Module	1	$178.64	$178.64
900.1013	PBX/PA System Interface	1	$3,202.81	$3,202.81
900.1050	Display Interface Controller	1	$120,021.01	$120,021.01
900.1020	Primary Voice Compression Interface	1	$80,506.40	$80,506.40
900.1010	Secondary Voice Compression Interface	1	$43,601.63	$43,601.63
900.0500	PBX Conference Interface	1	$10,912.23	$10,912.23
900.0400	PBX Direct Inward Access Card	1	$5,134.11	$5,134.11
900.0001	PBX Direct Inward Access Cable	1	$255.05	$255.05
900.1000	ISDN Gateway Controller	1	$5,788.63	$5,788.63
900.8401	Primary Rate VOIP Gateway Interface	1	$68,878.50	$68,878.50
900.1155	PC Attendant Console	1	$38,655.92	$38,655.92
900.1804	Programmed Audio Card	1	$3,512.81	$3,512.81
900.5000	Required Audio Amplifier	1	$3,514.01	$3,514.01
900.8000	Redundant Power Amplifier	1	$4,068.85	$4,068.85
900.8001	Gateway MEM Kit	1	$11,004.40	$11,004.40
				$465,421.07
		46		$21,409,369.00

SanFran2
School District

Block 5

Attachment
San Francisco U.S.D 1
Cabling

School	*Conduit*	*Fiber Optic Wiring*	*Category 5*	*Category 6*
George R. Moscone Elementary School	$33,833.66	$52,277.24	$23,002.14	$34,503.22
Treasure Island Elementary School	$109,437.19	$255,506.89	$119,687.84	$143,339.82
Visitacion Valley Elementary School	$39,552.49	$62,118.94	$27,571.57	$41,357.36
Garfield Elementary School	$78,747.60	$185,111.94	$86,649.29	$103,748.32
Gordon J. Lau Elementary School	$65,847.43	$112,519.57	$43,888.35	$74,728.81
Bryant Elementary School	$26,405.04	$32,569.93	$16,214.40	$18,534.18
Bret Harte Elementary School	$101,229.40	$236,343.87	$110,711.25	$132,589.33
Golden Gate Elementary School	$32,818.65	$50,708.92	$22,312.08	$33,468.12
Marshall Elementary School	$44,806.31	$85,641.77	$35,941.75	$58,126.80
Benjamin Franklin Middle School	$48,236.14	$93,849.73	$46,726.76	$53,816.00
John Muir Elementary School	$32,490.47	$50,201.83	$22,088.96	$33,133.44
Cesar Chavez Elementary School	$63,213.53	$108,114.79	$42,132.82	$71,739.66
Sanchez Elementary School	$96,167.93	$224,526.68	$105,175.69	$125,959.86
Daniel Webster Elementary School	$110,593.12	$258,205.68	$120,952.04	$144,853.84
Bessie Carmichael Elementary School	$98,091.29	$229,017.21	$107,279.20	$128,479.06
Redding Elementary School	$96,129.46	$224,436.87	$105,133.62	$125,909.48
Sheridan Elementary School	$97,090.75	$226,681.24	$106,184.95	$127,168.57
William R. De Avila Elementary School	$85,047.41	$199,920.90	$93,581.23	$112,048.19
Guadalupe Elementary School	$100,217.10	$233,980.43	$109,604.14	$131,263.44
Filipino Education Center	$16,197.56	$25,667.53	$8,353.77	$11,211.60
Paul Revere Elementary School	$31,089.90	$45,703.95	$20,596.89	$30,895.33
Glen Park Elementary School	$94,206.87	$219,948.13	$103,030.95	$123,391.29
Dr. William L. Cobb Elementary School	$47,046.63	$69,923.86	$37,736.84	$51,033.14
El Dorado Elementary School	$97,975.15	$228,746.05	$107,152.18	$128,326.94
Monroe Elementary School	$108,234.47	$252,698.87	$118,372.47	$141,764.51
Edison Elementary School	$134,210.74	$313,346.60	$146,781.86	$175,787.99
Francis Scott Key Elementary School	$128,842.31	$300,812.73	$140,910.59	$168,756.47
Hillcrest Elementary School	$132,707.58	$309,837.11	$145,137.90	$173,819.17
Gloria R. Davis Academic Middle School	$98,493.37	$229,955.97	$107,718.95	$129,005.70
Fairmount Elementary School	$30,403.63	$44,060.70	$21,943.69	$32,915.53
Miraloma Elementary School	$92,583.77	$216,158.61	$101,255.81	$121,265.36
McKinley Elementary School	$43,910.18	$83,928.94	$35,222.92	$56,964.26
E.R. Taylor Elementary School	$167,211.56	$390,394.76	$182,873.76	$219,012.15
Harvey Milk Civil Rights Academy	$43,031.98	$82,250.36	$34,518.46	$55,824.98
Frank McCoppin Elementary School	$95,538.57	$223,057.29	$104,487.38	$125,135.53
Ulloa Elementary School	$130,184.42	$303,946.20	$142,378.41	$170,514.35
Potrero Hill Middle School	$115,864.14	$270,512.12	$126,716.78	$151,757.77
John Swett Elementary School	$88,850.87	$207,443.28	$97,173.26	$116,376.05
Sutro Elementary School	$55,515.02	$106,110.15	$44,531.83	$72,019.11
Dr. Charles R. Drew Elementary School	$81,959.98	$191,354.87	$89,636.92	$107,350.42
Longfellow Elementary School	$130,963.71	$305,765.63	$143,230.69	$171,535.06
Everett Middle School	$125,725.16	$293,535.00	$137,501.46	$164,673.66
George Peabody Elementary School	$61,160.61	$116,901.02	$49,060.49	$79,343.08
Horace Mann Academic Middle School	$147,988.99	$345,515.16	$161,850.68	$193,834.62
Roosevelt Middle School	$158,348.22	$369,701.22	$173,180.22	$207,403.04
Visitacion Valley Middle School	$132,011.42	$308,211.75	$144,376.53	$172,907.34
Total Year 1 amount	***$21,875,898.00***			

Block 5

Attachment
Data 1
San Francisco U.S.D. 2
Elementary School

	Qty	Part # / Description	Unit Price	Unit Install Labor	Warranty	Freight	Total	Ext Price
Item 1	31	48 Port Gigabit Ethernet Backbone switch	$56,142.00	$19,797.71	$28,898.00	$1,714.00	$108,551.71	$3,365,103.11
	inc	WS-C5509 — 31 Catalyst 5509 Chassis						
		WS-C5518 — 31 Catalyst 5509 AC Power Supply						
		WS-C5518/2 — 31 Catalyst 5509 second AC Power Supply						
		CAB-7KAC-15 — 62 AC Power Cord North America, 15A						
		SFC5K-SUP3-5 2.2 — 31 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-SX — 31 Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5530-E3 — 31 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX — 31 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		WS-X5236-FX-MT — 62 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)*						
		JP-WSSPA2000 — 31 Cisco-NEC Intergration engine module						
Item 2	31	16 Port Ethernet Intermediary switch	$12,829.00	$3,999.91	$6,499.00	$710.00	$24,437.91	$757,575.17
	inc	WS-C3508G-XL-EN — 31 8-port 1000Gb Ports Switch (Enterprise Edition						
		CAB-AC — 31 Power Cord,110V						
Item 3	523	12 Port 10/100 Ethernet Workgroup Switch with 2 Gigabit ports	$5,924.00	$1,900.04	$2,766.00	$191.00	$10,281.08	$5,376,993.84
	inc	WS-C3512-XL-EN — 523 12-port 10/100 + 2 1000Base GBIC Port Switch (Enterprise Edition						
		CAB-AC — 523 Power Cord,110V						
Item 4	27	16 Port Router	$21,074.00	$6,910.14	$10,605.00	$420.00	$39,011.14	$1,053,300.72
	inc	CISCO4700-M-CH — 27 Cisco 4700 High Performance Modular Router With 3 Open Slots						
		CAB-AC — 27 Power Cord,110V						
		NP-CT1 — 27 Channelized T1 HSDN PRI NP Module						
		NP-1PE — 27 1 Port Fast Ethernet Module for 4500-M and 4700-M						
		MEM-4700M-4U16F — 27 4-to-16 Flash Factory Upgrade for Cisco 4700M						
		MEM-4700M-4U8S — 27 4-to-8 Shared Factory Upgrade for Cisco 4700M						
		MEM-4700M-16U32D — 27 16-to-32 Main Factory Upgrade for Cisco 4700M						
		ACS-NPRM — 27 19in Rack Mount Kit for 4000						
Item 5	24	24 Port FX / 24 Port TX / 2 Port GigaBit / 3 Port Multimode OC3 / 1 Port Single mode OC3 ATM Backbone Switch	$133,195.00	$34,487.10	$38,137.00	$2,026.00	$209,825.10	$5,035,802.40
	inc	WS-C5500 — 24 Catalyst 5500 Chassis						
		WS-C5508 — 24 Catalyst 5500 AC Power Supply						
		WS-C5508/2 — 24 Catalyst 5500 Redundant AC Power Supply						
		CAB-7513AC — 48 AC POWER CORD NORTH AMERICA						
		WS-X5530-E3 — 48 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX — 48 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		SFC5K-SUP3-5 2.2 — 24 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-SX — 24 Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5236-FX-MT — 24 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)						
		WS-X5234-RJ45 — 24 24-port 10/100TX Switch Module (FEC,WRED,802.1Q/ISL,RJ-45)						
		WS-X5158 — 24 Catalyst 5000 ATM OC-3 LANE Module Dual PHY (MMF, SC)						
		SFC5K-ATM-3.2.9 — 24 ATM LANE for WS-X5156,WS-X5157,WS-X5158,WS-X5186						
		WS-X5302 — 24 Catalyst 5000 Route Switch Module						
		SCMA-12.0.5 — 24 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M — 24 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M — 24 Catalyst 5000 RSM Flash Credit Card 20MB (option)						
		WS-X5302 — 24 Catalyst 5000 Route Switch Module						
		SCMA-12.0.5 — 24 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M — 24 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M — 24 Catalyst 5000 RSM Flash Credit Card 20MB (option)						
		LI910-ASP-C-FC1 — 24 ATM Switch Processor with FC-Per-Class Queuing						
		SF-WASS-5 — 24 LS1010 IISP and PNNI Feature Set						
		MEM-ASP-64M — 24 LightStream 1010 64 MB DRAM						
		WATM-CAM-2P — 24 LightStream 1010/C5500 Carrier Module (Installed)						
		WAI-OC3-153M — 24 OC-3c/STM-1 Mix PAI*, 1-port SMF-IR + 3-port MMF						
Item 6	24	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Intermediary Switch	$19,695.00	$4,428.03	$5,745.00	$208.00	$30,073.03	$721,752.80
	inc	VSW-2112E — 24 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
Item 7	28	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Workgroup Switch	$19,695.00	$4,428.03	$5,745.00	$205.00	$30,073.03	$842,044.84
	inc	VSW-2112Ea — 28 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
								$17,152,872.87

Block 5

Attachment
Data 1
San Francisco U.S.D. 2
HS/MS/Admin

	Qty	Part #	Description	Unit Price	Unit Inst# Labor	Warranty	Freight	Total	Ext Price
Item 1	8	48 Port Gigabit Ethernet Backbone switch		$38,142.00	$18,797.71	$39,898.00	$1,714.00	$108,551.71	$868,413.71
	Inc	WS-C5509	8 Catalyst 5509 Chassis						
		WS-C5518	8 Catalyst 5509 AC Power Supply						
		WS-C5518/2	8 Catalyst 5509 second AC Power Supply						
		CAB-7KAC-15	16 AC Power Cord North America, 15A						
		SFC5K-SUP3-5.2.2	8 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-5X	8 Catalyst 5K Rel. 5 x SW License, Enhanced Feature Set						
		WS-X5530-E3	8 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	8 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		WS-X5236-FX-MT	18 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)*						
		JP-WSSPA2000	8 Cisco-NEC Intergration engine module						
Item 2	8	18 Port Ethernet Intermediary switch		$12,825.00	$3,999.91	$6,899.00	$710.00	$24,437.91	$195,503.27
	Inc	WS-C3508G-XL-EN	8 8-port 1000Gb Ports Switch (Enterprise Edition						
		CAB-AC	8 Power Cord,110V						
Item 3	130	112 Port 10/100 Ethernet Workgroup Switch with 2 Gigabit ports		$5,924.00	$1,900.06	$2,288.00	$191.00	$10,303.06	$1,339,537.82
	Inc	WS-C3512-XL-EN	130 12-port 10/100 + 2 1000Base GBIC Port Switch (Enterprise Edition						
		CAB-AC	130 Power Cord,110V						
Item 4	8	16 Port Router		$21,078.00	$6,010.14	$10,605.00	$420.00	$38,013.14	$312,089.10
	Inc	CISCO4700-M-CH	8 Cisco 4700 High Performance Modular Router With 3 Open Slots						
		CAB-AC	8 Power Cord,110V						
		NP-CT1	8 Channelized T1/ISDN PRI NP Module						
		NP-1FE	8 1 Port Fast Ethernet Module for 4500-M and 4700-M						
		MEM-4700M-4U16F	8 4-to-16 Flash Factory Upgrade for Cisco 4700M						
		MEM-4700M-4U8S	8 4 to-8 Shared Factory Upgrade for Cisco 4700M						
		MEM-4700M-16U32D	8 16 to-32 Main Factory Upgrade for Cisco 4700M						
		ACS-NPRM	8 19in Rack Mount Kit for 4000						
Item 5	8	24 Port FX / 24 Port TX / 2 Port GigaBit / 3 Port Multimode OC3 / 1 Port Single mode OC3 ATM Backbone Switch		$135,185.00	$34,487.10	$38,127.00	$2,026.00	$209,825.10	$1,678,600.83
	Inc	WS-C5500	8 Catalyst 5500 Chassis						
		WS-C5508	8 Catalyst 5500 AC Power Supply						
		WS-C5508/2	8 Catalyst 5500 Redundant AC Power Supply						
		CAB-7513AC	16 AC POWER CORD NORTH AMERICA						
		WS-X5530-E3	16 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	16 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		SFC5K-SUP3-5.2.2	8 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-5X	8 Catalyst 5K Rel. 5 x SW License, Enhanced Feature Set						
		WS-X5236-FX-MT	8 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)						
		WS-X5234-RJ45	8 24-port 10/100TX Switch Module (FEC,WRED,802.1Q/ISL,RJ-45)						
		WS-X5158	8 Catalyst 5000 ATM OC-3 LANE Module Dual PHY (MMF, SC)						
		SFC5K-ATM-3-2.9	8 ATM LANE for WS-X5158,WS-X5157,WS-X5156,WS-X5166						
		WS-X5302	8 Catalyst 5000 Route Switch Module						
		SCSA-12.0.5	8 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	8 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	8 Catalyst 5000 RSM Flash Credit Card: 20MB (option)						
		WS-X5302	8 Catalyst 5000 Route Switch Module						
		SCSA-12.0.5	8 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	8 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	8 Catalyst 5000 RSM Flash Credit Card: 20MB (option)						
		L1010-ASP-C-FC1	8 ATM Switch Processor with FC-Per-Class Queuing						
		SF-WASS-5	8 LS1010 ISP and PNNI Feature Set						
		MEM-ASP-64M	8 LightStream 1010 64 MB DRAM						
		WATM-CAM-2P	8 LightStream 1010/C5500 Carrier Module (installed)						
		WAI-OC3-1S3M	8 OC-3c/STM-1 Mix PAM, 1-port SMF-IR + 3-port MMF						
Item 6	8	112 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Intermediary Switch		$19,995.00	$4,428.03	$5,745.00	$205.00	$30,073.03	$240,584.27
	Inc	VSW-2112E	8 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
Item 7	40	112 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Workgroup Switch		$19,995.00	$4,428.03	$5,745.00	$205.00	$30,073.03	$1,202,921.34
	Inc	VSW-2112E#	40 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
									$5,834,650.13

San Francisco
School District
121155

Attachment
Tier 1
File Server

	Part #	Description	Unit Price	Unit Intall Labor	Warranty	Freight	Total
Item 1	**File Server**		*$9,800.00*	*$2,566.83*	*$2,325.00*	*$147.00*	*$14,838.83*
		Inc. Express5800TM LS2400					
		512 KB ECC L2 Cache					
		Up to 1 GB ECC DIMM (4 sockets)					
		Integrated Wide Ultra SCSI controller					
		Integrated narrow SCSI Controllers for Internal media devices					
		Four 1" drive bays, 16GB disk storage					
		3 PCI/1 ISA/1 Shared expansion slots					
		One 3.5" & three 5.25" media bays					
		32X maximum/14X minimum variable speed EIDE CD-ROM drive					
		3.5" Diskette drive					
		NT Operating Software					
		Network Interface Card					
		Monitor (15" Viewable)					
		Ethernet Converter					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		DAT Digital tape drive					
		System documentation					
		Graphic card adapters					
		Speakers					
		Multiport serial card					
		Network Interface Device					
		SNMP Module					
		Magnetic tape back up					
		Terminal adapter					
		TX to FX converter					
		UPS					
		UPS interface expander					
		Wire manager					

San Francisco
School District
121155

Attachment
Tier 2
Communication Server

	Part #	Description	Unit Price	Unit Install Labor	Warranty	Freight	Total
Item 1		Communication Server	$16,332.00	$3,824.99	$2,919.00	$245.00	$23,320.99
		Inc. Server System					
		Mid-tower PII/350					
		Monitor (15" Viewable)					
		Ethernet Converter					
		Address blocking unit					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		Circuit card					
		DAT Digital tape drive					
		Digital cross connects					
		DIMM					
		System documentation					
		FTP					
		Graphic card adapters					
		hard disk array controller					
		line sharing device					
		Media converter					
		Speakers					
		Multiport serial card					
		Network Interface Device					
		Network Interface Card					
		Process terminator card					
		Rack mounted power strips					
		Relay I/O Module					
		SCSI disk drive					
		SNMP Module					
		Magnetic tape back up					
		Terminal adapter					
		Transceiver					
		TX to FX converter					
		UPS					
		UPS interface expander					
		30 GB RAID Array					
		32X maximum/14X minimum variable speed EIDE CD-ROM drive					
		3.5" Diskette drive					
		NT Operating Software					

San Francisco
School District
121155

Attachment
Tier 3
Communication Server

	Part #	Description	Unit Price	Unit Install Labor	Warranty	Freight	Total
Item 1	Communication Server		$18,878.00	$4,570.68	$3,771.00	$283.00	$27,502.68
	Inc.	Express5800TM HX4600					
		Four Intel® Pentium® III Xeon™ processors					
		8GB ECC DIMM (32 sockets)					
		SecuRAID 530 Ultra2 (LVDS) 3-channel RAID controller					
		64-bit PCI and Hot-Plug PCI slots on 3 separate PCI buses					
		2 x 560W hot-swap power supplies standard (3rd 560W supply optional for N+1 redundancy)					
		Redundant cooling fans					
		3-Channel Ultra2 (LVDS) backplane with 12 hot-plug Ultra2 (LVDS) 1.6" drive bays					
		Integrated Dual Ultra SCSI controller					
		32X max/14X min variable-speed SCSI CD-ROM drive					
		3.5" diskette drive					
		NT Operating Software					
		RAID Array 60 GB Disk drives					
		Monitor 1950 (15" Viewable)					
		Ethernet Converter					
		Address blocking unit					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		Circuit card					
		DAT Digital tape drive					
		Digital cross connects					
		DIMM					
		System documentation					
		FTP					
		Graphic card adapters					
		hard disk array controller					
		line sharing device					
		Media converter					
		Speakers					

San Francisco
School District
121155

Attachment
District Total

	Description	Qty	Unit Price	Unit Intall Labor	Warranty	Freight	Unit Total	Ext Total
HS/MS/Admin								
Tier 1	File Server	210	$9,800.00	$2,566.83	$2,325.00	$147.00	$14,838.83	$3,116,153.73
Tier 2	Commnications Server	92	$16,332.00	$3,824.99	$2,919.00	$245.00	$23,320.99	$2,145,530.95
Tier 3	Commnications Server	35	$18,878.00	$4,570.68	$3,771.00	$283.00	$27,502.68	$962,593.65
Elementary Schools								
Tier 1	File Server	850	$9,800.00	$2,566.83	$2,325.00	$147.00	$14,838.83	$12,613,003.20
Tier 2	Commnications Server	82	$16,332.00	$3,824.99	$2,919.00	$245.00	$23,320.99	$1,912,321.06
Tier 3	Commnications Server	45	$18,878.00	$4,570.68	$3,771.00	$283.00	$27,502.68	$1,237,620.41
							Total	$21,987,223.00

Service attachment sheet for San Francisco Unified S.D.

Entity# 144152 Application ID - 121155

Labor only service contract

	Hours	Hourly wage	Qty	Annual Total
ATM & Ethernet	2080	45.832	12	$ 1,143,958.30
Servers & PBX	2080	45.832	12	$ 1,143,958.30
				$ 2,287,916.60

Application Number:
402210000279049

Attachment Internet Service

San Francisco U.S.D.
Desmond McQuoid, (415) 920-5049

Vendor	**Pacific Bell Internet**
Contract Number	**N/A**
Contract Date	**January 18, 2000**
SPIN	**143004610**

Description	**QTY**	**Each**	**Extended Monthly**	**Installation (Onetime Charges)**
10 Meg DS3 Internet	1	$ 5,410.00	$ 5,410.00	$ 400.00
	Total Monthly		**$ 5,410.00**	
	Total One-time			**$ 400.00**

Application Number:
402210000279049

Attachment Local T1 and DS3 Service

San Francisco U.S.D.
Desmond McQuoid, (415) 920-5049

Vendor	**Pacific Bell**
Contract Number	**N/A**
Contract Date	**January 18, 2000**
SPIN	**143002665**

Description	**QTY**	**Each**	**Extended Monthly**	**Installation (Onetime Charges)**
DS3 Circuits	8	2214	$ 17,715.00	$ 12,200.00
DS1 Circuits	192	135	$ 25,920.00	$ 179,712.00
	Total Monthly		**$ 43,635.00**	
	Total One-time			**$ 191,912.00**

3/21/2000

To: Ms. Laura Flowden
SLD

From: George Marchelos
San Francisco Unified School District

Dear Laura,

This is in response to your inquiry for additional information on application #121155.

1- Block #5, Line 15 should be "N.A." for NEC.

2- Block #5, Line 15 and Line 16 should be "N.A." for Inter-Tel.

3- For Pacific Bell the allowable contract date should be 1/13/2000.

Please send all of the discussed entity number changes to my home fax number of 408-871-8302 so I can have a copy for my records.

Sincerely,

George Marchelos
408-378-8378

```
**************** -COMM. JOURNAL- ********************* DATE MAR-21-2000 ***** TIME 10:35 *** P.01

   MODE = MEMORY TRANSMISSION                    START=MAR-21 10:31      END=MAR-21 10:35

     FILE NO.= 215

STN NO.    COM    ABBR NO.     STATION NAME/TEL.NO.     PAGES   DURATION

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```

Schools and Libraries Division

Fax

To: Georgi
From: Laura
Fax: 408-871-8302
Pages: 7 including cover
Phone:
Date: 3-21-00
Re: 471
CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Here is a copy of your Block 4 with the new entity #s -. Please send me back the corrections we made earlier on the phone.

Thanks

Laura

Schools and Libraries Division

Fax

To: George
From: Laura
Fax: 408-871-8302
Pages: 7 including cover
Phone:
Date: 3-21-00
Re: 471
CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Here is a copy of your Block 4 with the new entity #s -. Please send me back the corrections we made earlier on the phone.

Thanks

Laura

DESMOND MCQUOID
SAN FRANCISCO UNIFIED SCHOOL DISTRICT
834 TOLAND STREET
SAN FRANCISCO, CA 94102-5207

USAC
UNIVERSAL SERVICE ADMINISTRATIVE CO.
Schools and Libraries Division
Box 125 - Correspondence Unit
80 South Jefferson Road
Whippany, NJ 07981

BLOCK 5 FUNDING REQUEST REJECTION LETTER
(Funding Year 3: 07/01/2000--6/30/2001)

June 5, 2000

DESMOND MCQUOID
SAN FRANCISCO UNIFIED SCHOOL DISTRICT
834 TOLAND STREET
SAN FRANCISCO, CA 94102-5207

Re: Applicant's Form Identifier: DESMOND 121155
Form 471 Application Number: 202719

Dear Applicant:

This letter is to notify you that one or more of your Services Ordered and Certification Form 471, Block 5 Funding Requests did not meet Minimum Processing Standards or did not comply with program rules. The Funding Requests cited below have been rejected and have not been entered into the SLD system. You may also wish to contact your Service Provider to let them know the status of this funding request.

Other funding requests that are not cited below will be processed and should not be resubmitted.

BLOCK 5 FUNDING REQUEST:

Category of Service (Block 5, Item 11):	Internet Access
Service Provider Identification Number (SPIN) (Item 13):	143004610
Service Provider Name (Item 14):	PACIFIC BELL INTERNET
Percent Discount (Item 23, Column J):	80
Funding Commitment Request (Item 23, Column K):	$52,256.00
Rejection Reason:	Block 5, Items 22 A and B, Entity/Entities Receiving this Service are both blank.

Category of Service (Block 5, Item 11):	Telecommunication services
Service Provider Identification Number (SPIN) (Item 13):	143002665
Service Provider Name (Item 14):	PACIFIC BELL
Percent Discount (Item 23, Column J):	80
Funding Commitment Request (Item 23, Column K):	$572,426.00
Rejection Reason:	Block 5, Items 22 A and B, Entity/Entities Receiving this Service are both blank.

TO APPEAL THESE FUNDING REQUEST REJECTIONS:

If you wish to appeal the Funding Request Rejection(s) indicated in this letter, your appeal must be made in writing and RECEIVED BY THE SLD at the address below WITHIN 30 DAYS OF THE ABOVE DATE ON THIS LETTER. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.

2. Identify which Funding Request you are appealing. Your letter of appeal must include the applicant name and the Form 471 Application Number from this letter.

3. Identify the particular Funding Request that is the subject of your appeal. When explaining your appeal, include the rejection reason from this Funding Request Rejection Letter that is at the heart of your appeal. By pointing us to the exact words that give rise to your appeal, the SLD will be able to more readily understand and respond appropriately to your appeal. Please keep your letter brief and to the point, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.

4. Provide an original authorized signature on your letter of appeal.

Please send your appeal to: Letter of Appeal, Schools and Libraries Division, Box 125 - Correspondence Unit, 80 South Jefferson Road, Whippany, NJ 07981. Appeals submitted by fax, phone call, and e-mail CANNOT be processed. While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC): FCC, Office of the Secretary, 445-12th Street SW, Room TW-A325, Washington, DC 20554. Further information regarding filing an appeal directly with the FCC can be found in the "How to Apply, Step-by-Step" area of the SLD web site <www.sl.universalservice.org>.

Schools and Libraries Division
Universal Service Administrative Company

471 01-19-00 5000055

NEC47101-19-0005000055

Applicant ID: 202712

202712

FCC Form 471 — NTROL #C 000003 — Approval by OMB 3060-0806

Scho ce Service 1 471

This form asks schools and libraries to list ered and estimate the annual charges for them so that the Fund Admini or services.

Please read instructions before beginning this application. (See www.sl.universalservice.org for filing this form online)

Applicant's Form Identifier: DESMOND 12116 (Create your own code to identify THIS Form 471)

Form 471 Application #: 202712 (To be inserted by Fund Administrator)

Block 1: Billed Entity Information

(The "Billed Entity" is the entity paying the bills for the services listed on this form.)

1 Name of Billed Entity (30 characters max.): SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2 Funding Year: July 1, 2000 through June 30,2001 | 3 Entity Number (up to 10 digits): 144152

4a Street Address, P.O. Box, or Route Number: 834 TOLAND ST.

City: SAN FRANCISCO | State: CA | Zip Code: 94102-5207

b Telephone Number (10 digits + ext.): 415-920-5049

c Fax Number (10 digits): 415-241-6482

d E-mail Address (50 characters max.):

5 Type of Applicant
- ☐ Individual School (individual public or non-public school)
- ☑ School District (LEA; public or non-public (e.g., diocesan) local district representing multiple schools)
- ☐ Library (including library system, library branch, or library consortium applying as a library)
- ☐ Consortium (intermediate service agencies, states, state networks, special consortia)
  - ☐ Check here if any members of this consortium are ineligible non-governmental entities.

6a Contact Person's Name: DESMOND McQUOID

*First, fill in **every** item of the Contact Person's information below **that is different from Item 4, above**.*

*Then check the box next to the preferred mode of contact. (At least one box **MUST** be checked.)*

b ☐ Street Address, P.O. Box, or Route Number

City | State | Zip Code

c ☒ Telephone Number (10 digits + ext.): 415-920-5049

d ☐ Fax Number (10 digits): ( )

e ☒ E-mail Address (50 characters max.): des@sfusd.com

f Holiday/vacation contact information *(optional)*:

2000 JAN 19 A 9:37

000003

Block 2: Minor Modification to Existing Contract?

7 ☐ Check ONLY if this Form 471 represents a minor modification, such as a modification of services, to a contract included in a Form 471 for which you already have a Receipt Acknowledgement Letter. Provide the data requested below, attach a Description of Services highlighting the modified service, and sign Block 6.

Form 471 Application #: | Funding Request Number:

Minor modification requests can be filed MANUALLY only. Please see www.sl.universalservice.org for filing instructions.

Entity Number 144152 Applicant's Form Identifier Desmond 12116
Contact Person DESMOND McQUOID Phone Number 415-241-6462

Block 3: Impact of Services Ordered in THIS Application

8 **Please provide your best estimate of the number of people who will be served by all of the services ordered in THIS Form 471. Schools/school districts complete 8a. Libraries complete 8b. Consortia complete 8a and/or 8b.**

a Number of students to be served **11,984** b Number of library patrons to be served

9 **The following questions seek summary outcome information based on the services ordered in this Form 471 application. Please complete only those rows that are relevant to THIS application.**

	IF THIS APPLICATION INCLUDES...	BEFORE ORDER	AFTER ORDER
a	*(Schools/districts/consortia only)* Telephone service: How many classrooms had phone service before and after your order?	100	2000
b	High-bandwidth voice/data/video service: How many buildings served before and after your order?	20	60
c	High-bandwidth voice/data/video service: Highest speed to a building before and after your order?	56kbps	2-T-1
d	Dial-up Internet connections: How many before and after your order?	200	1000
e	Dial-up Internet connections: Highest speed before and after your order?	56kbps	T-1
f	Direct connections to the Internet: How many before and after your order?	20	60
g	Direct connections to the Internet: Highest speed before and after your order?	128kbps	T-1
h	Internet access (for schools): How many rooms have Internet access before and after your order?	400	1700
i	Internet access (for libraries): How many buildings have Internet access before and after your order?		
j	Internet access: How many computers (or other devices) with Internet access before and after your order?	1000	4000
k	Other technology outcomes: (please specify):		

Block 4: Discount Calculation Worksheets *(pages 3a, 3b, and 3c)*

The following 3 pages (3a, 3b, and 3c) are Block 4 worksheets for use in calculating your discount for services. You will complete one or more depending on the type of applicant you are, the number of sites you represent, and how services will be provided to those sites. Each worksheet has instructions.

- (●) If you are an individual school or a school district, use Worksheet A (page 3a)
- ( ) If you are a library (system and/or outlet), use Worksheet B (page 3b)
- ( ) If you are a consortium, use Worksheet C (page 3c), and include as many Worksheets A and B as you need for back-up documentation.

Number 144152 Applicant's Form Identifier Desmond12116
t Person MR. DESMOND McQUOID Phone Number 415-920-5049

ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-1
Page 1
of 2

ctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for pecific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

- ☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.
- ☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.
- ☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209219

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
LEO HIGH SCHOOL ✓	108137 ~~5612~~	U	1843	694	38%	60%	1105.8
TEER HIGH SCHOOL ✓	108334 ~~5627~~	U	1139	350	31%	50%	569.5
TON ACADEMIC H.S. ✓ ?	108372 ~~8189~~	U	1631	330	20%	50%	815.5
ELL HIGH SCHOOL ✓	108342 ~~5643~~	U	2543	442	17%	40%	1017.2
ION EDUCATION CENTER ✓	108337 ~~5649~~	U	146	135	92%	90%	131.4
NG VALLEY ELEMENTARY ✓	108139 ~~5678~~	U	409	343	84%	90%	368.1
COMER HIGH SCHOOL ✓	108214 ~~7352~~	U	370	304	82%	90%	333
VELAND ELEMENTARY ✓	108079 ~~5597~~	U	265	264	100%	90%	238.5
N ELEMENTARY ✓	108145 5640	U	488	373	76%	90%	439.2
District Totals for calculating Weighted Average Discount			8834				5018.2

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) →

Number 144152 Applicant's Form Identifier Desmond12116
ct Person MR. DESMOND McQUOID Phone Number 415-920-5049

›ck 4: Discount Calculation Worksheet A for Individual Schools/School Districts

Worksheet #A-2
Page 2
of 2

uctions: Individual Schools/School Districts use this worksheet to calculate the discount rate for ›specific services and/or to determine the weighted average discount calculations for shared services.

Check only one:

- ☐ **Applying ONLY for an individual school, or ONLY site-specific services:** Complete columns 1-7 only for each school. Add and number pages as needed. Then use each school's Entity Number and its discount from Column 7 to complete Block 5 site-specific service to that school.
- ☑ **Applying for discounts on services shared by ALL schools in the district (with or without site-specific services as well):** Complete all columns 1-8 for all schools in the district. Then use the Weighted Average Discount in 10c (below) to complete Block 5 for shared services.
- ☐ **Applying for discounts on different shared services shared by different groups of schools (with or without site-specific services as well):** Please complete one worksheet, columns 1-8 PLUS 10c, for EACH different group of schools sharing a service. Designate this worksheet A-1, A-2, A-3, etc.

List entities and calculate discount(s). 209219

1 Name of School	2 Entity Number	3 Urban or Rural U or R	4 Total # of Students	5 # of Students Eligible for NSLP	6 % Students Eligible for NSLP (Col. 5 ÷ Col. 4)	7 Discount % from Discount Matrix	8 Weighted Product for Calculating Shared Discount (Col. 4 x Col. 7)
I ELEMENTARY ✓	108362 ~~NEW~~	U	234	201	86%	90%	210.6
KER ELEMENTARY ✓	108361 ~~5630~~	U	371	291	78%	90%	333.9
PER SERRA ELEMENTARY ✓	108163 ~~5636~~	U	286	242	85%	90%	257.4
COLM X. ACADEMY ✓	108318 ~~5669~~	U	415	336	81%	90%	373.5
RR KING ELEMENTARY ✓	108130 ~~5671~~	U	345	257	74%	80%	276
VER ELEMENTARY ✓	108319 ~~5810~~	U	381	276	72%	80%	304.8
NCISCO MIDDLE ✓	108355 ~~5810~~	U	557	444	80%	90%	501.3
KS ELEMENTARY ✓	108224 5658	U	345	266	77%	90%	310.5
DERLOIN ELEMENTARY ✓	155442 ~~NEW~~	U	216	171	79%	90%	194.4
District Totals for calculating Weighted Average Discount			11984				7781

Weighted Average Discount % for Shared Services (Col. 8 total divided by Col. 4 total. Round to nearest %) → 65%

ntity Number 144152 Applicant's Form Identifier DESMOND 12116
ontact Person MR.DESMOND McQUOID Phone Number 415-920-5049

3lock 5: Discount Funding Request(s)

Block 5, page 1 of 5

nstructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
lake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 449516 (to be assigned by administrator)

11	Category of Service (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15 Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in Instructions)	NOT PROVIDED
		16 Billing Account Number (e.g., billed telephone number)	ER-SFUSD-CAB-01a
12	Form 470 Application Number (15 digits) 402210000279049	17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing)	1/13/00
13	SPIN - Service Provider Identification Number (9 digits) 143008317	18 Contract Award Date (mm/dd/yyyy)	01/14/00
		19 Service Start Date (mm/dd/yyyy)	07/01/00
14	Service Provider Name NEC	20 Contract Expiration Date (mm/dd/yyyy)	06/30/05

21 Description of This Service: You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # CABLING 1; CABLING 2

22 Entity/Entities Receiving This Service:

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : 209219-65%

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1-A-

23 Calculations

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
			12		$17,879,786.0	0	$17,879,786.0	$17,879,786.0	65%	$11,621,860.90

362

ntity Number 144152 Applicant's Form Identifier DESMOND 12118
ontact Person MR.DESMOND McQUOID Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 2 of 5

nstructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
lake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 449523 (to be assigned by administrator)

11	Category of Service (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15 Contract Number (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in Instructions)	NOT PROVIDED
		16 Billing Account Number (e.g., billed telephone number)	ER-SFUSD-DAT-02a
12	Form 470 Application Number (15 digits) 402210000279049	17 Allowable Contract Date (mm/dd/yyyy, based on Form 470 filing)	1/13/00
13	SPIN - Service Provider Identification Number (9 digits) 143008317	18 Contract Award Date (mm/dd/yyyy)	01/14/00
		19 Service Start Date (mm/dd/yyyy)	07/01/00
14	Service Provider Name NEC	20 Contract Expiration Date (mm/dd/yyyy)	06/30/05

21 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # ___DATA-1; DATA-2; DATA-3 DISTRICT TOTAL

22 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : _____ 209219-65%

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1

23 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
			12		$9,987,223.0	0	$9,987,223.0	$9,987,223.0	65%	$6,491,694.95

2/14

ıtity Number 144152 Applicant's Form Identifier DESMOND 12116
ɔntact Person MR.DESMOND McQUOID Phone Number 415-920-5049

3lock 5: Discount Funding Request(s)

Block 5, page 3 of 5

ɜtructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
ake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 449531 (to be assigned by administrator)

11 Category of Service (only ONE category should be checked)
○ Telecommunications Service ○ Internet Access ◉ Internal Connections

15 Contract Number (if available; use "T" if tariffed services, "M/M" if month-to-month services as described in instructions) NOT PROVIDED

16 Billing Account Number (e.g., billed telephone number) ER-SFUSD-SRVR-03a

[redacted]

14 Service Provider Name NEC

20 Contract Expiration Date (mm/dd/yyyy) 06/30/05

21 Description of This Service: You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.
Attachment # SERVER-1; SERVER-2; SERVER-3 DISTRICT TOTAL

22 Entity/Entities Receiving This Service:
a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : _____
209219-65%
b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1

23 Calculations

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
			12		$10,987,223.0	0	$10,987,223.0	$10,987,223.0	65%	$7,141,694.95

ntity Number 144152 | Applicant's Form Identifier DESMOND 12116
ontact Person MR.DESMOND McQUOID | Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 4 of 5

nstructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
Make as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

FRN # 409535 **(to be assigned by administrator)**

11	**Category of Service** (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15 **Contract Number** (if available; use "T" if tariffed services, "MTM" if month-to-month services as described in instructions)	NOT PROVIDED
		16 **Billing Account Number** (e.g., billed telephone number)	ER-SFUSD-SRVCE-04a
12	**Form 470 Application Number** (15 digits) 402210000279049	17 **Allowable Contract Date** (mm/dd/yyyy, based on Form 470 filing)	1/13/00
13	**SPIN - Service Provider Identification Number** (9 digits) 143008317	18 **Contract Award Date** (mm/dd/yyyy)	01/14/00
		19 **Service Start Date** (mm/dd/yyyy)	07/01/00
14	**Service Provider Name** NEC	20 **Contract Expiration Date** (mm/dd/yyyy)	06/30/05

21 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.

Attachment # SERVICE DISTRICT TOTAL

22 **Entity/Entities Receiving This Service:**

a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : _____

209219-65%

b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): A-1

23 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request. (J x I)
			12		$1,431,874.9	0	$1,431,874.9	$1,431,874.9	65%	$930,718.69

ntity Number 144152 Applicant's Form Identifier DESMOND 12116
ontact Person MR.DESMOND McQUOID Phone Number 415-920-5049

Block 5: Discount Funding Request(s)

Block 5, page 5 of 5

nstructions: Use one Block 5 page for EACH service (Funding Request Number) for which you are requesting discounts.
lake as many copies of this page as necessary, and number the completed pages to assure that they are all processed correctly.

RN # 449540 **(to be assigned by administrator)**

11	**Category of Service** (only ONE category should be checked) ○ Telecommunications Service ○ Internet Access ◉ Internal Connections	15	**Contract Number** (if available; use "1" if tariffed services, "MTM" if month-to-month services as described in Instructions) NOT PROVIDED
		16	**Billing Account Number** (e.g., billed telephone number) NOT PROVIDED
12	**Form 470 Application Number** (15 digits) 402210000279049	17	**Allowable Contract Date** (mm/dd/yyyy, based on Form 470 filing) 1/13/00
13	**SPIN - Service Provider Identification Number** (9 digits) 143007625	18	**Contract Award Date** (mm/dd/yyyy) 01/14/00
		19	**Service Start Date** (mm/dd/yyyy) 07/01/00
14	**Service Provider Name** INTERTEL	20	**Contract Expiration Date** (mm/dd/yyyy) 06/30/05

21 **Description of This Service:** You MUST attach a description of the service, including a breakdown of components and costs, plus any relevant brand names. Label this description with an Attachment #, and note number in space provided below.
Attachment # _1_PBX: DISTRICT TOTAL

22 **Entity/Entities Receiving This Service:**
a. If the service is site-specific (provided to one site and not shared by others), list the Entity Number of the entity from Block 4 receiving this service : _____ 209219-65 %
b. If the service is shared by all entities on a Block 4 worksheet, list the worksheet number (e.g., A-1): _____ A-1

23 **Calculations**

Recurring Charges					One-Time Charges			Total Charges		
A	B	C	D	E	F	G	H	I	J	K
Monthly $ charges (total amount per month for service)	How much of the $ amount in (A) is ineligible?	Eligible monthly pre-discount amount (A minus B)	# of months service provided in program year	Annual pre-discount $ amount for eligible recurring charges (D x C)	Annual non-recurring (one-time) $ charges	How much of the $ amount in (F) is ineligible?	Annual eligible pre-discount $ amount for one-time charges (F minus G)	Total program year pre-discount $ amount (E + H)	% discount (from Block 4 Worksheet)	Funding Commitment $ Request (J x I)
			12		$8,028,513.7	0	$8,028,513.7	$8,028,513.7	65%	$5,218,533.91

3/14

Entity Number 144152 Applicant's Form Identifier Desmond 12116
Contact Person Desmond McQuoid Phone Number 415-920-5049

Block 6: Certifications and Signature

24 The applicant is eligible for support because it includes: (Check one or both.)

a ☒ schools under the statutory definitions of elementary and secondary schools found in the Elementary and Secondary Education Act of 1965, 20 U.S.C. Secs. 8801(14) and (25), that do not operate as for-profit businesses and do not have endowments exceeding $50 million; and/or

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

25 The schools and libraries I represent have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.

26 All of the individual schools, libraries, and library consortia listed in Block 4 are covered by:

a ☒ an individual technology plan for using the services requested in this application; and/or

b ☒ higher-level technology plan(s) for using the services requested in this application; or

c ☐ no technology plan needed; applying for basic local and long distance telephone service only

27 Status of technology plans (if representing multiple entities with mixed technology plan status, check both a and b):

a ☒ technology plan(s) has/have been approved.

b ☒ technology plan(s) will be approved by a state or other authorized body.

c ☐ no technology plan needed; applying for basic local and long distance telephone service only.

28 I certify that the entities eligible for support that I am representing have complied with all applicable state and local laws regarding procurement of services for which support is being sought.

29 I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value.

30 I certify that the entity(ies) I represent has complied with all program rules and I acknowledge that failure to do so may result in denial of discount funding and/or cancellation of funding commitments.

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

32 I recognize that I may be audited pursuant to this application and will retain for five years any and all worksheets and other records that I rely upon to fill out this application.

33 I certify that I am authorized to submit this request on behalf of the above-named entities, that I have examined this request, and to the best of my knowledge, information, and belief, all statements of fact contained herein are true.

34 Signature	35 Date 1/15/2000
36 Printed name of authorized person Desmond McQuoid	
37 Title or position of authorized person Director Systems Security, FDA	
38 Telephone number of authorized person: (415)920-5049 ext.	

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

Entity Number _144152_____ Applicant's Form Identifier Desmond12118_____
Contact Person ___Desmond McQuoid_____ Phone Number 415-920-5049_____

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

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

The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or a potential violation of a FCC statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing, or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government is a party of a proceeding before the body or has an interest in the proceeding.

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

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

The foregoing Notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

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

Please submit this form to:

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

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

SLD-Form 471
c/o Ms. Smith
3833 Greenway Drive
Lawrence Kansas 66046
(888) 203-8100

SanFran1
School District

Block 5

Attachment
San Francisco U.S.D. 1
Cabling

School	*Conduit*	*Fiber Optic Wiring*	*Category 5*	*Category 6*
Mission Education Center	$186,933.86	$429,865.66	$200,990.91	$232,685.11
Spring Valley Elementary School	$187,104.76	$436,840.12	$204,630.30	$245,068.08
Newcomer High School	$63,138.33	$88,681.24	$44,495.59	$54,412.88
Leonard R. Flynn Elementary School	$205,815.23	$480,524.14	$225,093.33	$269,574.89
Jean Parker Elementary School	$183,947.84	$432,406.06	$202,405.51	$242,347.44
John Yehall Chin Elementary School	$165,553.06	$389,165.46	$182,164.96	$218,112.69
Cleveland Elementary School	$174,750.45	$410,785.76	$192,285.24	$230,230.07
Junipero Serra Elementary School	$190,386.01	$447,540.27	$209,489.70	$250,829.60
Rosa Parks Elementary School	$187,291.86	$437,276.96	$204,834.93	$245,313.15
Francisco Middle School	$119,334.10	$204,098.43	$79,538.07	$135,429.68
Malcolm X Academy	$198,331.04	$463,050.53	$216,908.11	$259,772.17
Tenderloin Elementary School	$163,897.52	$385,273.80	$180,343.31	$215,931.57
Starr King Elementary School	$73,579.37	$113,689.31	$50,023.65	$75,035.47
Dr. George Washington Carver Elementary School	$189,466.27	$445,378.24	$208,477.68	$249,617.86
Galileo High School	$355,764.97	$624,327.74	$178,181.55	$216,291.32
J Eugene McAteer High School	$231,247.23	$405,813.03	$115,818.01	$140,589.36
Phillip & Sala Burton Academic High School	$320,188.47	$561,894.96	$160,363.40	$194,662.19
Lowell High School	$412,887.37	$724,220.18	$206,690.60	$250,897.93

Total Year 1 amount ***$17,879,786.00***

Block 5

Attachment
Data 1

San Francisco U.S.D. 1
Elementary School

	Qty	Part #	Description	Unit Price	Unit Install Labor	Warranty	Freight	Total	Ext Price
Item 1	13	48 Port Gigabit Ethernet Backbone switch		$58,142.00	$10,821.93	$28,888.00	$1,714.00	$108,575.93	$1,411,487.11
Inc.		WS-C5509	13 Catalyst 5500 Chassis						
		WS-C5518	13 Catalyst 5509 AC Power Supply						
		WS-C5519/2	13 Catalyst 5509 second AC Power Supply						
		CAB-7KAC-15	26 AC Power Cord North America, 15A						
		SFCSK-SUP3-5.2.2	13 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-5X	13 Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5530-E3	13 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	13 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		WS-X5236-FX-MT	26 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)*						
		JP-WSSPA2000	13 Cisco-NEC Intergration engine module						
Item 2	13	8 Port Ethernet Intermediary switch		$12,829.00	$2,004.80	$8,899.00	$710.00	$24,442.80	$317,756.42
Inc.		WS-C3508G-XL-EN	13 8-port 1000Gb Ports Switch (Enterprise Edition						
		CAB-AC	13 Power Cord,110V						
Item 3	32	12 Port 10/100 Ethernet Workgroup Switch with 2 Gigabit ports		$5,924.00	$1,902.38	$2,268.00	$191.00	$10,283.38	$329,068.25
Inc.		WS-C3512-XL-EN	32 12-port 10/100 + 2 1000Base GBIC Port Switch (Enterprise Edition						
		CAB-AC	32 Power Cord,110V						
Item 4	32	4 Port Router		$21,076.00	$6,818.59	$16,605.00	$420.00	$39,019.59	$1,248,626.91
Inc.		CISCO4700-M-CH	32 Cisco 4700 High Performance Modular Router With 3 Open Slots						
		CAB-AC	32 Power Cord,110V						
		NP-CT1	32 Channelized T1/MSDN PRI NP Module						
		NP-1FE	32 1 Port Fast Ethernet Module for 4500-M and 4700-M						
		MEM-4700M-4U16F	32 4-to-16 Flash Factory Upgrade for Cisco 4700M						
		MEM-4700M-4U8S	32 4-to-8 Shared Factory Upgrade for Cisco 4700M						
		MEM-4700M-16U32D	32 16-to-32 Main Factory Upgrade for Cisco 4700M						
		ACS-NPRM	32 19in Rack Mount Kit for 4000						
Item 5	13	24 Port FX / 24 Port TX / 2 Port GigaBit / 3 Port Multimode OC3 / 1 Port Single mode OC3 ATM Backbone Switch		$135,195.00	$34,809.27	$38,137.00	$2,026.00	$209,867.27	$2,728,274.46
Inc.		WS-C5500	13 Catalyst 5500 Chassis						
		WS-C5508	13 Catalyst 5500 AC Power Supply						
		WS-C5508/2	13 Catalyst 5500 Redundant AC Power Supply						
		CAB-7513AC	26 AC POWER CORD NORTH AMERICA						
		WS-X5530-E3	26 Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	26 Dual Port 1000BaseSX Uplink Module for Supervisor III						
		SFCSK-SUP3-5.2.2	13 Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-5X	13 Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5236-FX-MT	13 24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)						
		WS-X5234-RJ45	13 24-port 10/100TX Switch Module (FEC,WRED,802.1Q/ISL,RJ-45)						
		WS-X5158	13 Catalyst 5000 ATM OC-3 LANE Module Dual PHY (MMF, SC)						
		SFCSK-ATM-3.2.9	13 ATM LANE for WS-X5156,WS-X5157,WS-X5158,WS-X5166						
		WS-X5302	13 Catalyst 5000 Route Switch Module						
		SC5A-12.0.5	13 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	13 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	13 Catalyst 5000 RSM Flash Credit Card, 20MB (option)						
		WS-X5302	13 Catalyst 5000 Route Switch Module						
		SC5A-12.0.5	13 Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	13 Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	13 Catalyst 5000 RSM Flash Credit Card, 20MB (option)						
		L1010-ASP-C-FC1	13 ATM Switch Processor with FC-Per-Class Queuing						
		SF-WASS-5	13 LS1010 IISP and PNNI Feature Set						
		MEM-ASP-64M	13 LightStream 1010 64 MB DRAM						
		WATM-CAM-2P	13 LightStream 1010/C5500 Carrier Module (installed)						
		WAI-OC3-1S3M	13 OC-3c/STM-1 Mix PAM, 1-port SMF-IR + 3-port MMF						
Item 6	13	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Intermediary Switch		$19,695.00	$4,433.45	$5,745.00	$205.00	$30,078.45	$391,019.85
Inc.		VSW-2112E	13 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
Item 7	30	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Workgroup Switch		$19,695.00	$4,433.45	$5,745.00	$205.00	$30,078.45	$902,353.51
Inc.		VSW-2112Ea	30 VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
									$7,328,586.51

Block 5

Attachment
Data 1
San Francisco U.S.D. 1
HS/MS/Admin

	Qty	Part #		Description	Unit Price	Unit Install Labor	Warranty	Freight	Total	Ext Price
Item 1	5	48 Port Gigabit Ethernet Backbone switch			$58,142.00	$10,821.93	$28,858.00	$1,714.00	$108,575.93	$542,879.66
	Inc.	WS-C5509	5	Catalyst 5509 Chassis						
		WS-C5518	5	Catalyst 5509 AC Power Supply						
		WS-C5518/2	5	Catalyst 5509 second AC Power Supply						
		CAB-TKAC-15	10	AC Power Cord North America, 15A						
		SFC5K-SUP3-5.2.2	5	Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-SX	5	Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5530-E3	5	Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	5	Dual Port 1000BaseSX Uplink Module for Supervisor III						
		WS-X5236-FX-MT	10	24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)*						
		JP-WSSPA2000	5	Cisco-NEC Intergration engine module						
Item 2	5	8 Port Ethernet Intermediary switch			$12,829.00	$4,004.80	$6,899.00	$710.00	$24,442.80	$122,214.01
	Inc.	WS-C3508G-XL-EN	5	8-port 1000Gb Ports Switch (Enterprise Edition						
		CAB-AC	5	Power Cord,110V						
Item 3	10	12 Port 10/100 Ethernet Workgroup Switch with 2 Gigabit ports			$5,924.00	$1,903.38	$2,266.00	$191.00	$10,283.38	$102,833.83
	Inc.	WS-C3512-XL-EN	10	12-port 10/100 + 2 1000Base GBIC Port Switch (Enterprise Edition						
		CAB-AC	10	Power Cord,110V						
Item 4	10	16 Port Router			$21,078.00	$6,918.59	$10,605.00	$420.00	$39,019.59	$390,195.91
	Inc.	CISCO4700-M-CH	10	Cisco 4700 High Performance Modular Router With 3 Open Slots						
		CAB-AC	10	Power Cord,110V						
		NP-CT1	10	Channelized T1/NSDN PRI NP Module						
		NP-1FE	10	1 Port Fast Ethernet Module for 4500-M and 4700-M						
		MEM-4700M-4U16F	10	4-to-16 Flash Factory Upgrade for Cisco 4700M						
		MEM-4700M-4U8S	10	4-to-8 Shared Factory Upgrade for Cisco 4700M						
		MEM-4700M-16U32D	10	16-to-32 Main Factory Upgrade for Cisco 4700M						
		ACS-NPRM	10	19in Rack Mount Kit for 4000						
Item 5	5	24 Port FX / 24 Port TX / 2 Port Gigabit / 3 Port Multimode OC3 / 1 Port Single mode OC3 ATM Backbone Switch			$135,195.00	$34,509.27	$38,137.00	$2,026.00	$209,867.27	$1,049,336.33
	Inc.	WS-C5500	5	Catalyst 5500 Chassis						
		WS-C5506	5	Catalyst 5500 AC Power Supply						
		WS-C5508/2	5	Catalyst 5500 Redundant AC Power Supply						
		CAB-7513AC	10	AC POWER CORD NORTH AMERICA						
		WS-X5530-E3	10	Catalyst 5500/5000 Supervisor Engine III Module w/NFFC II						
		WS-U5534-GESX	10	Dual Port 1000BaseSX Uplink Module for Supervisor III						
		SFC5K-SUP3-5.2.2	5	Catalyst 5K Supervisor 3 & 3F, Flash Image, Release 5.2(2)						
		FL-C5K-EFS-SX	5	Catalyst 5K Rel. 5.x SW License, Enhanced Feature Set						
		WS-X5236-FX-MT	5	24-port 100FX Switch Module (FEC,WRED,802.1Q/ISL,MT-RJ)						
		WS-X5234-RJ45	5	24-port 10/100TX Switch Module (FEC,WRED,802.1Q/ISL,RJ-45)						
		WS-X5158	5	Catalyst 5000 ATM OC-3 LANE Module Dual PHY (MMF, SC)						
		SFC5K-ATM-3.2.9	5	ATM LANE for WS-X5156,WS-X5157,WS-X5158,WS-X5159						
		WS-X5302	5	Catalyst 5000 Route Switch Module						
		SC5A-12.0.5	5	Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	5	Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	5	Catalyst 5000 RSM Flash Credit Card: 20MB (option)						
		WS-X5302	5	Catalyst 5000 Route Switch Module						
		SC5A-12.0.5	5	Cisco Catalyst 5000 Series IOS ENTERPRISE						
		MEM-RSM-128M	5	Catalyst 5000 RSM 128 MB DRAM (option)						
		MEM-RSM-FLC20M	5	Catalyst 5000 RSM Flash Credit Card: 20MB (option)						
		LI1010-ASP-C-FC1	5	ATM Switch Processor with FC-Per-Class Queuing						
		SF-WAS5-5	5	LS1010 ISP and PNNI Feature Set						
		MEM-ASP-64M	5	LightStream 1010 64 MB DRAM						
		WATM-CAM-2P	5	LightStream 1010/C5500 Carrier Module (installed)						
		WAI-OC3-153M	5	OC-3c/STM-1 Mix PAM, 1-port SMF-IR + 3-port MMF						
Item 6	5	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Intermediary Switch			$19,895.00	$4,433.45	$5,745.00	$205.00	$30,078.45	$150,392.25
	Inc.	VSW-2112E	5	VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
Item 7	10	12 ATM 25 Port / 2 OC3 Port / Fast ethernet ATM Workgroup Switch			$19,895.00	$4,433.45	$5,745.00	$205.00	$30,078.45	$300,784.50
	Inc.	VSW-2112Ea	10	VSW-2000 MM CHASSIS 12x25, 2 OC3 PORTS and 2 FE-TX						
										$2,658,836.49

San Francisco
School District
12116

Attachment
Tier 1
File Server

	Part #	Description	Unit Price	Unit Intall Labor	Warranty	Freight	Total
Item 1	File Server		$9,800.00	$1,728.00	$2,325.00	$147.00	$14,000.00
	Inc.	Express5800TM LS2400					
		512 KB ECC L2 Cache					
		Up to 1 GB ECC DIMM (4 sockets)					
		Integrated Wide Ultra SCSI controller					
		Integrated narrow SCSI Controllers for internal media devices					
		Four 1" drive bays, 16GB disk storage					
		3 PCI/1 ISA/1 Shared expansion slots					
		One 3.5" & three 5.25" media bays					
		32X maximum/14X minimum variable speed EIDE CD-ROM drive					
		3.5" Diskette drive					
		NT Operating Software					
		Network Interface Card					
		Monitor (15" Viewable)					
		Ethernet Converter					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		DAT Digital tape drive					
		System documentation					
		Graphic card adapters					
		Speakers					
		Multiport serial card					
		Network Interface Device					
		SNMP Module					
		Magnetic tape back up					
		Terminal adapter					
		TX to FX converter					
		UPS					
		UPS interface expander					
		Wire manager					

San Francisco
School District
12116

Attachment
Tier 2
Communication Server

	Part #	Description	Unit Price	Unit Intall Labor	Warranty	Freight	Total
Item 1		Communication Server	$16,332.00	$2,575.00	$2,919.00	$245.00	$22,071.00
		Inc. Server System					
		Mid-tower Piii/350					
		Monitor (15" Viewable)					
		Ethernet Converter					
		Address blocking unit					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		Circuit card					
		DAT Digital tape drive					
		Digital cross connects					
		DIMM					
		System documentation					
		FTP					
		Graphic card adapters					
		hard disk array controller					
		line sharing device					
		Media converter					
		Speakers					
		Multiport serial card					
		Network Interface Device					
		Network Interface Card					
		Process terminator card					
		Rack mounted power strips					
		Relay I/O Module					
		SCSI disk drive					
		SNMP Module					
		Magnetic tape back up					
		Terminal adapter					
		Transceiver					
		TX to FX converter					
		UPS					
		UPS Interface expander					
		30 GB RAID Array					
		32X maximum/14X minimum variable speed EIDE CD-ROM drive					
		3.5" Diskette drive					
		NT Operating Software					

San Francisco
School District
12116

Attachment
Tier 3
Communication Server

	Part #	Description	Unit Price	Unit Install Labor	Warranty	Freight	Total
Item 1	[redacted] Communication Server		$18,878.00	$3,077.00	$3,771.00	$283.00	$26,009.00
	.Inc.	Express5800TM HX4600					
		Four Intel® Pentium® III Xeon™ processors					
		8GB ECC DIMM (32 sockets)					
		SecuRAID 530 Ultra2 (LVDS) 3-channel RAID controller					
		64-bit PCI and Hot-Plug PCI slots on 3 separate PCI buses					
		2 x 560W hot-swap power supplies standard (3rd 560W supply optional for N+1 redundancy)					
		Redundant cooling fans					
		3-Channel Ultra2 (LVDS) backplane with 12 hot-plug Ultra2 (LVDS) 1.6" drive bays					
		Integrated Dual Ultra SCSI controller					
		32X max/14X min variable-speed SCSI CD-ROM drive					
		3.5" diskette drive					
		NT Operating Software					
		RAID Array 60 GB Disk drives					
		Monitor 1950 (15" Viewable)					
		Ethernet Converter					
		Address blocking unit					
		Back up power supply					
		Battery back up					
		Battery module					
		Cabinet mounted power strip					
		Circuit card					
		DAT Digital tape drive					
		Digital cross connects					
		DIMM					
		System documentation					
		FTP					
		Graphic card adapters					
		hard disk array controller					
		line sharing device					
		Media converter					
		Speakers					

San Francisco
School District
12116

Attachment
District Total

	Description	Qty	Unit Price	Unit Intall Labor	Warranty	Freight	Unit Total	Ext Total
HS/MS/Admin								
Tier 1	*File Server*	*200*	*$9,800.00*	*$2,567.99*	*$2,325.00*	*$147.00*	*$14,839.99*	*$2,967,997.79*
Tier 2	*Commnications Server*	*90*	*$16,332.00*	*$3,826.72*	*$2,919.00*	*$245.00*	*$23,322.72*	*$2,099,044.77*
Tier 3	*Commnications Server*	*25*	*$18,878.00*	*$4,572.74*	*$3,771.00*	*$283.00*	*$27,504.74*	*$687,618.61*
Elementary Schools								
Tier 1	*File Server*	*162*	*$9,800.00*	*$2,567.99*	*$2,325.00*	*$147.00*	*$14,839.99*	*$2,404,078.21*
Tier 2	*Commnications Server*	*80*	*$16,332.00*	*$3,826.72*	*$2,919.00*	*$245.00*	*$23,322.72*	*$1,865,817.57*
Tier 3	*Commnications Server*	*35*	*$18,878.00*	*$4,572.74*	*$3,771.00*	*$283.00*	*$27,504.74*	*$962,666.05*
							Total	*$10,987,223.00*

Service attachment sheet

Identifier 12116 Entity # 144152

Labor only service contract

	Hours	QTY	Hourly wage	Annual Total
ATM & Ethernet	2080	6	$ 57.37	$ 715,937.45
Servers & PBX	2080	6	$ 57.37	$ 715,937.45
				$ 1,431,874.90

Schedule A
PBX Parts
Elementary and Middle School System + H.S.

Application ID Desmond 12116
Entity No. 144152

Part	Description	Quantity	Each	Extended
550.1300	PBX Card Cabinet	2	$2,157.98	$4,315.95
550.0110	Main Power supply	2	$1,366.72	$2,733.44
550.90.17	256 CPU	1	$14,098.78	$14,098.78
827.8801	5.1 Application Processor	1	$2,661.50	$2,661.50
550.3026	Remote Modem	1	$107.90	$107.90
900.0506	Surge Protection	1	$14.39	$14.39
550.8001	Documentation	1	$35.97	$35.97
827.8802	Database Programming Interface	1	$815.72	$815.72
550.8000	I&M Manual	1	$35.97	$35.97
550.8015	Addendum To I&M Manual	1	$7.19	$7.19
813.1576	Expansion Cabinet Cable	1	$215.80	$215.80
827.1457	CPU MEM Kit	1	$736.59	$736.59
827.8909	Programmable Array Logic Chip\25	1	$10,043.22	$10,043.22
550.2101	Analog Interface-8	1	$1,973.83	$1,973.83
550.2116	Analog Interface-16	4	$3,677.19	$14,708.77
550.2102	Analog Power Supply-8	1	$404.26	$404.26
550.2104	Analog Power Supply-16	4	$434.47	$1,737.89
550.2200	Digital Interface--8	1	$1,168.18	$1,168.18
550.2600	DSP Processor	1	$1,041.58	$1,041.58
834.2566	DTMF Receivers	1	$372.61	$372.61
827.8024	DSP Register	1	$739.47	$739.47
834.2566	Conference Receiver	1	$372.61	$372.61
827.1020	911 Transmitter	1	$372.61	$372.61
550.2300	PBX Trunk Interface-4	1	$868.95	$868.95
550.2730	PBX Digital Trunk Interface -24	1	$3,680.07	$3,680.07
828.1397	Gain Controller	1	$356.79	$356.79
550.2732	Network Clock	1	$269.03	$269.03
550.2733	Internal Primary Rate Controller	1	$1,455.91	$1,455.91
828.1459	Digital Firmware Module	1	$171.20	$171.20
900.1013	PBX/PA System Interface	1	$3,069.36	$3,069.36
900.1050	Display Interface Controller	1	$115,020.14	$115,020.14
900.1020	Primary Voice Compression Interface	1	$77,151.97	$77,151.97
900.1010	Secondary Voice Compression Interface	1	$41,784.90	$41,784.90
900.0500	PBX Conference Interface	1	$10,457.55	$10,457.55
900.0400	PBX Direct Inward Access Card	1	$4,920.19	$4,920.19
900.0001	PBX Direct Inward Access Cable	1	$244.43	$244.43
900.1000	ISDN Gateway Controller	1	$5,547.44	$5,547.44
900.8401	Primary Rate VOIP Gateway Interface	1	$64,091.90	$64,091.90
900.1155	PC Attendant Console	1	$37,045.26	$37,045.26
900.1804	Programmed Audio Card	1	$3,366.44	$3,366.44
900.5000	Required Audio Amplifier	1	$3,367.59	$3,367.59
900.8000	Redundant Power Amplifier	1	$3,899.32	$3,899.32
900.8001	Gateway MEM Kit	1	$10,545.89	$10,545.89
		1		$446,028.54
		18		$8,028,513.70

FUNDING COMMITMENT DECISION LETTER

(Funding Year 3: 07/01/2000 - 06/30/2001)

September 22, 2000

SAN FRANCISCO UNIF SCHOOL DIST
DESMOND MCQUOID
834 TOLAND STREET
SAN FRANCISCO, CA 94102-5207

Re: Form 471 Application Number: 202719
Funding Year 3: 07/01/2000 - 06/30/2001
Billed Entity Number: 144152

Thank you for your 2000-2001 E-rate application and for any assistance you provided throughout our review. We have completed review of your Form 471. This letter is to advise you of our decision(s).

FUNDING COMMITMENT REPORT

On the pages following this letter, we have provided a Funding Commitment Report for the Form 471 application cited above. We have reviewed each Discount Funding Request on your Form 471 application and have assigned a Funding Request Number (FRN) to each Block 5. The enclosed report includes a list of the FRNs from your application. The SLD is also sending this information to your service provider(s) so preparations can be made to begin implementing your E-rate discount(s) upon the filing of your Form 486. Immediately preceding the Funding Commitment Report, you will find a guide that defines each line of the Report.

NEXT STEPS

Once you have reviewed this letter and have determined that some or all of your requests have been funded, your next step to facilitate receipt of discounts as featured in this letter will be to file an FCC Form 486 with the SLD. The Form 486 notifies the SLD to begin payment to your service provider and provides certified indication that your technology plan(s) has been approved. The Form 486 will be mailed to you under separate cover and is also available on the SLD web site at www.sl.universalservice.org. If you are filing a Form 486 for Funding Year 3 services (July 1, 2000 through June 30, 2001), there are certain circumstances under which you will be able to file your Form 486 before the receipt of services. These circumstances are detailed in the letter being sent to you under separate cover and on the web site. As you complete Form 486, you should also contact your service provider to verify they have received notice from the SLD of your funding commitments. After the SLD processes your Form 486, we can begin processing invoices from your service provider(s) so they can be reimbursed for discounted services they have provided you.

TO APPEAL THESE FUNDING COMMITMENT DECISIONS

If you wish to appeal the Funding Commitment Decision(s) (FCD) indicated in this letter, your appeal must be made in writing and RECEIVED BY THE SLD at the address below WITHIN 30 DAYS OF THE ABOVE DATE ON THIS LETTER. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.

2. Identify which FCD Letter you are appealing. Your letter of appeal must include the applicant name, the Form 471 Application Number, and the Billed Entity Number from the top of your FCD Letter.

3. Identify the particular Funding Request Number (FRN) that is the subject of your appeal. When explaining your appeal, include the precise language or text from the Funding Commitment Decision Letter that is at the heart of your appeal. By pointing us to the exact words that give rise to your appeal, the SLD will be able to more readily understand and respond appropriately to your appeal. Please keep your letter brief and to the point, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.

4. Provide an original authorized signature on your letter of appeal.

Please send your appeal to: Letter of Appeal, Schools and Libraries Division, Box 125 - Correspondence Unit, 80 South Jefferson Road, Whippany, NJ 07981. Appeals submitted by fax, phone call, and e-mail CANNOT be processed. While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC): FCC, Office of the Secretary, 445-12th Street SW, Room TW-A325, Washington, DC 20554. Further information regarding filing an appeal directly with the FCC can be found in the "How to Apply, Step-by-Step" area of the SLD web site www.sl.universalservice.org.

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 universal service mechanisms for schools and libraries. FCC Form 471 Applicants who have received funding commitments continue to be subject to audits and other reviews that SLD or the Federal Communications Commission may undertake periodically to assure that funds have been committed and are being used in accordance with all such requirements. If the SLD subsequently determines that its commitment was erroneously issued due to action or inaction, including but not limited to that by SLD, the Applicant, or Service Provider, and that the action or inaction was not in accordance with such requirements, SLD may be required to cancel these funding commitments and seek repayment of any funds disbursed not in accordance with such requirements. The SLD, and other appropriate authorities (including but not limited to USAC and 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.

We look forward to continuing our work with you on connecting our schools and libraries through advanced telecommunications services.

Sincerely,

Kate L. Moore
President, Schools and Libraries Division, USAC

Enclosures

A GUIDE TO THE FUNDING COMMITMENT REPORT

Attached to this letter will be a report for each E-rate funding request from your application. We are providing the following definitions.

* FUNDING REQUEST NUMBER (FRN): A Funding Request Number is assigned by the SLD to each Block 5 of your Form 471 once an application has been processed. This number is used to report to Applicants and Service Providers the status of individual discount funding requests submitted on a Form 471.

* FUNDING STATUS: Each FRN will have one of three definitions: "Funded," "Not Funded," or "As Yet Unfunded."

  1. An FRN that is "Funded" will be approved at the level that SLD determined is appropriate for that item. The funding level will generally be the level requested unless the SLD determines during the application review process that some adjustment is appropriate.

  2. An FRN that is "Not Funded" is one for which no funds will be committed. The reason for the decision will be briefly explained in the "Funding Commitment Decision," and amplification of that explanation may be offered in the section, "Funding Commitment Decision Explanation." An FRN may be "Not Funded" because the request does not comply with program rules or, that the total amount of funds in the Universal Service Fund was insufficient to fund all requests.

  3. An FRN that is "As Yet Unfunded" reflects a temporary status that is assigned to an FRN when the SLD is uncertain at the time the letter is generated whether there will be sufficient funds to make commitments for requests for internal connections at a particular discount level. For example, if your application included requests for discounts on both telecommunications services and internal connections, you might receive a letter with our funding commitment for your telecommunications funding requests and a message that your internal connections requests are "As Yet Unfunded." You would receive a subsequent letter(s) regarding the funding decision on your internal connections requests.

* SPIN (Service Provider Identification Number): A unique number assigned by the Universal Service Administrative Company to service providers seeking payment from the Universal Service Fund for participating in the universal service support programs. A SPIN is also used to verify delivery of services and to arrange for payment.

* SERVICE PROVIDER NAME: The legal name of the service provider.

* CONTRACT NUMBER: The number of the contract between the eligible party and the service provider. This will be present only if a contract number was provided on Form 471.

* SERVICES ORDERED: The type of service ordered from the service provider, as shown on Form 471.

* EARLIEST POSSIBLE EFFECTIVE DATE OF DISCOUNT: The first possible date of service for which the SLD will reimburse service providers for the discounts for the service. Note: If the actual service start date provided on a Form 486 is later than this date, the actual service start date set forth in the Form 486 will be the effective date of the discount.

* CONTRACT EXPIRATION DATE: The date the contract expires. This will be present only if a contract expiration date was provided on Form 471.

* SITE IDENTIFIER: The Entity Number listed in Form 471, Block 5, Item 22a will be listed. This will appear only for "site specific" FRNs.

* BILLING ACCOUNT NUMBER: The account number that your service provider has established with you for billing purposes. This will be present only if a Billing Account Number was provided on Form 471.

* PRE-DISCOUNT AMOUNT: Amount in Block 5, Item 23, Column I, Form 471, as determined through the application review process.

* DISCOUNT PERCENTAGE APPROVED BY THE SLD: This is the discount rate that the SLD has approved for this service.

* FUNDING COMMITMENT DECISION: This represents the total amount of funding that the

FUNDING COMMITMENT REPORT

Form 471 Application Number: 202719

Funding Request Number: 450112 Funding Status: Funded
SPIN: 143007625 Service Provider Name: Inter-Tel Technologies, Inc.
Contract Number: NA
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: NA
Pre-Discount Amount: $17,820,886.00
Discount Percentage Approved by the SLD: 83%
Funding Commitment Decision: $14,791,335.38 - FRN approved; modified by SLD
Funding Commitment Decision Explanation: The dollars requested were reduced to remove: the ineligible product(s)ineligible equipment(remote modems,surge protectors,VOIP Gateway interface& MEM Kit).

Funding Request Number: 450115 Funding Status: Funded
SPIN: 143008317 Service Provider Name: NEC Business Communication Systems West
Contract Number: NA
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-CAB-01
Pre-Discount Amount: $21,875,698.00
Discount Percentage Approved by the SLD: 83%
Funding Commitment Decision: $18,156,829.34 - 471 approved as submitted

Funding Request Number: 450124 Funding Status: Funded
SPIN: 143008317 Service Provider Name: NEC Business Communication Systems West
Contract Number: NA
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-DAT-02
Pre-Discount Amount: $18,953,751.00
Discount Percentage Approved by the SLD: 83%
Funding Commitment Decision: $15,731,613.33 - FRN approved; modified by SLD
Funding Commitment Decision Explanation: The dollars requested were reduced to remove: the ineligible product(s)/service(s) Extended warranty.

Funding Request Number: 450138 Funding Status: Not Funded
SPIN: 143008317 Service Provider Name: NEC Business Communication Systems West
Contract Number: NA
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-SRVR-03
Pre-Discount Amount: $21,987,223.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Inel. svcs./ or product(s)
Funding Commitment Decision Explanation: 30% or more of this FRN includes a request for ineligible use of servers based on program rules.

FUNDING COMMITMENT REPORT

Form 471 Application Number: 202719

Funding Request Number: 450146 Funding Status: Not Funded
SPIN: 143008317 Service Provider Name: NEC Business Communication Systems West
Contract Number: NA
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-SRVCE-04
Pre-Discount Amount: $2,287,916.60
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Inel. svcs./ or product(s)
Funding Commitment Decision Explanation: 30% or more of this FRN includes a request for maintence on ineligible products and services based on program rules.

TAB 122

Universal Service Administrative Company
Schools & Libraries Division

FUNDING COMMITMENT DECISION LETTER

(Funding Year 3: 07/01/2000 - 06/30/2001)

April 14, 2000

SAN FRANCISCO UNIF SCHOOL DIST
DESMOND MCQUOID
834 TOLAND ST.
SAN FRANCISCO, CA 94102-5207

Re: Form 471 Application Number: 202712
Funding Year 3: 07/01/2000 - 06/30/2001
Billed Entity Number: 144152

Thank you for your 2000-2001 E-rate application and for any assistance you provided throughout our review. We have completed review of your Form 471. This letter is to advise you of our decision(s).

FUNDING COMMITMENT REPORT

On the pages following this letter, we have provided a Funding Commitment Report for the Form 471 application cited above. We have reviewed each Discount Funding Request on your Form 471 application and have assigned a Funding Request Number (FRN) to each Block 5. The enclosed report includes a list of the FRNs from your application. The SLD is also sending this information to your service provider(s) so preparations can be made to begin implementing your E-rate discount(s) upon the filing of your Form 486. Immediately preceding the Funding Commitment Report, you will find a guide that defines each line of the Report.

NEXT STEPS

Once you have reviewed this letter and have determined that some or all of your requests have been funded, your next step to facilitate receipt of discounts as featured in this letter will be to file an FCC Form 486 with the SLD. The Form 486 notifies the SLD to begin payment to your service provider and provides certified indication that your technology plan(s) has been approved. THE FORM 486 IS UNDER REVISION AND WILL BE MADE AVAILABLE AS SOON AS IT IS READY. Information will be posted on the SLD web site at www.sl.universalservice.org regarding the availability of this form for the funding period 07/01/2000 - 06/30/2001. As you complete Form 486, you should also contact your service provider to verify they have received notice from the SLD of your funding commitments. After the SLD processes your Form 486, we can begin processing invoices from your service provider(s) so they can be reimbursed for discounted services they have provided you.

TO APPEAL THESE FUNDING COMMITMENT DECISIONS

If you wish to appeal the Funding Commitment Decision(s) (FCD) indicated in this letter, your appeal must be made in writing and RECEIVED BY THE SLD at the address below WITHIN 30 DAYS OF THE ABOVE DATE ON THIS LETTER. In your letter of appeal:

1. Include the name, address, telephone number, fax number, and e-mail address (if available) for the person who can most readily discuss this appeal with us.

2. Identify which FCD Letter you are appealing. Your letter of appeal must include the applicant name, the Form 471 Application Number, and the Billed Entity Number from the top of your FCD Letter.

DUPLICATE LETTER

3. Identify the particular Funding Request Number (FRN) that is the subject of your appeal. When explaining your appeal, include the precise language or text from the Funding Commitment Decision Letter that is at the heart of your appeal. By pointing us to the exact words that give rise to your appeal, the SLD will be able to more readily understand and respond appropriately to your appeal. Please keep your letter brief and to the point, and provide documentation to support your appeal. Be sure to keep copies of your correspondence and documentation.

4. Provide an original authorized signature on your letter of appeal.

Please send your appeal to: Letter of Appeal, Schools and Libraries Division, Box 125 - Correspondence Unit, 80 South Jefferson Road, Whippany, NJ 07981. Appeals submitted by fax, phone call, and e-mail CANNOT be processed. While we encourage you to resolve your appeal with the SLD first, you have the option of filing an appeal directly with the Federal Communications Commission (FCC): FCC, Office of the Secretary, 445-12th Street SW, Room TW-A325, Washington, DC 20554. Further information regarding filing an appeal directly with the FCC can be found in the "How to Apply, Step-by-Step" area of the SLD web site www.sl.universalservice.org.

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We look forward to continuing our work with you on connecting our schools and libraries through advanced telecommunications services.

Sincerely,

Kate L. Moore
President, Schools and Libraries Division, USAC

Enclosures

A GUIDE TO THE FUNDING COMMITMENT REPORT

Attached to this letter will be a report for each E-rate funding request from your application. We are providing the following definitions.

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* FUNDING STATUS: Each FRN will have one of three definitions: "Funded," "Not Funded," or "As Yet Unfunded."

  1. An FRN that is "Funded" will be approved at the level that SLD determined is appropriate for that item. The funding level will generally be the level requested unless the SLD determines during the application review process that some adjustment is appropriate.

  2. An FRN that is "Not Funded" is one for which no funds will be committed. The reason for the decision will be briefly explained in the "Funding Commitment Decision," and amplification of that explanation may be offered in the section, "Funding Commitment Decision Explanation." An FRN may be "Not Funded" because the request does not comply with program rules or, that the total amount of funds in the Universal Service Fund was insufficient to fund all requests.

  3. An FRN that is "As Yet Unfunded" reflects a temporary status that is assigned to an FRN when the SLD is uncertain at the time the letter is generated whether there will be sufficient funds to make commitments for requests for internal connections at a particular discount level. For example, if your application included requests for discounts on both telecommunications services and internal connections, you might receive a letter with our funding commitment for your telecommunications funding requests and a message that your internal connections requests are "As Yet Unfunded." You would receive a subsequent letter(s) regarding the funding decision on your internal connections requests.

* SPIN (Service Provider Identification Number): A unique number assigned by the Universal Service Administrative Company to service providers seeking payment from the Universal Service Fund for participating in the universal service support programs. A SPIN is also used to verify delivery of services and to arrange for payment.

* SERVICE PROVIDER NAME: The legal name of the service provider.

* CONTRACT NUMBER: The number of the contract between the eligible party and the service provider. This will be present only if a contract number was provided on Form 471.

* SERVICES ORDERED: The type of service ordered from the service provider, as shown on Form 471.

* EARLIEST POSSIBLE EFFECTIVE DATE OF DISCOUNT: The first possible date of service for which the SLD will reimburse service providers for the discounts for the service. Note: If the actual service start date provided on a Form 486 is later than this date, the actual service start date set forth in the Form 486 will be the effective date of the discount.

* CONTRACT EXPIRATION DATE: The date the contract expires. This will be present only if a contract expiration date was provided on Form 471.

* SITE IDENTIFIER: The Entity Number listed in Form 471, Block 5, Item 22a will be listed. This will appear only for "site specific" FRNs.

* BILLING ACCOUNT NUMBER: The account number that your service provider has established with you for billing purposes. This will be present only if a Billing Account Number was provided on Form 471.

* PRE-DISCOUNT AMOUNT: Amount in Block 5, Item 23, Column I, Form 471, as determined through the application review process.

* DISCOUNT PERCENTAGE APPROVED BY THE SLD: This is the discount rate that the SLD has approved for this service.

* FUNDING COMMITMENT DECISION: This represents the total amount of funding that the

SLD has reserved to reimburse service providers for the approved discounts for this service through June 30, 2001. It is important that you and the service provider both recognize that the SLD should be invoiced and the SLD may direct disbursement of discounts only for eligible, approved services actually rendered.

* FUNDING COMMITMENT DECISION EXPLANATION: This entry may amplify the comments in the "Funding Commitment Decision" area.

FUNDING COMMITMENT REPORT

Form 471 Application Number: 202712

Funding Request Number: 449516 Funding Status: Not Funded
SPIN: 143005621 Service Provider Name: NEC Business Network Solutions, Inc.
Contract Number: NOT PROVIDED
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-CAB-01A
Pre-Discount Amount: $17,879,786.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Srvc/Discnt will not be funded
Funding Commitment Decision Explanation: Funding cap will not provide for Internal Connections less than 81% discount to be funded. Please see WWW.SL.UNIVERSALSERVICE.ORG What's New Area for further details.

Funding Request Number: 449523 Funding Status: Not Funded
SPIN: 143005621 Service Provider Name: NEC Business Network Solutions, Inc.
Contract Number: NOT PROVIDED
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-DAT-02A
Pre-Discount Amount: $9,987,223.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Srvc/Discnt will not be funded
Funding Commitment Decision Explanation: Funding cap will not provide for Internal Connections less than 81% discount to be funded. Please see WWW.SL.UNIVERSALSERVICE.ORG What's New Area for further details.

Funding Request Number: 449531 Funding Status: Not Funded
SPIN: 143005621 Service Provider Name: NEC Business Network Solutions, Inc.
Contract Number: NOT PROVIDED
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-SRVR-03A
Pre-Discount Amount: $10,987,223.00
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Srvc/Discnt will not be funded
Funding Commitment Decision Explanation: Funding cap will not provide for Internal Connections less than 81% discount to be funded. Please see WWW.SL.UNIVERSALSERVICE.ORG What's New Area for further details.

Funding Request Number: 449535 Funding Status: Not Funded
SPIN: 143005621 Service Provider Name: NEC Business Network Solutions, Inc.
Contract Number: NOT PROVIDED
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: ER-SFUSD-SRVCE-04A
Pre-Discount Amount: $1,431,874.90
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Srvc/Discnt will not be funded
Funding Commitment Decision Explanation: Funding cap will not provide for Internal Connections less than 81% discount to be funded. Please see WWW.SL.UNIVERSALSERVICE.ORG What's New Area for further details.

FUNDING COMMITMENT REPORT

Form 471 Application Number: 202712

Funding Request Number: 449540 Funding Status: Not Funded
SPIN: 143007625 Service Provider Name: Inter-Tel Technologies, Inc.
Contract Number: NOT PROVIDED
Services Ordered: Internal Connections
Earliest Possible Effective Date of Discount: 07/01/2000
Contract Expiration Date: 06/30/2005
Billing Account Number: NOT PROVIDED
Pre-Discount Amount: $8,028,513.70
Discount Percentage Approved by the SLD: N/A
Funding Commitment Decision: $0.00 - Srvc/Discnt will not be funded
Funding Commitment Decision Explanation: Funding cap will not provide for Internal Connections less than 81% discount to be funded. Please see WWW.SL.UNIVERSALSERVICE.ORG What's New Area for further details.

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NEC50009-17-012000005
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Approval by OMB
3060-0853

Applicant ID: 142924
142924

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Modification tion Form

Please read instructions before completing.

Estimated Average Burden Hours Per Response: 1.5 hours
(To be completed by Schools and Libraries or Consortia.)

Form 500 Number
(unique identifying number assigned by applicant)

Block 1: Applicant Information

1. Name of Billed Entity Applicant (required)	2. Billed Entity Number (required)	3. Funding Year (required)
San Francisco Unif School Dist	144152	3

4. Complete Mailing Address of Billed Entity Applicant (required)
Street Address, P. O. Box or Route Number 555 Franklin Street City San Francisco State Ca Zip Code
94102

10-Digit Phone Number (415) 241-6169 Fax Telephone Number (415) 241-6038 E-Mail Address
bmanson@esp.sfusd.edu

5. Contact Person Information
Contact Person Name (required) Bruce Manson

Mailing Address (required if different from Item 4)
Street Address, P. O. Box or Route Number City State Zip Code

10-Digit Phone Number Fax Telephone Number E-Mail Address

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

NOTICE: The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254. The data in the form will be used to inform the Schools and Libraries Division of the Universal Service Administrative Company that a billed entity, and/or the schools and libraries that it represents, wishes to reduce its funding commitment amount on the funding request number level, or has modified the beginning or ending date for services received during the funding year.

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

The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or potential violation of a FCC statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government, is a party in a proceeding before the body or has an interest in the proceeding.

If you do not provide the information requested on the form, your application may be returned without action or your application may be delayed.

The foregoing Notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, *et seq.*

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the reporting burden, to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, D.C. 20554.

Billed Entity Applicant's 500 Number (to be assigned by Fund Administrator) 142924

CASE # 76914

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [A]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

Remember: The FRNs listed on this form must be for the same Funding Year as listed in Item 3, Block 1.

New Start Date: If you wish to change the Funding Year Service Start Date you listed on a previously filed Form 486 in this funding year. This action will NOT result in more funding.

Contract Expiration Date: If you wish to change the ending date for services. This action will not result in more funding but you could combine it with a reduction in funding.

Cancel: If you wish to cancel a Funding Request Number. Please note: This action is irrevocable and the FRN can NOT be reinstated later. This action would allow money to be put back into the Universal Service fund for possible commitment to other applicants.

Reduce: If you wish to reduce the amount of your funding commitment for a particular FRN. This action is irrevocable and the FRN can NOT be increased later. This action would allow money to be put back into the Universal Service fund for possible commitment to other applicants.

The information required can be found in your Funding Commitment Decision Letter (FCDL) pertaining to the Funding Request (FRN) being affected.

To launch the submission of invoices for payment, please file **Form 486**.

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450112

(C) Billing Account Number (required, if contained in your FCDL):

(D) Service Provider Name (required):Inter-Tel Technologies, Inc

(E) Service Provider SPIN (required): ~~143007625~~ 143022581

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
☒ Please Cancel	$14,791,335.38	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
☐ Please Reduce		

PR JMP 11/01/01
AS PER FAX

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [B]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

Remember: The FRNs listed on this form must be for the same Funding Year as listed in Item 3, Block 1.

New Start Date: If you wish to change the Funding Year Service Start Date you listed on a previously filed Form 486 in this funding year. This action will NOT result in more funding.

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The information required can be found in your Funding Commitment Decision Letter (FCDL) pertaining to the Funding Request (FRN) being affected.

To launch the submission of invoices for payment, please file **Form 486.**

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450115

(C) Billing Account Number (required, if contained in your FCDL):ER-SFUAD-CAB-01

(D) Service Provider Name (required):NEC Business Communications Systems West

(E) Service Provider SPIN (required): ~~143008317~~ 143005621

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
☒ Please Cancel	$18,156,829.34	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
☐ Please Reduce		

PR MP 11/21/01
AS PER FAX

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [C]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

Remember: The FRNs listed on this form must be for the same Funding Year as listed in Item 3, Block 1.

New Start Date: If you wish to change the Funding Year Service Start Date you listed on a previously filed Form 486 in this funding year. This action will NOT result in more funding.

Contract Expiration Date: If you wish to change the ending date for services. This action will not result in more funding but you could combine it with a reduction in funding.

Cancel: If you wish to cancel a Funding Request Number. Please note: This action is irrevocable and the FRN can NOT be reinstated later. This action would allow money to be put back into the Universal Service fund for possible commitment to other applicants.

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The information required can be found in your Funding Commitment Decision Letter (FCDL) pertaining to the Funding Request (FRN) being affected.

To launch the submission of invoices for payment, please file **Form 486.**

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450124

(C) Billing Account Number (required, if contained in your FCDL):ER-SFUAD-DAT-02

(D) Service Provider Name (required):NEC Business Communications Systems West

(E) Service Provider SPIN (required): ~~143008317~~ 143005621

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
☒ Please Cancel	$15,731,613.33	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
☐ Please Reduce		

PR MP 11/01/01
AS PER FAX

Do Not Write In This Area

Billed Entity Name San Francisco Unif School Dist **Contact Name** Bruce Manson

Billed Entity Number 144152 **Contact Telephone Number** (415) 241-6169

Block 3: Certification

7. I certify that I am authorized to submit this Form on behalf of the above-named billed entity applicant, that I have examined this request, and that, to the best of my knowledge, information, and belief, all statements of fact contained herein are true.
8. I understand that the discount level used for shared services is conditional, for future years, upon ensuring that the most disadvantaged schools and libraries that are treated as sharing in the services receive an appropriate share of benefits from those services.
9. I recognize that I may be audited pursuant to this application and will retain for five years any and all records that I rely upon to fill in this form.

10. Signature (original ink signature required) Bruce Manson	11. Date (required)9/12/2001
12. Printed name of authorized person (required)Bruce Manson	
13. Title or position of authorized person (required)Director, Special Projects	
14. Telephone number of authorized person (required)(415) 241-6169	
15. E-Mail address of authorized person (required, if available)bmanson@esp.sfusd.edu	
16. Address of authorized person (required)555 Franklin Street, San Francisco, Ca 94102	

A paper copy of this form, with an original signature in Block 3, Item 10 should be mailed to:

SLD-Form 500
P. O. Box 7026
Lawrence, Kansas 66044-7026

If sent by express delivery services or U.S. Postal Service, Return Receipt Requested, the form should be mailed to:

SLD-Form 500
c/o Ms. Smith
3833 Greenway Drive
Lawrence, Kansas 66046
888-203-8100

E-Rate Commitments and Disbursements

Billed Entity Number (BEN)	Funding Year	Funding Request ID (Form 471)	Funding Request Number (FRN)	Commitment Status	Service Provider Identification Number	Service Provider	Requested Amount	Committed Amount	Approved for Disbursement
San Francisco Unified School District, San Francisco, CA									
144152	2000	202719	450115	CANCELED	143005621	NEC Business Network Solutions, Inc.	18,156,829.34	0.00	0.00
144152	2000	202719	450124	CANCELED	143005621	NEC Business Network Solutions, Inc.	15,731,613.33	0.00	0.00
144152	2000	202719	450112	CANCELED	143022581	InterTel, Incorporated	14,791,335.38	0.00	0.00
							48,679,778.05	0.00	0.00

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NEC50009-17-012000005
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Approval by OMB
3060-0853

Applicant ID: 142924
142924

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Please read instructions before completing.

Estimated Average Burden Hours Per Response: 1.5 hours
(To be completed by Schools and Libraries or Consortia.)

Form 500 Number
(unique identifying number assigned by applicant)

Block 1: Applicant Information

1. Name of Billed Entity Applicant (required)	2. Billed Entity Number (required)	3. Funding Year (required)
San Francisco Unif School Dist	144152	3

4. Complete Mailing Address of Billed Entity Applicant (required)
Street Address, P. O. Box or Route Number 555 Franklin Street City San Francisco State Ca Zip Code
94102

10-Digit Phone Number (415) 241-6169 Fax Telephone Number (415) 241-6038 E-Mail Address
bmanson@esp.sfusd.edu

5. Contact Person Information
Contact Person Name (required) Bruce Manson

Mailing Address (required if different from Item 4)
Street Address, P. O. Box or Route Number City State Zip Code

10-Digit Phone Number Fax Telephone Number E-Mail Address

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

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The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or potential violation of a FCC statute, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC; or (b) any employee of the FCC; or (c) the United States Government, is a party in a proceeding before the body or has an interest in the proceeding.

If you do not provide the information requested on the form, your application may be returned without action or your application may be delayed.

The foregoing Notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, *et seq.*

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the reporting burden, to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, D.C. 20554.

Billed Entity Applicant's 500 Number (to be assigned by Fund Administrator) 142924

CASE # 76914

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [A]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

Remember: The FRNs listed on this form must be for the same Funding Year as listed in Item 3, Block 1.

New Start Date: If you wish to change the Funding Year Service Start Date you listed on a previously filed Form 486 in this funding year. This action will NOT result in more funding.

Contract Expiration Date: If you wish to change the ending date for services. This action will not result in more funding but you could combine it with a reduction in funding.

Cancel: If you wish to cancel a Funding Request Number. Please note: This action is irrevocable and the FRN can NOT be reinstated later. This action would allow money to be put back into the Universal Service fund for possible commitment to other applicants.

Reduce: If you wish to reduce the amount of your funding commitment for a particular FRN. This action is irrevocable and the FRN can NOT be increased later. This action would allow money to be put back into the Universal Service fund for possible commitment to other applicants.

The information required can be found in your Funding Commitment Decision Letter (FCDL) pertaining to the Funding Request (FRN) being affected.

To launch the submission of invoices for payment, please file **Form 486**.

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450112

(C) Billing Account Number (required, if contained in your FCDL):

(D) Service Provider Name (required):Inter-Tel Technologies, Inc

(E) Service Provider SPIN (required): ~~143007625~~ 143022581

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
☒ Please Cancel	$14,791,335.38	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
☐ Please Reduce		

PR 2MP 11/01/01
AS PER FAX

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [B]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

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To launch the submission of invoices for payment, please file **Form 486.**

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450115

(C) Billing Account Number (required, if contained in your FCDL):ER-SFUAD-CAB-01

(D) Service Provider Name (required):NEC Business Communications Systems West

(E) Service Provider SPIN (required):~~143008317~~ 143005621

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
[ ] Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
[ ] Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
[X] Please Cancel	$18,156,829.34	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
[ ] Please Reduce		

PER JMP 11/01/01
AS PER FAX

Billed Entity Name San Francisco Unif School Dist	Contact Name Bruce Manson
Billed Entity Number 144152	Contact Telephone Number (415) 241-6169

Block 2: Services Adjustment: Fill in one Block 2 for EACH Funding Request (FRN) affected. If you are submitting more than one Block 2, please number your pages 2A, 2B, 2C, etc. and write the number in the space provided here: Page 2 [C]

6. Provide the following information about each service cited in your Form 471 Block 5, Discount Funding Request, [FRN] for which you want to take one of the following actions:

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The information required can be found in your Funding Commitment Decision Letter (FCDL) pertaining to the Funding Request (FRN) being affected.

To launch the submission of invoices for payment, please file **Form 486.**

IDENTIFICATION OF THE FRN TO BE ADJUSTED

(A) Form 471 Application Number (required):202719

(B) Funding Request Number (required): 450124

(C) Billing Account Number (required, if contained in your FCDL):ER-SFUAD-DAT-02

(D) Service Provider Name (required):NEC Business Communications Systems West

(E) Service Provider SPIN (required): ~~143008317~~ 143005621

ADJUSTMENT TO FRN LISTED ABOVE:

(F) Service Start Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(G) Contract Expiration Date	Original Date (mm/dd/yyyy):	New Date (mm/dd/yyyy):
☐ Change Date		
(H) Cancel FRN	Original Commitment Amount:	New Commitment Amount:
☒ Please Cancel	$15,731,613.33	$0.00
(I) Reduce FRN	Original Commitment Amount from FCDL:	New Commitment Amount AFTER Reduction:
☐ Please Reduce		

PR MP 11/01/01
AS PER FAX

Do Not Write In This Area

Billed Entity Name San Francisco Unif School Dist **Contact Name** Bruce Manson

Billed Entity Number 144152 **Contact Telephone Number** (415) 241-6169

Block 3: Certification

7. I certify that I am authorized to submit this Form on behalf of the above-named billed entity applicant, that I have examined this request, and that, to the best of my knowledge, information, and belief, all statements of fact contained herein are true.
8. I understand that the discount level used for shared services is conditional, for future years, upon ensuring that the most disadvantaged schools and libraries that are treated as sharing in the services receive an appropriate share of benefits from those services.
9. I recognize that I may be audited pursuant to this application and will retain for five years any and all records that I rely upon to fill in this form.

10. Signature (original ink signature required) Bruce Manson	11. Date (required)9/12/2001
12. Printed name of authorized person (required)Bruce Manson	
13. Title or position of authorized person (required)Director, Special Projects	
14. Telephone number of authorized person (required)(415) 241-6169	
15. E-Mail address of authorized person (required, if available)bmanson@esp.sfusd.edu	
16. Address of authorized person (required)555 Franklin Street, San Francisco, Ca 94102	

A paper copy of this form, with an original signature in Block 3, Item 10 should be mailed to:

SLD-Form 500
P. O. Box 7026
Lawrence, Kansas 66044-7026

If sent by express delivery services or U.S. Postal Service, Return Receipt Requested, the form should be mailed to:

SLD-Form 500
c/o Ms. Smith
3833 Greenway Drive
Lawrence, Kansas 66046
888-203-8100

E-Rate Commitments and Disbursements

Billed Entity Number (BEN)	Funding Year	Funding Request ID (Form 471)	Funding Request Number (FRN)	Commitment Status	Service Provider Identification Number	Service Provider	Requested Amount	Committed Amount	Approved for Disbursement
San Francisco Unified School District, San Francisco, CA									
144152	2000	202719	450115	CANCELED	143005621	NEC Business Network Solutions, Inc.	18,156,829.34	0.00	0.00
144152	2000	202719	450124	CANCELED	143005621	NEC Business Network Solutions, Inc.	15,731,613.33	0.00	0.00
144152	2000	202719	450112	CANCELED	143022581	InterTel, Incorporated	14,791,335.38	0.00	0.00
							48,679,778.05	0.00	0.00

TAB 124

SFUSD SAN FRANCISCO
UNIFIED SCHOOL DISTRICT
FACILITIES DEVELOPMENT & MANAGEMENT

August 1, 2000

Koree Knight
N.E.C.A.
Schools & Libraries Division
Southeast Region
80 South Jefferson Road
Whippany, NJ 07981

Dear Ms. Knight:

The San Francisco Unified School District is pleased to submit the enclosed documentation for the Item 25 Certification review of FCC Form 471 submitted for Funding Year 2000-2001 (application numbers 202719, 202712, 201954, 201900, and 202872). Please be informed that this information is accurate to the best of my knowledge.

Please be assured that District's personnel are working collaboratively toward the common goal and purpose of providing students with the resources and technologies necessary to enhance education.

Should you need further information or clarification of the enclosed documentation, please contact me directly at (415) 355-6961.

Sincerely,

Tim Tronson
Director, Management Operations
Facilities Development and Management

135 Van Ness Ave., San Francisco, CA 94102-5299 Telephone (415) 355-6979 Fax (415) 355-6948

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
J-200 DISTRICT GENERAL FUND SUMMARY
SUM-Y TABLE A

REVENUE AND EXPENDITURE SUMMARY
(in **thousands of dollars**)

	FY 1999-2000 REVISED BUDGET	FY 2000-2001 RECOMMENDED BUDGET	INCREASE (DECREASE)
STATE			
Unrestricted General Fund	$258,848	$282,348	$23,500
Restricted General Fund	78,419	68,356	(10,063)
STATE REVENUE TOTAL	**$337,267**	**$350,704**	**$13,437**
COUNTY AND LOCAL SOURCES			
Unrestricted General Fund	$33,002	$34,013	$1,011
Restricted General Fund	0	0	0
COUNTY AND LOCAL SOURCES TOTAL	**$33,002**	**$34,013**	**$1,011**
FEDERAL			
Unrestricted General Fund	$483	$242	($241)
Restricted General Fund	31891	23,794	(8,097)
FEDERAL REVENUE TOTAL	**$32,374**	**$24,036**	**($8,338)**
INTERFUND TRANSFERS			
Unrestricted General Fund	$7,946	$11,196	$3,250
Restricted General Fund	4340	3,803	(537)
INTERFUND TRANSFERS TOTAL	**$12,286**	**$14,999**	**$2,713**
BEGINNING BALANCE			
Unrestricted General Fund	$9,221	$9,127	($94)
Restricted General Fund	$8,731	$1,094	($7,685)
DISTRICT GENERAL FUND TOTAL	**$432,931**	**$433,975**	**$1,044**
EXPENDITURES			
SALARY & BENEFITS EXPENDITURES			
CERTIFICATED SALARIES			
Unrestricted General Fund	$150,749	$155,116	$4,367
Restricted General Fund	34,087	32,292	(1,795)
CLASSIFIED SALARIES			
Unrestricted General Fund	34,648	38,611	1,963
Restricted General Fund	20,128	18,595	(1,531)
EMPLOYEE BENEFITS			
Unrestricted General Fund	46,642	54,428	7,784
Restricted General Fund	8,928	11,434	2,506
SALARY & BENEFITS EXPEND-JRES TOTAL	$295,180	$308,474	$13,294
NON-PERSONNEL EXPENDITURES			
BOOKS, SUPPLIES & MATERIALS			
Unrestricted General Fund	54,634	54,621	($13)
Restricted General Fund	13,200	8,447	(4,753)
CONTRACTUAL SERVICES			
Unrestricted General Fund	23,717	23,343	(374)
Restricted General Fund	29,061	18,750	(10,311)
CAPITAL OUTLAY & EQUIPMENT			
Unrestricted General Fund	955	707	(248)
Restricted General Fund	4,412	1,642	(2,770)
OTHER OUTGO			
Unrestricted General Fund	36,547	549	4,052
E-RATE DISTRICT MATCH	1,500	41,550	
Restricted General Fund	3,981	3,889	(92)
NON-PERSONNEL EXPENDITURES TOTAL	$120,007	$105,494	($14,509)
RESERVE FOR ECONOMIC UNCERTAINTIES			
Unrestricted General Fund	$10,108	$20,003	$9,895
Restricted General Fund	$7,636	$0	($7,636)
COE EXPENDITURES AND RESERVE TOTAL	**$432,931**	**$433,975**	**$1,044**

[redacted]

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
UNRESTRICTED GENERAL FUND
SUMMARY TABLE B

REVENUE AND EXPENDITURE SUMMARY
(In thousands of dollars)

	FY 1999-2000 REVISED BUDGET	FY 2000-2001 RECOMMENDED BUDGET	INCREASE (DECREASE)
STATE			
Revenue Limit .State Block Grant & Property Taxes	$226,307	$251,618	$25,311
Class Size Reduction (K-3)	$16,119	$16;433	$314
Lottery Apportionment	6,942	6,942	0
Voluntary Integration Program	2,816	2,816	0
Mandated Cost Reimbursement	1,864	1,864	0
Miscellaneous			
Instructional Time & Staff Development Buy-Back	2,335	2,409	74
Retirement Subvention	657	266	(391)
Pupil Testing Incentive/Mega-Item Block Grant	1,049	0	(1,049)
Beginning Teacher Salary	499	0	(499)
Categorical Funding For Charter Schools	210	0	(210)
Other State Revenue	50	0	(50)
STATE REVENUE TOTAL	**$258,848**	**$282,348**	**$23,500**
COUNTY AND LOCAL SOURCES			
Proposition A .Sales Tax	$21,506	$22,188	$682
Rentals And Leases	3.369	4,779	1,410
Interest	3,000	3,000	0
City & County Sports/Music Fund	2.3 13	2,563	250
Miscellaneous			
Document Publishing	395	395	0
Program Evaluation	484	381	(103)
Real Property Net Sale Proceeds	0	304	304
Tecdnology Resource Center	219	219	0
Srs .Energy Conservation	0	184	184
E-Rate Reimbursement	1,264	0	(1,264)
Claims/Miscellaneous	452	0	(452)
COUNTY AND LOCAL SOURCES TOTAL	**$33,002**	**34,013**	**$1,011**
FEDERAL			
ROTC (And Charter Schools Block Grant for 1999-00)	$483	$242	$241
FEDERAL REVENUE TOTAL	**$483**	**$242**	**$241**
INTRAFUND TRANSFERS	$0	$256	$256
INTERFUND TRANSFERS			
Indirect Cost Charges			
Court-Ordered Desegregation Program	$3.1 12	$3,666	$554
County School Services Fund			
Special Education	3.650	3,650	0
County School Services Program	900	968	68
Regional Occupational Program	91	91	0
County Community Day Schools Program	80	80	0
Pregnant Minors Program	73	73	0
Court Schools Program	40	40	0
Student Nutrition Services	0	824	824
Federal & State Categorical Programs	0	1,548	1,548
INTERFUND TRANSFERS TOTAL	**$7,946**	**$11,196**	**$3,250**
BEGINNING UNRESTRICTED BALANCE	$9,221	$3,760	($5,461)
UESF - UNRESTRICTED BALANCE	$0	$2,240	$2,240
CAPITAL RESERVE - SCHOOL OF THE ARTS	$0	$3,127	$3,127
UNRESTRICTED GENERAL FUND TOTAL RESOURC	**$309,500**	**$336,926**	**$27,426**

TAB 125

SFUSD
SAN FRANCISCO
UNIFIED SCHOOL DISTRICT

RECOMMENDED BUDGET FOR FISCAL YEAR 2000 – 2001

July 1 through June 30

EXECUTIVE SUMMARY

RECOMMENDED BY
THE SUPERINTENDENT OF SCHOOLS
JUNE 2000

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
J-200 DISTRICT GENERAL FUND SUMMARY
SUMMARY TABLE A

REVENUE AND EXPENDITURE SUMMARY
(In thousands of dollars)

	FY 1999-2000 REVISED BUDGET	FY 2000-2001 RECOMMENDED BUDGET	INCREASE (DECREASE
STATE			
Unrestricted General Fund	$258,848	$282,348	$23,500
Restricted General Fund	78,419	68,356	(10,063)
STATE REVENUE TOTAL	$337,267	$350,704	$13,437
COUNTY AND LOCAL SOURCES			
Unrestricted General Fund	$33,002	$34,013	$1,011
Restricted General Fund	0	0	0
COUNTY AND LOCAL SOURCES TOTAL	$33,002	$34,013	$1,011
FEDERAL			
Unrestricted General Fund	$483	$242	($241)
Restricted General Fund	31,891	23,794	(8,097)
FEDERAL REVENUE TOTAL	$32,374	$24,036	($8,338)
INTERFUND TRANSFERS			
Unrestricted General Fund	$7,946	$11,196	$3,250
Restricted General Fund	4,340	3,803	($537)
INTERFUND TRANSFERS TOTAL	$12,286	$14,999	$2,713
BEGINNING BALANCE			
Unrestricted General Fund	$9,221	$9,127	($94)
Restricted General Fund	$8,781	$1,096	($7,685)
DISTRICT GENERAL FUND TOTAL	$432,931	$433,975	$1,044
EXPENDITURES			
SALARY & BENEFITS EXPENDITURES			
CERTIFICATED SALARIES			
Unrestricted General Fund	$150,749	$155,116	$4,367
Restricted General Fund	34,087	32,292	(1,795)
CLASSIFIED SALARIES			
Unrestricted General Fund	34,848	36,811	1,963
Restricted General Fund	20,126	18,595	(1,531)
EMPLOYEE BENEFITS			
Unrestricted General Fund	46,642	54,426	7,784
Restricted General Fund	8,928	11,434	2,506
SALARY & BENEFITS EXPENDITURES TO	$295,180	$308,474	$13,294
NON-PERSONNEL EXPENDITURES			
BOOKS, SUPPLIES & MATERIALS			
Unrestricted General Fund	$4,634	$4,621	($13)
Restricted General Fund	13,200	8,447	(4,753)
CONTRACTUAL SERVICES			
Unrestricted General Fund	23,717	23,343	(374)
Restricted General Fund	29,061	18,750	(10,311)
CAPITAL OUTLAY & EQUIPMENT			
Unrestricted General Fund	955	707	(248)
Restricted General Fund	4,412	1,642	(2,770)
OTHER OUTGO			
Unrestricted General Fund	38,047	42,099	4,052
Restricted General Fund	5,981	5,889	(92)
NON-PERSONNEL EXPENDITURES TOTAL	$120,007	$105,498	($14,509)
RESERVE FOR ECONOMIC UNCERTAINTIES			
Unrestricted General Fund	$10,108	$20,003	$9,895
Restricted General Fund	$7,636	$0	($7,636)
COE EXPENDITURES AND RESERVE TOT	$432,931	$433,975	$1,044

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
UNRESTRICTED GENERAL FUND
SUMMARY TABLE B

REVENUE AND EXPENDITURE SUMMARY
(In thousands of dollars)

	FY 1999-2000 REVISED BUDGET	FY 2000-2001 RECOMMENDED BUDGET	INCREASE (DECREASE
STATE			
Revenue Limit - State Block Grant & Property Taxes	$226,307	$251,618	$25,311
Class Size Reduction (K-3)	$16,119	$16,433	$314
Lottery Apportionment	6,942	6,942	0
Voluntary Integration Program	2,816	2,816	0
Mandated Cost Reimbursement	1,864	1,864	0
Miscellaneous			
Instructional Time & Staff Development Buy-Back	2,335	2,409	74
Retirement Subvention	657	266	(391)
Pupil Testing Incentive/Mega-Item Block Grant	1,049	0	(1,049)
Beginning Teacher Salary	499	0	(499)
Categorical Funding For Charter Schools	210	0	(210)
Other State Revenue	50	0	(50)
STATE REVENUE TOTAL	$258,848	$282,348	$23,500
COUNTY AND LOCAL SOURCES			
Proposition A - Sales Tax	$21,506	$22,188	$682
Rentals And Leases	3,369	4,779	1,410
Interest	3,000	3,000	0
City & County Sports/Music Fund	2,313	2,563	250
Miscellaneous			
Document Publishing	395	395	0
Program Evaluation	484	381	(103)
Real Property Net Sale Proceeds	0	304	304
Technology Resource Center	219	219	0
Srs - Energy Conservation	0	184	184
E-Rate Reimbursement	1,264	0	(1,264)
Claims/Miscellaneous	452	0	(452)
COUNTY AND LOCAL SOURCES TOTAL	$33,002	$34,013	$1,011
FEDERAL			
ROTC (And Charter Schools Block Grant for 1999-0(	$483	$242	($241)
FEDERAL REVENUE TOTAL	$483	$242	($241)
INTRAFUND TRANSFERS	$0	$256	$256
INTERFUND TRANSFERS			
Indirect Cost Charges			
Court-Ordered Desegregation Program	$3,112	$3,666	$554
County School Services Fund			
Special Education	3,650	3,650	0
County School Services Program	900	968	68
Regional Occupational Program	91	91	0
County Community Day Schools Program	80	80	0
Pregnant Minors Program	73	73	0
Court Schools Program	40	40	0
Student Nutrition Services	0	824	824
Federal & State Categorical Programs	0	1,548	1,548
INTERFUND TRANSFERS TOTAL	$7,946	$11,196	$3,250
BEGINNING UNRESTRICTED BALANCE	$9,221	$3,760	($5,461)
UESF - UNRESTRICTED BALANCE	$0	$2,240	$2,240
CAPITAL RESERVE - SCHOOL OF THE ARTS	$0	$3,127	$3,127
UNRESTRICTED GENERAL FUND TOTAL RE	$309,500	$336,926	$27,426

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
UNRESTRICTED GENERAL FUND
SUMMARY TABLE B-1

EXPENDITURE APPROPRIATIONS BY MAJOR OBJECT
(In thousands of dollars)

TAB 126

KEVIN V. RYAN (CSBN 118321)
United States Attorney

R. HEWITT PATE (DCBN 473598)
Assistant Attorney General

SEALED BY COURT ORDER

COPY

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

CR 01-0134

UNITED STATES OF AMERICA, Plaintiff, v. NEC-BUSINESS NETWORK SOLUTIONS, INC. ("NEC/BNS"), Defendant.	No. VIOLATIONS: Title 18, United States Code, Sections 1343 and 2 – Wire Fraud and Aiding and Abetting; Title 15, United States Code, Sections 1 - Sherman Antitrust Act SAN FRANCISCO VENUE

INFORMATION

The United States Attorney and the Antitrust Division charge:

INTRODUCTION

At all times relevant to this Information:

1. The defendant, NEC-Business Network Solutions, Inc. ("NEC/BNS"), was a Delaware corporation with its principal place of business in Irving, Texas.

2. From at least December 1999 to approximately March 2001 ("the relevant period") NEC/BNS manufactured and sold data equipment, including computers, servers, routers, and switches. NEC/BNS also sold telecommunications equipment, including

PBX (Private Branch Exchange). NEC/BNS installed data cabling and provided maintenance and other services as needed for the equipment they supplied.

3. E-Rate is a program created by Congress in the Telecommunication Act of 1996 and operated under the auspices of the Federal Communications Commission ("FCC") to provide funding to connect schools and libraries to the Internet. The FCC designated the Universal Services Administrative Company ("USAC"), a non- profit corporation, to administer the E-Rate program.

4. The E-Rate program was designed to ensure that the neediest schools received the most financial help. All participating school districts were required to fund a percentage of the cost of the equipment and services acquired under the E-Rate program. That percentage, however, was determined based on the number of students in the district qualifying for the United States Department of Agriculture's school lunch program, with the neediest school districts eligible for the highest percentage of funding.

5. During the relevant period, school district applications for E-Rate funding far exceeded the funding available. To ensure that E-Rate funding was distributed to the widest number of qualifying applicants, USAC required all applicants to comply with various rules and procedures, including: (1) only USAC approved equipment, services, and supplies would be eligible for funding; and (2) local school districts needed to follow competitive bidding procedures in accordance with local and state law to ensure that the school districts got the lowest possible prices from the responsive bidders.

6. On or about December 9, 1999, NEC/BNS and a company that manufactured and installed video-teleconferencing switches (hereinafter "VX Company") entered into an agreement under which the defendant agreed to pay the VX Company a fee for all business opportunities the VX Company brought to NEC/BNS that NEC/BNS subsequently obtained. The defendant also agreed to include VX equipment in its E-Rate proposals and bids.

7. During the relevant period, the VX Company employed two employees ("Consultants One and Two") to work as sales representatives. Consultants One and

Two specialized in marketing VX Company products to educational institutions, including local school districts.

8. During the relevant period, Consultants One and Two also acted as consultants to school districts in designing computer networks, identifying potential government sponsored funding sources (including the E-Rate program), applying for those funds, and selecting vendors to supply the specified equipment and services funded by those programs.

SCHEME TO DEFRAUD

9. From at least December 1999 through March 2001, both dates being approximate and inclusive, the defendant and others, devised and intended to devise a scheme to defraud USAC and the San Francisco Unified School District ("SFUSD") and to obtain money by means of false and fraudulent pretenses, representations and promises by submitting false documents in support of a SFUSD E-Rate application. In particular, the defendant:

a. Participated in the SFUSD's bidding process knowing, first, that VX Company's Consultants One and Two were advising the SFUSD both in creating the Request for Proposal (RFP) for equipment and services to be funded by E-Rate and in selecting the winning bidders, and second, that the defendant would utilize VX Company's video teleconferencing equipment if the defendant was selected as one of the winning bidders;

b. Assisted Consultants One and Two in submitting false and fraudulent documents to USAC including inflated contract prices and misleading supporting documents that misrepresented the true winning bidders and the nature of their winning bids;

c. Assisted Consultants One and Two in fabricating the names of equipment parts in documents submitted to USAC to hide ineligible VX Company equipment; and

d. Pretended to donate goods and services deemed ineligible by the USAC

to the SFUSD when, in fact, the cost of such goods and services was included in the defendant's inflated bids and contract prices for eligible goods and services.

10. It was a further part of the scheme to defraud that on or about January 13, 2000, the defendant NEC/BNS submitted its bid on the SFUSD E-Rate project. Consultant One ran the bid opening and, together with an SFUSD Official, opened and reviewed the bids. Consultant One then declared that the defendant had submitted the winning bid for the data equipment portion of the project, a local computer company had submitted the low bid on the server portion of the project, and a PBX company had submitted the low bid on the PBX portion of the project. On or about January 13 or 14, 2000, Consultant One, and Consultant Two, and the SFUSD Official decided to make the defendant the prime contractor and to have the local computer company and a cabling company act as subcontractors to the defendant.

11. It was a further part of the scheme to defraud that on or about January 15-18, 2000, Consultants One and Two and defendant's employees met to prepare the USAC Application Form 471 for the SFUSD and other school districts. The Form 471 was a school district's application for E-Rate funding. It was supposed to set out the selected vendors' bid amounts, memorialized in contracts, for the equipment and services called for by the district's RFP. Consultant One told the defendant's employees the total prices she wanted to submit to the USAC on the Form 471s and then directed them to prepare spreadsheets justifying those prices. With the defendant's assistance, Consultant One prepared the SFUSD Form 471 with inflated prices. On or about January 19, 2000, Consultant Two delivered it to the USAC. Sometime shortly thereafter the defendant learned that the Form 471 had been submitted to the USAC with inflated prices but did nothing to inform the USAC that the Form 471 prices had been inflated above the amounts originally bid for the project. For the SFUSD, those prices were approximately $26 million greater than the amounts the vendors had bid for the project. In particular, the defendant's data equipment price was increased from $19,776,318 to $22,987,223. The server prices were increased from $9,275,880 to $21,987,223. The cabling price was

increased from $13,697,838 to $21,875,698. The number of schools to be covered by the project was reduced from 50 to 46 and the defendant was falsely described as the winning bidder for the entire project. In addition, Consultants One and Two worked with others to falsely describe the actual equipment to be supplied to the SFUSD, including VX Company equipment, which was not eligible for funding under the E-Rate program, in order to have the E-Rate program pay for that equipment.

12. In or about late May or early June 2000, USAC's Schools and Libraries Division ("SLD") began a review of the SFUSD Form 471 submitted in January 2000. As part of that review, the SLD asked the SFUSD to supply certain information to the SLD to justify certain parts of the project. It was further a part of the scheme to defraud that Consultant One, and others acting under her direction, submitted spreadsheets to the SLD which contained material false information concerning the bidding process, the bidding participants, the winning bids, and the bid amounts. Based in part on these false representations, on September 21, 2000, the SLD approved funding for the SFUSD E-Rate project in part as follows: $15,731,613.33 for data and $18,156,829.34 for cabling. The SLD specifically denied any E-Rate funding for computer servers.

13. It was a further part of the scheme to defraud that on or about October 16, 2000, the defendant advised the SFUSD that it was prepared to "donate" to the SFUSD 90 computer workstations valued at approximately $7.4 million. The defendant actually planned to use E-Rate funds that it expected to collect to offset any expenses it would incur in making this "donation."

14. It was a further part of the scheme to defraud that on or about November 10, 2000, the defendant met with SFUSD officials and others. During this meeting, an SFUSD official requested that the defendant make a $14 million "donation" of computer workstations to the SFUSD and that the defendant obtain those computers from the local computer company that had bid in response to the SFUSD RFP. The SFUSD official suggested that the E-Rate funding proposal that had been approved by USAC and the SLD contained inflated cabling estimates that could be redirected to fund this donation.

On or about November 13, 2000, the defendant agreed to purchase 2,250 computer workstations from the local computer company for $10,292,000 and to "donate" these computers to the SFUSD. The defendant planned to use E-Rate funds to pay for this "donation."

15. At no time during the relevant period did the defendant disclose to the SFUSD superintendent or the SFUSD Board that the funding requests to USAC had been increased over the original bid amounts or that there were any inflated estimates contained in the bid documents.

16. During the relevant period, for the purpose of executing its scheme, the defendant transmitted, caused to be transmitted and received electronic wire communications in interstate commerce in San Francisco, California and elsewhere.

COUNT ONE: 18 U.S.C. §§ 1343 and 2 (Wire Fraud and Aiding and Abetting)

17. Paragraphs One through Sixteen are realleged as if fully set forth here.

18. On or about October 18, 2000, in the Northern District of California and elsewhere, defendant

NEC-BUSINESS NETWORK SOLUTIONS

and others, having knowingly and intentionally devised and intended to devise a scheme and artifice to defraud USAC and the SFUSD, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, and, for the purpose of executing that scheme, knowingly transmitted and caused to be transmitted electronic wire communications in interstate commerce; specifically, an e-mail dated October 18, 2000 from a SFUSD official, "dmcq[always]@sfusd.com" in San Francisco, California, directed to the defendant in Dallas, Texas, and elsewhere which contained a discussion of the inflated estimates contained in the Form 471 Application that had been submitted to USAC for the SFUSD E-Rate Project.

All in violation of Title 18, United States Code, Sections 1343 and 2.

//

COUNT TWO: 15 U.S.C. § 1 (Sherman Antitrust Act)

DESCRIPTION OF THE OFFENSE

19. Paragraphs One through Eight are realleged as if fully set forth here.

20. Beginning at least as early as December 1, 1999, and continuing at least through December 31, 2000, the exact dates being unknown to the United States, the defendant

NEC-BUSINESS NETWORK SOLUTIONS

and co-conspirators entered into and engaged in a combination and conspiracy to suppress and eliminate competition for E-Rate subsidized projects in Michigan, Wisconsin, Arkansas, and South Carolina by allocating contracts for equipment and services relating to telecommunications, Internet access, and/or internal connections. The charged combination and conspiracy unreasonably restrained interstate trade and commerce in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).

21. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial terms of which were:

(a) to allocate among the defendant and co-conspirators contracts for E-Rate funded projects;

(b) to submit collusive, noncompetitive, and rigged bids for the E-Rate funded projects; and

(c) to provide equipment and services for E-Rate funded projects and receive payment from USAC as a result of the allocation and collusive bidding.

MEANS AND METHODS OF THE CONSPIRACY

22. For the purpose of forming and carrying out the charged combination and conspiracy, the defendant and co-conspirators, each aware of the others' existence and ability to compete with the others, did the following things, among others:

(a) discussed with co-conspirators prospective bids for E-Rate projects;

(b) agreed with co-conspirators who would be the lead contractor on the project and who would participate on the project as subcontractors to the designated lead contractor;

(c) submitted fraudulent and non-competitive bids in accordance with the conspiratorial agreement;

(d) engaged Consultants One and Two, described in Paragraph 7 above;

(e) Consultants One and Two took steps to ensure the success of the conspiracy by eliminating and disqualifying bids from non-conspirators and either directly awarding the contracts or using their best efforts to persuade the school district officials to award contracts to the designated lead contractors; and

(f) Consultants One and Two successively caused to be awarded E-Rate project contracts to the designated lead contractors, including the defendant. In return, on projects where the defendant was designated as the lead contractor, the defendant agreed to pay and paid Consultants One and Two's employer, the VX Company, a fee and agreed to purchase and purchased and installed VX Company equipment on those E-Rate projects.

DEFENDANT AND CO-CONSPIRATORS

23. Various individuals and corporations, not made defendants in this Information, participated as co-conspirators in the charged combination and conspiracy and performed acts and made statements in furtherance of it.

24. Whenever this Information refers to any act, deed, or transaction of any corporation, it means that the corporation engaged in the act, deed, or transaction

by or through its officers, directors, employees, agents, or other representatives while they were actively engaged in the management, direction, control, or transaction of its business or affairs.

TRADE AND COMMERCE

25. During the relevant period, the defendant and its co-conspirators obtained E-Rate project contracts and delivered equipment and services and received payments for such equipment and services in and affecting interstate commerce.

26. The activities of the defendant that are the subject of this Information were within the flow of, and substantially affected, interstate trade and commerce.

(MON) 5. 24. 04 15:04 ST. 16:05 NO. 4251227095 P. 11

JURISDICTION AND VENUE

27. The combination and conspiracy charged in this Information was carried out, in part, within the Northern District of California and within the five years preceding the filing of this Information.

All in violation of Title 15, United States Code, Section 1.

DATED: 5/24/04.

KEVIN V. RYAN
United States Attorney

R. HEWITT PATE
Assistant Attorney General

ROSS W. NADEL
Chief, Criminal Division

JAMES M. GRIFFIN
Deputy Assistant Attorney General

SCOTT D. HAMMOND
Director of Criminal Enforcement

Approved as to form:

MICHAEL F. WOOD
Attorney
Antitrust Division

by LBC

JEFFREY L. BORNSTEIN
Assistant U.S. Attorney

TAB 127

KEVIN V. RYAN (CSBN 118321)
United States Attorney

ROSS W. NADEL (CSBN 87940)
Chief, Criminal Division

JEFFREY L. BORNSTEIN (CSBN 99038)
Assistant United States Attorney

450 Golden Gate Avenue, Box 36055
San Francisco, California 94102
Telephone: (415) 436-6873

MICHAEL F. WOOD (DCBN 376312)
MATTHEW D. SEGAL (CSBN 190938)
RICHARD B. COHEN (CSBN 79601)
Attorneys, U.S. Department of Justice

Antitrust Division
450 Golden Gate Avenue Rm. 10-0101
San Francisco, California 94102
Telephone: 415 436-6660

Attorneys for the United States of America

ORIGINAL
FILED
MAY 27 2004
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

COPY

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. NEC-BUSINESS NETWORK SOLUTIONS, INC., Defendant.	No. CR 04-184 CRB PLEA AGREEMENT

NEC-Business Network Solutions, Inc. (hereafter "NEC/BNS" or "defendant"), a corporation organized and existing under the laws of Delaware with its principal place of business in Irving, Texas, and the United States Department of Justice, by and through the United States Attorney's Office for the Northern District of California and the Antitrust Division of the

Department of Justice (hereafter "the government"), enter into this written plea agreement (the "Agreement") pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure:

The Defendant's Promises

1. Pursuant to Fed. R. Crim. P. 7(b), the defendant agrees to waive indictment and plead guilty to a two-count felony Information charging the defendant with wire fraud in violation of 18 U.S.C. § 1343 and conspiracy to suppress and eliminate competition in violation of the Sherman Antitrust Act, 15 U.S.C. § 1. NEC/BNS agrees that the elements of the offenses and the maximum penalties are as follows:

For Count One – Wire Fraud –

Elements:

a. Defendant participated in a scheme to defraud or a plan for obtaining money or property by making false promises or statements;

b. Defendant knew that the promises or statements were false;

c. The promises or statements were material;

d. Defendant acted with the intent to defraud; and

e. Defendant used or caused interstate wire communications to carry out an essential part of the scheme.

Maximum Penalties:

a. Five years probation;

b. A fine in the amount of $500,000 or twice the loss (or gain) from the offense, whichever is greater;

c. Mandatory special assessment of $400; and

d. Restitution.

For Count Two – Sherman Antitrust –

Elements:

a. That the conspiracy, agreement, or understanding described in the Information was knowingly formed, and was existing at or about the time alleged;

b. That the Defendant knowingly became a member of the conspiracy, agreement, or understanding, as charged;

c. That the alleged conspiracy constituted an unreasonable restraint of interstate commerce; and

d. That the offense was carried out, in part, in the Northern District of California within the five years preceding the filing of the Information.

Maximum Penalties:

a Five years probation;

b A fine in the amount of $10 million or twice the loss (or gain) from the offense, whichever is greater;

c Mandatory special assessment of $400; and

d Restitution.

2. NEC/BNS agrees that it is guilty of the offenses to which it will plead guilty, and it agrees that the following facts are true:

FACTUAL BASIS FOR WIRE FRAUD OFFENSE CHARGED

(a) From at least December 1999 to approximately March 2001, NEC/BNS sold and installed data equipment including computers, computer servers, routers and switches and telecommunication equipment including PBXs (Private Branch Exchange). It also installed data cabling and provided maintenance and other services as needed for the equipment it supplied.

(b) During the relevant period, E-Rate was a program created by Congress in the Telecommunication Act of 1996 and operated under the auspices of the Federal Communications Commission ("FCC") to provide funding to permit schools and libraries to connect to and utilize the Internet. The FCC designated the Universal Services Administrative Company ("USAC"), a non-profit corporation, to administer the E-Rate program. The E-Rate program was designed to ensure that the neediest schools received the most financial help. All participating school districts were required to fund a percentage of the cost of the equipment and services acquired under the E-Rate program. That percentage, however, was determined based on the number of students in the district qualifying for the United States Department of Agriculture's school lunch

1 program, with the neediest school districts eligible for the highest percentage of funding.
2 (c) During the relevant period, applications for E-Rate funding far exceeded the
3 funding available. To ensure that E-Rate funding was distributed to the widest number of
4 applicants, USAC required all applicants to comply with various rules and procedures including:
5 (1) only USAC approved equipment, services and supplies would be eligible for funding; and (2)
6 local school districts needed to follow competitive bidding procedures in accordance with local
7 and state law to ensure that the school districts got the lowest possible prices from the responsive
8 bidders.
9 (d) On or about December 9, 1999, NEC/BNS and a company that manufactured and
10 installed video-teleconferencing switches (hereafter "VX Company") entered into an agreement
11 under which the defendant agreed to pay VX Company a fee for all business opportunities VX
12 Company brought to the defendant. NEC/BNS also agreed to include VX equipment in its E-
13 Rate proposals and bids.
14 (e) During the relevant period, VX Company employed two persons (Consultant One
15 and Consultant Two) to work as sales representatives. Consultants One and Two specialized in
16 marketing VX Company products to educational institutions, including local school districts.
17 During the relevant period Consultants One and Two also acted as consultants to school districts
18 in designing computer networks, identifying potential government sponsored funding sources
19 (including the E-Rate program), applying for those funds, and selecting vendors to supply the
20 specified equipment and services funded by those programs.
21 (f) In or before December 1999, Consultants One and Two began working with the
22 San Francisco Unified School District (hereafter "SFUSD") in obtaining E-Rate program funds.
23 Working with a SFUSD official, these consultants put together a Request for Proposal for
24 equipment and services to be funded by E-Rate.
25 (g) On or about January 13, 2000, NEC/BNS submitted its bid on the SFUSD E-Rate
26 project. Consultant One ran the bid opening, and, together with an SFUSD Official opened and
27 reviewed the bids. Consultant One then declared that the defendant had submitted the winning
28 bid for the data equipment portion of the project, that a local computer company had submitted

the low bid on the server portion of the project, and a PBX company had submitted the low bid on the PBX portion of the project. On January 13 or 14, 2000, Consultants One and Two, and the SFUSD Official decided to make the defendant the prime contractor and to have the local computer company, and a cabling company act as subcontractors to the defendant.

(h) On or about January 15-18, 2000, Consultants One and Two and defendant's employees met to prepare the USAC Application Form 471 for the SFUSD and other school districts. The Form 471 is a school district's application for E-Rate funding. It is supposed to set out the selected vendors' bid amounts, memorialized in contracts, for the equipment and services called for by the district's Request for Proposal. Consultant One told the defendant's employees the total prices she wanted to submit to USAC on the Form 471s and then directed them to prepare false spreadsheets justifying those prices. With NEC/BNS' assistance, Consultant One Prepared the SFUSD Form 471 with inflated prices. On or about January 19, 2000, Consultant Two delivered the SFUSD Form 471 to USAC. Sometime shortly thereafter, the defendant learned that the SFUSD Form 471 had been submitted to USAC with inflated prices and did nothing to inform USAC that the Form 471 prices had been inflated above the amounts originally bid for the project. For the SFUSD, those prices were approximately $26 million greater than the amounts the vendors had bid for the project. The defendant's data equipment price was increased from $19,776,318 to $22,987,223. The server prices were increased from $9,275,880 to $21,987,223. The cabling price was increased from $13,697,838 to $21,875,698. The number of schools to be covered by the project was reduced from 50 to 46 and the defendant was falsely described as the winning bidder for the entire project. In addition, Consultants One and Two worked with others to falsely describe the actual equipment to be supplied to the SFUSD, including VX Company equipment, which was not eligible for funding under the E-Rate program, in order to have the E-Rate program pay for that equipment.

(i) In late May or early June 2000, USAC's Schools and Libraries Division ("SLD") began a review of the SFUSD Form 471 submitted in January 2000. As part of that review, the SLD asked the SFUSD to supply certain information to the SLD to justify certain parts of the project. Consultant One, and others acting under her direction, submitted spreadsheets to the

SLD which contained false information concerning the bidding process, the bidding participants, the winning bids and the bid amounts. Based in part on these false representations, on September 21, 2000, the SLD approved funding for the SFUSD E-Rate project in part as follows: $15,731,613.33 for data and $18,156,829.34 for cabling. The SLD specifically denied any E-Rate funding for computer servers.

(j) On or about October 16, 2000, the defendant advised the SFUSD that it was prepared to "donate" to the SFUSD 90 computer workstations which it valued at approximately $7.4 million. The defendant actually planned to use E-Rate funds that it expected to collect to offset any expenses it would occur in making this "donation."

(k) On or about November 10, 2000, the defendant met with SFUSD officials and others. During this meeting, an SFUSD official demanded that the defendant make a $14 million "donation" of computer workstations to the SFUSD and that the defendant obtain those computers from the local computer company that had bid on the E-Rate proposal. The SFUSD official suggested that the E-Rate funding proposal that had been approved by USAC and the SLD contained inflated cabling estimates that could be redirected to fund this donation. On or about November 13, 2000, the defendant agreed to purchase 2,250 computer workstations from the local computer company for $10,292,000 and to "donate" these computers to the SFUSD. The defendant planned to use E-Rate funds to pay for this "donation."

(l) At no time during the relevant period did the defendant disclose to the SFUSD superintendent or the San Francisco School Board that the funding requests to USAC had been increased over the original bid amounts or that there were any inflated estimates contained in the bid documents.

(m) During the relevant period, for the purpose of executing its scheme, the defendant caused to be transmitted and received electronic wire communications in interstate commerce including an email dated October 18, 2000 from an SFUSD Official in San Francisco, California, "dmcq[always]@sfusd.com" to NEC/BNS in Dallas, Texas, that contained a discussion of the inflated estimates contained in the Form 471 Application that had submitted to USAC for the San Francisco E-Rate Project.

1 **FACTUAL BASIS FOR SHERMAN ACT OFFENSE CHARGED**

2 (a) For purposes of the Count II bid rigging violation in this Plea Agreement, the
3 "relevant period" is approximately December 1, 1999 until at least December 31, 2000. During
4 the relevant period, the defendant was a provider of equipment and services related to
5 telecommunications, Internet access, and internal connections in the United States.

6 (b) During the relevant period, the defendant participated in a conspiracy with one or
7 more vendors of equipment and services related to telecommunications, Internet access, and/or
8 internal connections, a purpose of which was to suppress and eliminate competition for E-Rate
9 program projects, including those identified in Exhibit C (hereinafter E-Rate projects).

10 (c) In furtherance of the conspiracy, the defendant reached an agreement with its co-
11 conspirators to frustrate the competitive process on the E-Rate projects by allocating contracts
12 and submitting fraudulent and non-competitive bids. To carry out this conspiracy, the defendant
13 discussed with these co-conspirators prospective bids for the E-Rate projects; agreed with these
14 co-conspirators who would be the lead contractor on the project and who would participate on
15 the project as subcontractors to the designated lead contractors; submitted fraudulent and non-
16 competitive bids in accordance with the conspiratorial agreement; and engaged Consultants One
17 and Two, described in Paragraph 2(e) above. These Consultants took steps to ensure the success
18 of the conspiracy by eliminating and disqualifying bids from non-conspirators and either directly
19 awarding the contracts or using their best efforts to persuade the school district officials to award
20 contracts to the designated lead contractors.

21 (d) As part of the conspiracy, Consultants One and Two successively caused to be
22 awarded E-Rate project contracts to the designated lead contractors including the defendant. The
23 defendant agreed to pay, and did pay, Consultants One and Two's employer, the VX Company, a
24 fee and agreed to purchase and install, and did purchase and install, equipment from the VX
25 company on the E-Rate projects.

26 (e) In accordance with the E-Rate project contracts obtained through the conspiracy
27 by the defendant and its co-conspirators, during the relevant period, equipment and services were
28 delivered and payments for that equipment and services were received that traveled in interstate

commerce. The business activities of the defendant and its co-conspirators in connection with the sale of that equipment and services affected by this conspiracy were within the flow of, and substantially affected, interstate trade and commerce.

(f) Acts in furtherance of this conspiracy were carried out within the Northern District of California. The conspiratorial meetings and discussions described above took place in the United States, and at least one of those communications originated or was received by a conspirator in the Northern District of California.

3. The defendant agrees to give up all rights that it would have if it chose to proceed to trial, including the rights to a jury trial with the assistance of an attorney; to confront and cross-examine government witnesses; to remain silent or testify; to move to suppress evidence or raise any other Fourth or Fifth Amendment claims; to any further discovery from the government; and to pursue any affirmative defenses and present evidence.

4. The defendant agrees to give up its right to appeal its convictions, the judgment, and orders of the Court. The defendant also agrees to waive any right it may have to appeal any sentence. Consistent with this plea agreement.

5. The defendant agrees not to file any collateral attack on its convictions or sentence, at any time in the future after it is sentenced, except for a claim that its constitutional right to the effective assistance of counsel was violated.

6. The defendant agrees not to ask the Court to withdraw its guilty pleas at any time after they are entered, unless the Court declines to accept the sentence agreed to by the parties. Either party may withdraw from this agreement if the Court does not accept the agreed upon sentence set out below.

7. If acceptable to the Court, both parties agree to waive presentence investigation and report pursuant to Rule 32(C)(i) of the Federal Rules of Criminal Procedure, and ask that the defendant be sentenced at the time the guilty pleas are entered under the provisions of Fed. R. Crim. P. 32(c)(1)(A)(ii) and U.S.S.G. § 6A1.1. The defendant agrees that the Sentencing Guidelines should be calculated as follows, and that it will not ask for any other adjustment to or reduction in the offense level or for a downward departure of any kind including for its

continuing cooperation as set forth below:

For Count One:

a.	Base Offense Level (8C2.1, 8C2.3 and 2F1.1):	6
b.	Specific offense characteristics: (Anticipated Loss > $20 million)	+ 16
c.	More than Minimal Planning:	+ 2
d.	Adjusted offense level:	24
e.	Base Fine (8C2.4):	$2.1 million
f.	Culpability Score (8C2.5): (> 50 employees and tolerance of offense by substantial authority personnel was pervasive throughout such unit)	5 + 2
g.	Acceptance of Responsibility:	-2
h.	Total Culpability Score:	5
i.	Minimum/Maximum Multiplier (8C2.6):	1 to 2
j.	Fine Range (8C2.7):	$2.1 million to $4.2 million
k.	Maximum Statutory Fine (18 U.S.C. § 3571 and 8 C3.1(a)(b))	$500,000

For Count Two:

a.	Base Offense Level (8C2.1, 8C2.3 and 2R1.1):	10
b.	Specific offense characteristics:	
	Bid Rigging (2R1.1(b)(1))	+1
	Volume of Commerce (2R1.1(b)(2)(E)) (Total of sales to five (5) school districts $23 million)	+ 5
c.	Adjusted offense level	16
d.	Base Fine (2R1.1(d)(1)) (20% of volume of commerce):	$4.6 million
e.	Culpability Score (8C2.5): (> 50 employees and tolerance of offense by substantial authority personnel was pervasive throughout such unit)	5 + 2
f.	Acceptance of Responsibility:	- 2
g.	Total Culpability Score:	5
h.	Minimum/Maximum Multiplier (8C2.6):	1 to 2

i. Fine Range (8C2.7): $4.6 million to $9.2 million

Multiple Counts

a. Grouping (3D1.1(a))

Different victims - different harm (3D1.2 & 3D1.3)

Group 1 - Wire Fraud offense level: 24

Group 2 - Bid Rigging offense level: 16

b. Combined Offense Levels (3D1.4)

Highest offense level - Group 1: 24

Group 2 (within 5-8 levels): 1½

Combined offense level: 25

Fine Determination

a. Base Fine (8C2.4):

The greatest of:

Actual Loss (8C2.4(a)(3)): $4.6 million

Offense Level Fine Table (8C2.4(d)as limited by 8C3.1(a)(b)): $500,000

Greatest $4.6 million

b. Culpability Score (8C2.5): 5 + 2
(> 50 employees and tolerance of offense by substantial authority personnel was pervasive throughout such unit)

Acceptance of Responsibility: - 2

Total Culpability Score: 5

Minimum/Maximum Multiplier (8C2.6): 1 to 2

Fine Range (8C2.7): $4.6 million to $9.2 million

8. NEC/BNS understands that as part of its plea and the separate civil settlement that it will pay $20,685,263 in criminal fines, civil settlement, and restitution as set forth below. In view of all facts and circumstances of this case, including NEC/BNS' continuing cooperation with the government, the parties believe that the sentence recommended is fair and just in accordance with 18 U.S.C. §§ 3553, 3571 and 3572.

$500,000	Criminal Fine Count One – Wire Fraud
$4,200,000	Criminal Fine Count Two – Sherman Act (to be consecutive to Fine in Count One)
$15,985,263	Civil Settlement and Restitution (includes $10,300,000 in cash and $5,685,263 in-kind products and services)
$20,685,263	**Total**

9. Pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the parties agree that an appropriate disposition of this case is that NEC/BNS receive the following criminal sentence:

a. NEC/BNS shall be placed on probation for a period of 3 years on conditions including that NEC/BNS:

i. commit no violations of ~~United States or international~~ federal or state law;

ii. enter into a corporate compliance agreement and comply with the special conditions of probation attached as Exhibit A;

iii. cooperate fully with the United States as set forth below.

b. Within five (5) days of the date this Plea Agreement is accepted and sentence is imposed, NEC/BNS shall pay a criminal fine in the amount of $4,700,000. The criminal fine shall be paid to the Financial Litigation Unit, United States Attorney's Office, Northern District of California, by FEDWIRE.

c. Within five (5) days of the date this Plea Agreement is accepted and sentence is imposed, NEC/BNS shall pay a civil settlement (including partial restitution) in the amount of $10,300,000 to the Financial Litigation Unit, United States Attorney's Office, Northern District of California, by FEDWIRE. This money shall be distributed in accordance with the civil settlement agreement which is attached as Exhibit B.

d. As part of its corporate compliance agreement and as an express condition of Probation, NEC/BNS shall also donate goods and services in the amount of $5,685,263 to the designated school districts in the civil settlement agreement as Community Service pursuant to

U.S.S.G. § 8B1.3 and in furtherance of the sentencing principles provided for under 18 U.S.C. § 3553(a).

e. NEC/BNS will enter into a separate corporate compliance agreement ("Corporate Compliance Agreement") with the United States. The defendant agrees that the Court will require as Special Conditions of Probation that the Company follow all of terms and conditions of the Corporate Compliance Agreement. A copy of the Special Conditions of Probation is attached as Exhibit A to this Plea Agreement and is incorporated by reference herein. As Part of the Corporate Compliance Agreement, NEC/BNS agrees, among other things, to designate a Compliance Officer responsible for monitoring all aspects of the Compliance Policy, to train all key personnel in public entity procurement requirements, to ensure that there are both internal and external audits of large volume and public entity contracts, and to make reports to the defendant's Board of Directors and the FCC Enforcement Division and FCC/OIG concerning the defendant's efforts to comply with all of the Special Conditions of Probation.

f. On the date of sentencing, NEC/BNS will pay a special assessment of $800.

g. The defendant will cooperate fully and truthfully with the United States in the prosecution of this case, the conduct of the current federal investigations of violations of federal wire fraud, antitrust and related criminal laws involving the sale of equipment and services funded by the E-Rate program, any other federal criminal investigation resulting therefrom, and any litigation or other proceedings arising or resulting from any such investigation to which the United States is a party ("Federal Proceeding").

10. The ongoing, full, and truthful cooperation of the defendant shall include, but not be limited to:

(a) producing to the United States all documents, information, and other materials, wherever located, in the possession, custody, or control of the defendant, requested by the United States in connection with any federal proceeding; and

(b) using its best efforts to secure the ongoing, full, and truthful cooperation, as defined in Paragraph 11 of this Plea Agreement, of each current and former director, officer

and employee of the defendant as may be requested by the United States, including making these persons available at the defendant's expense, for interviews and the provision of testimony in grand jury, trial, and other judicial proceedings in connection with any federal proceeding.

11. The ongoing, full, and truthful cooperation of each person described in Paragraph 10(b) above will be subject to the procedures and protections of this paragraph, and shall include, but not be limited to:

(a) producing all non-privileged documents, including claimed personal documents, and other materials, wherever located, requested by attorneys and agents of the United States;

(b) making himself or herself available for interviews, not at the expense of the United States, upon the request of attorneys and agents of the United States;

(c) responding fully and truthfully to all inquiries of the United States in connection with any federal proceeding, without falsely implicating any person or intentionally withholding any information, subject to the penalties of making false statements (18 U.S.C. § 1001) and obstruction of justice (18 U.S.C. § 1503); otherwise voluntarily providing the United States with any material or information not requested in (a) - (c) of this paragraph that he or she may have that is related to any Federal Proceeding;

(d) when called upon to do so by the United States in connection with any Federal Proceeding, testifying in grand jury, trial, and other judicial proceedings, pursuant to subpoena, fully, truthfully, and under oath, subject to the penalties of perjury (18 U.S.C. § 1621), making false statements or declarations in grand jury or court proceedings (18 U.S.C. § 1623), contempt (18 U.S.C. §§ 401-402), and obstruction of justice (18 U.S.C. § 1503); and

12. NEC/BNS understands and agrees that, should it or the United States withdraw from this Agreement in accordance with Paragraph 6, NEC/BNS may thereafter be prosecuted for any criminal violation of which the government has knowledge, notwithstanding the expiration of any applicable statute of limitations following the signing of this Agreement.

13. NEC/BNS agrees not to intentionally provide false information to the Court, the Probation Office, Pretrial Services, or the government; or fail to comply with any of the other

promises it has made in this Agreement. NEC/BNS agrees that, if it fails to comply with any promises it has made in this Agreement, then the government will be released from all of its promises in this Agreement, including those set forth in paragraphs 17 through 19 below, but NEC/BNS will not be released from its guilty pleas.

14. NEC/BNS agrees not to commit or attempt to commit any crimes before sentence is imposed.

15. NEC/BNS agrees that this Agreement and the attached Exhibits A, B, C, and D, contain all of the promises and agreements between it and the government, and it will not claim otherwise in the future.

16. NEC/BNS agrees that this Agreement binds the United States Department of Justice, excepting the Tax Division, only, and does not bind any other federal, state, or local agency.

The Government's Promises

17. The government agrees not to file or seek any additional charges against the defendant that could be filed as a result of the investigation into collusion and fraud that led to the captioned information, or other matters known to the United States Attorney's Office or the Antitrust Division regarding the defendant's participation in the E-Rate program from 1998 to the date of sentencing.

18. The government agrees that the appropriate sentence in this case should be as set forth in paragraph 9 above, unless the defendant violates the terms and conditions of this Agreement.

19. The government agrees that, if requested, it will advise the appropriate officials of any governmental agency considering any administrative action of the fact, manner, and extent of the cooperation of the defendant as a matter for that agency to consider before determining what administrative action, if any, to take.

//

The Defendant's Affirmations

20. NEC/BNS confirms that it has had adequate time to discuss this case, the evidence, and this Agreement with its attorney, and that its attorney has provided it with all the legal advice that it requested.

21. This Agreement has been authorized, following consultation with counsel, by the Board of Directors of NEC-Business Network Solutions, by corporate resolution dated May 21 2004. A certified copy of the corporate resolution is attached as Exhibit D to this Agreement and is incorporated herein. NEC/BNS confirms that its decision to enter a guilty plea is made knowing the charges that have been brought against it, any possible defenses, and the benefits and possible detriments of proceeding to trial. NEC/BNS also confirms that its decision to plead guilty is made voluntarily. Except as set forth in this plea agreement, NEC-Business Network Solutions has received no promises or inducements to enter its guilty plea, nor has anyone threatened it or any other person to cause it to enter its guilty plea.

DATED: 5-27-04

JAMES S. HOOVER
Vice President and Controller,
NEC-Business Network Solutions, Inc.
Defendant

DATED: 5-27-04

KEVIN V. RYAN
United States Attorney
Northern District of California

BY: _____
JEFFREY L. BORNSTEIN
Assistant United States Attorney

DATED: 5-27-04

MICHAEL F. WOOD
MATTHEW D. SEGAL
RICHARD B. COHEN
Attorneys
U.S. Department of Justice
Antitrust Division
450 Golden Gate Avenue Rm. 10-0101
San Francisco, California 94102
Tel.: 415 436-6660

I have fully explained to my client all the rights that a criminal defendant has and all the terms of this Agreement. In my opinion, my client understands all the terms of this Agreement and all the rights it is giving up by pleading guilty, and, based on the information now known to me, its decision to plead guilty is knowing and voluntary.

DATED: 5-27-04

BY: _____
GEORGE D.NIESPOLO, ESQ.
DUANE, MORRIS LLP., Counsel for NEC-Business Network Solutions, Inc.

U.S. Department of Justice

Criminal Division

Office of the Assistant Attorney General *Washington, DC 20530-0001*

MAY 27 2004

The Honorable Kevin V. Ryan
United States Attorney
Northern District of California
San Francisco, California 94102

Attention Jeffrey Bornstein
Assistant United States Attorney

Dear: Mr. Ryan

Re: Plea Agreement With NEC Business Network Solutions, Inc.

This refers to your request for authorization to enter into a Plea Agreement with NEC Business Network Solutions, Inc.

I hereby approve the terms of the Plea Agreement, including provisions binding the United States not to initiate further prosecutions as set out therein.

You are authorized to make this approval a matter of record of the proceedings.

Sincerely,

Christopher A. Wray
Assistant Attorney General

John C. Keeney
Deputy Assistant Attorney General
Criminal Division

TOTAL P.01

TOTAL P.02

UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA Plaintiff, vs. NEC-BUSINESS NETWORK SOLUTIONS, INC., a corporation, Defendant.	Case No.: CR 04-184 CRB SPECIAL CONDITIONS OF PROBATION

The defendant, NEC-Business Network Solutions, Inc. ("NEC/BNS" or "defendant"), a corporation organized under the laws of Delaware with its principal place of business in Irving, Texas, has sold, installed and continues to sell and install telecommunications and data equipment, including computers, computer servers, routers, switches and related telecommunications equipment, and renders ancillary maintenance and other services (the "products and services"). The defendant offered and sold the products and services to schools within the United States pursuant to a program operated under the auspices of the Federal Communications Commission (the "FCC") and administered by the Universal Services Administrative Company ("USAC"). The program, commonly referred to as the E-Rate Program, was created by Congress to permit schools and libraries to acquire the needed technology to access and utilize the internet. The defendant became the subject of a grand jury investigation arising out of doing business related to

EXHIBIT A

the E-Rate Program. After having cooperated in the investigation and seeking a mutually agreeable settlement of all claims related thereto, the defendant has entered into a Plea Agreement with the United States in which the defendant pleaded guilty to a two-count felony information charging the defendant with wire fraud in violation of 18 U.S.C. § 1343 and conspiracy to suppress and eliminate competition in violation of the Sherman Antitrust Act, 15 U.S.C. § 1, by, conspiring with others to frustrate the public bidding process under the E-Rate Program and submitting false and misleading information to the SLD in order to receive funding for products and services not authorized under the E-Rate program. To address the issues raised in the Plea Agreement concerning its conduct, and having determined that the following conditions will constitute reasonable and necessary steps to avoid the re-occurrence of the conduct which was the subject of the Plea Agreement, the defendant agrees, and the Court hereby imposes, that the defendant will do the following as a special condition of probation for the entire three year term of probation:

1. Within sixty (60) days of acceptance of the Plea Agreement by the Court, the defendant shall formally adopt a comprehensive Anti-Fraud and Antitrust Compliance Policy (the "Compliance Policy") and shall provide copies of said policy to the Probation Officer, FCC Enforcement Bureau and FCC-OIG. At a minimum, the Compliance Policy will address the following:

   a. Creating an internal structure requiring high level management oversight of all government and public entity business;

   b. Creating an internal system of monitoring and audits to include steps to be taken if any employee suspects that any bid, proposal or other company conduct is not in accordance with the company's Compliance Policy and/or applicable law;

   c. Ensuring that there are regular reports to the CEO and Board of Directors and at least annual reports to the FCC Enforcement Bureau and FCC-OIG of Compliance Policy activities; and

d. Educating and training all responsible employees of their obligations including governmental procurement laws, regulations and procedures including criminal and civil penalties for mail fraud, wire fraud, false statements, obstruction of justice, false claims and other related conduct and the requirements for adherence to the antitrust laws.

2. Within sixty (60) days of acceptance of the Plea Agreement by the Court, the defendant shall designate an officer of the defendant to be the Compliance Officer (the "Compliance Officer") responsible for the enforcement of the Anti-Fraud and Antitrust Compliance Policy. This shall include:

a. Creating and overseeing internal policies and procedures to ensure that all company activities involving government sponsored or funded programs or any other business with any public entities is conducted in accordance with applicable law.

b. Ensuring that either the Compliance Officer personally or someone under his/her direct supervision is an experienced contract manager knowledgeable about governmental laws and regulations relating to public sector procurement;

c. Requiring the Compliance Officer and those under his/her direct supervision to oversee the enforcement of the Anti-Fraud and Antitrust Compliance Policy as it applies to all company activities involving government sponsored or funded programs or any other business with any public entities;

d. Creating and overseeing an ongoing mandatory education and training program for all officers, directors, sales, technical staff and other employees directly involved in the preparation of bid and related contractual materials for any government sponsored or funded programs or any other business with any public entities to apprise them of all governmental laws and regulations relating to

public sector procurement and the requirements of the Compliance Policy. The Compliance Officer shall ensure and certify under penalty of perjury that all affected individuals have received such training on at least a yearly basis and shall provide the certification to the Probation Officer, FCC enforcement Bureau and FCC-OIG.

3. The Compliance Officer shall be the central point of contact for (a) documenting and distributing E-Rate program requirements throughout the company; (b) monitoring changes in the E-Rate rules and regulations to ensure the documentation and distribution of such changes; (c) ensuring that all employees who are involved with the E-Rate program receive training; (d) arranging monthly meetings with key company executives to ensure consistent implementation of the E-Rate rules and regulations across the company.

4. The Compliance Officer's salary and other compensation, as well as the salary and other compensation of any employees under the Compliance Officer's supervision, shall be independent of any contracts or other government sponsored or funded programs or other public entity business;

5. The Compliance Officer shall create and oversee an internal auditing program in which all public sector contracts shall be audited to ensure compliance with the Compliance Program to include that bids, prices and design specifications are appropriate and that there are no hidden terms, side agreements or other undisclosed arrangements and that all bids and pricing have been done in accordance with all applicable laws and procedures.

6. The Compliance Officer shall create, oversee and promote an internal voicemail or email hotline system in which all employees are encouraged to

report on an anonymous basis, any believed violation of law by any officer or employee.

7. The Compliance Officer and the defendant's General Counsel shall be responsible for monitoring the internal hotline system and undertaking all reasonable and necessary investigations arising from any reported matter(s).

8. The General Counsel and the Compliance Officer shall, on at least a quarterly basis, report to the defendant's CEO and Audit Committee as to the enforcement of the Compliance Policy and the various measures called for herein including the status of any anonymous complaints or reports received from any employees.

9. On at least an annual basis, the Compliance Officer shall make a report to the full Board of Directors and to the Probation Officer, FCC Enforcement Bureau and FCC-OIG as to the status of the Compliance Policy and the various measures called for herein.

10. Within sixty (60) days of acceptance of the Plea Agreement by the Court:

a. The Compliance Officer shall prepare and distribute a written training program to be used in formal training of NEC/BNS employees involved in the E-Rate program, including employees involved in accounting, finance, sales, marketing, and installations. Among other things, this training program shall cover the following subject matters: the application process, competitive bidding, eligible services, service provider role and responsibilities, discounts, service substitutions and equipment transfers, billing SLD for services, document retention requirements, and risks of non-compliance. Within 120 days of acceptance of the Plea Agreement by the court, all employees who are involved in the E-Rate program must certify their completion of the training program. All future employees

involved with the E-Rate program shall receive such training and shall certify completion of the training program within 14 days of the date on which such individuals are appointed or hired to such positions. These employee certifications must be collected and maintained by the Compliance Officer for a period of 5 years.

b. The Compliance Officer shall establish an E-Rate Code of Conduct ("Code"), which will conform to this Corporate Compliance Plan and which will be signed by all employees involved with the E-Rate program. All subject employees shall reaffirm annually, in writing that they have reviewed, fully understand, and will adhere to the Code.

c. The Compliance Officer shall inform all employees involved with the E-Rate program that any violation of E-Rate Code shall be grounds for disciplinary action to include warning, censure, reprimand, suspension, loss of pay and firing depending on the severity of the violation and the repetitive nature of the misconduct.

11. The Compliance Officer shall meet regularly (at least monthly) with key executives in the following business units to ensure compliance with all applicable internal company rules and regulations and all E-Rate or other telecommunications program requirements: accounting, finance, installations (i.e., service technicians), legal, marketing, and sales.

12. The Compliance Officer shall review all company bids in response to Form 471 Applications. For each bid, the Compliance Officer will certify that all E-Rate rules and regulations were followed in preparing the bid and all

related contractual materials. Such certifications must be maintained by the Compliance Officer for a period of 5 years.

13. The Compliance Officer shall collect Form 471 Applications from each customer or prospective customer. The Compliance Officer or his/her designee shall perform a reconciliation of each Form 471 Application to the company's responsive bid and to the resulting contract or business agreement. The Compliance Officer shall keep a copy of the resulting reconciliation worksheet for each application and shall update it as necessary to show any exchanges, substitutions, or cancellations. The Compliance Officer shall maintain these reconciliation worksheets for a period of 5 years.

14. The company shall separate all E-Rate eligible and ineligible products and services onto separate customer contracts per installation.

15. The defendant agrees that should it fail to provide the reports required herein on a timely basis, it shall be responsible for liquidated damages to the United States in the amount of $25,000 per day until the report is received by the FCC Enforcement Bureau and FCC-OIG. The FCC Enforcement Bureau and FCC-OIG may require the defendant to provide additional information as necessary concerning any incidents or other activities contained in the annual report. If the defendant materially fails to provide such ~~material~~ information within the time requested or 10 days of such request, whichever is longer, the defendant agrees that it will continue to be liable for liquidated damages in the amount of $25,000 per day until such information is provided to the satisfaction of the FCC Enforcement Bureau and FCC-OIG.

16. In addition to any applicable FCC regulation or program requirement, and as a condition of any future participation in the E-Rate Program or other government sponsored or funded telecommunication programs, the defendant agrees that the FCC Enforcement Bureau and FCC-OIG, acting directly or through its agents, may, on an annual basis, audit defendant's compliance with applicable laws and regulations relating to the E-Rate or other government sponsored or funded telecommunication programs to assure adherence to the terms and conditions of those programs. Defendant shall bear all ordinary and reasonable costs of any such audit(s).

17. On at least annual basis, within 30 days after the close of defendant's fiscal year, the defendant shall file a report signed under the penalty of perjury by the CEO with the FCC Enforcement Bureau and FCC-OIG concerning the defendant's compliance with the Compliance Policy. This report shall certify that all required oversight, training and educational activities have been undertaken in accordance with the requirements of the Compliance Policy. In the alternative, the report shall detail any shortcomings in following the Compliance Policy and the steps taken, and those that will be taken, to ensure compliance. This report shall also include a detailed description of any violations that were found during the applicable period, the steps taken to cure the violations and any subsequent steps taken to ensure future compliance.

18. The defendant agrees that should it materially fail to provide the reports required herein on a timely basis, it shall be responsible for liquidated damages to the United States in the amount of $25,000 per day until the report is received by the FCC Enforcement Bureau and FCC-OIG. The FCC Enforcement Bureau and FCC-OIG may require the defendant to provide additional information as necessary concerning any incidents or other activities contained in the annual report. If the defendant materially fails to

provide such information within the time requested or 10 days of such request, whichever is longer, the defendant agrees that it will continue to be liable for liquidated damages in the amount of $25,000 per day until such information is provided.

19. If all or substantially all of the defendant's assets are transferred to a successor organization, that entity shall, as a condition of purchase and by operation of law, become subject to the terms of these special conditions of probation. Prior to any sale, dissolution, reorganization, assignment, merger, acquisition or other action that would result in a successor or assign for provision of the company's E-Rate-related services, the company will furnish a copy of this compliance plan to such prospective successors or assigns and advise same of their duties and obligations under this compliance plan.

IT IS SO ORDERED.

Dated:

By _____
HONORABLE CHARLES R. BREYER
United States District Court Judge

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is entered into by the United States of America, acting through the United States Department of Justice and on behalf of the Federal Communications Commission (FCC), including the Universal Service Administrative Company (USAC), an entity acting on behalf of the FCC (collectively, the United States); the San Francisco Unified School District (SFUSD); the City Attorney for the City and County of San Francisco (City Attorney) ; and NEC Business Network Solutions, Inc. (NEC/BNS) , through their authorized representatives. The parties listed in this Paragraph are hereinafter collectively referred to as the Parties.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. NEC/BNS is a corporation organized and existing under the laws of Delaware with its principal place of business in Irving, Texas. NEC/BNS does business in California, among other states. NEC/BNS does not operate as a common carrier.

B. E-Rate is a program created by Congress in the Telecommunication Act of 1996 and operated under the auspices of the FCC. Under E-Rate, the FCC reimburses providers of internet access and telecommunications services for discounts that they provide to schools and libraries that purchase these services. The FCC utilizes USAC, a not for profit corporation incorporated in Delaware, to administer the E-Rate program.

C. On or about May 16, 2002, SFUSD and the People of the State of California ex rel. Dennis J. Herrera (the People) filed a civil action in the United States District Court for the Northern District of California against NEC/BNS and others, styled United States ex rel. San

Francisco Unified School District, et al. v. Nippon Electric Company Business Network Solutions, et al., No. C 02-2398 JCS (the Civil Action). In the complaint, SFUSD asserted claims as a qui tam relator under the Federal False Claims Act (FCA), 31 U.S.C. §§ 3729-3733, and the California FCA, Cal. Gov't. Code §§ 12650-12652. SFUSD also asserted claims on its own behalf pursuant to the California FCA, fraud and deceit pursuant to Cal. Civ. Code §§ 1709-10, and under the common law theory of negligent misrepresentation. In addition, the City Attorney asserted a claim on behalf of the People pursuant to Cal. Bus. & Prof. Code § 17200, et seq.. The allegations in the complaint relate to the defendants' participation in the E-rate program. On or about December 23, 2003, the State of California filed its Notice of Election by the State of California to Decline Intervention. The State of California is therefore not a party to the Civil Action.

D. NEC/BNS is entering a plea of guilty to a two-count felony Information charging NEC/BNS with wire fraud in violation of 18 U.S.C. § 1343 and conspiracy to suppress and eliminate competition in violation of the Sherman Antitrust Act, 15 U.S.C. § 1, in connection with NEC/BNS's participation in the E-rate program. The guilty plea is being entered in a matter captioned *United States of America v. NEC Business Network Solutions*, No. CR 04-0184 CRB (filed in the Northern District of California, May 25, 2004). A copy of the plea agreement in that matter is attached hereto as Exhibit A (hereinafter the Plea Agreement).

E. The United States, SFUSD, and the City Attorney contend that they have certain civil claims against NEC/BNS under the FCA, the common law, and the other authorities set out in the complaint in the Civil Action for NEC/BNS's conduct in submitting and causing to be submitted false claims for payment under the E-rate program from approximately December

1999 to the present by: (1) engaging in non-competitive bidding practices; (2) paying fees termed "marketing fees" to the National Association.of Black School Educators, and also to Video Network Communications, Inc. (VNCI), when VNCI was involved in selecting vendors to obtain E-rate funds; (3) claiming and receiving E-rate funds for goods and services that were ineligible for E-rate funding; (4) providing false information to the United States regarding the goods and services that were provided to schools and school districts under the E-rate program; (5) disregarding the requirement that schools and school districts make co-payments to match a percentage of the E-rate funds disbursed on their behalf; and (6) inflating prices on invoices and other documents provided to the United States to conceal some or all of the practices listed in this Paragraph. The conduct described in this Paragraph is hereinafter referred to as the Covered Conduct.

F. This Agreement is neither an admission of liability by NEC/BNS nor a concession by the United States, SFUSD, or the City Attorney that their claims are not well-founded.

G. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, the Parties reach a full and final settlement pursuant to the Terms and Conditions below.

III. TERMS AND CONDITIONS

1. NEC/BNS agrees to pay to the United States $15,985,263 (hereinafter referred to as the Settlement Amount), as follows:

a. Within five calendar days of the time that the United States District Court for the Northern District of California (District Court) imposes sentence on NEC/BNS in accordance

with the Plea Agreement, NEC/BNS will pay $10,300,000 by electronic funds transfer pursuant to written instructions to be provided by the United States Attorney's Office for the Northern District of California.

b. NEC/BNS agrees to release the United States, including but not limited to the FCC and USAC, from any obligations to pay and any other liability for work performed under the USAC Funding Request Numbers (FRNs) listed in Exhibit B to this Agreement. The Parties agree that NEC/BNS has performed uncompensated E-rate work in the amount of $3,803,053. To the extent that NEC/BNS has performed uncompensated E-rate work under FRNs that are not listed in Exhibit B, NEC/BNS agrees to release the United States, including but not limited to the FCC and USAC, from any obligations to pay and any other liability for work performed under such additional FRNs.

c. Within thirty calendar days of the time that the District Court imposes sentence on NEC/BNS in accordance with the Plea Agreement, NEC/BNS will enter into the maintenance contracts attached to this Agreement as Exhibits C to I with, respectively, Ceria M. Travis Academy, Covert Public School District, Ecorse Public School District, Humphreys County School District, Jasper County School District, Lee County School District, and North Chicago Community School District (collectively, the Schools). Within five calendar days of the time that the District Court imposes sentence on NEC/BNS in accordance with the Plea Agreement, NEC/BNS will provide the Schools with copies of the respective maintenance contracts at Exhibits C to I. NEC/BNS agrees to perform its obligations under the contracts at Exhibits C to I at no cost or charge to the Schools, the United States (including but not limited to the FCC and USAC), or to any other entity or individual other than NEC/BNS. NEC/BNS will provide fully executed copies of each of the contracts to the United States Attorney's Office for the Northern

District of California within thirty-three calendar days of the time that the District Court imposes sentence on NEC/BNS in accordance with the Plea Agreement. The Parties agree that the work to be performed by NEC/BNS under these contracts is valued at $1,882,210. In the event that NEC/BNS fails to perform under the terms of the maintenance contracts at Exhibits C to I through its own fault, NEC/BNS shall pay the United States the prorated value of any such failure of performance.

In the event that the District Court does not accept the Plea Agreement, and/or does not impose the sentence agreed to in the Plea Agreement, the United States or NEC/BNS may, each in its respective discretion, within five calendar days of the Court's dispositive action on the Plea Agreement, declare this Agreement null and void by written notice to the other party.

2. The United States and SFUSD agree that, pursuant to 31 U.S.C. § 3730(d)(1), the Relator's share of the Settlement Amount is 21 percent of the Settlement Amount actually recovered by the United States under this Agreement. The United States agrees that within a reasonable time after it receives the payment due under Paragraph 1(a) above, the United States will pay to SFUSD an amount equal to 21 percent of the $14,103,053 of the Settlement Amount required by Paragraphs 1(a) and 1(b). The United States further agrees that within a reasonable time after it receives the fully executed contracts described in Paragraph 1(c) above, the United States will pay to SFUSD an amount equal to 21 percent of the remaining $1,882,210 of the Settlement Amount required in Paragraph 1(c). All payments to SFUSD under this Agreement shall be made by electronic funds transfer in accordance with written instructions to be provided by SFUSD.

3. NEC/BNS agrees to cooperate with the United States in the Civil Action and any investigation or litigation related thereto. NEC/BNS agrees to cooperate with SFUSD and

the City Attorney in the investigation of the San Francisco fraud as alleged in the Civil Action. Before providing testimony and/or documents in accordance with this Paragraph, NEC/BNS may require that subpoenas be served on it.

4. Releases:

a. NEC/BNS fully and finally releases the United States, SFUSD, and the City Attorney, together with their respective agencies, employees, servants, and agents, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which NEC/BNS has asserted, could have asserted, or may assert in the future against the United States, SFUSD, and/or the City Attorney, their agencies, employees, servants, and agents, related to the Covered Conduct, the Information, the Plea Agreement, and the investigation and prosecution thereof.

b. Subject to the exceptions in Paragraph 6 below, in consideration of the obligations of NEC/BNS set forth in this Agreement, and conditioned upon NEC/BNS's full payment of the Settlement Amount, (i) the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to fully and finally release NEC/BNS and any affiliates, subsidiaries, or parent corporations, and their predecessors, successors, and assigns, and any of their present or former directors, officers, and employees, from any civil or administrative monetary claim the United States has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of payment by mistake, unjust enrichment, disgorgement, restitution, recoupment, breach of contract, and fraud, for the Covered Conduct; (ii) the FCC (on behalf of itself, its officers, employees, and agents, including but not limited to USAC, an entity acting on behalf of the FCC) agrees to release NEC/BNS and any affiliates, subsidiaries, or parent corporations, and

their predecessors, successors, and assigns, and any of their present or former directors, officers, and employees, from any monetary claims the FCC has or may have for the Covered Conduct; (iii) SFUSD (on behalf of itself, its officers and agents) agrees to fully and finally release NEC/BNS and any affiliates, subsidiaries, or parent corporations, and their predecessors, successors, and assigns, and any of their present or former directors, officers, and employees, from any civil or administrative monetary claim SFUSD has or may have under the False Claims Act, the California False Claims Act, Cal. Civ. Code §§ 1709-10, Cal. Bus. & Prof. Code § 17200, et seq. or the common law for the Covered Conduct; and (iv) the City Attorney (acting on behalf of the People to the full extent of the City Attorney's legal authority to do so) agrees to fully and finally release NEC/BNS and any affiliates, subsidiaries, or parent corporations, and their predecessors, successors, and assigns, and any of their present or former directors, officers, and employees, from any civil or administrative monetary claim the People have or may have under Cal. Bus. & Prof. Code § 17200, et seq. for the Covered Conduct.

c. SFUSD releases and forever discharges the United States from any claims arising from or relating to the filing of the Civil Action, or pursuant to 31 U.S.C. § 3730(d), for a share of any recoveries relating to or arising out of the Civil Action or this Agreement, beyond that share specified in Paragraph 2 of this Agreement. SFUSD specifically agrees that the Settlement Amount is fair, adequate, and reasonable under the circumstances, and SFUSD agrees to waive any right it may have to contest the Settlement Amount or its share thereof pursuant to 31 U.S.C. § 3730(c)(2)(B) or otherwise.

d. Subject to the exceptions in Paragraph 6 below, NEC/BNS, SFUSD and the People expressly waive the provisions of Section 1542 of the California Civil Code, which provides as follows:

> CERTAIN CLAIMS NOT AFFECTED BY GENERAL RELEASE: -- A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

NEC/BNS, SFUSD and the People understand and acknowledge that the significance and consequence of this waiver of Civil Code Section 1542 is that even if one of those parties should eventually suffer additional damages as arising out of the Covered Conduct or the investigation or litigation of the Covered Conduct, that party will not be permitted to make any claims for such damages. Furthermore, with the exceptions of those matters identified in Paragraph 6, NEC/BNS, SFUSD and the People acknowledge that they intend these consequences even as to claims for injuries and/or damages that may exist as of the date of this release but which they do not know exist and which, if known, would materially affect the decision to execute this agreement.

5. Upon timely payment of the amount set out in Paragraph 1(a) above and receipt of copies of the fully executed contracts described in Paragraph 1(c) above, the United States, SFUSD, and the City Attorney will dismiss NEC/BNS, John Colvin, and Gerard McNulty from the Civil Action with prejudice.

6. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including NEC/BNS) are the following claims: (a) any civil, criminal, or administrative liability to the United States arising under Title 26, U.S. Code (Internal Revenue Code); (b) any criminal liability; (c) any process or proceeding, administrative or judicial, for any agency suspension or debarment action; (d) any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; (e) any claims of the United States based upon such obligations as are created by this

Agreement; (f) any liability for the delivery of any deficient or defective products/services, including liability under any express or implied product/service liability warranties; (g) any civil or administrative claims of the United States against individuals, including but not limited to present or former directors, officers, and employees of NEC/BNS and any affiliates, subsidiaries, and parent corporations, and their predecessors, successors, and assigns who are criminally indicted or charged, or are convicted, or who enter into a criminal plea agreement related to the Covered Conduct; and (h) any claims that SFUSD may have against NEC/BNS for attorneys' fees, costs and expenses pursuant to 31 U.S.C. § 3730(d)(1).

7. NEC/BNS waives and shall not assert, in any criminal prosecution or administrative action relating to the Covered Conduct, any defenses that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. NEC/BNS agrees that this Agreement is not punitive in purpose or effect. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue Laws, Title 26 of the United States Code.

8. NEC/BNS agrees that all costs (as defined by Federal Acquisition Regulation 31.205-47) incurred by or on behalf of NEC/BNS in connection with (a) the matters covered by this Settlement Agreement; (b) the Government's audits and investigations of the matters covered by this Settlement Agreement; (c) NEC/BNS's investigation, defense of the matters, and corrective actions relating to the Covered Conduct; (d) the negotiation of this Settlement Agreement; and (e) the payments made to the United States pursuant to this Settlement

Agreement, shall be unallowable costs for government accounting purposes. NEC/BNS shall separately account for all costs that are unallowable under this Settlement Agreement.

9. This Agreement is intended to be for the benefit of the Parties only. Except as expressly stated in Paragraph 4 and 5 above, the Parties do not release any claims against any other person or entity.

10. NEC/BNS expressly warrants that it has reviewed its financial condition and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and shall remain solvent following payment of the Settlement Amount. NEC/BNS further warrants that it has or has access to sufficient assets to pay the Settlement Amount. Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, the Parties (a) have intended that the mutual promises, covenants, and obligations set forth herein constitute a contemporaneous exchange for new value given to NEC/BNS within the meaning of 11 U.S.C. § 547(c)(1), and (b) have concluded that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which NEC/BNS was or became indebted on or after the date of this transfer, all within the meaning of 11 U.S.C. § 548(a)(1).

11. NEC/BNS agrees that this Settlement Agreement satisfies the requirements of the citation provision under subsections 503(b)(5)(A)-(B) of the Communications Act of 1934, as amended, 47 U.S.C. § 503(b)(5)(A)-(B), such that the FCC may issue a Notice of Apparent Liability against NEC/BNS pursuant to 47 U.S.C. § 503(b)(4) if, after the Effective Date of this Agreement, NEC/BNS engages in conduct of the type described as the Covered Conduct in Paragraph E of this Agreement.

12. The United States and NEC/BNS shall each bear their own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

13. All Parties represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

14. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement shall be the United States District Court for the Northern District of California.

15. This Agreement constitutes the complete agreement between the Parties with respect to civil and administrative monetary liability. This Agreement may not be amended except by written consent of the Parties.

16. The individuals signing this Agreement on behalf of NEC/BNS represent and warrant that they are authorized by NEC/BNS to execute this Agreement. The United States, SFUSD, and City Attorney signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

17. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

18. This Agreement is binding on NEC/BNS's successors, transferees, heirs, and assigns.

19. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Settlement Agreement.

THE UNITED STATES OF AMERICA

PETER D. KEISLER
Assistant Attorney General

DATED: May 27, 2004

BY: Alicia J. Bentley
ALICIA J. BENTLEY
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

KEVIN V. RYAN
United States Attorney
Northern District of California

DATED: 5/27/04

BY: Sara Winslow
SARA WINSLOW
Assistant United States Attorney
On behalf of the United States and the
Federal Communications Commission

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

DATED: 5/26/04

BY: _____
LOUISE H. RENNE
General Counsel
San Francisco Unified School District

PHILLIPS & COHEN LLP

DATED: 5/26/04

BY: _____
ERIC R. HAVIAN
Attorney for SFUSD

CITY ATTORNEY FOR THE CITY AND COUNTY OF SAN FRANCISCO

DATED: 5/26/04

BY: _____
DENNIS J. HERRERA
San Francisco City Attorney
On Behalf of the People of the
State of California

NEC BUSINESS NETWORK SOLUTIONS, INC.

DATED: 5/27/04

BY: _____
JAMES S. HOOVER
Vice President and Controller

DUANE MORRIS LLP

DATED: 5-27-04

BY: _____
GEORGE D. NIESPOLO
Attorney for NEC/BNS

EXHIBIT C

The following geographic areas contained projects funded by the E-Rate program that were subject to the illegal activity described in the attached Plea Agreement:

W.D. Michigan	(Covert, Michigan)
E.D. Michigan	(Ecorse, Michigan)
E.D. Wisconsin	(Milwaukee, Wisconsin)
E.D. Arkansas	(Lee County, Arkansas)
South Carolina	(Jasper County, South Carolina)

NEC Business Network Solutions, Inc.

Unanimous Written Consent of the Board of Directors without a Meeting

Pursuant to Section 141(f) Of the Delaware General Corporation Law

THE UNDERSIGNED, being all the Directors of NEC Business Network Solutions, Inc., a Delaware corporation (hereinafter referred to as the "Company"), hereby consent to, approve and adopt the following preamble and resolution pursuant to Section 141(f) of the Delaware General Corporation Law:

WHEREAS, the Company has been the subject of an investigation conducted by the US Department of Justice and the US Attorney (collectively the "Government") regarding the Company's participation in a federally funded program commonly known as the E-rate Program (the "Investigation"); and

WHEREAS, as a result of the Investigation the Government has alleged that the Company acted illegally (the "Allegations"); and

WHEREAS, as a result of the Investigation the San Francisco Unified School District filed a civil action against the Company, alleging, among other things, violations under the Federal False Claims Act (the "Civil Action"); and

WHEREAS, the Company has fully cooperated with the Government during the Investigation and has negotiated a settlement with the Government regarding the Allegations and the Civil Action (respectively the "Plea Agreement" and the "Settlement Agreement").

NOW THEREFORE, it is

RESOLVED, that the Company is hereby authorized to negotiate, complete and execute the Plea Agreement and the Settlement Agreement in a form substantially similar to Exhibit A attached hereto,

FURTHER RESOLVED, that the Company shall enter a plea in Federal District Court for the Northern District of California as more fully set forth in the Plea Agreement mentioned above; and

FURTHER RESOLVED, that James Hoover, Vice President and Controller of the Company, be and hereby is authorized and directed to do and perform, in the name and on behalf of the Company, all such acts and things, and to execute and deliver all such

EXHIBIT D

documents and instruments, including but not limited to the Plea Agreement and the Settlement Agreement under the seal of the Company or otherwise, as such officer may deem necessary or advisable to consummate the resolution of the Allegations and Civil Action and carry out the intent and purposes of the foregoing resolution.

This consent may be executed in counterparts and all so executed shall constitute one consent notwithstanding that all of the directors are not signatories to the original or the same counterpart.

Consented to as of the 21st day of May, 2004.

Masaaki Nakajima

TAB 128

DENNIS J. HERRERA, State Bar #139669
City Attorney
JOANNE HOEPER, State Bar #114961
Chief Trial Deputy
MARC D. KATZ, State Bar #189534
JEFFREY RABKIN, State Bar #189798
Deputy City Attorneys
Fox Plaza
1390 Market Street, 6th Floor
San Francisco, California 94102-5408
Telephone: (415) 554-4269
Facsimile: (415) 554-3837

LOUISE H. RENNE, State Bar #36508
General Counsel
San Francisco Unified School District
555 Franklin Street, Third Floor
San Francisco, California 94102

Attorneys for Plaintiffs

SEALED BY COURT ORDER

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

C 02 2893

UNITED STATES *EX REL.* SAN FRANCISCO UNIFIED SCHOOL DISTRICT; CALIFORNIA *EX REL.* SAN FRANCISCO UNIFIED SCHOOL DISTRICT; SAN FRANCISCO UNIFIED SCHOOL DISTRICT IN ITS OWN RIGHT; AND PEOPLE OF THE STATE OF CALIFORNIA *EX REL.* DENNIS J. HERRERA in his official capacity as City Attorney for the City and County of San Francisco, Plaintiffs, vs. NIPPON ELECTRIC COMPANY BUSINESS NETWORK SOLUTIONS, INTER-TEL TECHNOLOGIES, INC., VIDEO NETWORK COMMUNICATIONS, INC., U.S. MACHINERY, INC., SPRIG ELECTRIC; JUDY GREEN, GEORGE MARCHELOS, JOHN COLVIN, GERARD MCNULTY, TIMOTHY TRONSON, DESMOND MCQUOID, RAMON CATBAGAN AND DOES 1-100 Defendants.	Case No. **PLAINTIFFS' COMPLAINT FOR DAMAGES, INJUNCTIVE AND OTHER RELIEF FOR:** **(1) VIOLATIONS OF THE FEDERAL FALSE CLAIMS ACT;** **(2) VIOLATIONS OF THE CALIFORNIA FALSE CLAIMS ACT;** **(3) UNFAIR BUSINESS PRACTICES (Cal. Bus. & Prof. Code § 17200 *et seq.*);** **(4) FRAUD; and** **(5) NEGLIGENT MISREPRESENTATION** **JURY TRIAL DEMANDED** **FILED UNDER SEAL PURSUANT TO 31 U.S.C. § 3730(b)(2)**

OVERVIEW

1. The San Francisco Unified School District ("SF School District") and the San Francisco City Attorney have uncovered a nation-wide scheme to defraud the United States, the State of California, SF School District and other states and school districts across the country, out of millions of dollars earmarked for education. Defendants, including large national corporations, conspired to rig bids and submit falsified, forged and inflated claims in order to pocket tens of millions of dollars from the federal government's Schools and Libraries Program, which subsidizes educational computer technology for impoverished school children. Defendants have perpetrated their fraud throughout the country and its territorial possessions, in locales such as Arkansas, Arizona, Alabama, California, Illinois, Michigan, Puerto Rico and Wisconsin.

2. This is an action brought by the SF School District in the names of the United States and the State of California, and in its own right, and by the San Francisco City Attorney Dennis J. Herrera on behalf of the People of the State of California. The SF School District and the San Francisco City Attorney in all of these capacities are hereby collectively referred to as "plaintiffs."

3. Defendants specifically target school districts with large proportions of underprivileged students, which are most in need of federal funding for educational technology. After enticing these schools with promises of federal funding, defendants infiltrate and corrupt the competitive contract bidding process by which the schools apply for the Schools and Libraries Program funding. Plaintiffs are informed and believe that defendants' scheme and fraudulent and unlawful conduct consists of at least the following acts, which they have committed repeatedly in venues across the nation:

(a) Defendants taint the initial step in the Schools and Libraries Program process by concocting a Request For Proposal (the target school's description of the educational technology project for which it hopes to obtain Schools and

Libraries Program funding) that requires the use of specific equipment – equipment that defendants produce;

(b) Then, in violation of local, state and federal law, defendants orchestrate a rigged bid process. Instead of publicly advertising for bids as required by law, defendants invite only certain pre-selected service providers to bid. Alternatively, defendants advertise the bids but disregard all but the pre-selected "winning" bidders;

(c) Defendants then take over the school's Schools and Libraries Program application process by preparing and submitting all Schools and Libraries Program forms on behalf of the target school;

(d) Defendants knowingly submit false Schools and Libraries Program applications that (i) request federal funding that greatly exceeds the actual cost to the school of the educational technology and services for which the funds are being sought; (ii) misrepresent information about the schools to justify the inflated request for federal funding and (iii) misrepresent the availability of matching school funds;

(e) Defendants further their conspiracy by submitting false information and forged signatures in response to inquiries regarding the inflated and fraudulent applications; and

(f) After the Schools and Libraries Program agrees to fund the school's educational technology project, defendants submit false, misleading, and inflated invoices for payments to the federal Schools and Libraries Program fund administrator.

4. Plaintiffs are informed and believe that defendants have submitted numerous false claims for Schools and Libraries Program funding. By doing so, they have damaged the United States and its citizens by, among other things:

(a) obtaining Schools and Libraries Program funding for schools, services and service providers not eligible for such funding; and

(b) obtaining Schools and Libraries Program funding by misrepresenting, and far exceeding, the true cost of the goods and services and by then pocketing the difference.

5. Plaintiffs are informed and believe that defendants have also submitted numerous false claims to California public school districts for services they purportedly provided. By doing so, they have damaged the State of California, and, more particularly, disadvantaged students, by, among other things:

(a) inducing California school districts to use their scarce funds for technology products and services they did not need;

(b) inducing California school districts to purchase services and equipment at prices far above those the districts could have obtained through a competitive bidding process; and

(c) submitting invoices to California school districts for services not actually provided.

6. Defendants have concealed their scheme by falsifying and forging documents and pressuring school officials to conceal the truth.

JURISDICTION, VENUE AND INTRADISTRICT ASSIGNMENT

7. **Subject Matter Jurisdiction:** This is an action brought in part in the name of the United States by the San Francisco Unified School District ("SF School District") under the civil False Claims Act, 31 U.S.C. sections 3729-3733. This Court therefore has federal question jurisdiction pursuant to 28 U.S.C. section 1331.

8. **Supplemental Jurisdiction:** This Court has supplemental jurisdiction over the claims for relief brought under the laws of California, including the California False Claims Act, Government Code section 12660 *et seq.*, for the recovery of funds paid by California and /or

local government entities, because those claims arise from the same transactions or occurrences as the Federal False Claims action. 28 U.S.C. § 1367.

9. **Venue:** Under 31 U.S.C. section 3732(a) "[a]ny action under section 3730 may be brought in any judicial district in which the defendant or, in the case of multiple defendants, any one defendant can be found, resides, transacts business, or in which any act proscribed by Section 3729 occurred." All of the defendants reside or did business in the Northern District of California. Moreover, many of the acts complained of occurred in the City and County of San Francisco, California. Venue therefore lies in this District under 31 U.S.C. section 3732(a).

10. **Intradistrict Assignment:** A substantial part of the events or omissions which give rise to plaintiffs' claims occurred in the City and County of San Francisco. Accordingly, this action is properly assigned to the San Francisco Division pursuant to Local Rule 3-2(c).

PARTIES

I. PLAINTIFFS

11. The SF School District is a California public school district duly organized under the laws of the State of California. The SF School District is also a "political subdivision" of California and a "person," as those terms are defined within the meaning of the Federal and California False Claims Acts. 31 U.S.C. §§ 3729 *et seq.*; Cal. Gov't Code §§ 12650 *et seq.* As such, the SF School District is authorized to bring this federal False Claims action in the name of the United States and this California False Claims action in the name of California.

12. Dennis J. Herrera, City Attorney of San Francisco, acting to protect the public from unlawful business practices, also brings this action in the name of the People of the State of California pursuant to statutes that prohibit unlawful, fraudulent and unfair business practices. (Cal. Bus. & Prof. Code §§ 17200 et seq.) He is authorized to bring this action by sections 17204 and 17206(a) of the California Business and Professions Code.

13. In addition to suing on behalf of the United States and California, the SF School District is also pursuing this action in its own behalf.

II. DEFENDANTS

A. Corporate Defendants

14. Plaintiffs are informed and believe that Nippon Electric Company Business Network Solutions ("NEC") is a wholly-owned and operated subsidiary of NEC Corporation, a multi-national corporation. NEC's headquarters is in Irving, Texas, and NEC is incorporated in the State of California. NEC is authorized to do business, and is doing business, in the State of California and in this judicial district.

15. Plaintiffs are informed and believe that Inter-Tel Technologies, Inc. ("Inter-Tel") is an Arizona corporation authorized to do business, and is doing business, in the State of California and in this judicial district.

16. Plaintiffs are informed and believe that Video Network Communications, Inc., ("VNCI") is a Delaware corporation authorized to do business, and is doing business, in the State of California and in this judicial district. VNCI has a pervasive national presence in the Schools and Libraries Program. VNCI has recently announced that it is the recipient of Schools and Libraries Program funding awards totaling approximately $30,740,000 for K-12 school districts throughout Arizona, Alabama, California, Illinois, Michigan, and Puerto Rico.

17. Plaintiffs are informed and believe that US Machinery, Inc. is a California corporation headquartered in South San Francisco, and is authorized to do business, and is doing business, in the State of California and this judicial district.

18. Plaintiffs are informed and believe that Sprig Electric ("Sprig") is a California corporation headquartered in San Jose, and is authorized to do business, and is doing business, in the State of California and this judicial district.

19. The true names of other businesses and organizations, whether corporations, associations, clubs, partnerships, joint ventures, or otherwise, of defendants DOES ONE through FIFTY are presently unknown to Plaintiffs who therefore sue them by fictitious names. Plaintiffs shall amend the Complaint to show the true names and identities of DOES ONE through FIFTY when ascertained. Plaintiffs are informed and believe that each of these

unknown DOE defendants is legally responsible in some manner for the events and happenings alleged in this Complaint.

20. Plaintiffs are informed and believe that each of these corporations conspired with all, some or each of the other defendants to commit the acts and omissions alleged.

B. Individual Defendants

21. Plaintiffs are informed and believe that defendant Judy Green resides in the Northern District of California. Plaintiffs are further informed and believe that at all relevant times Green was an employee of VNCI.

22. Plaintiffs are informed and believe that defendant George Marchelos resides in the Northern District of California. Plaintiffs are further informed and believe that at all relevant times Marchelos was an employee of VNCI.

23. Plaintiffs are informed and believe that defendant John Colvin resides in Texas. Plaintiffs are further informed and believe that at all relevant times Colvin was an employee of NEC. Colvin engaged in the wrongful acts described herein in the Northern District of California.

24. Plaintiffs are informed and believe that defendant Gerard McNulty resides in California. Plaintiffs are informed and believe that at all relevant times McNulty was an employee of NEC, and that McNulty engaged in the wrongful acts described herein in the Northern District of California.

25. Plaintiffs are informed and believe that defendant Ramon Catbagan resides in the Northern District of California. Plaintiffs are further informed and believe that at all relevant times Ramon Catbagan was an owner and employee of US Machinery, Inc.

26. Plaintiffs are informed and believe that defendant Desmond McQuoid resides in the Northern District of California. Plaintiffs further allege that at all relevant times McQuoid was employed as the SF School District custodial supervisor.

27. Plaintiffs are informed and believe that defendant Timothy Tronson resides in the Northern District of California. Plaintiffs further allege that during the times relevant to this

complaint. Tronson was first employed as the SF School District director of operations management of the Facilities Department and later served as a consultant to the SF School District.

28. The true names of other individuals, DOES FIFTY-ONE through ONE HUNDRED, are presently unknown to Plaintiffs. Plaintiffs therefore sue them by fictitious names. Plaintiffs shall amend the Complaint to show their true names when ascertained. Plaintiffs are informed and believe that each of these unknown individuals is legally responsible in some manner for the events and happenings alleged in this Complaint.

29. Plaintiffs are further informed and believe that each of these individuals conspired with all, some or each of the other defendants to commit the acts and omissions alleged.

FACTUAL ALLEGATIONS

I. BACKGROUND AND PURPOSE OF THE FCC'S SCHOOLS AND LIBRARIES PROGRAM

30. The Schools and Libraries Program was established by the Telecommunications Act of 1996. 47 U.S.C. §§ 251 *et seq*. By creating the Schools and Libraries Program, Congress intended to close what has been described as "the digital divide" by subsidizing educational computer technology for those who need it the most – school children living in economically disadvantaged and rural areas.

31. The Schools and Libraries Program is a multi-billion dollar federal program. In the first two years, the Schools and Libraries Program helped connect one million public school classrooms to modern telecommunications networks. As of January 2000, the program had committed $3.65 billion to over 50,000 schools and libraries.

32. Schools and Libraries Program funds come from the Universal Service Fund. The Universal Service Fund is generated through contributions from all telecommunications companies in the United States, including local and long distance telephone companies, wireless and paging companies and pay phone providers. Because these telecommunications companies pass on to their consumers the Universal Service Fund charges, the Universal Service Fund is

ultimately generated through contributions from telecommunication consumers throughout the United States.

33. The Universal Service Administrative Company (USAC) administers the Universal Service Fund under the direction of the Federal Communications Commission ("FCC"). USAC is an instrumentality of the United States. It is a private, not for profit corporation that is responsible for providing every state and territory in the United States with access to affordable telecommunications services through the Universal Service Fund. Rural areas, low-income neighborhoods, rural health care providers, public and private schools and public libraries are eligible to seek funding from the Universal Service Fund.

34. The Schools and Libraries Division (SLD) of USAC manages the Schools and Libraries Program.

II. THE SCHOOLS AND LIBRARIES PROGRAM APPLICATION PROCESS

A. FCC Form 470 – Description of Services Requested and Certification Form

35. Schools apply for Schools and Libraries Program funds by submitting forms to the United States via USAC. Misrepresentations to USAC are misrepresentations to the United States. 47 C.F.R. § 54.5; FCC Forms 470, 471, 474, 486.

36. The Schools and Libraries Program requires applicants to use a competitive bidding process to select the service providers that will ultimately benefit from that funding. Specifically, all Schools and Libraries Program applicants must file a form entitled "FCC Form 470" (hereafter, a "Form 470"). 47 C.F.R. § 54.504. The United States requires that the services be provided by the lowest bidders: "The Form 470 applicant is responsible for ensuring an open, fair competitive process and selecting the most cost-efficient provider of the desired services." FCC Form 470. As detailed below, defendants conspired to violate, and did violate, these federal requirements by rigging the bid process.

37. Federal regulations require that the Form 470 be completed by the school that will negotiate with potential service providers. Federal regulations also prohibit financially-interested services providers from filling out the Form 470 on the school's behalf. Schools and

Libraries Program guidelines specifically state: "If a service provider is involved in preparing a Form 470 and that service provider appears on the associated Form 471, this will taint the competitive process and lead to the denial of funding requests that rely on that Form 470." As explained below, defendants violated these regulations and tainted the process by allowing self-interested service providers to complete the Form 470s.

38. Once the school files its Form 470 with the United States, the form is posted to the USAC web site for at least 28 days to elicit competitive bidding. The applicant schools are not permitted to select service providers until after the 28-day period expires. 47 C.F.R. § 54.504(b)(4); FCC Form 470. As detailed below, defendants violated these federal requirements through the rigged bidding process.

39. After the 28-day period expires, the school must enter into a service agreement or contract with one or more of the service providers who submitted low bids in response to the Form 470. FCC Form 470; 47 C.F.R. § 54.504(b)-(c).

B. FCC Form 471 – Services Ordered and Certification Form

40. After signing service agreements or contracts with service providers that prevail in the competitive bid process, the applicant school initiates the next step in the Schools and Libraries Program application process by filing with the United States an FCC Form 471, otherwise known as a Services Ordered and Certification Form ("Form 471"). 47 C.F.R. § 54.504(c). All Schools and Libraries Program applicants must file a Form 471. 47 C.F.R. § 54.504. By filing the Form 471, the applicant school provides information about (among other things) itself and the services for which it is applying for Schools and Libraries Program funding. FCC Form 471; 47 C.F.R. § 54.504(c).

41. Specifically, the applicant school must submit a "Block 5 Worksheet" for each funding request that provides information about the services ordered, the service providers with whom the applicant school has entered contracts or service agreements to provide those services pursuant to a competitive bidding process, the actual price of those services and the amount of

Schools and Libraries Program funds the applicant is requesting for those services. FCC Form 471.

42. Form 471 must also certify, among other things, that the school has set aside sufficient matching funds for the service providers. FCC Form 471.

43. After the applicant files its Form 471 application, it may be required by USAC to submit additional documents to justify its application.

C. FCC Form 486 – Receipt of Services Confirmation Form

44. After USAC elects to provide Schools and Libraries Program funds to an applicant school, that school is responsible for informing USAC when it has received the specified services from the service providers named in the Form 471. Schools do this through the Form 486. FCC Form 486.

45. The applicant school must file the Form 486 with USAC before USAC will authorize the payment of invoices from the school's service providers. FCC Form 486.

D. FCC Form 474 – Service Provider Invoice Form

46. Once a school files a Form 486 with USAC, thereby certifying that it has received the specified services from a service provider listed on the relevant Form 471, that service provider must file a Form 474. FCC Form 474.

47. The Form 474 is an invoice from the service provider to USAC intended to obtain Schools and Libraries Program funding for the services provided by service provider to the school. Once USAC receives a completed Form 474 that appears to comply with FCC regulations, it disburses Schools and Libraries Program funds to that service provider in the amount provided on the Form 474.

III. THE SAN FRANCISCO FRAUD

A. The Inception of the San Francisco Scheme and the Rigged Design RFP

48. Plaintiffs are informed and believe that the San Francisco Schools and Libraries Program scam began with defendant Inter-Tel's desire to enter the SF School District's market with Inter-Tel's telephone technology. Inter-Tel proposed a telephone and video "pilot project"

for SF School District to defendants McQuoid and Tronson, and proposed that VNCI be used to provide the video component.

49. Plaintiffs are informed and believe that VNCI then persuaded McQuoid and Tronson to expand the "pilot project" into a massive computer network to be paid for by the Schools and Libraries Program. VNCI's employees Marchelos and Green represented themselves as experts in soliciting Schools and Libraries Program funds. At the outset, Marchelos and Green schemed to run the Schools and Libraries Program process in a manner that would ensure that VNCI's equipment would be purchased, and that they would receive large sales commissions. Tronson and McQuoid agreed to the plan, even though they had no authority from the SF School District to make a Schools and Libraries Program application. (This application will be referred to as the "Tronson/McQuoid application," because the scheme was not authorized or permitted by the SF School District.)

50. Plaintiffs are informed and believe that on or before December 7, 1999, VNCI, through Marchelos and Green, conspired with defendants McQuoid and Tronson to prepare a Request For Proposal ("RFP") for the design of a school computer network with video streaming technology. The design RFP was to be drafted to ensure the purchase of defendants Inter-Tel, VNCI and NEC goods and services for the project once it was funded.

51. On December 7, 1999, Marchelos transmitted to McQuoid and Tronson a design RFP that he, Green and VNCI had successfully foisted on a public school in Muskegon Heights, Michigan; the RFP had been designed to ensure that VNCI's equipment was purchased with Schools and Libraries Program funding there.

52. On December 16, 1999, Marchelos prepared a Form 470 for the Tronson/McQuoid application. Federal regulations require an open and competitive bidding process and federal law prohibits the Form 470 from being completed by a service provider who will participate in the competitive process as a bidder. In direct violation of these federal rules, VNCI completed the Form 470 despite the fact that VNCI planned to include its equipment in the proposed Tronson/McQuoid Schools and Libraries Program application.

Schools and Libraries Program funds the applicant is requesting for those services. FCC Form 471.

42. Form 471 must also certify, among other things, that the school has set aside sufficient matching funds for the service providers. FCC Form 471.

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49. Plaintiffs are informed and believe that VNCI then persuaded McQuoid and Tronson to expand the "pilot project" into a massive computer network to be paid for by the Schools and Libraries Program. VNCI's employees Marchelos and Green represented themselves as experts in soliciting Schools and Libraries Program funds. At the outset, Marchelos and Green schemed to run the Schools and Libraries Program process in a manner that would ensure that VNCI's equipment would be purchased, and that they would receive large sales commissions. Tronson and McQuoid agreed to the plan, even though they had no authority from the SF School District to make a Schools and Libraries Program application. (This application will be referred to as the "Tronson/McQuoid application," because the scheme was not authorized or permitted by the SF School District.)

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53. Plaintiffs are informed and believe that on December 29, 1999, Marchelos transmitted to McQuoid and Tronson a slightly modified design RFP in which the SF School District was substituted for the Michigan school. Like the Michigan RFP, the December 29, 1999 design RFP was intentionally drafted in a manner intended to ensure the purchase of VNCI equipment with Schools and Libraries Program funding.

B. The Rigged Bidding Process

54. Plaintiffs are informed and believe that on or about January 3, 2000, defendants conspired to rig the bid process so that only certain service providers would be selected to build the computer network envisioned by the rigged RFP created by Marchelos, Green and VNCI. Defendants entered into the conspiracy in order to:

(a) ensure that the bid process would not be open and competitive, but rather would result in the purchase of defendants' goods and services with Schools and Libraries Program funds;

(b) personally benefit the individual defendants;

(c) conceal the corruption of the bid process; and

(d) conceal the submission of false claims to the United States.

55. On January 3, 2000, defendants orchestrated and ran a "pre-bid" meeting in San Francisco that was attended by, inter alia, defendant McQuoid; defendant Marchelos of VNCI; defendants Colvin and McNulty of NEC, defendant Ramon Catbagan of US Machinery, and representatives of defendant Sprig. Allegedly, the purpose of the meeting was to distribute the design RFP to potential bidders. However, the meeting was never advertised to the general public; rather, the only service providers that attended the meeting were those willing to participate in the conspiracy to defraud the United States. (One other company not involved in the conspiracy, also attended. But it was "invited" on the very day of the meeting, January 3, 2000, in order to create a false air of legitimacy.) Marchelos of VNCI ran the "pre-bid" meeting and falsely represented himself as a SF School District representative instead of as a sales representative with VNCI, which would profit if the San Francisco scheme succeeded in

obtaining federal funding. Other than the one company invited the morning of the meeting, only service providers with financial ties to defendants VNCI, Marchelos, Green and McQuoid were invited to the meeting. Specifically plaintiffs are informed and believe that the service providers were invited to participate in the San Francisco scheme for the following reasons:

(a) US Machinery provided McQuoid with a company credit card for his personal use and agreed to assist McQuoid and Tronson in their pursuit of a private computer venture. US Machinery had been providing equipment to the School District and McQuoid was responsible for approving the US Machinery invoices. Plaintiffs are informed and believe that US Machinery and its owner, Ramon Catbagan committed commercial bribery by providing funds to McQuoid in exchange for School District contracts. Moreover, McQuoid and Tronson fraudulently used School District time and money to pursue their private business venture and concealed this information from the School District;

(b) NEC bundled VNCI equipment in projects funded by the Schools and Libraries Program throughout the country, resulting in sales commissions for Green and Marchelos;

(c) Inter-Tel agreed to bundle VNCI equipment for the proposed Tronson/McQuoid application, which was to be funded by the Schools and Libraries Program; in addition, Inter-Tel promised to provide and did provide McQuoid and Tronson with contacts and meetings to promote their private business venture; and

(d) Sprig had an ongoing financial relationship with VNCI and Green.

56. Plaintiffs are informed and believe that defendants attempted to conceal the fact that the only service providers who attended this meeting were those invited by Marchelos, Green and McQuoid. For example, during or after the January 3, 2000 "pre-bid" meeting, McQuoid falsified the list of meeting attendees. McQuoid asked at least one individual who was

not a prospective bidder to sit in on the meeting, and to sign the attendance sheet, in an effort to conceal the fact that the only service providers who attended this meeting were those invited by VNCI and McQuoid. In addition, McQuoid went so far as to forge the name of an alleged participant who has never even been to San Francisco.

57. Plaintiffs are informed and believe that the only service providers that were permitted to submit bids on the design RFP were those that attended to the January 3, 2000 meeting. Defendants Inter-Tel, US Machinery, Sprig and NEC submitted bids for the design RFP. At a meeting held on January 14, 2000, VNCI, through Marchelos and Green, "reviewed" and "evaluated" the pre-selected "bids" despite the fact that VNCI had a financial interest in the outcome of the bidding process.

58. At the January 14, 2000 meeting, the "lowest responsive bidders" were:

(a) Inter-Tel bid $20.6 million for the phone equipment;

(b) US Machinery bid $9.2 million for the computer servers;

(c) Sprig bid $13.6 million for the cabling; and

(d) NEC bid $12.6 million for the switches and routers.

Thus, the total bid price for this equipment totaled $56 million.

59. Federal, California and San Francisco law required the selection of the lowest responsive bidders as the service providers for the design RFP computer network project. Because defendants had rigged the bid process, defendants' bids for the design RFP were tainted from the beginning, and there were no true "lowest responsive bidders."

60. In addition, plaintiffs are informed and believe that defendants VNCI (though Marchelos and Green), McQuoid, NEC (though Colvin and McNulty), and Inter-Tel conspired to:

(a) further manipulate the bid selection process by forcing Sprig and US Machinery to become subcontractors to NEC for their respective portions of the computer network project in violation of State and local law. This was a

payoff for NEC's prior agreement to bundle VNCI equipment with NEC equipment elsewhere in the country; and

(b) conceal the presence of VNCI equipment in Inter-Tel's proposal.

61. As a result of this conspiracy, VNCI, NEC and Inter-Tel ensured that they were the primary companies in line to receive funding from the Schools and Libraries Program.

C. The False Schools and Libraries Program Applications

62. Plaintiffs are informed and believe that on January 15, 16 and 18, 2000, defendants conspired to submit and did submit to the United States falsified and inflated Form 471 applications for Schools and Libraries Program funding. These Form 471 applications grossly inflated the price of the proposed equipment (which had already been inflated through a rigged bidding process), and falsely represented that the SF School District had set aside matching funds for the computer network project. Specifically:

(a) Defendants inflated the Form 471 application related to phone equipment by $8.7 million. Inter-Tel's "winning" bid for this portion of the project represented that the price for their equipment and services was $20.6 million. Defendants submitted Form 471 applications to the United States that represented the price for these equipment and services was $29.4 million;

(b) Defendants inflated the Form 471 applications related to computer servers by $22.5 million. US Machinery's "winning" bid for this portion of the project represented that the price for their goods and services was $9.2 million. Defendants submitted Form 471 applications to the United States that represented NEC (rather than US Machinery) would provide these equipment and services at a price of $32.8 million; and

(c) Defendants inflated the Form 471 applications related to cabling by $26 million. Sprig's "winning" bid for this portion of the project represented that the price for their goods and services was $13.6 million. Defendants submitted Form 471 applications to the United States that represented that NEC (rather

than Sprig) would provide this equipment and services at a price of $39.6 million.

Thus, in total, defendants inflated the Form 471 applications by $57.2 million from the actual (bid) price.

63. Plaintiffs also concealed their intent to use Schools and Libraries Program funding for goods and services not eligible for such funding.

64. In addition to the falsified Form 471 applications for Schools and Libraries Program funding, defendants also conspired to submit forged and falsified documents in order to induce the United States to fund the Tronson/McQuoid application. Plaintiffs are informed and believe that these false and forged documents include but are not limited to the following:

(a) On June 30, 2000, Defendant Doe One transmitted to USAC false purchase agreements purportedly between Inter-Tel, NEC and the SF School District. Plaintiffs are informed and believe that defendant Green of VNCI forged these documents, which were requested by USAC;

(b) Defendants Tronson and McQuoid falsified a document that purported to show that the SF School District had set aside matching funds for the computer network project, when no such matching funds had been set aside. In fact, the SF School District and the Board of Education were unaware that Tronson and McQuoid were applying for Schools and Libraries Program funding of any kind and never authorized Tronson and McQuoid to do so;

(c) On or about June 30, 2000, defendants McQuoid, VNCI and NEC submitted to USAC documents that materially misstated facts regarding the SF School District in order to justify their application for the Schools and Libraries Program funding. For example, these documents asserted that the SF School District covered 400 square miles (The entire City and County of San Francisco covers 49 square miles). Defendants also asserted that the SF School District computer project would involve 46 schools with 2,400

classrooms; in fact, those 46 schools have fewer than 1,200 classrooms. Defendants also claimed that the school sites are between 2 and 45 miles apart, and that there is no mass transit in San Francisco. Because the City and County of San Francisco covers an area roughly 7 miles long by 7 miles wide, no school within the SF School District is more than 10 miles from another. Furthermore, San Francisco has one of the nation's largest public transportation systems. And, NEC submitted documents that falsely inflated the size of seven sample SF School District schools when attempting to justify cabling costs; and

(d) Defendants' application sought funding to install a computer server in every classroom. This was grossly excessive; one or two servers per school would have been sufficient. Plaintiffs are informed and believe that defendants intended to use the excess computer equipment for their private gain.

65. As a direct consequence of Defendants' conduct, the United States awarded the SF School District $49.1 million in Schools and Libraries Program funding between June 2, 2000 and September 22, 2000. Under the Schools and Libraries Program award, the SF School District was required to provide another $10.2 million in matching funds.

66. The SF School District and its superintendent had been unaware of the Tronson/McQuoid application. Upon learning of the unauthorized application, the SF School District declined the $49.1 million in Schools and Libraries Program funding. Thereafter, the SF School District asked the San Francisco City Attorney's Office to investigate the Tronson/McQuoid application. This investigation uncovered defendants' nation-wide conspiracy and unlawful conduct.

IV. THE MILWAUKEE FRAUD

67. Plaintiffs are informed and believed that Defendants VNCI, through Marchelos and Green engaged in a similar fraud in Milwaukee, Wisconsin. NEC conspired with VNCI in furtherance of this fraud and benefited directly from it.

68. Some time during 1998 or 1999, Marchelos and Green met Dorothy Travis Johnson ("Johnson") at a black educators conference in Nashville, Tennessee. Johnson is the principal and director of the Travis Academy, a small private school for at-risk black children located in Milwaukee, Wisconsin.

69. During the Nashville conference, Marchelos and Green informed Johnson that they could obtain Schools and Libraries Program funding that would allow the Travis Academy to purchase educational computer technology.

70. In the fall of 1999, VNCI (though Marchelos and Green) orchestrated a bidding process for a proposed computer network project at the Travis Academy. Specifically, VNCI instructed Johnson to advertise a RFP in the local newspaper. All bids received by Johnson were then turned over to VNCI.

71. Plaintiffs are informed and believe that VNCI (through Marchelos and Green) then prepared a falsified Form 471 on behalf of the Travis Academy on which NEC, which had agreed to bundle VNCI technology, or other service providers that otherwise promised to provide benefits to Marchelos and Green, were listed. This Form 471 contained multiple false statements, including without limitation, that Travis Academy prepared the Form 471, that the Travis Academy selected the listed service providers after a competitive bidding process, and that the Travis Academy had set aside funds to match the requested Schools and Libraries Program funds.

72. In addition, plaintiffs are informed and believe that in response to USAC inquiries, Green forged Johnson's signature on a purchase agreement purportedly between Travis Academy and a service provider.

73. As a result of the falsified documents, Travis Academy received approximately $1.2 million of Schools and Libraries Program funding in the fall of 2000. That funding was then used to purchase NEC equipment that bundled VNCI products.

1 74. VNCI, Marchelos and Green repeated this entire process the next year, and the
2 Travis Academy received approximately another $800,000 in Schools and Libraries Program
3 funding in the fall of 2001.
4 75. Plaintiffs are informed and believe that NEC, through Colvin or McNulty,
5 dissuaded Johnson from conducting an inventory of the NEC equipment.
6 **V. DEFENDANTS' NATIONAL ROAD-SHOW**
7 76. In addition to the Milwaukee and San Francisco frauds described above, plaintiffs
8 are informed and believe that defendants NEC, VNCI and Inter-Tel have perpetrated similar
9 Schools and Libraries Program schemes throughout the country.
10 77. Defendants' unlawful conduct in San Francisco, and their nearly identical scheme
11 in Milwaukee, demonstrates that defendants have a pattern and practice of conspiring to violate,
12 and of violating, federal, state and local laws related to the Schools and Libraries Program and
13 competitive bidding requirements.
14 78. Moreover, VNCI has a pervasive national presence in the Schools and Libraries
15 Program. It claims that it has received $31 million in Schools and Libraries Program funding for
16 schools in Arizona, Alabama, California, Illinois, Michigan, and Puerto Rico. Plaintiffs are
17 informed and believe that VNCI derives a substantial portion its revenue from Schools and
18 Libraries Program funding.
19 79. Plaintiffs are informed and believe that NEC, VNCI and Inter-Tel also have a
20 pattern and practice of bundling their services and goods, and of working together in order to
21 obtain Schools and Libraries Program funds in school districts throughout at least the following
22 locations:
23 (a) Ecorse, Michigan;
24 (b) Covert, Michigan;
25 (c) Mt. Clemens, Michigan;
26 (d) Muskegon Heights, Michigan;
27 (e) Lee County, Arkansas;
28

(f) West Fresno, California;

(g) Los Angeles, California; and

(h) East Palo Alto, California.

80. Plaintiffs are informed and believe that VNCI, through Marchelos and Green, orchestrated the Schools and Libraries Program applications in West Fresno, Los Angeles, and East Palo Alto.

81. Plaintiffs are informed and believe that VNCI, through Marchelos, orchestrated the Schools and Libraries Program applications in all of the locations listed in paragraph 79(a)-(h).

82. Based on defendants' pattern and practice of unlawful and fraudulent conduct in San Francisco and in Milwaukee, plaintiffs are informed and believe defendants perpetrated the same unlawful and fraudulent conduct in at least the locations set forth above in paragraphs 78 and 79(a)-(h). This conduct resulted in damages to the United States in an amount to be determined at trial.

FIRST CLAIM FOR RELIEF

(VIOLATIONS OF THE FEDERAL FALSE CLAIMS ACT)

Brought By The United States Ex Rel. SF School District Against All Defendants

83. Plaintiffs hereby incorporate by reference and re-allege paragraphs 1 through 82.

84. All Schools and Libraries Program funding described above was or will be paid for in part by the United States.

85. Plaintiffs are informed and believe that each defendants engaged in the following acts and omissions in violation of the Federal False Claims Act:

(a) knowingly presented, or caused to be presented, to an employee or agent for the United States false claims for payment or approval;

(b) knowingly made, used, or caused to be made or used a false record or statement to get false claims paid or approved by the United States;

(c) conspired to defraud the United States by getting false claims allowed, paid or approved by the United States;

(d) knowingly made, used, or caused to be made or used a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money to the United States and/or;

(e) was the beneficiary of inadvertently submitted false claims to the United States, subsequently discovered the falsity of the claims, and failed to disclose the false claims to the United States, within a reasonable time.

86. Defendants' conduct caused the United States damage in an amount to be determined at trial.

SECOND CLAIM FOR RELIEF

(VIOLATIONS OF THE CALIFORNIA FALSE CLAIMS ACT)

Brought By SF School District On Its Own Behalf And Ex Rel. California Against All Defendants

87. Plaintiffs incorporate by reference and re-allege paragraphs 1 through 86.

88. All Schools and Libraries Program funding described above was or will be paid for in part by SF School District and/or California funds and/or loans.

89. Plaintiffs allege on information and belief that each defendant engaged in the following acts and omissions in violation of the California False Claims Act:

(a) knowingly presented, or caused to be presented to an employee or agent for California and/or SF School District false claims for payment or approval;

(b) knowingly made, used, or caused to be made or used a false record or statement to get false claims paid or approved by California and/or SF School District;

(c) conspired to defraud California and/or SF School District by getting false claims allowed, paid or approved by California and/or SF School District;

(d) knowingly made, used, or caused to be made or used a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money to California and/or SF School District; and/or

(e) was the beneficiary of inadvertently submitted false claims to California and/or SF School District, subsequently discovered the falsity of the claim, and failed to disclose the false claims to California and/or SF School District within a reasonable time.

90. Defendants' conduct caused the California damage in an amount to be determined at trial.

THIRD CLAIM FOR RELIEF

UNFAIR BUSINESS PRACTICES

(CAL. BUS. & PROF. CODE §§ 17200 ET SEQ.)

Brought By The People Of The State of California Against All Defendants

91. The People of the State of California incorporate by reference and re-allege paragraphs 1 through 90.

92. Section 17200 of the Business and Professions Code provides that unfair competition shall mean and include any "unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising."

93. In performing the acts alleged in this Complaint, defendants engaged in unfair competition within the meaning of section 17200. Each of the acts alleged in this Complaint constitutes an unlawful, unfair, or fraudulent business act or practice under section 17200. The predicate unlawful business acts or practices include without limitation violations of state and local false claims acts, forgery, commercial bribery, and violations of California conflict of interest laws. These acts were widespread, occurring in various counties in California.

FOURTH CLAIM FOR RELIEF

(FRAUD AND DECEIT RE: THE TRONSON/MCQUOID APPLICATION)

(CAL. CIVIL CODE SECTIONS 1709 AND 1710)

Brought By SF School District Against All Defendants

94. SF School District incorporates by reference and re-allege paragraphs 1 through 93.

95. Defendants willfully deceived the SF School District with intent to induce the SF School District to alter its position to its injury or risk.

96. Defendants' misrepresentations, concealments and omissions included, without limitation:

(a) Tronson and McQuoid concealed from the SF School District their efforts to obtain Schools and Libraries Program funding despite their duty to refrain from such unauthorized activity;

(b) VNCI, through Marchelos and Green, intentionally concealed from the SF School District the fact that VNCI, rather than SF School District, drafted the design RFP and Form 470 for Schools and Libraries Program funding in violation of federal regulations. VNCI also intentionally concealed from the SF School District that this design RFP was intended not to benefit the SF School District, but rather to ensure the purchase of defendants' services;

(c) All defendants concealed from the SF School District that they had conspired to rig, and rigged, the bidding on the Tronson/McQuoid application for Schools and Library Program Funding;

(d) All defendants concealed from the SF School District that the rigged bidding process resulted in inflated prices for the services defendants intended to provide, a portion of which defendants knew would be funded by the SF School District; and

(e) Defendants McQuoid, Tronson, VNCI, and NEC concealed from the SF School District their submission of forged and falsified documents to the United States in furtherance of their conspiracy to obtain Schools and Libraries Program.

97. These misrepresentations, concealments and omissions set forth above were likely to mislead, and did mislead, the SF School District.

98. The SF School District at all times alleged herein was ignorant of the existence of the facts that defendants suppressed and failed to disclose. If the SF School District had been aware of the existence of the facts concealed by defendants, the SF School District would have taken different actions, including:

(a) notifying USAC-SLD, as well as federal and state law enforcement, of defendants' wrongful conduct;

(b) preventing or withdrawing the fraudulent and falsified applications for Schools and Libraries Program funding; and

(c) terminating any ongoing relationship with any of the defendants.

99. SF School District reasonably relied on defendants' misrepresentations, concealments and omissions. Defendants' misrepresentations, concealments and omissions caused the SF School District damage in an amount to be determined at trial, including without limitation the expenditure of SF School District resources to compensate McQuoid and Tronson for their unauthorized and unlawful conduct and the expenditure of SF School District resources to investigate that conduct.

100. Defendants' conduct was despicable conduct that subjected the School District to an unjust hardship in conscious disregard of the School District's rights, so as to justify an award of exemplary and punitive damages.

FIFTH CLAIM FOR RELIEF

(FRAUD AND DECEIT RE: THE TRONSON/MCQUOID PRIVATE BUSINESS VENTURE)

(CAL. CIVIL CODE SECTIONS 1709 AND 1710)

Brought By SF School District Against Defendants Tronson, McQuoid, U.S. Machinery, Inc., and Ramon Catbagan

101. SF School District incorporates by reference and re-allege paragraphs 1 through 100.

102. Defendants Tronson, McQuoid, U.S. Machinery, Inc., and Ramon Catbagan willfully deceived the SF School District with intent to induce the SF School District to alter its position to its injury or risk.

103. Defendants' misrepresentations, concealments and omissions included, without limitation:

(a) Tronson and McQuoid concealed from the SF School District their pursuit of a private business venture on SF School District time and with use of SF School District resources;

(b) Defendants U.S. Machinery and Ramon Catbagan concealed from the SF School District their bribery of Tronson and McQuoid by providing credit cards for McQuoid's personal use to further the Tronson/McQuoid business venture.

104. These misrepresentations, concealments and omissions set forth above were likely to mislead, and did mislead, the SF School District.

105. The SF School District at all times alleged herein was ignorant of the existence of the facts which defendants suppressed and failed to disclose. If the SF School District had been aware of the existence of the facts concealed by defendants, the SF School District would have taken different actions, including:

(a) terminating any ongoing relationship with any of these defendants;

(b) preventing the use of SF School District resources to further these defendants private business venture.

106. SF School District reasonably relied on defendants' misrepresentations, concealments and omissions. Defendants' misrepresentations, concealments and omissions caused the SF School District damage in an amount to be determined at trial, including without limitation (i) Tronson and McQuoid's compensation and benefits for time spent not on SF School District business, but rather in pursuit of their private business venture and (ii) any SF School District resources used to further the Tronson/McQuoid private business venture.

107. Defendants' conduct was despicable conduct that subjected the School District to an unjust hardship in conscious disregard of the School District's rights, so as to justify an award of exemplary and punitive damages.

SIXTH CLAIM FOR RELIEF

(NEGLIGENT MISREPRESENTATION RE: THE TRONSON/MCQUOID APPLICATION)

Brought By SF School District Against All Defendants

108. SF School District incorporates by reference and re-allege paragraphs 1 through 107.

109. Defendants, in making the misrepresentations set forth in paragraphs 96(a) through (e), had no reasonable grounds to believe those misrepresentations, and defendants made those misrepresentations with the intent to induce the SF School District to change its position to its injury or risk.

110. Defendants had a duty to disclose the material facts noted in paragraphs 96(a) through (e), and acted negligently in failing to do so.

111. Thus, to the extent defendant's suppressions of material facts detailed above were not intentional, they were negligent. In reasonable reliance on defendant's failure to disclose the material facts and suppress the facts detailed above, the School District altered its position to its injury or risk.

112. SF School District reasonably relied on defendants' negligent misrepresentations

and omissions. Defendants' negligent misrepresentations and omissions caused the SF School District damage in an amount to be determined at trial, including without limitation the expenditure of SF School District resources to compensate McQuoid and Tronson for their unauthorized and unlawful conduct and the expenditure of SF School District resources to investigate that conduct.

SEVENTH CLAIM FOR RELIEF

(NEGLIGENT MISREPRESENTATION RE: THE TRONSON/MCQUOID PRIVATE BUSINESS VENTURE)

Brought By SF School District Against Defendants Tronson, McQuoid, U.S. Machinery, Inc., and Ramon Catbagan

113. SF School District incorporates by reference and re-allege paragraphs 1 through 112.

114. Defendants, in making the misrepresentations set forth in paragraphs 103(a) through (b), had no reasonable grounds to believe those misrepresentations, and defendants made those misrepresentations with the intent to induce the SF School District to change its position to its injury or risk.

115. Defendants had a duty to disclose the material facts noted in paragraphs 103(a) through (b), and acted negligently in failing to do so.

116. Thus, to the extent defendant's suppressions of material facts detailed above were not intentional, they were negligent. In reasonable reliance on defendant's failure to disclose the material facts and suppress the facts detailed above, the School District altered its position to its injury or risk.

117. SF School District reasonably relied on defendants' negligent misrepresentations and omissions. Defendants' negligent misrepresentations and omissions caused the SF School District damage in an amount to be determined at trial, including without limitation the expenditure of SF School District resources to compensate McQuoid and Tronson for their unauthorized and unlawful conduct and the expenditure of SF School District resources to investigate that conduct.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment against each Defendant as follows:

Under the First Claim for Relief (Violation of the Federal False Claims Act)

1. For general, consequential and compensatory damages according to proof;

2. For damages in an amount equal to three times the amount of actual damages suffered by the United States;

3. For exemplary or punitive damages in an amount sufficient to punish and deter;

4. For any and all civil penalties available under the Federal False Claims Act, based on the number of violations and a penalty amount per violation to be ascertained in accordance with the evidence. These penalties shall be cumulative to any other penalties or remedies.

5. For costs of suit incurred, including costs of investigation, attorneys' fees and court costs;

6. Disgorgement of profits; and

7. For such other and further relief as the court may deem proper

Under the Second Claim for Relief (Violation of the California False Claims Act)

1. For general, consequential and compensatory damages according to proof;

2. For damages in an amount equal to three times the amount of actual damages suffered by California;

3. For exemplary or punitive damages in an amount sufficient to punish and deter;

4. For any and all civil penalties available under the California False Claims Act, based on the number of violations and a penalty amount per violation to be ascertained in accordance with the evidence. These penalties shall be cumulative to any other penalties or remedies.

5. For costs of suit incurred, including costs of investigation, attorneys' fees and court costs;

6. Disgorgement of profits; and

7. For such other and further relief as the court may deem proper.

Under the Third Claim for Relief (Unfair Business Practices)

1. That pursuant to section 17206 of the Business and Professions Code, defendants be assessed the maximum civil penalty allowed by law for each violation of section 17200, based on the number of violations and a penalty amount per violation to be ascertained in accordance with the evidence. These penalties shall be cumulative to any other penalties or remedies.

2. That pursuant to sections 17203 and 17204 of the Business and Professions Code, defendants be enjoined from performing or proposing to perform any of the aforementioned acts of unfair competition within California;

3. That pursuant to section 17203 of the Business and Professions Code and the Court's inherent power, defendants be ordered to restore the amount of damages to every injured person, cumulative to any other remedy;

4. That pursuant to section 17203 of the Business and Professions Code and the Court's inherent equitable power, defendants be ordered to disgorge their ill-gotten gains to the injured parties, and to disgorge the profits earned on their improper conduct, cumulative to any other remedy;

5. That the Court impose a constructive trust over any ill-gotten gains in Defendants' possession or control;

6. That pursuant to section 17206 of the Business and Professions Code and the Court's inherent equitable power, the People of the State of California recover their costs, including costs of investigation and suit incurred by SF School District and its departments and/or representatives, including the City Attorney's Office.

7. That the People of the State of California have such other and further relief as this Court may deem just and proper in order to fully dissipate the effects of the unfair, fraudulent and unlawful acts, practices, and patterns of conduct complained of by Plaintiffs.

Under the Fourth and Fifth Claims for Relief (Fraud)

1. For general, consequential and compensatory damages according to proof;

2. For exemplary or punitive damages in an amount sufficient to punish and deter;

3. For costs of suit incurred;

4. Disgorgement of profits; and

5. For such other and further relief as the court may deem proper.

Under the Sixth and Seventh Claims for Relief (Negligent Misrepresentation)

1. For general, consequential and compensatory damages according to proof;

2. For costs of suit incurred;

3. For such other and further relief as the court may deem proper.

DEMAND FOR A JURY TRIAL

Plaintiffs demand a jury trial.

Dated: May 16, 2002

DENNIS J. HERRERA
City Attorney
JOANNE HOEPER
Chief Trial Attorney
MARC D. KATZ
JEFFREY RABKIN
Deputy City Attorneys

By: _____
DENNIS J. HERRERA
San Francisco City Attorney

By: _____
LOUISE H. RENNE
General Counsel, San Francisco Unified School District

TAB 129

QUESTIONS FOR DEPUTY GENERAL COUNSEL KRISTY CARROLL:

The responses to the questions below were prepared, as indicated in each section. The responses to the questions in this section were prepared, as indicated, by the following Universal Service Administrative Company (USAC) employees: George McDonald (GM), Vice President, Schools and Libraries Division (SLD); Catriona Ayer (CA), Senior Manager, Program Integrity Operations; Kristy Carroll (KC), Associate General; and USAC's contractor – The National Exchange Carrier Association(NECA) employee -- Tom Schnipp (TS), Manager, Program Integrity Assurance--Selective Review.

These responses were prepared to the best of these employees' knowledge based on the best information available to them as of April 26, 2002. Most of the events to which the questions are directed occurred more than 18 months ago, and it is difficult to recall specific transactions or conversations in light of the volume of requests for funding which USAC and our program support services contractor handle. It has proven difficult for USAC employees and contractor employees to recall specific transactions. In addition, the Schools and Libraries Universal Service Support Mechanism is a complex and constantly-evolving program. We have attempted to respond fully and accurately to the questions, but USAC would be happy to explain or clarify any of the responses set forth below.

1. Which documents sent to Universal Services Administrative Company (hereafter USAC) from Desmond McQuoid or others at San Francisco Unified School District concerning Form 471s 202872 and 202719, including but not limited to official USAC documents such as the Form 470s and 471s, were sent though the U.S. Mail?

In Funding Year 3, records were not kept regarding the manner in which documents arrived. In general, UASC will not be able to say how documents arrived. (GM)

2. Please explain the USAC rules and regulations regarding the requirement that applicants have monies budgeted for their share of the expense of an E-Rate subsidized project?

The Federal Communications Commission stated that requiring applicants to pay their share will ensure efficiency and accountability in the program:

Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the account fund.

Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157 ¶ 493 (rel. May 8, 1997).

Applicants certify that they have complied with this requirement on FCC Forms 470 and 471. On the Form 470, applicants certify as follows in Item 23:

I recognize that support under this support mechanism is conditional upon the school(s) or library(ies)

> *I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively.*

On the Form 471, applicants certify as follows in Item 25:

> *The schools and libraries I represent have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.*

(KC)

3. Who is responsible for filing the Form 471? The vendor or the applicant?

The applicant, or more precisely, the entity that will be responsible for making payments directly to the service provider(s). (GM)

4. Is it improper for a vendor/bidder to have a role in filing out the Form 471?

It is not improper for a vendor/bidder to have a role in filling out the Form 471. At that point, the competitive process has concluded and the selection has been made. The service provider will likely be able to help the applicant submit an accurate Form 471. (GM)

5. Can more than one Form 471 be filed with USAC as the result of a single competitive bid?

Yes, to the extent that the applicant wants to split the services across different funding requests. That might be necessary if, for example, the applicant is purchasing services of two different service types, e.g., Internet access and internal connections. (GM)

5a. If not why not?

5b. If so, are their limitations on when this can be done or how many Form 471s can be filed as the result of a single competitive bid process?

No. (GM).

5c. If so, explain.

6. What are the penalties for making false certifications on a Form 471?

FCC Form 471 states "Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. § § 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. 1001. The FCC also has civil remedies available to it pursuant to Title 47 of the Code of Federal

Regulations. In addition, pursuant to its fiduciary obligations to the universal service support mechanisms and its regulatory duty to prevent waste, fraud, or abuse, USAC may deny funding requests, reject invoices submitted for payment and/or seek recovery of funds previously disbursed in situations involving false certifications. (KC)

7. What are the penalties for providing false or fraudulent documentation, or any other form of non-verbal communication (i.e. letter, e-mail), in response to a USAC queries or as part of or an attachment to one's Form 471 application?

FCC Form 471 states "Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. § § 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. 1001. The FCC also has civil remedies available to it pursuant to Title 47 of the Code of Federal Regulations. In addition, pursuant to its fiduciary obligations to the universal service support mechanisms and its regulatory duty to prevent waste, fraud, or abuse, USAC may deny funding requests, reject invoices submitted for payment and/or seek recovery of funds previously disbursed in situations involving false certifications. (KC)

7a. Does this include information provided over the phone?

FCC Form 471 states "Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. § § 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. 1001. The FCC also has civil remedies available to it pursuant to Title 47 of the Code of Federal Regulations. In addition, pursuant to its fiduciary obligations to the universal service support mechanisms and its regulatory duty to prevent waste, fraud, or abuse, USAC may deny funding requests, reject invoices submitted for payment and/or seek recovery of funds previously disbursed in situations involving false certifications. (KC)

8. Do funding years follow a fiscal year format of July 1 to June 30?

Funding Year 1 began on January 1, 1998, and was originally scheduled to close on December 31, 1998, but the FCC extended Funding Year 1 by six months so that it ended on June 30, 1999. All subsequent funding years have been 12 months, running from July 1 to June 30 of the subsequent calendar year. (GM)

8a. If not, what is the exact time frame of a funding year?

See above.

9. Please provide the time frames for E-Rate funding years one, two, three, and four.

See above.

10. What funding year is the E-Rate program in now?

Funding Year 4. (GM)

11. When was the last Form 471 filed from San Francisco Unified School District? Who was the contact person? During what funding year was it filed?

The Last Form 471 filed from the San Francisco Unified School District was filed on January 16, 2002. The contact person was Bruce Manson. It was filed during Funding

Year 4 for Funding Year 5. (GM)

12. What is the relationship between the Federal Communications Commission and USAC?

The Telecommunications Act of 1996 ("1996 Act") added section 254 to the Communications Act to provide universal service funding to assist low-income consumers and consumers in high-cost areas in obtaining affordable telecommunications services. See 47 U.S.C. § 254(b)&(j). It also requires the extension of universal service support to schools and libraries, and to rural health care providers. 47 U.S.C. § 254(h).

The FCC and USAC have a close working relationship that is conducted pursuant to the 1996 Act and governed by regulations set forth in 47 C.F.R. Part 54, by an extensive framework of orders and other decisions interpreting and further codifying the legal framework for the Universal Service Support Mechnanisms, as well as by guidance provided to USAC on a more informal basis as issues arise. The history of the regulatory structure governing the Universal Service Support Mechanisms, including the Schools and Libraries Support Mechanism, is extremely detailed and complex. We would be happy to discuss these issues in detail should you have further questions.

In very brief summary, however, the FCC appointed USAC as the single entity permanently responsible for administering the universal service support mechanisms in the following manner:

- *In 1996, the FCC, as directed by the Act,[1] issued a Notice of Proposed Rulemaking. The Notice proposed that the support mechanisms be administered (as they had been in the past) by a non-governmental entity acting pursuant to federal law.*
- *In May 1997, the FCC adopted its First Report and Order on universal service issues, First Report and Order, CC Docket No. 96-45, FCC 97-157 (May 8, 1997) ("Universal Service Order"). In the Universal Service Order, the FCC appointed the National Exchange Carrier Association ("NECA") as the temporary non-governmental administrator of the universal service support mechanisms and established various requirements intended to ensure the independence, neutrality and integrity of the administrator.*
- *In July 1997, the FCC directed NECA to establish an independent subsidiary, designated as USAC, to administer temporarily the high-cost and low-income support mechanisms as well as to perform billing and collection functions associated with universal service support mechanisms for schools and libraries and rural health care providers. The FCC also directed NECA to establish two independent corporations -- the Schools and Libraries Corporation ("SLC") and the Rural Health Care*

[1] Section 254(a) directed the FCC to, within one month, institute and refer to a Federal-State Joint Board a proceeding to recommend changes to any of its regulations in order to implement the universal service provisions of the Act.

Corporation ("RHCC") -- to permanently administer aspects of the support mechanisms for schools, libraries, and rural health care providers.[2]

- *In April 1998, as part of its required Report to Congress, the FCC informed Congress of its intent to designate USAC as the permanent administrator of the universal service support mechanisms.*

- *In November 1998, the FCC approved a reorganization of the universal service administrative framework and established the rules and procedures currently applicable to USAC and the Schools and Libraries Support Mechanism.*[3] *Among other things, the November 1998 order directed that SLC and RHCC be merged with USAC to form a single entity charged with administering all of the universal service support mechanisms set forth in Section 254 of the 1996 Act and the FCC orders and regulations implementing Section 254.*

- *The regulations governing the operation of the universal service support mechanisms and authorizing USAC to administer the support mechanisms may be found at 47 C.F.R. Part 54. Since passage of the 1996 Act, the FCC has issued numerous orders, regulations and informal guidance concerning the operation of the universal service support mechanisms. Those orders, regulations and informal guidance provide additional explanation for the operations of the Schools and Libraries Support Mechanism as well as support for the legal requirement that telecommunications service providers must contribute to the universal service support mechanisms.*

(KC)

13. My understanding is an act of Congress established USAC and the E-Rate program. Could you explain?

See answer above.

14. Is USAC a non profit corporation? If so, how is it organized under the U.S. Tax Code?

See answer above. USAC is a not-for-profit corporation incorporated in Delaware. It is governed by a Board of Directors representing different stakeholders in the various Universal Service Support Mechanisms. The Chairman of the FCC selects USAC Board members after soliciting nominations from interested parties. See generally 47 C.F.R. Part 54. Again, USAC would be happy to answer any additional questions you may have about its structure and governance. (KC)

15. Is it considered a government agency, or quasi governmental agency or somehow an agent of or contractor for government? Please explain?

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[2] *See* Changes to the Board of Directors of the National Exchange Carrier Association, Inc., and Federal-State Joint Board on Universal Service, *Report and Order and Second Order on Reconsideration,* 12 FCC Rcd 18400, 18418, 18430-32, FCC 98-306 (July 18, 1997).

[3] Changes to the Board of Directors of the National Exchange Carrier Association, Inc., and Federal-State Joint Board on Universal Service, *Third Report and Order in CC Docket No. 97-21; Fourth Order on Reconsideration in CC Docket No, 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45,* 13 FCC Rcd. 25058, ¶ 12 (Nov. 20, 1998).

USAC administers the Universal Service Support Mechanisms at the direction and under the guidance of the FCC. USAC is not a federal agency or a government contractor. Again, USAC would be happy to provide you with additional information or answer any additional questions you may have about its structure and governance, as well as its relationship with the FCC. See also answer above. (KC)

16. Is defrauding USAC the same as or comparable to defrauding the federal government?

Universal Service Support is collected and distributed pursuant to according to FCC regulations and information provided on OMB-approved forms.
As discussed above, program participants submit information on federal forms stating that criminal penalties could result from making false statements on the forms. The FCC also has civil remedies available to it pursuant to Title 47 of the Code of Federal Regulations. Defrauding USAC is in these respects comparable to defrauding the federal government. (KC)

17. Please describe what a filing window is?

A filing window is a period before the start of a new funding year during which Forms 471 may be filed and during which all Forms 471 submitted are treated as if simultaneously received. (GM)

18. Is this the only time during a funding year that a Form 471 can be filed with USAC?

No, Forms 471 may be submitted after the close of the filing window, but FCC rules provide that priority is given to the Forms 471 filed during the filing window, and Forms 471 filed after the close of the window are funded only if funds remain available after all approved requests on in-window applications are funded. Of the four funding years for which commitments have been made, only in Funding Year 2 were funds available for Forms 471 filed after the filing window close. (GM)

19. What was the filing window for year three – the filling window under which McQuoid functioned as it related to Form 471 202719 and Form 471 202872?

The filing window for Funding Year 3 opened on November 10, 1999, and closed on January 19, 2000. (GM)

20. If a competitive bid process were to take place during a particular funding year but the Form 471 was not filed during the filing window for that year what would the consequences be?

See above and below. (GM)

21. Could the application still be filed during the funding year in which the competitive bid was held?

See above and below. (GM)

22. In other words, if the close of the filing window was January 17, 2000 for year three (which I believe it was) and the applicant filed the Form 471 in after January 17, 2000 how would that Form 471 be treated?

As mentioned above, the Form 471 could be filed after the filing window closed, but the chances of its being funded would be significantly reduced. (Note that the filing window for Funding Year 3 closed on January 19, 2000.) No applications for Funding Year 3 that were filed after the close of the filing window were funded. (GM)

23. Would the applicant have to wait until the filing window of the next funding year?

The applicant could wait until the filing window for the next funding year. (GM)

24. If so, would the applicant have to re-do the competitive bid process?

No, assuming that the original competitive process had included the posting of a proper FCC Form 470 and selection of the vendor had not occurred earlier than 28 days after the posting of the Form 470 on the SLD web site. (GM)

25. What are the penalties for misrepresenting the true cost of a project in applying for an E-Rate discount? (For example, if a vendor responds to an applicant's Request for Proposal with a bid of $50 million for a certain amount of equipment and that vendor's bid is accepted as the winning bid by the applicant, and the applicant then asks USAC in its Form 471 for $75 million for the same amount of equipment.)

FCC Form 471 states "Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. § § 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. 1001. The FCC also has civil remedies available to it pursuant to Title 47 of the Code of Federal Regulations. In addition, pursuant to its fiduciary obligations to the universal service support mechanisms and its regulatory duty to prevent waste, fraud, or abuse, USAC may deny funding requests, reject invoices submitted for payment and/or seek recovery of funds previously disbursed in situations involving false certifications. (KC)

26. Would these penalties still apply if the applicant also increased the scope of work and amount of equipment on the Form 471 as well as the increased cost? (For example, if a company responds to an applicant's Request for Proposal with a $50 million bid to wire 5 schools, their bid is accepted as the winning bid, and then the applicant files a Form 471 asking for $75 million to wire 8 schools.)

Please see answer immediately above. (KC)

27. In other words, does the Form 471, in areas cost and scope of work and amount equipment, have to reflect exactly the Request for Proposal an applicant issues and the winning competitive bid(s) that stem from the RFP?

Block 5 of FCC Form 471 requires the applicant to provide information underlying its funding requests based on contracts with vendors. (KC)

28. Once an applicant selects a winning bidder/vendor can the applicant then relegate the winning bidder to the role of subcontractor to another vendor and then place that second vendor on the Form 471 when the second vendor did not bid on the work or their bid was not selected as the winning bidder in a competitive bidding process?

[Confidential and proprietary information redacted by USAC]

However, it if came to USAC's attention after the fact, USAC would consider it in the same way it looks at any other request to change the service provider: if the applicant met the requirements for making a SPIN change to change service providers (certifying that: the change is allowed under state and local procurement laws, that the change is allowed under the terms of the original contact and that the original service provider had been notified of the change) then SLD would do no further inquiry and would allow the SPIN change. (Under the FCC Order that enunciated the required certifications, the FCC opined that any protest about the SPIN change or any question regarding the accuracy of the certifications would be considered by the local jurisdiction.) (GM)

29. Would this be improper or somehow a violation of USAC rules and regulations even if the winning bidder were to agree to the new status as subcontractor?

See above. (GM)

30. Would this be considered an act of fraud by USAC and the FCC?

The legal issue of whether a particular set of circumstances constitutes fraud requires a complete understanding of all the facts and a thorough assessment of all applicable law. These can be complex matters. In general, USAC is authorized to administer the Universal Service Support Mechanisms pursuant to 47 C.F.R. Part 54. USAC has a fiduciary obligation to prevent waste, fraud and abuse in the administration of the Universal Service Support Mechanisms. USAC has the authority to administer the support mechanisms, including the ability to discuss matters with law enforcement authorities, but generally does not make the type of legal determination that this question appears to seek. We would not attempt to make such an assessment without a full investigation and complete understanding of the facts. Although we work closely with the FCC, including investigative personnel in the Enforcement Bureau and the Office of Inspector General, the Commission would be required to make an independent assessment in order to determine whether "fraud" had been committed under the circumstances set forth here. We would be happy to discuss this issue further with you at your request. (KC)

30a. If so, what would the penalties be?

See above. (KC)

30b. If not fraud, then what would it be considered?

See above. (KC)

[Notice of confidentiality removed by USAC]

31. Regarding Form 471 202719, why was this application selected for Item 25 review?

Item 25 reviews are selected on the basis of the entity that is listed in Block 1 of the 471. The reviews are not selected on an application-by- application basis. Application 202719 contained the entity number 144152

[Confidential and proprietary information redacted by USAC.]

Please note, for this as well as other questions about the Item 25 review process: the Item 25 review process is and was conducted on a billed entity (i.e. applicant) level. That is to say, all Forms 471 for a given funding year comprise the Item 25 review. Any communication, analysis, review questions, requests for clarification, etc. pertained not necessarily to just one application from an entity, but to all applications for a particular entity. (TS)

32. Could you provide a description of the Item 25 review process?

[Confidential and proprietary information redacted by USAC.]

33. Who at USAC was involved in the Item 25 review process regarding Form 471 202719? What were their individual roles?

(Note the item 25 process included not only Form 471 202719, but also other applications filed for the San Francisco Unified School District. As such, while these answers are pertinent to Form 471 202719, they are not exclusive to it) The following people are known to have been involved in the Item 25 review process. The relationship to USAC is noted after each name. A brief description of their respective roles follows.

[Confidential and proprietary information redacted by USAC.]

Koree Knight determined which applications were a part of this review. She prepared an initial document (Item 25 Fax request) that she then faxed to the contact person. She received information from the applicant. She was a temporary employee of the Contractor.

Tom Schnipp, an employee of the Contractor performed the initial review steps/analysis and information gathering/clarification requests. His job title at the time was "Associate Manager—Program Compliance." His role is further described under the section "Questions for Tom Schnipp."

Mark Werner was the Manager of a regional Program Integrity Assurance group. He assumed the additional role of Manager, PIA--Selective Review in the spring/summer of 2000. He managed the flow of reviews, including assignment of reviews, tracking of the status of reviews, coaching reviewers in their work, answering questions posed by reviewers, communicating "target reviews" to reviewers, coordinating the flow of reviews to the final reviewer in Michigan, transmitting batch reports to SLD staff, communicating with SLD staff, coordinating the implementation of decisions in the tracking system, and in the software program that was the vehicle to communicate decisions to applicants.

Karen Scheiber, a temporary employee of the Contractor performed the final review of the work performed by the initial reviewer.

Pina Portanova, at the time a temporary employee of the Contractor placed comments into the software program that would generate Funding Commitment Decision Letters (FCDLs) to these applications. She also indicated in the separate tracking system that the review was complete from an initial review perspective.

Russ Bauer, verified the correctness of the comments that Pina Portanova placed into the software program that generated FCDLs. He then indicated in the tracking system that the review was complete from a final review standpoint.

I don't know if anyone else had an incidental role in processing this review. (TS)

34. Were any other Form 471s from McQuoid selected for Item 25 review?

Five applications comprised this review. (202719, 202712, 201954, 201900, 202872) Mr. McQuoid is listed as contact person on three of those applications -- 202719, 202712 and 202872. (TS)

35. Who conducted the Item 25 review on these applications?

These would have been a part of the review of entity # 144152 (The same review of which application 202719 was a part.) See answer above. (TS)

36. What is the criteria or standard for selecting an applicant for Item 25 review?

[Confidential and proprietary information redacted by USAC.]

37. How often is this done during a funding year on average?

[Confidential and proprietary information redacted by USAC.]

38. Who makes that decision at USAC?

The decision to select an applicant for Item 25 review is driven by the procedures. The Manager—Program Integrity Assurance, Selective Review has delegated responsibility for ensuring that this happens. However, several control points (including QA, SLD QA and Director-PIA Operations oversight) are in place to ensure that this process is functioning properly. (TS)

39. Is that the person who made this decision regarding Form 471 202719?

I do not know whether this particular applicant (including Form 471 202719, as well as the other five applications noted above) was selected by the Manager-PIA, Selective Review through the routine process or whether special circumstances were involved.

[Confidential and proprietary information redacted by USAC.]

39a. If not who did?

N/a. See previous answer. (TS)

The answers to questions 40 – 43 were prepared by USAC employee Merry Lawhead, Operations Analyst, based on a review of the documentation at Attachment 10.

40. Regarding Attachment 10, who provided this information and these documents to USAC?

San Francisco Unified School District submitted 6 of the pages with their FCC Form 471 as Item 21 attachments. The other 10 pages were part of a 41-page package that Desmond McQuid faxed to Brian Bentrewics on June 30, 2000. (MH) USAC will label these pages and re-send them to you at your request. (KC)

41. Were these documents provided to USAC as the result of a USAC request?

Yes. (MH)

41a. If so, why was the request made and who from USAC made it?

Brian Bentrewics made the request on June 23, 2000, in an email and voicemail message, per the 471 PIA Review Contact Report (See Attachment 23. [Confidential and proprietary information redacted by USAC.]

42. Did USAC accept as true the school size figures listed on these documents?

There is no documentation available that answers this question. (MH)

43. Did USAC ask McQuoid or anyone else at San Francisco Unified School District to confirm these figures?

PIA Contact Report (see Attachment 23) shows a telephone call made on July 18, 2000, by John Piznak to Desmond McQuoid: "left message for Desmond, that I had two quick remaining questions on his application." There is no indication of further contact on the topic. (MH)

43a. If so, who asked for confirmation and what was the answer and from whom?

See answer above. (MH)

44. Regarding Attachment 22, Tom Schnipp's Item 25 Review Documentation Review Worksheet, where does it fit into the overall Item 25 review process?

An Item 25 Review Documentation Worksheet is designed to capture the results of the initial review process, serves as a basis for the final reviewer to check the initial reviewer's work and records the final reviewer's review.

The worksheet is prepared by the initial reviewer. The final reviewer handwrites notes on that worksheet. (TS)

45. Does this represent the final Item 25 review ruling?

"[f]inal Item 25 review ruling" might not be an accurate description of what actually occurs.

As noted in the process description, the initial review results in a recommendation. That recommendation is not a final decision until such a decision is transmitted via a Funding Commitment Decision Letter to the applicant.

Prior to the issuance of such a Funding Commitment Decision Letter to the applicant, the review undergoes the Quality Assurance checks noted above in the Item 25 process description.

Additionally, post-commitment action on the part of the applicant, or Administrator, or FCC, could result in further review and modification or nullification of such a decision. This modification or nullification could result from a number of post-commitment processes, including Invoicing process, Commitment Adjustment process, Appeals process, or FCC Appeals process. (TS)

46. What weight in the Item 25 review process is this document given?

Tremendous weight. The Documentation Worksheet is a significant record of the analysis work during the analysis phase of this review. (TS)

47. Where does the document go next for approval?

[Confidential and proprietary information redacted by USAC.]

48. Who makes the final Item 25 review decision?

See answer above for the question about "final Item 25 review ruling." The same answer applies here:

"[f]inal Item 25 review decision" might not be an accurate description of what actually occurs.

As noted in the process description, the initial review results in a recommendation. That recommendation is not a final decision until such a decision is transmitted via a Funding Commitment Decision Letter to the applicant.

Prior to the issuance of such a Funding Commitment Decision Letter to the applicant, the review undergoes the Quality Assurance checks noted above in the Item 25 process description.

Additionally, post-commitment action on the part of the applicant, or Administrator, or FCC, could result in further review and modification or nullification of such a decision. This modification or nullification could result from a number of post-commitment processes, including Invoicing process, Commitment Adjustment process, Appeals process, or FCC Appeals process. (TS)

49. Is this the person who made this decision regarding For 471 202719?

N/a. See previous answer. (TS)

50. What was the result of the Item 25 review on Form 471 202179?

Please note that the Item 25 review is conducted on an entity level, so a decision is made on the overall entities demonstration in the Item 25 review process. Individual FRNs that contain solely basic unbundled voice service would be reviewed individually.

The Item 25 review decision for the entity was a pass. (TS)

51. Please list each area of concern that triggered the Item 25 review and what information or documentation, and the source of same, that alleviated these concerns?

The Item 25 review was triggered by the criteria noted above. I'm not aware of any particular concerns that triggered the review. (TS)

52. Please list any areas of concern that were never completely addressed to USAC's satisfaction, if any?

N/a. See previous answer. (TS)

53. My understanding is that Form 471 202719 passed Item 25 review on Sept. 15, 2000 and an E-Rate discount was awarded to San Francisco Unified School District on September 22, 2000. Is my understanding correct? If not, what are the correct dates on which the above events occurred?

Yes. (TS)

54. Have you received any Utah Form 471s involving any of the following firms for funding years three, four or beyond?

Inter-Tel Technologies
Nippon Electric Company (NEC)
Video Network Communications, Inc. (VNCI)
Sprig Electric
US Machinery or US Mach or USM Distributors
Pacific Bell
Solutions Technology USA

No. (This response is based on information provided by Technical Support group). (TS)

54a. If so who were the applicants?

N/a. (TS)

55. Which vendors were associated with which applications?

N/a. (TS)

56. What funding year were the applications made?

N/a. (TS)

57. What was the outcome of the applications?

N/a. (TS)

58. Were individuals named George Marchelos or Judy Green involved in any of the applications, and if so what role did they play?

N/a. (TS)

QUESTIONS FOR KOREE KNIGHT:

Koree Knight is no longer employed by USAC's program support services contractor. These responses have been prepared by another employee of the contractor, Tom Schnipp, Manager, Program Integrity Assurance--Selective Review. (TS)

59. What is your job title. If it was different at the time you had a role in processing Form 471 202719 please include that too.

Koree Knight was a program integrity assurance reviewer who worked as a temporary employee for the Contractor to USAC. At the time of the processing of Form 471 202719, Ms. Knight was a member of the Selective Review group. The primary objective of the group, in that timeframe (Summer 2000) was to conduct Item 25 Certification Reviews (Item 25 reviews) She no longer works for the Contractor or USAC. (TS)

60. Please describe your job duties at USAC? If they were different at the time you had a role in processing Form 471 202719 please include that too?

Ms. Knight's role was to initiate contact with applicants who had been selected for an Item 25 Certification Review. This included determining which applications were to be included in the review, preparing the initial request for information (Item 25 fax), faxing that request to the applicant contact person, following up to ensure that the request was received by the applicant contact person, and again following up to encourage the applicant contact person to provide the requested information. Ms. Knight also logged tracking information into a spreadsheet to document the dates on which the Item 25 fax was sent, date on which the applicant contact person (or contact person's representative) acknowledged receiving the Item 25 fax, and the date on which that information was returned. She also had the responsibility for preparing files containing the information. Once the applicant contact person (or other person) provided the requested information, and after discussing with the Manager, Program Integrity Assurance--Selective Review, transferring these files to a reviewer. (TS with input from JP).

61. Please describe your role in processing Form 471 202719.

Aside from the documentation noted in the next questions, I don't know Ms. Knight's role in the processing of Form 471 202719. (TS)

62. Describe any and all communications you had with Desmond McQuoid regarding Form 471 202719.

The answer here is based on documentation for the Item 25 review. (TS) Please note, that for this question, and the questions that follow: the question asks specifically for information regarding Form 471 202719. However, the Item 25 review and any communication in an Item 25 review did (and does) not occur on an application-by-application process. The review encompasses all applications for a particular funding year for a particular entity (applicant). While FCC Form 471 #202719 was a part of the Item 25 review of San Francisco Unif School Dist, communication regarding the review would not necessarily have been specific to FCC Form 471# 202719.

A fax confirmation page shows:

- *the Item 25 fax was sent successfully on 7/19/2000 around 8:45 a.m.*
- *the fax was successfully sent to 415-241-6482*
- *the fax was addressed to Mr. McQuoid*
- *the fax was addressed to 415-241-6482*
- *the date of 7/19/2000*
- *an applicant response was requested by July 26, 2000*
- *a phone number for Mr. McQuoid of 415-920-5049*
- *that application 202719 was a part of this review*
- *contact information (name, fax number, phone number, e mail address) for Koree Knight*

- *five applications comprised this review. (202719, 202712, 201954, 201900, 202872)*
- *five applicant form 471 identifiers (Mr. McQuoid 121155, 12116, Cisco-1, Telisp-1, Distance Learning-50)*
- *a "total no. of pages including cover" of 12*
- *12 pages were sent*

Another fax confirmation report shows that the attempt to send "failed" approximately an hour before the successful attempt to send.

A copy of an e mail message dated Thursday, July 20, 2000, 11:14 a.m., from Koree Knight to des@sfusd.com, and a reply message to Koree Knight. The original request states "It is imperative that you confirm receipt of the 12 page ITEM #25 fax sent July 19. 2000 on behalf of (sic) San Francisco Unif School Dist. Please call me as soon as possible." The reply message is dated July 23, 2001 at 9:31 p.m. (Sunday, 6:21 p.m. Pacific Standard time). It states "Regret I only received your email today, I have been out on medical leave this past week. Will call first thing in the A.M tommorrow (sic) with confirmation one way or the other."

A copy of a confirmation report showing a fax of 12 pages was sent on 7/24/02 at 7:50 a.m. That confirmation report shows that the fax was sent to 415-317-7701. This leads me [TS] to believe that Ms. Knight in some way communicated with Mr. McQuoid prior to sending this fax. The reason I think this, is that I have a note from a later conversation that I had with Mr. McQuoid, where I wrote down the # 415-317-7701 and I recall Mr. McQuoid requesting that I direct communications to that number. I don't recall whether he stated on the phone why he requested this, or whether he gave any reason for sending it to the other number.

Via e-mail dated 8/16/00, I [TS] received a message undersigned Mr. McQuoid, stating "Tom, For the balance of the summer. (sic) the number to reach me at is no longer 415-920-5049. It will be 415-317-7702. My email will remain the same...."

There is no record of the conversation that I believe happened between Ms. Knight and Mr. McQuoid.

(Another fact supporting the conclusion that a phone conversation happened is that the fax # of 415-317-7701 does not appear as contact information on any of the 471s.)

A copy of a 12 page Item 25 fax dated July 24, 2000. The only other difference between the cover page of this fax and the cover page of the fax sent on 7/19/00 is that this fax contains a different fax # (415-317-7701).

A copy of a cover sheet from Knight to Mr. Enrique Navas dated 8/1/00 with the following message "As per the request of Mr. McQuoid, copies of the 471 apps for Cisco and Teslip. Please contact me if unclear. Direct# 973-884-8174. Thank you." The cover sheet notes "26" pages.

This suggests that communication occurred between Koree Knight, Mr. McQuoid and Mr. Navas at some point between 7/24/00 and 8/1/00, but there is no documentation of that communication.

A copy of the confirmation report showing that a 27 page fax was sent 8/1/00 at 1 p.m. to 415-355-6940. This is the same fax # as shown on the cover sheet from Koree Knight dated 8/1/00.

There is no other documentation pertaining to Koree Knight in regard to review of any of the five identified San Francisco Unified School District applications. (TS)

63. Describe any and all communication you had with Judy Green regarding Form 471 202719.

There is no documentation of communication with Judy Green regarding Form 471 # 202719. (TS)

64. Describe any and all communication you had with George Marchelos regarding Form 471 202719.

There is no documentation of communication with George Marchelos regarding Form 471 # 202719. (TS)

65. Describe any and all communication you had with Tim Tronson regarding Form 471 202719.

There is no documentation of communication with Tim Tronson regarding Form 471 # 202719. (TS)

66. Describe any and all communication you had with Kelly Nguyen regarding Form 471 202719.

There is no documentation of communication with Kelly Nguyen regarding Form 471 # 202719. (TS)

Describe any and all communication you had with any other San Francisco Unified School District officials or consultants regarding Form 471 202719.

For information regarding communication with Enrique Navas, see above. (TS)

67. Re. Form 471 202719, Attachment 13, a fax cover sheet dated 8-1-00 indicating that you sent Enrique Navas of SFUSD certain Form 471s at the request of Desmond McQuoid, which Form 471s did you send?

I don't know, but do know that the cover page refers to "Cisco" and "Teslip" Printed copies from the computer system for the following 2 471s contain "Cisco" and "Teslip" as applicant form identifiers, respectively: 201954 and 201900. There is a note in Koree Knight's handwriting on the cover of an electronic printout of the first page for application 201954. The note says "(415) 355-6940 attn: Enrique Navas" [then "Navas" is re-written]. This is page 1 of 17 for App #201954 (applicant identifier "Cisco-1"). A printout from the computer system of the electronic version of app 201900 (applicant identifier "Telisp-1") immediately follows in the file. This printout contains 9 pages. The date that these pages were printed (from both applications 201954 and 201900) is 7/19/2000. The sum total of pages in the file for these two applications is 26. It appears that these were the two documents that were sent to Enrique Navas.

Additional support for this is found. These are the only two applications, of the five for San Francisco Unif School Dist that contain a contact person name other than Mr. McQuoid McQuoid. (TS)

68. Were these Form 471s from San Francisco Unified School District?

I'm not sure I understand the question. These two applications contain the applicant name "San Francisco Unif School District" and the billed entity number 144152. Bruce Manson is listed as the contact person for San Francisco Unified School District on these applications. The address on these applications is 555 Franklin Street, San Francisco. (TS)

69. Do you recall why McQuoid wanted these applications? If so, what was the reason?

No documentation of this. (TS)

70. Were you contacted by McQuoid on behalf of Navas?

I don't know. (TS)

The documentation indicates that McQuoid made the request to send the information to Navas. In the fax cover to Navas, Ms. Knight notes Attn: Mr. Navas- As per the request of Mr. McQuoid copies of the 471 apps for Cisco and Teslip." (TS)

71. Did McQuoid say he was acting on Navas' authority?

No documentation of this. (TS)

72. Did you ever speak to Mr. Navas?

No documentation of this. (TS)

73. If so, describe the communication, including when and how it occurred?

No documentation of this. (TS)

QUESTIONS FOR KOREE KNIGHT, TOM SCHNIPP AND/OR OTHER OFFICIALS WHO REVIEWED THE DOCUMENTS CITED BELOW:

74. Regarding Form 471 202179, Attachment 14 in its entirety, the letter from Tim Tronson to Koree Knight dated 8-1-00 which introduces other Attachment 14 items sent to USAC by Tronson with the letter, and those items themselves, did you ever communicate with Tronson regarding this information or on any other topic during the Item 25 review process?

No However, tim@sfusd.com was copied on an e mail message from des@sfusd.com to me. The message was a response to my verbal questions about discrepancies that I had noted between the information sent to me and the budget published on the SFUSD web site. (TS)

75. If so describe that communication, both its mode and its exact content.

See above. (TS)

76. Did Tronson acknowledge that he authored the letter?

I don't think that I ever spoke with Tim Tronson. I do think that I vaguely recall having a conversation with someone in the office about a document and whether that document was sent from Tim Tronson and whether he was aware of it. Is there a Linda/Laura in the office there? I think I spoke with that person, and I think it was about that 1 page letter dated 8-1-01. However I do not recall specifically asking whether he had authored the letter. (TS)

77. Did you ever communicate with Tronson on any other matter related to any of McQuoid's Form 471s?

Aside from the contacts noted above, I do not recall ever communicating with Tronson on any other matter.(TS)

When the question refers to "any of McQuoid's Form 471s," what does the question mean by this? Which 471s are "McQuoid's?" The ones where he is listed as contact person? (TS)

78. If so describe that communication, both its mode and its exact content.

N/a (TS)

79. Regarding Form 471 202719, Attachment 14 in its entirety, the letter from Tim Tronson to Koree Knight dated 8-1-00 which introduces other Attachment 14 items sent to USAC by Tronson with the letter, do you know who transmitted these materials to USAC?

No. (TS)

79a. If so whom?

N/a (TS)

80. Did Tronson, McQuoid or any other party acknowledge who collected, arranged, authored and/or verified the accuracy of the San Francisco Unified School District materials sent along with the 8-1-01 Tronson letter?

Not that I am aware of. I do not recall asking all these questions. I do recall McQuoid confirming the veracity of the budget document. (TS)

81. As it relates to Form 471 202719, Attachment 14, the attached 3-page "Resource Plan" and financial documents sent along with it, what was your general understanding of this document and the financial resources -- individual school trust funds, bond interest, Healthy Start grant money, and corporate donations -- cited in this document and how they might be expended in regards to the project prefigured under Form 471s 202719?

My general understanding was, as noted below, that this document was unclear. I perceived the document to be not very helpful in establishing what funds were secured and dedicated for what portion of the SFUSD applications. (TS)

82. Did you take this document to mean that each and every individual financial resource cited in the document had been officially secured and committed by San Francisco Unified School District and other parties for be used specifically in funding the computer network prefigured under Form 471 202719 whether it was to be used for equipment of training?

No. (TS)

82a. If not, how did you perceive it?

I perceived this document to be not very helpful in the review. Confusing. Rambling. (TS)

83. As it relates to Form 471 202719, Attachment 14, the attached the 3-page "Resource Plan" what weight did you give this document and the financial documents attached in determining that San Francisco Unified School District had met the Item 25 review requirement that the district have resources to ensure overall viability of the equipment to be purchased with the E-Rate discount?

I do not recall the 3-page "Resource Plan" document playing a significant role in my part of the review. (TS)

84. As it relates to Form 471 202179, Attachment 14, the attached the 3-page "Resource Plan", did you take the document to mean that the institutions and corporations that are listed beginning on the bottom of page one , and elsewhere in the 3-page document, such as the San Francisco Public Library, Rand Corporations (sic), Cisco Systems, IBM, GAP Foundation and others had officially pledged financial support for the direct support of the computer network prefigured under Form 471 202179 whether that financial support was to be used for equipment or training?

I do not recall whether I took the document to mean that the institutions and corporations listed beginning on the bottom of page one, and elsewhere had officially pledged financial support for the direct support of the computer network prefigured under FCC Form 471 202179 or for equipment or for training? I do not recall considering this, although it is possible that I did. Please note, though that the review was not necessarily determining whether specific parts of the overall applications from SFUSD had been budgeted for or secured, but rather looked at all applications for SFUSD in their sum. (TS)

84a. If not, how did you perceive it?

N/a (TS)

85. More specifically, did you take this document to mean that McQuoid or others acting in concert with him at the San Francisco Unified School District had contacted the GAP Foundation and Cisco Systems and secured pledges of money for the computer network prefigured under Form 471 202719 whether that money was to be used for equipment or training?

I don't recall how I took this. (TS)

85a. If not, how did you perceive it?

N/a (TS)

86. As it relates to Form 471 202719, Attachment 14, the attached the 3-page "Resource Plan", did you take the document to mean that the individual school trust fund monies outlined in the attached financial documents were set aside specifically for the computer network prefigured under Form 471 202179 whether that trust fund money was to be used for equipment or training?

I do not recall whether I took the document to mean that the individual school trust fund monies outlined in the attached financial documents were specifically set aside for the computer network prefigured under FCC Form 471 202179 or for equipment or for training. I do not recall considering this, although it is possible that I did. Please note, though that the review was not necessarily determining whether specific parts of the overall applications from SFUSD had been budgeted for or secured, but rather looked at all applications for SFUSD in their sum. (TS)

86a. If not, how did you perceive it?

N/a (TS)

87. Did you take the document to mean that Prop A. bond interest was set aside specifically for the computer network prefigured under Form 471 202719 whether those bond proceeds were to be used for equipment or training?

I do not recall whether I took the document to mean that the Prop A. bond interest was specifically set aside for the computer network prefigured under FCC Form 471 202179 or for equipment or for training. I do not recall considering this, although it is possible that I did. Please note, though that the review was not necessarily determining whether specific parts of the overall applications from SFUSD had been budgeted for or secured, but rather looked at all applications for SFUSD in their sum. (TS)

87a. If not, how did you perceive it?

N/a (TS)

88. As it relates to Form 471 202719, Attachment 14, the attached the 3-page "Resource Plan", and specifically related to the first paragraph of the document what meaning did you derive from the statement, "...the District has committed and set aside over (sic) $38 million for its share, from the General Fund."

89. Did you take this to mean that the San Francisco Board of Education had passed a budget that included more than $38 million specifically set aside to fund the computer network prefigured under Form 471 202719?

There is a lot contained in this question.

No and Yes. No, I did not take this to mean that the SFUSD had passed a budget that included more than $38 million specifically set aside for the computer project under FCC Form 471 # 202719. I took it to mean that SFUSD had set aside $38 Million for all E-rate projects contained in the five Funding Year 4 Forms 471 that were filed for SFUSD.

Not knowing the particular budgeting practice of San Francisco Board of Education, I took this statement to mean that whatever entity ultimately would guarantee (to the extent possible) that the district has money for particular purposes, had made that guarantee and earmarked an amount in excess of $38 million to be used not only for the computer network prefigured under Form 471 202719, but also for other services and/or products outlined in four other Forms 471 that had been submitted under the entity # for San Francisco Unified School District. (TS)

89a. If not, how did you perceive it?

See above (TS)

90. What weight did you give this statement in determining that San Francisco Unified School District had met its Item 25 review requirement that it have its share of the cost of the E-Rate funded project budgeted?

This statement was considered, but in and of itself would not have met the Item 25 review requirement. In Funding Year 3, such a statement might have been considered had it been provided on district letterhead, undersigned by a district official responsible for budgeting. However, since a document purported to be a district budget was provided, I only considered this statement in tandem with the budget documentation provided. (TS)

91. Did Tronson, McQuoid or any other party at San Francisco Unified School District or the San Francisco Board of Education, elected members and staff, indicate in any way that the San Francisco Board of Education had officially budgeted the district's share of the costs associated with the computer network prefigured under Form 471 202719?

I do not recall if Mr. McQuoid indicated that the San Francisco Board of Education had "officially budgeted" the district's share of the costs associated with the computer network prefigured under Form 471 202719. He did make assurances that the district's share was budgeted. (TS)

92. If so, in what ways were these representations made, when were they made, and who made them?

Mr. McQuoid, is the only SFUSD person I recall discussing this with. On the telephone--prior to August 9, 2000 e-mail—he indicated this. (TS)

93. As it relates to Form 471 202719, Attachment 14, and the second page accompanying Tronson's 8-1-00 letter regarding Item 25 review materials, the document titled "SFUSD/J-200 District General Fund Summary/Sum~y Table A/Revenue and Expenditure Summary (in thousands of dollars)," what meaning did you derive from the line item toward the bottom of the page titled "E-Rate District Match" under the Fiscal Year 00-01 column showing a $41,550,000 figure?

I took this to mean that San Francisco Unified School District had budgeted $41.5 Million to pay for their share of the products/services for five applications filed by San Francisco Unified School District. (TS)

94. Did you take this document to mean that the San Francisco Board of Education had approved a budget for the fiscal year 2000-20001 that included $41,550,000 in

monies specifically slated to pay for the San Francisco Unified School District's share of any E-Rate awards it might be granted by USAC?

Not necessarily. I do not recall considering whether the document had been approved by the San Francisco Board of Education. (TS)

94a. If not, how did you perceive it?

I took this document to be an attempt to show that the district had budgeted $41,550,000 in monies specifically slated to pay for the San Francisco Unified School District's share of 2000-2001 E-Rate discounts it might be granted by USAC. (TS)

95. What weight did you give to this document in ascertaining whether the San Francisco Board of Education and the San Francisco Unified School District had met the Item 25 review requirement that it had officially budgeted monies for its share of the cost of the network prefigured under Form 471 202719?

Initially, this document played an important part in the review. It was a critical element of the review. However, my confidence in the accuracy of the document waned as the review continued. (TS)

96. Did you indeed conclude affirmatively that San Francisco Board of Education and the San Francisco Unified School District had officially budgeted its share of cost of the network prefigured under Form 471 202719?

No. (TS)

97. What information did you base this conclusion upon?

N/a (TS)

98. What other documents or representations and from what source did you rely on in concluding that the San Francisco Board of Education and San Francisco Unified School District had budgeted its share of the cost of the network prefigured under Form 471 202719?

I did not make this conclusion. As noted below, my work was communicated to, and the file passed on to, Manager, Program Integrity Assurance—Selective Review.(TS)

QUESTIONS FOR TOM SCHNIPP:

99. What is your job title. If it was different at the time you had a role in processing Form 471 202719 please include that too.

My current job title is Manager, Program Integrity Assurance—Selective Review. At the time I had a role in processing Form 471 202719, my job title was Associate Manager, Program Compliance. (TS)

100. Please describe your job duties at USAC? If they were different at the time you had a role in processing Form 471 202719 please include that too?

My current job duties are:

- *Supervising staff who conduct Item 25 reviews, competitive bidding reviews, reviews of applications filed by consortia, and other Selective Reviews.*
- *Communicating information to those staff members.*
- *Training those staff members.*
- *Setting and communicating objectives and goals to those staff members*
- *Running staff meetings*
- *Requesting reports from Technical Support group in order to identify entities for Item 25 review, Consortium review, High Unit review and Endowment review.*
- *Assigning reviews to reviewers.*
- *Performing manager sample reviews of the Item 25 reviews, competitive bidding reviews, reviews of applications filed by consortia and other Selective Reviews.*
- *Writing, and revising Selective Review procedures for USAC SLD staff approval (and other appropriate approvals as USAC SLD staff deem appropriate—FCC, OIG, etc.)*
- *Managing the process for forwarding information in batches to USAC SLD staff for their review.*
- *Communicating issues that arise in the course of Selective Reviews to USAC staff for consultation and guidance, where the issues are new or novel.*
- *Anything else necessary to the operation of Selective Reviews. (TS)*

At the time I had a role in processing FCC Form 471 202719, my job duties were different. I was a member of the Program Compliance team, reporting to the Manager, Program Compliance. However, during the summer of 2000, I was assigned to perform a portion of Item 25 certification reviews. My role in that regard was to review the information provided to another reviewer in response to that other reviewer's request for Item 25 Certification Review information. My role was to review the information and perform analysis in order to answer a number of review questions. The role included contacting the applicant contact person for additional information and/or clarification if necessary. The role included communicating status of the review with the Manager, Program Integrity Assurance--Selective Review. The role included presenting the results of my analysis, along with a summary of that analysis to the Manager, Program Integrity Assurance--Selective Review. The role included additional specifics as requested by Manager, Program Integrity Assurance--Selective Review. (TS)

101. Please describe your role in processing Form 471 202719.

Form 471 202719 was one of five forms filed for San Francisco Unified School District. This entity was determined (I do not know by whom) to merit an Item 25 Certification Review. The Item 25 Certification review is performed on the billed entity (applicant) level. That is to say, all applications from an entity are looked at during an Item 25 Certification Review.

I was assigned to perform analysis on documentation received by another reviewer, Koree Knight. My assignment was to further request any additional information needed from the applicant, and to also clarify any questions that came up in the course of the review.

My role was to discuss any questions that came up with the Manager, Program Integrity Assurance--Selective Review. During the course of this review, I was also asked to ask the applicant contact person several questions about the competitive bidding process that occurred prior to the selection of the vendors that appeared on the five applications from San Francisco Unified School District, and to gather the response from SFUSD.

In the course of this process, I communicated frequently with the Manager, Selective Review regarding the SFUSD. I received direction on which questions to pursue and which questions not to pursue with the applicant.

I then handed the preliminary documentation that I had prepared of my analysis to the Manager, Program Integrity Assurance--Selective Review.

I do not know whose responsibility it was to make a determination on whether to commit to provide the funds requested on the five SFUSD Forms 471, nor do I know who made that decision. (TS)

Please note: for all the questions below, the Item 25 review process is and was conducted on a billed entity (i.e. applicant) level. That is to say, all Forms 471 for a given funding year comprise the Item 25 review. Any communication, analysis, review questions, requests for clarification, etc. pertained to all applications filed for the entity, SFUSD, not specifically any one application, but including the FCC Form 471 # 202719 that is mentioned below. (TS)

102. Describe any and all communications you had with Desmond McQuoid regarding Form 471 202719.

I cannot verify that I am recalling all conversations or communications with Mr. McQuoid. I am 99% sure that I printed all e-mail communications. I may have made incidental phone contact (e.g. did you receive my e mail, my phone message, etc.) that I did not record at the time (TS).

- *This answer is based on what the documentation shows, as well as what I recall. (TS)*
- *A phone message at some point on or after 8/3/00*
- *A phone conversation at some point on or after 8/3/00 but not later than 8/9/00.*
- *I received an e-mail message of 8/9/00 in response to questions that I had posed.*
- *I replied to that e-mail message on 8/9/00 requesting a technology plan.*
- *I received an e mail message the following day noting that the respondent was "..digging up the districts last certified technology plan as we speak."*
- *I sent a follow up e mail message on 8/15/00 noting that I had not received the technology plan, and that it was due by close of business 8/22/00)*
- *I received an e-mail 8/15/00 describing a technology plan, and describing a process that San Francisco USD was in for their technology plan.*
- *On 8/16/00, I sent an e-mail requesting answers to three questions about the competitive bidding process.*
- *At nearly the same time, I sent a one page fax stating the same questions.*
- *I received an e-mail response on 8/16/00 noting that the respondent "will have my team review the entire process and make copies available of our fully documented bidding process." The message also asked whether there were any other remaining questions. The message indicated that hearing a response was important to moving this project along. The message questions why some of the questions we've asked in this review were not asked of LA. The message also indicates that "for the balance of the summer. (sic) the number to reach me at is no longer 415-920-5049. It will be 415-317-7701. My e-mail will remain the same."*
- *A phone conversation around this time frame where we discussed the questions I had asked. Mr. McQuoid asked "do we need a copy of the RFP?" I stated that I would have to get back to him.*

- *An e-mail dated 8/21/00 where I replied indicating that yes, we would need a copy of the RFP.*
- *I received a reply 8/21/00 asking if we needed anything else.*
- *I responded on 8/21/00 stating that "[t]he items we discussed (on the telephone and via e mail) are the items that we need at this time. If additional information is needed in the future, we will be sure to contact you at that time."*
- *I think that he called to indicate he was faxing some information.*
- *I received a fax that day*
- *Shortly thereafter (the next day?) I received a package containing what looked to be the same information that had been faxed. (TS)*

103. Describe any and all communication you had with Judy Green regarding Form 471 202719.

I do not recall having any communication with Judy Green.

104. Describe any and all communication you had with George Marchelos regarding Form 471 202719.

I do not recall having any communication with George Marchelos.

105. Describe any and all communication you had with Tim Tronson regarding Form 471 202719.

I do not recall having any communication with Tim Tronson. As noted above, I vaguely recall speaking to a woman in his office at the point in the review where I was trying to determine whether and to what capacity McQuoid worked for the district. Subsequent to that I cc'd tim@sfusd.com I do not recall from where I received that e mail address. (TS)

106. Describe any and all communication you had with Kelly Nguyen regarding Form 471 202719.

I do not recall having any communication with Kelly Nguyen. (TS)

107. Describe any and all communication you had with any other San Francisco Unified School District officials or consultants regarding Form 471 202719.

I do not recall having any communication with any San Francisco Unified School District consultants.

I called the superintendent's office at 415-241-6121 and spoke with a woman who identified herself as Tanya. I asked if she had the number for Mr. McQuoid. She stated that he was not in the directory. I further described my request, that I was calling about E-Rate 2000-2001 funding year and that maybe someone in Technology, or budget, or a CFO would know. I noted "Budget 241-6542," as well as "Budget Dir," I don't recall what those notations indicated. I noted "Dir. System Security." This notation indicated that someone told me that McQuoid was "Director System Security." I don't recall who told me this.

I also have a note that I called and left a message for Mr. McQuoid and also left a message for Tim Tronson. I do not recall what my specific questions were, however I believe that the call was placed between August 4th and August 9th. (TS)

108. Regarding Attachment 17, and e-mail to you from McQuoid on 8-9-00, which appears to be a response to an inquiry by you regarding a discrepancy between the budget documents supplied to USAC with Tronson's 8-1-00 letter (Attachment 14) and the budget accessed by you on the San Francisco Unified School District's website, were you concerned about the discrepancy and if so why?

Yes, I was concerned about the discrepancy. It called into question whether I had been provided with a true, current, accurate document. (TS)

109. What did you ask McQuoid regarding the discrepancy?

I phrased this as a question and that I was seeking an understanding of why the copy sent to me differed from the copy on the web site that said it was "recommended by the Superintendent of Schools June 2000."

I also asked why on page 6 of the Superintendent's budget message, it stated that "[w]e will experience revenue reductions in the areas of E-rate reimbursement (a reduction in excess of $1.5 million)... Could he explain this to me?

I asked why was there $0 budgeted for the E-Rate reimbursement if they were expecting to receive an E-Rate reimbursement in FY3, and when in previous year they had budgeted $1.264 Millions a source of revenue. (On summary table B)

I might have asked a question about the Technology Plan. Has this been approved by the IT department? But I do not recall whether I asked this question or if so, what the response was. (TS)

110. How did you ask the questions? By phone? By email? Some other means?

I asked these questions by telephone.

111. What is your understanding of McQuoid's reply? What did you think he was saying? Did you understand it at the time?

I thought that Mr. McQuoid's reply failed to directly answer the questions that I had asked. I recall thinking that his reply was lengthy on explanation of budgeting processes in California, etc. but absent an explanation of the discrepancy that I had called to his attention.

I recall thinking that the answer contained irrelevant responses, (i.e. "Without an adopted budget, we will encounter legal problems from the State Department of Education and the Unions" reading this I thought, yes...but for what honest purpose is this guy telling me this?) His response included the statement "The District's priorities are focused on the achievement of all students, and the tentative budget reflects these priorities." (This statement might be nice, I recall thinking, but what does it have to do with explaining the discrepancies I had pointed out.) "Many watch with eager interest. Interest from board to congress is a given." (Great, I thought, but what does this have to do with my review.)

I do not know why he pointed out a $0 amount indicated for beginning teachers salary. I had not asked him about that, and whether the district was currently in the middle of contract negotiations had no bearing on the review that I was performing.

I did not understand the reply at the time. I recall thinking that he couldn't answer the question, and had talked around it, I remember thinking that he had certainly not answered my questions in a direct, straightforward way.

Parts of the response did not make sense.

He noted that [t] he "'o' amount indicated for E-Rate reimbursement is due to the fact that we are not certain of the amount SLD will fund the District for year three. Therefore, we have anticipated the need and will encumber for this expenditure once notification have (sic) been received from SLD." This statement did not make sense to me. He said the district had anticipated a need, and mentioned an expenditure, but I was asking about something on the revenue side of the budget.

I was not quite sure what "The budget outline sent to the SLD, shows an extended anticipated break down of revenue, against the potential of funding by the SLD." "This has been a diminishing target." meant.

Was he now saying that he had sent a "budget outline" not the actual budget, and my understanding of a budget was that it shows anticipated expenses and anticipated revenues. The budget on the web site made sense to me. They were not planning on receiving anything from E-Rate and they were not planning on spending anything for an E-Rate project. That was a neat picture.

I could not reconcile the information that had been provided in response to our review request against the web site information.

I had offered the applicant an opportunity to do that, and the reply did not make sense. I shared this information and some of the questions that I had with the Manager, Program Integrity Assurance—Selective Reviews.

I see right now, that his 8/9/00 response borrows heavily from page 1 of the Introduction to the "Recommended budget." I do not think I noticed that at the time. (TS)

112. Did this e-mail convince you that San Francisco Unified School District and the San Francisco Board of Education had indeed or would indeed budget sufficient monies to cover its financial obligations as it related to Form 471 202719?

No. (TS)

113. What other information or representations, if any, did you draw on in concluding that San Francisco Unified School District and the San Francisco Board of Education had indeed budgeted monies to cover its financial obligations as it related to Form 471 202719?

I did not conclude this. I do not know who concluded this. I shared my concerns with the Manager, Program Integrity Assurance--Selective Review and passed my drafts of documentation worksheets on to him, along with the review file. (TS)

114. Regarding Attachment 22, your 8-3-00 Item 25 Review Documentation Worksheet, by the time you created this document did you accept as true and accurate the documents provided to USAC with the 8-1-00 letter to Koree Knight from Tim Tronson (Attachment 14) showing that $41,550,000 had been budgeted as E-Rate District Match in the Fiscal Year 00-01?

[Please note that the 8-3-00 Item 25 Review Documentation Worksheet was a draft documentation worksheet. This is clear because it contains notes to myself of possible questions to ask, as well as either/or statements. (A technique I used to map out a review, with the intention of modifying out one of the either/or statements depending on what the documentation showed)]

The answer to the question about whether, by the time I created the 8-3-00 Item 25 Review Documentation Worksheet, I accepted as true and accurate the documents provided to USAC with the 8-1-00 letter showing that $41,550,000 had been budgeted as E-Rate District Match in Fiscal Year 00-01 is yes.

On 8-3-00, I had found to-date, no reason to believe that the documents provided to USAC with the 8-1-00 letter to Koree Knight from Tim Tronson (Attachment 14) showing that $41,550,000 had been budgeted as E-Rate District Match in the Fiscal Year 00-01 were not accurate.

Not until 8-4-00 did I discover and print the budget document from the web site. In the interim, I do not know when, I recall discovering that there were gaps in the documentation provided with the 8-1-00 letter to Koree Knight from Tim Tronson. For example, not all the summary pages were provided. Only a few of the summary description narrative pages were provided.

I shared all this information with the Manager, Program Integrity Assurance--Selective Review. In fact, before I asked any follow up question of the applicant, I spoke with the Manager, Program Integrity Assurance--Selective Review.

I also spoke with a reviewer in the Complex services group and remember that reviewer, John Piznak, handing me a package of information with tabs that he had placed on it, describing the variety of services being requested on each of the Forms 471 from San Francisco Unified School District.

I also recall asking Koree Knight internally, who had successfully received the review documents from SFUSD, which contact person I should communicate with and which contact information I should use (e mail, voice #, etc.)

116. If not, why not and how otherwise did you view the budgetary documentation Tronson had sent to Knight with his 8-1-00 letter?

N/a

117. Were you convinced at a later date of the document's accuracy and truthfulness?

No. In fact, at a date later than 8-3-00, the information I discovered via the San Francisco Web site, raised concerns about the document's accuracy and truthfulness. The information provided via e mail further heightened my concerns. I discussed additional follow-up with the Manager, Program Integrity Assurance--Selective Review.

I was directed to ask three questions. I discussed possible other questions with the Manager, Program Integrity Assurance—Selective Review. I received a response to those three questions.

I transferred the file to Manager, Program Integrity Assurance--Selective Review.

I was never asked to produce a final version of the documentation worksheet. In fact, I did not again see the file until I became Manager of the Selective Review group.

118. If so, what steps did you take, and./or what representations were made to you and by whom, that changed your view?

My view was and has not changed.

119. What weight did you give these documents in ascertaining whether San Francisco Unified School District and the San Francisco Board of Education had budgeted monies to meet its financial obligation stemming from any award that might be forthcoming as a result of Form 471 202719?

[Confidential and proprietary information redacted by USAC.]

120. Specifically, what overcame your questions regarding the discrepancy between the budget documents supplied with the 8-1-00 Tronson letter (Attachment 14) and those you accessed on-line at the San Francisco Unified School District website?

My questions were not overcome.

121. Was it McQuoid's 8-9-00 e-mail (Attachment 17)?

N/a. My questions were not overcome.

122. Regarding Attachment 22, your 8-3-00 Item 25 Review Documentation Worksheet, what weight did you give the school size information provided concerning the seven schools where the numbers of buildings, rooms and total acreage was provided on documents with the NEC logo on the bottom (Attachment 10) when deciding whether the request for equipment and funding contained in Form 471 202719 was reasonable or not?

I did not make such a decision.

[Confidential and proprietary information redacted by USAC.]

123. What other factors did you consider when making this determination?

Please see previous answer.

124. Was this analysis limited only to judging the cabling funding request or did it extend to other aspects of Form 471 202719?

I don't recall the extent to which I conducted or applied the analysis.

Within the Item 25 review, there was no specific assessment of particular components of an overall entity's Forms 471. The approach of the Item 25 review is to look at the overall request in terms of all applications submitted from an entity, in this case San Francisco Unified School District.

124a. If so, explain.

N/a.

125. Did you base any other decisions on the school size information provided on the NEC logo bearing documents (Attachment 14)?

Not that I remember.

125a. If so, explain.

126. From whom did USAC receive these documents (Attachment 14) purporting to show the number of classrooms, buildings and total acreage of schools in the San Francisco Unified School District? How were they transmitted?

I have no knowledge of this. (TS)

127. Did you or someone else at USAC request the school size information?

I did not request this information. I do not know whether someone else at USAC, and if so who, requested this information. (TS)

127a. If so, why?

N/a (TS)

128. How would it have changed your decisions if you were told at the time that the true size of the seven schools was as follows: (Number of buildings was not available).

Bret Harte Elementary School: 25 Rooms, 4.7 acres (compared to representation made in Attachment 10 documents of 42 rooms, 9 acres).

E.R. Taylor Elementary School: 26 rooms, 2.2 acres (compared to representation made in Attachment 10 documents of 45 rooms, 14 acres).

Filipino Education Center: 8 rooms, less than one acre (compared to representation made in Attachment 10 documents of 6 rooms, 4 acres).

John Muir Elementary School: 30 rooms, 1.07 acres (compared to representation made on Attachment 10 documents of 15 rooms, 9 acres).

John Swett Elementary School: 19 rooms, 1.12 acres (compared to representation made on Attachment 10 documents of 29 rooms, 12 acres).

Roosevelt Middle School: 39 rooms, 2.16 acres (compared to representation made on Attachment 10 documents of 80 rooms, 16 acres).

Sutro Elementary School: 18 rooms, less than one acre (compared to representation made on Attachment 10 documents of 21 rooms, 8 acres).

(Documents in Attachment 10 as it relates to Form 471 202719 inflate the number of rooms at the seven schools listed by 73 rooms. The same documents inflate the total acreage of the seven schools listed by more than 58.75 acres. [Schools of less than one acre were counted as being one acre in size for this calculation.] The figures I am providing come from an official San Francisco Unified School District report.)

Had you possessed this information at the time you conducted your analysis per Attachment 22, your 8-3-00 Item 25 Review Documentation Worksheet, would it have affected the outcome of your decision or your ruling?

To be clear, my review work was only a recommendation to the Manager, Selective Review. I do not know how the final determination of "pass" was arrived at, and was not involved in that final decision.

That said, such information by itself would not have changed my recommendation to "fail" this category. (TS)

The true size of the schools as represented here would not have changed the funding decision. (CA)

128a. If so, how?

N/a (TS)

128b. How significantly?

N/a (TS)

129. Would this information, had you possessed it at the time you were reviewing Form 471 202719, changed any other decision or ruling you made apart from the Item 25 review responsibilities you had?

I don't know.

I'm not sure I understand this question. Each entity is reviewed independently, so while this decision might have been modified if I had that coupled with other information, no other decision would have changed because of the information provided in regard to this entity. (TS)

129a. If so, explain how.

N/a (TS)

130. At the time Desmond McQuoid filed Form 471 202719, the San Francisco Unified School District did not have an officially approved technology plan; the one McQuoid provided USAC was borrowed from Judy Green, an employee with VNCI, a video conferencing equipment vendor that was planning on selling its equipment to the winning bidder of the PBX portion of San Francisco Unified School District Request for Proposal issued as part of the bidding process associated with Form 471 202719.

Had you possessed this information at the time you conducted your analysis per Attachment 22, your 8-3-00 Item 25 Review Documentation Worksheet, would it have affected the outcome of your decision or your ruling?

Direct evidence of a technology plan that was not an officially approved technology plan being submitted in response to our request for such a technology plan would have contradicted statements that Mr. McQuoid made to me via e mail and via the phone. I would have shared this information with the Manager, Program Integrity Assurance—

Selective Review. (TS)

130a. If so, how?

I do not know what the outcome would have been. (TS)

130b. How significantly?

I do not know what the outcome would have been. (TS)

131. At the time Form 471 202719 and 202872 were filed with USAC and continuing till present neither San Francisco Unified School District nor the San Francisco Board of Education ever considered nor did it ever budget any money in its 2000-01 budget to pay for its share of any E-Rate award.

Had you possessed this information at the time you conducted your analysis per Attachment 22, your 8-3-00 Item 25 Review Documentation Worksheet, would it have affected the outcome of your decision or your ruling?

Yes.

131a. If so, how?

All funding for all Funding Year 3 applications for San Francisco Unified School District would have been denied, provided that the Manager, Program Integrity Assurance—Selective Review and any others who looked at this file after it left my hands, had agreed and implemented such a decision accordingly. (TS)

131b. How significantly?

The decision could have been the complete opposite of what it was.

If the Manager, Program Integrity Assurance—Selective Review and any others who looked at this file after it left my hands had agreed, the decision would have been the reverse of what it was.

132. Regarding Attachment 21, and the 8-21-00 fax contained therein from McQuoid to you, specifically regarding the bid notice document, titled, "Notice to Telecommunications Service Providers, Contractors. Calling for Bids," what was your general understanding of the meaning of this document and how it fit into any competitive bid process in advance of Form 471 202719?

I understood this document to be an official request for proposal, Invitation to Bid, etc. for SFUSD. I understood the document to have begun a process whereby the district accepted independent, competitive bids, prior to selecting a vendor to provide the services listed in this document.

133. Did you take this to be the actual bid notice published, as the document itself says, on December 21 and 29 1999?

Yes

134a. If not how did you perceive it?

N/a (TS)

134. Did you ever communicate with McQuoid after receiving the 8-21-00 fax regarding any of the materials sent with the fax?

I do not recall. (TS)

134a. If so, explain.

N/a (TS)

135. What did McQuoid say about the competitive bid process?

N/a (TS)

136. No public bid notice was published in advance of the bid meeting associated with Form 471 202719. If you would have known this at the time you conducted your review per Form 471 202719, how would it have changed any of your decisions?

I do not know what the ramifications of this knowledge might have been. I would have communicated this information to the Manager, Program Integrity Assurance—Selective Review.

137. Did Judy Green or George Marchelos of Video Network Communication Inc., or anyone else from that firm, and/or Jason King from Inter-Tel Technologies, or anyone else from that firm, assist McQuoid in providing information to comply with Item 25 queries from USAC, and if so how?

I have no knowledge of whether McQuoid was assisted by these people or any other people in providing information to comply with Item 25 queries from USAC.

QUESTIONS FOR ELLEN WOLFHAGEN:

138. What is your job title. If it was different at the time you had a role in processing Form 471 202719 please include that too.

Current job title (since May 2000) is Director, Service Provider Support. From April 1999 to May 2000, served as Counsel, Schools and Libraries. At no time was I involved directly in the processing of Forms 471.

139. Please describe your job duties at USAC? If they were different at the time you had a role in processing Form 471 202719 please include that too?

My current role is to act as a liaison and advocate for the service providers who participate in the E-rate program. I hold training sessions, facilitate conference calls, write web guidance and otherwise educate the service providers about their proper role in the E-rate program.

I had no part in the processing of Form 471 202719. As former counsel to Schools and Libraries, and as a member of the Schools and Libraries Division's senior management, I

was asked to look at a group of applications that had similar circumstances and determine what the next steps should be in the review of those applications.

140. Describe any and all communications you had with Desmond McQuoid regarding Form 471 202719.

To the best of my recollection and records, I had no communications with Mr. McQuoid McQuiod.

141. Describe any and all communication you had with Judy Green regarding Form 471 202719.

To the best of my recollection and records, I had no communications with Judy Green.

142. Describe any and all communication you had with George Marchelos regarding Form 471 202719.

To the best of my recollection and records, I had no communication with George Marchelos.

143. Describe any and all communication you had with Tim Tronson regarding Form 471 202719.

To the best of my recollection and records, I had no communication with Tim Tronson.

144. Describe any and all communication you had with Kelly Nguyen regarding Form 471 202719.

To the best of my recollection and records, I had no communication with Kelly Nguyen.

145. Describe any and all communication you had with any other San Francisco Unified School District officials or consultants regarding Form 471 202719.

To the best of my recollection and records, I had no communication with any other San Francisco School District officials or consultants.

146. Regarding Attachment 19, an 8-16-00 e-mail from you to various parties at NECA titled "8 very special applications," were all eight applications referenced from San Francisco Unified School District?

No; only one of the applications was from San Francisco Unified School District.

147. If not, where were the eight applications from? Who were the applicants?

Highland Park School District (Michigan) 203886
Ecorse Public School District (Michigan) 204883
Lee County School District 1 (Arkansas) 206080
W.E.B. Dubois Charter (Fresno, California) 204441
San Francisco Unified School District (California) 202719
West Fresno Elem School District (California) 204333
Ceria M. Travis Academy (Milwaukee, Wisconsin) 203868
Covert Public School District (Michigan) 204435

148. Who were the vendors listed on these eight applications?

Highland Park – Excaliber (sic) Internet Corp; Nextel West Corp; InterTel Incorporated; VNCI;

Ecorse – NEC Business Network Solutions, Inc; General Electric Contracting Inc; Excaliber Internet Corp; Nextel West Corp; Ameritech-Michigan (aka Michigan Bell Telephone Company)

Lee County – NEC Business Network Solutions, Inc; Sprint Spectrum LP/Phillieco LP (dba Sprint PCS); Sprint Communications Company LP; GM Group, Inc; Alltel Arkansas Inc; Southwestern Bell Telephone Company; MCI Communications Corporation

W.E.B. Dubois Charter – Howe Electric, Inc; Excaliber Internet Corp

San Francisco – InterTel Incorporated; NEC Business Network Solutions, Inc

West Fresno – Howe Electric, Inc; Nextel West Corp; Rocky Mountain Internet, Inc

CM Travis – NEC Business Network Solutions, Inc; Excaliber Internet Corp

Covert – NEC Business Network Solutions, Inc; Excaliber Internet Corp*
*(*Note: this application was originally filed with other Funding Request Numbers (FRNs) but those were cancelled during Data Entry for being incomplete.)*

149. What were their spin numbers?

Alltel Arkansas Inc - 143002257
Ameritech Michigan - 143001727
Excaliber Internet Corp - 143006225
General Electric Contracting Inc - 143007733
GM Group, Inc - 143018544
Howe Electric, Inc - 143012550
InterTel Incorporated - 143022581
MCI Communications Corporation - 143001197
NEC Business Network Solutions, Inc - 143005621
Nextel West Corp - 143000893
Rocky Mountain Internet Corp - 143017116
Southwestern Bell Telephone Company - 143004662
Sprint Communications Company LP - 143005695
Sprint Spectrum LP/Phillieco LP (dba Sprint PCS) - 143006742
VNCI - 143012696

150. Who is the consultant you mention in paragraph 5?

A company called The Dewey Group. To the best of my knowledge, The Dewey Group was associated with the Highland Park (MI) application only.

151. What events or information caused you to flag these applications as needing special review?

These applications were brought to the attention of SLD management because they all involved putting a server and switches (thereby creating a Local Area Network [LAN]) in every classroom and $630,000+ PBXs in every school, for an average total request of $2 Million per school.

152. You say the "original group" of applications came to 10.

Yes; there were 2 more applications, which were eventually cancelled by the applicant.

153. Was this above referenced consultant involved in the two additional applications?

No; to my knowledge they were involved in Highland Park, only.

154. Who was the applicant of the other two applications?

Mount Clemens Community School District (Michigan)

Muskegon Heights Public School (Michigan)

155. What vendors were listed on these additional two applications?

Mount Clemens – NEC Business Network Solutions, Inc; Rocky Mountain Internet, Inc; Nextel West Corp; Ameritech Michigan (aka Michigan Bell Telephone Co); AT&T Corp; NewPar dba Air Touch Cellular

Muskegon Heights – NEC Business Network Solutions, Inc; Rocky Mountain Internet, Inc; GTE North Incorporated

156. What were their spin numbers?

Ameritech Michigan - 143001727
AT&T Corp – 143001192
GTE North Incorporated – 143004791
NEC Business Network Solutions, Inc - 143005621
NewPar dba Air Touch Cellular - 143000252
Nextel West Corp - 143000893
Rocky Mountain Internet Corp – 143017116

157. What happened to these two applications?

These 2 applications were eventually cancelled by the applicants. Muskegon Heights said they had received only one bid.

158. What was the outcome of all 10 applications?

Of the 8 remaining applications, here's the outcome by Funding Request Number (FRN):

Highland Park –
450039 – Internet Access – Excaliber – APPROVED
450041 – Telecommunications – Nextel - DENIED
451418 – Telecommunications – Excaliber- APPROVED
451421 – Internal Connections – InterTel – APPROVED
451423 – Internal Connections – VCNI – DENIED

451425 – Internal Connections – VCNI – APPROVED
451431 – Internal Connections – VCNI – DENIED
451437 – Internal Connections – VCNI – APPROVED

Ecorse Public School District (Michigan)
450317 – Internal Connections – NEC – APPROVED
450329 – Internal Connections – General Electric Contracting – APPROVED
450334 – Internal Connections – NEC – APPROVED
450338 – Internal Connections – NEC – DENIED
450347 – Internal Connections – NEC – DENIED
450352 – Internet Access – Excaliber – DENIED
450356 – Telecommunications - Excaliber – APPROVED
450388 – Telecommunications – Nextel – DENIED
461653 – Telecommunications – Ameritech – DENIED

Lee County School District 1 (Arkansas)
450016 – Internal Connections – NEC – APPROVED
450018 – Internal Connections – NEC – APPROVED
450020 – Internal Connections – NEC – APPROVED
450022 – Internal Connections – NEC – DENIED
450024 – Telecommunications – Sprint Spectrum – DENIED
450025 – Internal Connections – NEC – DENIED
450027 – Telecommunications – Sprint Communications – DENIED
450028 – Internet Access – GM Group – APPROVED
450030 – Telecommunications – Alltel – APPROVED
450031 – Telecommunications – Southwestern Bell - APPROVED
450091 – Telecommunications – MCI – APPROVED

W.E.B. Dubois Charter (Fresno, California)
459148 – Internal Connections – Howe Electric – APPROVED
459152 – Internal Connections – Howe Electric – APPROVED
459156 – Internal Connections – Howe Electric – APPROVED
459159 – Telecommunications – Excaliber Internet – APPROVED
459161 – Internal Connections – Excaliber Internet – APPROVED
459166 – Internal Connections – Howe Electric – APPROVED
459170 – Internal Connections – Howe Electric – APPROVED

San Francisco Unified School District (California)
450112 – Internal Connections – InterTel – CANCELLED
450115 – Internal Connections – NEC – CANCELLED
450124 – Internal Connections – NEC – CANCELLED
450138 – Internal Connections – NEC – DENIED
450146 – Internal Connections – NEC – DENIED

West Fresno Elem School District (California)
451842 – Internal Connections – Howe Electric – APPROVED
451847 – Internal Connections – Howe Electric – APPROVED
451850 – Internal Connections – Howe Electric – DENIED
451853 – Internal Connections – Howe Electric – DENIED
451855 – Internal Connections – Howe Electric – APPROVED
451859 – Telecommunications – Nextel – APPROVED
451862 – Telecommunications – Rocky Mountain – APPROVED

451864 – Internet Access – Rocky Mountain – APPROVED

Ceria M. Travis Academy (Milwaukee, Wisconsin)
451312 – Internal Connections – NEC – APPROVED
451313 – Internal Connections – NEC – APPROVED
451314 – Internal Connections – NEC – APPROVED
451316 – Internal Connections – NEC – DENIED
451317 – Internal Connections – Excaliber Internet – APPROVED
451318 – Telecommunications – NEC – DENIED
451319 – Internal Connections – NEC – DENIED
451320 – Telecommunications – NEC – DENIED

Covert Public School District (Michigan)
450182 – Internal Connections – NEC – APPROVED
450189 – Telecommunications – Excaliber Internet – APPROVED
450191 – Internet Access – Excaliber Internet – APPROVED
703040 – Internal Connections – NEC – PENDING (granted as the result of an appeal; this has not been through commitment yet)

159. How many of the ten applications involved any of the following firms:

Inter-Tel Technologies - 2
Nippon Electric Company (NEC) - 7
Video Network Communications, Inc. (VNCI) - 1
Sprig Electric - 0
US Machinery,or US Mach or USM Distributors - 0
Pacific Bell - 0
Solutions Technology USA - 0

160. Who was the applicant who cancelled their application due to concerns associated with a "single bid approach?"

Although I have no direct knowledge of this, it appears that the representative from Muskegon Heights may have indicated this.

161. What do you mean by "single bid" approach?

I believe that the applicant may have indicated they received only one bid and that bid contained all the "pieces" necessary to put their network together.

ADDITIONAL QUESTIONS FOR KRISTY CARROLL:

The answers to these questions are provided above by Tom Schnipp.

Have you received any Utah Form 471s involving any of the following firms for funding years three, four or beyond?

Inter-Tel Technologies
Nippon Electric Company (NEC)
Video Network Communications, Inc. (VNCI)
Sprig Electric

US Machinery or US Mach or USM Distributors
Pacific Bell
Solutions Technology USA

If so who were the applicants?

Which vendors were associated with which applications?

What funding year were the applications made?

What was the outcome of the applications?

Were individuals named George Marchelos or Judy Green involved in any of the applications, and if so what role did they play?

QUESTIONS FOR BRIAN BENTREWICZ:

Brian Bentrewicz no longer works for the USAC's program support services contractor. The answers here have been prepared by John Piznak, who at the time was in the complex review group and took over this review from Brian. (TS)

162. What is your job title. If it was different at the time you had a role in processing Form 471 202719 please include that too.

Mr. Bentrewicz was an associate manager of the complex review group at the time of initial review. He is no longer with NECA. I, John Piznak, took over the application which Brian had obtained nearly all necessary supports from the applicant to complete the services review (JP)

163. Please describe your job duties at USAC? If they were different at the time you had a role in processing Form 471 202719 please include that too?

John Piznak is the Manager of the Southeast Region. At the time of the review I was an Associate Manager, Complex Review Group. (JP)

164. Describe any and all communications you had with Desmond McQuoid regarding Form 471 202719

To the best of my recollection, I never spoke to Mr. McQuoid. I did call one or more times, leaving voicemail message for additional information. These calls were not returned. (JP)

165. Describe any and all communication you had with Judy Green regarding Form 471 202719.

To the best of my recollection, I never had any communication with Judy Green. (JP)

166. Describe any and all communication you had with George Marchelos regarding Form 471 202719.

To the best of my recollection, I never had any communication with George Marchelos. (JP)

167. Describe any and all communication you had with Tim Tronson regarding Form 471 202719.

To the best of my recollection, I never had any communication with Tim Tronson. (JP)

168. Describe any and all communication you had with Kelly Nguyen regarding Form 471 202719

To the best of my recollection, I never had any communication with Kelly Nguyen. (JP)

169. Describe any and all communication you had with any other San Francisco Unified School District officials or consultants regarding Form 471 202719.

To the best of my recollection, I never had any communication with any other officials from the San Francisco Unified School District. (JP)

170. Regarding Attachment 8, the 6-30-00 fax from Desmond McQuoid to you, what information did you specifically did you request that resulted in this reply?

Not certain, as the reply was addressed to Brian. (JP)

171. Why did you request this information? Where your questions in writing, or in some other form? What form did they take? Did you or others at USAC have concerns or questions regarding the amount of equipment McQuoid was seeking to finance?

Yes. (JP)

171a. If so, explain.

Most all the individual pieces of equipment were program eligible, but the amounts requested seemed excessive. (JP)

172. Did you or others at USAC have concerns or questions regarding the type of equipment or technology McQuoid was seeking to finance?

Yes. (JP)

173. If so, explain.

PBX's @ $465,000 for each individual school seemed to be providing a feature/capacity level that a school would not normally utilize.(JP)

174. Did you feel that McQuoid's plans – the scope of what he was seeking to finance – were excessive?

Yes. (JP)

174a. If so, how?

A server and multiple switches per classroom creating a separate LAN in every classroom seemed to be quite unusual for a school environment. (JP)

175. Did you or others at USAC have concerns or questions regarding the design of the network?

If so, explain.

Yes. (JP)

176. Was it the LAN design? If so, explain.

As above, a LAN in every classroom seemed to be quite unusual for a school environment. (JP)

177. Was it the multi-server configuration? If so explain.

What did you think of McQuoid's answers?

As per first comments, all documentation had been obtained before I took over the application. I never had any direct contact with Mr. McQuoid.(JP)

178. Did you challenge McQuoid on any of his representations?

Yes. (JP)

179. If so which ones, why, and what was McQuoid's answer?

Voicemail message that was never answered concerning the duration of the maintenance agreement. (JP)

180. Specifically did you question or challenge McQuoid on his representations regarding:

No. (JP)

1) the number of classrooms per school figure he provided;
2) the number of buildings per school figure he provided;
3) The size of San Francisco (200 square miles);
4)The assertion that San Francisco has no public transit;
5) The minimum technical service fee for downed servers of $450;
6) the number of students per classroom.

181. If you were to have known that the number of classrooms cited by McQuoid in his 6-30-00 fax (Attachment 8) was exaggerated by 1,251 classrooms, how would that have changed any of your decisions?

Regarding questions 181-183: none of the information presented in these questions would have affected the funding decision. (CA)

182. If you were to have known that San Francisco is actually less than 50 square miles, how would that have changed any of your decisions?

183. If you were to have known that San Francisco has a robust public transit system, including diesel buses, light rail, and high speed trains (Bay Area Rapid Transit), how would that have changed any of your decisions?

184. Did you and McQuoid or others at San Francisco Unified School District have any other communication related to Form 471 202719 other than that represented by Attachment 8, McQuoid's 6-30-00 fax and attached documents.

Yes. (JP)

184a. If so, explain.

One unanswered voicemail message concerning the duration of the maintenance agreement. (JP)

QUESTIONS FOR LAURA FLODEN:

185. What is your job title. If it was different at the time you had a role in processing Form 471 202719 please include that too.

My current job title is Project Supervisor of Client Service Bureau/Technical Client Service Bureau. I supervise agents, escalate any inbound issues that we do not have answers on, coaching and feedback, watch agent productivity, etc. I have not processed forms in over a year. This particular form you are asking about is from over 2 years ago.

186. Please describe your job duties at USAC? If they were different at the time you had a role in processing Form 471 202719 please include that too?

I do not work for USAC, I work for NCS Pearson in the Call Center as a project supervisor. As stated above, I supervise agents, escalate issues, watch productivity, etc. I no longer process forms.

Regarding Form 471 202719 Attachment 4, a Problem Resolution Form Detail Log and two copies of a fax cover sheet from you to someone named George at 408-871-8302, and Attachment 5, a fax from George Marchelos to you on 3-21-00, describe in detail the communication that attended this log and these faxes.

According to my call log, I was requesting corrections to Block 4 entity numbers and Block 5 item 15, 16 ,& 17 (contract #pages 1-5 , billing account # page1, and Allowable contract date page 7 or 7).

187. What was George Marchelos role in Form 471 202719?

I cannot remember if he said he worked for the school district or said he was a helper of Mr. McQuoid or any exact title.

1,8. Did he represent himself as and employee of or a consultant to the San Francisco Unified School District?

As stated above, I do not recall if he said he was working for the school or as a consultant.

188a. If so, how?

188b. If so, what did he say regarding his role on Form 471 202719?

I do not recall.

189. Describe in detail the conversation you had with him that you reference in the 3-21-00 fax cover sheet?

We must have discussed block 4 entity number issues on the phone for corrections along with block 5 issues pertaining to items 15, 16, and 17. I sent him all of the block 4 pages to see the entity numbers for each school listed to ensure they had the correct entity numbers on their copy of the form and for future reference.. It appears they listed the last 4 digits of an NCES code which we no longer used in Funding Year 3. My call log had very poor documentation.

190. Did you have any other conversations or communications with Marchelos?

My call log indicates only that I left 3 voice mails. Who I left the voicemails for, I do not know. Clearly from the faxes from myself to George Marchelos and from Mr. Marchelos to myself, we had spoken on the phone. I am not sure if we only talked once or more than once.

190a. If so, explain?

191. Did Desmond McQuoid refer you to Marchelos?

I do not remember.

192. If so what did McQuoid say about who Marchelos was, who he worked for and what his role in Form 471 202719 was?

I do not remember.

193. Did you ever learn at a later date that he was something other than what he initially represented?

I had received a message to call David Carr with the FBI quite a few months back regarding San Francisco USD because he was investigating it.

194. What did you learn and how did you learn it?

Mr. Carr didn't really go into any detail about the investigation other than to say he was investigating the S.P. I couldn't answer many of the questions just as the ones here I am

trying to answer. It was just too long ago and the call log doesn't give a lot of information.

195. When did you learn it?

I do not recall.

196. Were you then or later were you ever aware that Marchelos was and is an employee of Video Network Communications Inc.?

I do not recall.

197. Have you ever dealt with Marchelos on any other applications from other applicants?

Not that I am aware of, no.

197a. If so, explain.

198. Have you ever dealt with Marchelos on other San Francisco Unified School District Form 471 applications?

Not that I am aware of, no.

198a. If so, explain.

199. Describe any and all communications you had with Desmond McQuoid regarding Form 471 202719.

I am not sure what communication, if any, I had with Mr. McQuoid. I should have received faxed or voice authorization to speak with someone other than Mr. McQuoid because he was listed as the contact person. If I received voice authorization from Mr. McQuoid, I do not recall it and it is not indicated on my call log.

200. Describe any and all communication you had with Judy Green regarding Form 471 202719.

Judy Green is unfamiliar to me, I would say no communication.

201. Describe any and all communication you had with Tim Tronson regarding Form 471 202719.

Tim Tronson is unfamiliar to me, I would say no communication.

202. Describe any and all communication you had with Kelly Nguyen regarding Form 471 202719.

Kelly Nguyen is unfamiliar to me, I would say no communication.

203. Describe any and all communication you had with any other San Francisco Unified School District officials or consultants regarding Form 471 202719.

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The only 2 people I can assume I spoke with regarding this 471 had to have been Mr. McQuoid and George Marchelos.

Memorandum

TAB 130

Subject	Suggestions for E-Rate Program	Date	December 3, 2002

To Kim A. Bumstead
Senior Auditor
Office of Inspector General
Federal Communications Commission

From Scott D. Hammond SDH
Director of Criminal Enforcement
Antitrust Division
U.S. Department of Justice

As discussed during our meeting on June 19, 2002, this memorandum recommends suggested changes to the FCC's current E-Rate forms to safeguard against collusion and fraud and provide added avenues of criminal enforcement.

I. Require a Certificate of Independent Pricing

First and foremost, the Division strongly recommends inclusion of a Certificate of Independent Price Determination to be signed by all bidders, vendors, and service providers. The Certificate of Independent Price Determination ("Non-collusion Certificate") requires a bidder or offeror to certify that the prices in the bid have been arrived at independently. The bidder also certifies that the prices quoted have not knowingly been disclosed and that no attempt has been made to induce any other firm to submit or not to submit a bid. In essence, the Certificate requires that the bidder affirm that it did not engage in collusive bidding on the proposed contract.

Non-collusion Certificates support a number of important public policies. First, the federal government has the right to know how bids involving federal funds are prepared -- either independently or in concert with other offerors -- in order that the manner in which the bids were derived can be appropriately evaluated and improperly prepared bids may be rejected. Second, Non-collusion Certificates require disclosure of pre-bid conduct or communications among competitors, namely attempting to induce another firm to submit or not to submit an offer or disclosing price information, that would reduce the competitiveness of these firms' offers. The Department believes that taxpayers deserve the substantial benefits that are derived from vigorous competition, and Non-Collusion Certificates are necessary to ensure that they receive it. Third, the government has the right to protect itself from anticompetitive bids that were prepared in violation of the antitrust laws. Under the federal antitrust laws, a company or agency, such as USAC or a local school district, that solicits bids may establish the terms upon which those bids are to be submitted. If strictly independent bids are solicited, it is an antitrust violation for any offerors to collude on the submission of their bids.

USAC should provide applicants with Non-Collusion Certificates, and require that vendors complete them. This requirement imposes a minimal added burden. For many businesses, particularly for smaller ones, the company officer that signs the Non-collusion Certificate will have personally overseen the preparation of the company's bid, and will be able to sign from personal knowledge.

By virtue of 18 U.S.C. § 1001, the submission of a false or fraudulently prepared Non-collusion Certificate is a criminal violation. The possibility for prosecution for submitting a fraudulent Non-collusion Certificate is a powerful incentive for offerors to conform their bidding practices to the requirements of the contracting authority. If an offeror has engaged in conduct that constitutes a violation of the antitrust laws during the preparation of a bid, that offeror may also be prosecuted under the Sherman Act, 15 U.S.C. § 1. An offeror that commits an antitrust violation of the antitrust violation during the preparation of a bid will generally submit a fraudulent Non-collusion Certificate, in which case the certificate can be used in support of a later prosecution to help prove that the defendant was aware that its actions violated the antitrust laws and acted with fraudulent intent. Non-Collusion Certificates serve a similar purpose in civil actions under the antitrust or false claims laws to recover damages on behalf of the United States where procurement fraud has occurred.

The current Code of Federal Regulations ("CFR") contains a Non-collusion Certificate as follows:

CODE OF FEDERAL REGULATIONS
TITLE 48--FEDERAL ACQUISITION REGULATIONS SYSTEM
CHAPTER 1--FEDERAL ACQUISITION REGULATION
SUBCHAPTER H--CLAUSES AND FORMS
PART 52--SOLICITATION PROVISIONS AND CONTRACT CLAUSES
SUBPART 52.2--TEXTS OF PROVISIONS AND CLAUSES

52.203-2 Certificate of Independent Price Determination.

As prescribed in 3.103-1, insert the following provision. If the solicitation is a Request for Quotations, the terms "Quotation" and "Quoter" may be substituted for "Offer" and "Offeror."

CERTIFICATE OF INDEPENDENT PRICE DETERMINATION (APR 1985)

(a) The offeror certifies that--
(1) The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror or competitor relating to (i) those prices, (ii) the intention to submit an offer, or (iii) the methods or factors used to calculate the prices offered;
(2) The prices in this offer have not been and will not be knowingly disclosed by the offeror, directly or indirectly, to any other offeror or competitor before bid opening (in the case of a

sealed bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and

(3) No attempt has been made or will be made by the offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

(b) Each signature on the offer is considered to be a certification by the signatory that the signatory--

(1) Is the person in the offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or

(2)(i) Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will
not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above
_____ [insert full name of person(s) in the offeror's organization responsible for determining the prices offered in this bid or proposal, and the title of his or her position in the offeror's organization];

(ii) As an authorized agent, does certify that the principals named in subdivision (b)(2)(i) above have not participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above; and

(iii) As an agent, has not personally participated, and will not participate, in any action contrary to subparagraphs (a)(1) through (a)(3) above.

(c) If the offeror deletes or modifies subparagraph (a)(2) above, the offeror must furnish with its offer a signed statement setting forth in detail the circumstances of the disclosure.

Inclusion of this certificate not only puts bidders on notice that they should not be discussing or agreeing on pricing, but also allows for a clean, straightforward prosecution of false statements in addition to bid rigging charges.

II. Require At Least Three Bidders And Award Contract to Lowest Bidder

In addition to the E-Rate program's requirement of posting the Form 470 on the Universal Service website for 28 days, the Division recommends that USAC require applicants to obtain at least three bids when the applicant is seeking goods or services in excess of a certain amount (e.g., $25,000).

Lowest "responsive" bidder should be more narrowly defined. In most cases, the lowest bidder should automatically be awarded the contract. In the event this is not the case, the applicant should provide further documentation as to why bid was not awarded to the lowest bidder.

III. Require Additional Documentation And Notice

While USAC's certification includes language to the effect that supporting paperwork should be kept for five years. The Division suggests that this requirement needs to be made more conspicuous and specifically refer to all bidding documents. USAC should consider automatically denying or suspending funding if the school district cannot produce the bid documents. A bright-line rule should be stated clearly up front.

USAC could go a step further and require that applicants submit copies of all bids, including both winning and losing bids. This material could be scanned and should be preserved in the event of later investigation. This will create a central location for key paperwork, and avoid the need to go to numerous applicants individually. This also ensures that the documents will be preserved.

In addition, the Division recommends that USAC require applicants to receive documentation from service providers regarding any and all subcontracting arrangements. Copies of this documentation should be provided to USAC, under penalty of nonpayment or cancellation of existing contracts.

USAC should also require that applicants provide copies of documentation associated with pre-bid meetings. While there is no current requirement that applicants hold pre-bid meetings or that such meetings be advertised in advance, if the applicant chooses to hold such meetings, USAC should require that the applicant retain documentation associated with meetings, such as copies of newspaper ads, sign in sheets, copies of business cards received, and minutes of the meetings.

Applicants should also be required to identify any outside experts or consultants, whether paid or unpaid, that help with the preparation of the technology plan or the procurement process.

Finally, as an added deterrent, USAC could add notice in Form 471 (#30) that in addition to denial of funding, failure to comply with certain program rules may result in referrals by USAC to appropriate criminal authorities.

If you have any questions about these suggestions or would like to discuss them further, please let us know. We recognize the significance and importance of the E-Rate program and appreciate the opportunity to provide assistance.

From: "Bentley, Alicia" <Alicia.Bentley@usdoj.gov>
To: "Winslow, Sara (NDCA)" Receipt Notification Requested IPM Return Requested <Sara.Winslow2@usdoj.gov>, "Yee, Wayne" Receipt Notification Requested <Wayne.Yee@usdoj.gov>, "Kim Bumstead" Receipt Notification Requested IPM Return Requested <KBUMSTEA@fcc.gov>
Date: 8/23/02 10:42AM
Subject: RE: Input for E-Rate Certification Changes

my suggestions are handwritten and I will fax them today. I hope this isn't too late. I would also add some language about how the services have been provided in compliance with the terms and purposes of the program.

-----Original Message-----
From: Winslow, Sara (NDCA)
Sent: Thursday, August 22, 2002 5:48 PM
To: 'Kim Bumstead'; Bentley, Alicia; Yee, Wayne
Cc: 'Thomas Bennett'
Subject: RE: Input for E-Rate Certification Changes

Kim -- Thanks for giving us this opportunity to comment.

The main thing that concerns me is that (assuming I understand the process correctly) there is no certification required that the services have actually been provided. If it were up to me, I would require such a cert. before any $$ was ever paid out. I would have both the school and the provider certify that the services have been provided before any invoices gets paid. (If $$ has to go out before the service is completed, I would still require certifications about what has been provided to date before the payment goes out -- sort of a progress payment, but with the invoice listing the work that was done to date & certifying that it was done.) In this regard, I'd suggest the following changes:

Form 486 -- certification #9 certifies that the services "have been, are planned to be, or are being provided" -- I would cut out the "are planned to be, or are being" and have it read "have been provided."

Form 472 -- Certification A might be read to say that the services have already been provided, but it could be seen as ambiguous. To be safe, I would add a certification something like "The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form were paid by the Billed Entity Applicant to the service provider in exchange for the services listed in Column ____. These services have been provided by the service providers." If Form 472 doesn't already have a column listing the services being paid for, I would add it.

Form 473 -- Cert. #10 should add a clause so that the 2nd line reads something like: ". . . services which have been billed to, and actually provided to . . ." (Or something -- whether in #10 or in an additional new certification -- that makes clear the services have been provided. As it reads now, they're only certifying that the services have been billed for, not that they've actually been provided.)

On the topic of competitive bidding, you may want to think about a revision to Form 471, cert. #28, so that it's much more specific -- for example, the cert. could refer to the specific regs or policy statements requiring competitive bidding, and the school would have to certify that it complied w/ those regs, policy statements, etc. For any such issues that are of real concern to the FCC -- such as the providers being the ones to write the RFPs, etc. -- there could be a certification referring specifically to the prohibition against that practice, and certifying that the rule was complied with. I don't yet have a good enough handle on the issues & the program requirements to be more specific w/ these comments, but the general idea is that if there's a rule that you're concerned is being violated, that rule should be cited & the entity should certify that it has complied w/ the rule.

Sara Winslow
Assistant United States Attorney, N.D. Cal.

450 Golden Gate Ave., 10th Floor, Box 36055
San Francisco, California 94102
tel. 415/436-6925; fax 415/436-6748

-----Original Message-----
From: Kim Bumstead [mailto:KBUMSTEA@fcc.gov]
Sent: Tuesday, August 20, 2002 11:19 AM
To: Bentley, Alicia; Winslow, Sara (NDCA); Yee, Wayne
Cc: Thomas Bennett
Subject: Input for E-Rate Certification Changes

Good afternoon,

You and your colleagues at the Dept. of Justice have pointed out several deficiencies in the certifications included on the FCC's E-rate forms signed by applicants and service providers. In the upcoming weeks our office will be making recommendations to the FCC's Wireline Competition Bureau (WCB) regarding the E-rate program. Based on your concerns one of our recommendations will be certification changes.

In order to make sound recommendations, we need your input on changes to the certifications. (A copy of the certifications is attached.) Please take a moment and provide a list of certification changes needed for each E-rate form. Please reference each individual certification by FCC Form and certification number and include your recommended changes and/or comments as to how and why the certification should be changed, omitted, expanded, etc.

In an effort to incorporate the changes into the next round of E-rate applications, we need to have your input by September 1. The responses don't have to be official, letterhead documents. A quick e-mail response will be sufficient for our purposes.

We appreciate your assistance. If you have any questions about this request, please contact myself, Tom Bennett (Assistant IG for Audits - 202-418-0477), or Tom Cline (Director of Program Audits - 202-418-7890).

Kim Bumstead
Senior Auditor
Office of Inspector General
Federal Communications Commission
445 12th Street, S.W. - Room 2-C762
Washington, D.C. 20554
kbumstea@fcc.gov
Phone: 202-418-8217
Fax: 202-418-2811

CC: "Thomas Bennett" Receipt Notification Requested <TBENNETT@fcc.gov>

AUG-23-2002 15:09

UNITED STATES DEPARTMENT OF JUSTICE

Civil Division
Commercial Litigation Branch
Civil Fraud Section

TELEPHONE: (202) 616-9854
FACSIMILE: (202) 514-0280
DATE: **August 23, 2002**

Mailing Address:	**Street Address:**
P.O. Box 261 Ben Franklin Station Washington, D.C. 20044	601 D Street, N.W. Room 9732 Washington, D.C. 20004

FACSIMILE TRANSMISSION RECORD

TO: Mr./Ms.: **Kim Bumstead, Senior Auditor**

Facsimile No.: **202-418-2811**

Agency/Firm: **Office of the Inspector General, Federal Communications Commission**

Telephone No: **202-418-8217**

FROM: ALICIA J. BENTLEY DIRECT DIAL: (202) 616-9854

TOTAL NUMBER OF PAGES INCLUDING COVER PAGE: **13**

MESSAGE:

Dear Kim:

Here are my suggestions and I freely admit that they may go too far. (remember I don't understand the program as well as you guys do). I am around all next week if you want to discuss.

Alicia Bentley
(202) 616-9854

PS: These comments do not reflect the official position of the Department of Justice and are merely informal comments provided in the course of an investigation.

This written message is for the exclusive use of the addressee and contains confidential, privileged and non-disclosable information. If the recipient of this message is not the addressee, or a person responsible for delivering the message to the addressee, such recipient is prohibited from reading or using this message in any way. If you have received this message by mistake, please call the sender immediately and destroy the facsimile message. Thank you

AUG-23-2002 15:09

FCC Form 470

Description of Services Requested and Certification

Block 5: Certification and Signature

19 The applicant indicates (Check one or both.)

a ☐ schools under the statutory definitions of elementary and secondary schools found in the Elementary and Secondary Education Act of 1965, 20 U.S.C. Secs. 8801(14) and (25), that do not operate as for-profit businesses, and do not have endowments exceeding $50 million, and/or

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

20 All of the individual schools, libraries, and library consortia receiving services under this application are covered by:

a ☐ individual technology plans for using the services requested in this application; and/or

b ☐ higher-level technology plans for using the services requested in this application; or

c ☐ no technology plan needed; application requests basic local and/or long distance telephone service only

21 Status of technology plans (if representing multiple entities with mixed technology plan status, check both a and b)

a ☐ technology plan(s) has/have been approved by a state or other authorized body;

b ☐ technology plan(s) will be approved by a state or other authorized body;

c ☐ no technology plan needed; application requests basic local and/or long distance telephone service only

22 I certify that the services the applicant purchases at discounts provided by 47 U.S.C. Sec. 254 will be used solely for educational purposes and will not be sold, resold, or transferred in consideration for money or any other thing of value.

Additionally, I certify that the ~~Sr~~ applicant has not received anything of value, other than the services and equipment under this plan, from the service provider, ~~or any consultant~~ or any representative or agent thereof or any consultant ~~in relation to~~ in connection with this request for services.

23 I recognize that support under the support mechanism is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and internal connections necessary to use the services purchased effectively.

24 I certify that I am authorized to submit this request on behalf of the above-named entities, that I have examined this request, and to the best of my knowledge, information, and belief, all statements of fact contained herein are true.

25 Signature	26 Date
27 Printed name of authorized person	
28 Title or position of authorized person	
29 Telephone number of authorized person: ( ) - ext.	

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b); or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

FCC Form 471

Services Ordered And Certification

Block 6: Certifications and Signature

as well as ~~an~~ False statements on this form can be punished as violations of 18 USC § 1001 and as civil violations of the False Claims Act.

I certify that all of the information on this form is true and correct to the best of my knowledge, that the entities that I represent has complied with the terms, conditions + purposes of the program, that no kickbacks were paid to anyone, and that

FCC Form 472 - continued
Billed Entity Applicant Reimbursement

Block 3: Billed Entity Applicant Certification

I certify that I am authorized to submit this Billed Entity Applicant Reimbursement Form on behalf of the eligible schools, libraries, or consortia of those entities represented on this Form, and certify to the best of my knowledge, information and belief, as follows:

A. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form represent charges for eligible services delivered to and used by eligible schools, libraries, or consortia of those entities for educational purposes, on or after the actual service start date reported on the associated Form 486.

B. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form were already billed by the service provider and paid by the Billed Entity Applicant on behalf of eligible schools, libraries, and consortia of those entities.

C. The discount amounts listed in Column (15) of this Billed Entity Applicant Reimbursement Form are for eligible services approved by the fund administrator pursuant to a Form 471 Funding Commitment Decision Letter.

D. I recognize that I may be audited pursuant to this application and will retain for five years any and all records that I rely upon to fill in this form.

16. Signature of authorized person (original ink signature required)	17. Date (required)
18. Printed name of authorized person (required)	
19. Title or position of authorized person (required)	
20. Telephone number of authorized person (required)	
21. Address of authorized person (required)	
Page 3 of 4 pages	FCC Form 472 - October 1996

E. I represent that all information on this form is true and correct to the best of my knowledge and that ~~all~~ all funds sought are being sought in connection with the terms, conditions and purposes of the program.

FCC Form 472

Billed Entity Applicant Reimbursement Form

FCC Form 472

Do not write in this space.

Approved by OMB

3060 - 0853

Universal Service for Schools and Libraries

Estimated Average Burden Hours Per Response: 1.5 hours

Please read instructions before completing

(To be completed by schools, libraries, or consortia.)

BILLED ENTITY APPLICANT REIMBURSEMENT FORM

For reimbursement of discounts on approved services already paid for by the Billed Entity Applicant.

Only one Service Provider Identification Number (SPIN) per form.

Must be completed and signed by the Billed Entity Applicant and signed by the relevant service provider.

[illegible]

NOTICE TO INDIVIDUALS: Section 54.619 of the Federal Communications Commission's rules requires the [illegible] to the discounted to a service provider. All discounts and [illegible] price of eligible services, which are approved for discounts, and that seek reimbursement of the discounts, must file the Billed Entity Applicant Reimbursement Form. This Billed Entity Approved Reimbursement Form [illegible] from the Universal Service Fund [illegible] 47 U.S.C. § 254.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this form is in the public interest. If we believe there may be a violation or potential violation of a FCC statute, regulation, rule or order, your form may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in this form may be disclosed to the Department of Justice or a court of adjudicative body when the FCC, or the employee of the FCC, or the United States Government, is a party or a participant before the body or has an interest in the proceeding.

If you pay a debt to the federal government, the Internal Revenue Service and other information you provide may also be disclosed to the Department of the Treasury Financial Management Service to offset future payments to other persons who owe money to the federal government. The FCC may also provide the information to these agencies through the matching of computer records when authorized. If you do not provide the information requested on this form, your form may be returned without action or your form may be delayed. The foregoing notice is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552a, and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, D.C. 20554.

FCC Form 473
Service Provider Annual Certification Form

FCC Form 473 — Approved by OMB 3060 - 0856

Universal Service for Schools and Libraries

Service Provider Annual Certification Form

Estimated Average Burden Hours Per Response: 1.0 hour

Please read instructions before completing. (To be completed by Service Provider)

Persons willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

NOTICE TO INDIVIDUALS: Section 54.501 of the Federal Communications Commission's rules states that telecommunications carriers shall be eligible for universal service support for providing supported services to eligible schools, libraries, and consortia including those entities. Section 54.517 prescribes that non-telecommunications carriers shall be eligible for universal service support for providing Internet access and installation and maintenance of internal connections to eligible schools, libraries, and consortia including those entities.

Section 69.619 of the Federal Communication Commission's rules requires the fund administrator to review bills for services and to determine the amount of universal service support to be disbursed to service providers. All service providers that have signed a contract or have tariffs in effect under which they provide discounted service to eligible schools and libraries who have received a Funding Commitment Decisions Letter from the fund administrator are required to submit a Service Provider Invoice Form to obtain universal service support for the amount of the discounts provided to eligible schools and libraries. This Service Provider Invoice Form informs the fund administrator of the amount of the discounts provided to eligible schools and libraries, and consortia of those entities, for which the service provider seeks universal service support.

A Service Provider Annual Certification Form is required to be completed by each service provider, for each separate Service Provider Identification Number (SPIN), to confirm that the invoice forms submitted by each service provider are in compliance with the FCC's rules governing Universal Service for Schools and Libraries. One Form may be completed by each service provider that may have one or more Service Provider Identification Numbers assigned, and service providers with different legal names that are part of the same corporate legal entity may also submit one Form.

AUG-23-2002 15:11

FCC Form 473 - continued

Service Provider Annual Certification Form

Block 2: Certification

I certify that I am authorized to submit this Service Provider Annual Certification Form on behalf of the above-named service provider, which has been assigned the above-referenced Service Provider Identification Number, and certify to the best of my knowledge, information and belief, as follows:

9. Based on information known to me or provided to me by employees responsible for the data being submitted, I hereby certify that the data set forth in this Form has been examined and reviewed and is true, accurate and complete.
10. The Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.
11. The Service Provider Invoice Forms that are submitted by this service provider are based on bills or invoices issued by the service provider to the service provider's customers on behalf of schools, libraries, and consortia of those entities as deemed eligible for universal service support by the fund administrator, and exclude any charges previously invoiced to the fund administrator for which the fund administrator has not yet issued a reimbursement decision.
12. This service provider makes available to customers, upon their request, separate prices for discount services to assist Billed Entity Applicants in identifying the portions of their bills that represent the costs of services provided to eligible entities for eligible purposes.
13. I acknowledge the Fund Administrator's authority to request additional supporting information as may be necessary. I recognize that I may be audited pursuant to this form and will retain for three years any and all records that I rely upon to complete this form and each Service Provider Invoice Form that is submitted by this service provider during the present funding year.

14. Signature (original ink signature required)	15. Date (required)
16. Printed name of authorized person (required)	
17. Title or position of authorized person (required)	

The service provider further certifies that no kickbacks or commissions have been paid in connection with the receipt or maintenance of any of the services to any of the recipient entities.

The service provider hereby certifies that the rates it charges all of its recipients under the program are its lowest and are competitive with the rates generally paid for similar services in the local community.

12.5- The service provider certifies that it is fully familiar with the terms, conditions and purposes of the Program and that all services provided comply with those terms conditions and purpose.

FCC Form 474

Service Provider Invoice Form

SERVICE PROVIDER Invoice Form

Penalties: Willfully making false statements on this form can be punished by fine or forfeiture, under the Communications Act, 47 U.S.C. Secs. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

NOTICE TO INDIVIDUALS: Section 254 of the Federal Communications Commission's rules requires the fund administrator to review bills for services and to determine the amount of universal service support to be disbursed to service providers. All service providers that have signed a contract or have bills in effect under which they provide discounted services to eligible schools and libraries who have received a Funding Commitment Decision Letter from the fund administrator are required to submit this Service Provider Invoice Form to obtain universal service support for the amount of the discounts provided to eligible schools and libraries. This Service Provider Invoice Form requires the fund administrator of the amount of the discounts provided to eligible schools and libraries and for which the service provider seeks universal service support. The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254.

No agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The FCC is authorized under the Communications Act of 1934, as amended, to collect the personal information we request in this form. We will use the information you provide to determine whether approving this application is in the public interest. If we believe there may be a violation or potential violation of a FCC license, regulation, rule or order, your application may be referred to the Federal, state, or local agency responsible for investigating, prosecuting, enforcing or implementing the statute, rule, regulation or order. In certain cases, the information in your application may be disclosed to the Department of Justice or a court or adjudicative body when (a) the FCC or (b) any employee of the FCC, or (c) the United States Government, is a party in a proceeding before the body or has an interest in the proceeding.

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

If you do not provide the information requested on this form, your application may be returned without action or your application may be delayed.

The Notice to Individuals is required by the Privacy Act of 1974, Pub. L. No. 93-579, December 31, 1974, 5 U.S.C. § 552a and the Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 44 U.S.C. § 3501, et seq.

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing, and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to the Federal Communications Commission, Performance Evaluation and Records Management, Washington, D.C. 20554.

1. Service Provider Name (30 characters maximum)
2. Service Provider Identification Number (SPIN) (9 characters maximum)
3. Contact Name (30 characters maximum)
4. Contact Telephone Number (14 digits maximum) Area Code: Phone Number: Ext.:

add same info as 473

FCC Form 486

Receipt of Service Confirmation Form

FCC Form
486

Approved by OMB

Schools and Libraries Universal Service

Receipt of Service Confirmation Form

FCC Form 486: To be completed by the Billed Entity
Please read instructions before completing.

Estimated Average Burden Hours For First Submission: 15.5 hours
For Subsequent Submissions: 1.5 hours

Applicant's Form Identifier _____
(Create your own code to identify this Form 486)

Block 1: Billed Entity Information

1. Name of Billed Entity | 2. Billed Entity Number | 3. Funding Year

4. Complete Mailing Address of Billed Entity
Street Address, P. O. Box or Route Number | City | State | Zip Code

10-Digit Telephone Number | Fax Telephone Number | E-Mail Address

5. Contact Person Information
Contact Person Name

Mailing Address (if different than Item 4)
Street Address, P. O. Box or Route Number | City | State | Zip Code

☐ 10-Digit Telephone Number ☐ Fax Telephone Number ☐ E-Mail Address

Check the box next to the preferred method of contact. (At least one box MUST be checked.)

Pursuant to falsely making false statements on this form can be punished by fine or by imprisonment, under the Communications Act, 47 U.S.C. Sect. 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. Sec. 1001.

NOTICE: The collection of information stems from the Commission's authority under Section 254 of the Communications Act of 1934, as amended, 47 U.S.C. § 254. The data in this form will be used to inform the Schools and Libraries Division of the Universal Service Administrative Company that a billed entity, under the schools and libraries fund, a representative has begun or has contracted to begin to receive service that is eligible for discounts consistent with the requests in FCC Form 471.

FCC Form 486 - continued

Receipt of Service Confirmation Form

and that no person or entity outside of the [school] has prepared or assisted w/ the preparation of the plan

Block 4: Certifications and Signature

8. I certify that the technology plan(s) for the services requested as indicated on this Form 486 have been approved as necessary/ FIU in the name(s) of the organization(s) that reviewed and approved a technology plan for any eligible entity that is receiving services covered under this form; attach as additional list if necessary. If ALL of the Funds listed herein are for basic telephone service only, write in "none" here.

delete

9. I certify that the services listed on this Form 486 have been ~~approved to be, or are in the process of being~~ billed to all or some of the eligible entities identified in the Form 471 application(s) cited above. I certify that there are signed contracts covering all of the services listed on this Form 486 except for those services provided under tariff or month-to-month arrangements. I certify that I am authorized to submit this receipt of service confirmation on behalf of the above-named Billed Entity; that I have examined this request, and that, to the best of my knowledge, information, and belief, all statements of fact contained herein are true.

10. I understand that the discount level used for shared services is conditional, for future years, upon ensuring that the most disadvantaged schools and libraries that are served as sharing in the services receive an appropriate share of benefits from those services. I recognize that I may be audited pursuant to this application and will retain for five years any and all records, including Forms 479 where required, that I rely upon to complete this form and, if audited, will make available to the Administrator such records.

NOTES FOR COMPLETING THE CERTIFICATIONS IN ITEM 11

- A Billed Entity who is the Administrative Authority must check Item 11a or 11b or 11c. Check only ONE item. If the Billed Entity is not the Administrative Authority, skip to Item 11d.
- A Billed Entity who represents one or more Administrative Authorities must check Item 11d or 11e. (See the Form 486 instructions for Item 11, "Special Notes for Billed Entities Who Represent One or More Administrative Authorities.")
- A Billed Entity who represents one or more Administrative Authorities in Funding Years after Funding Year 4 and who checks Item 11d must check Item 11f or 11g. (See the Form 486 instructions for Item 11, "Special Notes for Billed Entities Who Represent One or More Administrative Authorities.")
- IF THIS FORM PERTAINS TO A FUNDING YEAR PRIOR TO FUNDING YEAR 4 (THE FUNDING YEAR BEGINNING JULY 1, 2001), SKIP TO ITEM 12.

or more limited

or who receives any funding from any service provider

no person w/ any financial interest in any service provider has assisted with the preparation of this plan

FCC Form 486 - continued

Receipt of Service Confirmation Form

11. FOR A BILLED ENTITY WHO IS THE ADMINISTRATIVE AUTHORITY

I certify that as of the date of this start of discounted services:

a. ☐ the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 has (have) complied with the requirements of the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l)

b. ☐ pursuant to the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(l), and (h), the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) undertaking such actions, including any necessary procurement procedures, to comply with the requirements of CIPA for the next funding year, but has (have) not completed all requirements of CIPA, for this funding year.

c. ☐ the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l), does not apply because the recipient(s) of service represented in the Funding Request Number(s) on this Form 486 is (are) receiving discount services only for telecommunications services.

Page 4 of 7 FCC Form 486 July 2001

FOR A BILLED ENTITY WHO REPRESENTS ONE OR MORE ADMINISTRATIVE AUTHORITIES*:

d. ☐ I certify as the Billed Entity for the consortium that I have collected duly completed and signed Forms 479 from all eligible members of the consortium.

e. ☐ I certify as the Billed Entity for the consortium that the only services that I have been approved for discounts under the universal service support mechanism on behalf of eligible members of the consortium are telecommunications services, and therefore the requirements of the Children's Internet Protection Act, as codified at 47 U.S.C. § 254(h) and (l), do not apply.

For Funding Years other Funding Year 4: If you checked Item 11d above, check ONE of the boxes below:

f. ☐ I certify that some or all of the eligible consortium members checked Form 479 have fed to seek a CIPA Waiver, and upon request from the Administrator I can provide this information; OR

g. ☐ I certify that no eligible consortium members checked Form 479 have fed to seek a CIPA Waiver.

The certification language above is not intended to fully set forth or explain all the requirements of the statute.

* See the Form 486 Instructions for Item 11, "General Notes for Billed Entities Who Represent One or More Administrative Authorities."

12. Signature of authorized person	13. Date
14. Printed name of authorized person	
15. Title of authorized person	
16. Telephone number of authorized person	

FCC Form 498

Service Provider Information Form Certification

Certification: This form must be accompanied with a letter of authorization, on company letterhead, certifying the accuracy of the information provided. (See instructions, page 5, and Attachment A to the instructions.)

Check here [X] to indicate that letterhead is attached. See last page of instructions for the letterhead template.

Revisions may be submitted by the existing general contact or a company officer ONLY.

PERSONS MAKING WILLFUL FALSE STATEMENTS ON THE FORM CAN BE PUNISHED BY FINE OR IMPRISONMENT UNDER THE COMMUNICATIONS ACT OF 1934, AS AMENDED 47, U.S.C 220(d) and 18 USC §1001.

Forward completed form along with a letter of authorization to:

USAC Billing and Disbursement
Attn: Form 498
12850 Federal Systems Park Drive
Fairfax, VA 22033-4412

Please see the Form 498 instructions or the Frequently Asked Questions. Guide to the Form 498 at www.universalservice.org/forms if you have additional questions

can we say this?

FCC Form 500

Adjustment to Funding Commitment and Modification to Receipt of Service Confirmation Form

Block 3: Certification

7. I certify that I am authorized to submit this form on behalf of the above-named billed entity applicant, that I have examined this request, and that, to the best of my knowledge, information, and belief, all statements of fact contained herein are true.
8. I understand that the discount level used for shared services is conditional, for future years, upon ensuring that the most disadvantaged schools and libraries that are treated as sharing in the services receive an appropriate share of benefits from those services.
9. I recognize that I may be audited pursuant to this application and will retain for five years any and all records that I may submit to USAC in this form.

10. Signature (original ink signature required)	11. Date (required)
12. Printed name of authorized person (required)	
13. Title or position of authorized person (required)	
14. Telephone number of authorized person (required)	
15. E-Mail address of authorized person (required, if available)	
16. Address of authorized person (required)	

add same lingo as #470

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Obligation to Pay Non-Discount Portion

Applicants are **required** to pay the non-discount portion of the cost of the goods and services to their service provider(s). Service Providers are **required** to bill applicants for the non-discount portion. The Federal Communications Commission stated that requiring applicants to pay their share would ensure efficiency and accountability in the program:

> Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the account fund.

Applicants certify that they have complied with this requirement on FCC Forms 470 and 471. On the Form 470, applicants certify as follows in Item 23:

> I recognize that support under this support mechanism is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively.

On the Form 471, applicants certify as follows in Item 25:

> The eligible schools and libraries listed in Block 4 of this application have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.

"Secured access" means that you can show that these funds are, or will be, part of your annual budget; or, if you are obtaining the funds from an outside source, that these funds have been promised to you. If you obtain these

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funds from an outside source, the funds must not come directly or indirectly from your service provider(s).

Some service providers and consultants offer to waive the non-discount portion, or to provide the applicant with a credit or with goods and services equivalent to the non-discount portion. It is a violation of program rules for service providers to waive or credit the applicant's share in any manner. Any special offers to reduce the price must be incorporated into the Form 471 "Total pre-discount amount" so that both the applicant and the Universal Service Fund benefit from such price negotiations. Please see the Free Services Advisory for additional guidance.

On the Service Provider Annual Certification Form (FCC Form 473), service providers certify in item 10 that they have billed the applicant for the applicant's non-discount portion:

> The Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.

Some service providers offer to help applicants locate grants to pay for their non-discount portion. Program rules do not restrict applicants from accepting grants from bona fide organizations, nor do they restrict service providers from attempting to help applicants obtain grants from such organizations, so long as the grants or organizations are independent of the service provider. See Free Services Advisory, Example 7.

Content Last Modified: January 5, 2003

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Free Services Advisory

Applicants and service providers are prohibited from using the Schools and Libraries Support Mechanism to subsidize the procurement of ineligible or unrequested products and services, or from participating in arrangements that have the effect of providing a discount level to applicants greater than that to which applicants are entitled.

This Advisory provides information about such practices, which are not consistent with the program rules for the Schools and Libraries Support Mechanism.

Basic principles to guide applicants and service providers include the following:

- The value of all price reductions, promotional offers, and "free" products or services must be deducted from the pre-discount cost of services indicated in Funding Requests.
- Costs, trade-in allowances, and discounts must be fairly and appropriately derived. For example, the cost for eligible components may not be inflated in order to compensate for discounts of other components not included in Funding Requests.
- A proportionate cost allocation is required between eligible and ineligible components.

Funding Requests or applications inconsistent with the provisions of this Advisory are contrary to program rules and will be denied. The "30% Rule," which provides that a Funding Request can continue to be processed if the value of the ineligible products and services is less than 30% of the total amount of the Funding Request, does not apply in cases of serious violations of program rules, such as those indicated in this document. In addition, applicants and service providers are cautioned that willful violations of program rules can result in criminal penalties.

The examples that follow provide further details of **prohibited** practices.

Example 1: Applicant receives a discount for services received.

Assume that a service provider's regular price for a service is $100, but that it will offer the applicant a 20% price reduction. The Funding Request for this service must

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specify $80 as the pre-discount cost, and the applicant must pay its share of this $80 cost. It is a violation of program rules to submit a Funding Request in excess of the actual cost expected to be charged and paid.

Example 2: A discounted or free service is provided in exchange for applicant purchase of an eligible service.

Assume that a service provider offers to provide an eligible service for $200, and also offers a 60% discount on a $300 ineligible service when both the eligible and ineligible service are purchased together. (The 60% discount means that the applicant would need to pay only 40% of the usual $300 cost.) Because such an arrangement may have the effect of using program funds to subsidize ineligible services, any discounts (or free services) must be allocated proportionately. For this example, the pre-discount cost of the eligible service should be shown as $128, as illustrated in the following calculations.

Quoted cost for both services: $200 + ($300 * 40%) = $320

Usual cost for both services: $200 + $300 = $500

Percent of usual cost to be paid: $320 / $500 = 64%

Proportional cost of elig. service: $200 * 64% = $128

Example 3: A service provider commits to providing additional free or discounted products or services as a sales inducement.

Assume that a service provider's successful bid includes an offer to provide five "free" personal computers, worth $6,000. Program rules are violated if the Funding Request does not reduce the pre-discount cost by the fair market value of the five computers, or otherwise cost-allocate the eligible and ineligible components.

Applicants must select the most cost-effective solution, and may not consider the benefits of ineligible components in this evaluation unless those ineligible components are allocated out of the Funding Request, the full package is a reasonable business bundling, and the prices of the eligible components are reasonable, e.g., meet the conditions as provided in the Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components posted in the Reference Area of this web site.

Some service providers will donate products and services to applicants. Program rules do not prohibit that practice

to applicants. Program rules do not prohibit that practice, so long as the donation is not provided as a sales inducement; or, if the donation is in fact tied to a bid for services, the value of the donated products is subtracted from the pre-discount cost included in the Funding Request.

Example 4: A Request for Proposal specifies both eligible and ineligible services, and seeks only a single price for the mixed-eligibility bundle.

Assume that an applicant issues a Request for Proposal that seeks Internet access (eligible), caching service (ineligible), and filtering (ineligible). Responses received provide only a single cost for the bundled package.

A Funding Request that provides only a single cost for both eligible and ineligible components cannot be approved. Eligible and ineligible products and services must have separated costs, so that the ineligible components can be subtracted from Funding Requests.

A limited exception exists to the requirement for separated pricing. In some cases, an eligible product or service can include ineligible components on an ancillary basis, and the full package can be eligible for discount if certain conditions are met. For example, if a service provider's standard Internet access service also provides caching and filtering as standard components, and this offering is the most cost-effective solution without considering the ineligible features, then the **full** cost can be submitted as the pre-discount cost in a Funding Request. The distinction in this case is that the added features are ancillary, they are not specifically requested by the applicant, and they are a part of the standard Internet access package from the service provider.

The document Cost Allocation Guidelines for Products and Services that Contain Eligible and Ineligible Components posted in the Reference Area of this web site provides additional information.

Example 5: A service provider offers a discount for prompt payment.

Assume that an arrangement between a service provider and an applicant is for a service with a cost of $1,000, but that the service provider offers a 10% discount if the applicant portion is paid within 30 days. The amount eligible for funding in this case is the net cost to the applicant for payment within 30 days, or $900. Applicants must choose the most cost-effective solution, and have certified to the SLD that funds are on hand to pay the applicant share. Therefore, applicants are expected to take advantage of payment discounts, when offered, and must seek funding only toward the actual costs expected

must seek funding only toward the actual costs expected to be paid.

Example 6: The applicant uses funds or a credit received from an equipment trade-in to pay for the applicant portion of a Funding Request. The trade-in amount is in excess of fair market value.

Assume that an applicant that qualifies for an 80% discount seeks an eligible technology upgrade that costs $100,000. Therefore the applicant share for this upgrade is $20,000. The applicant intends to pay $5,000 for its share, plus receive a $15,000 trade-in from the service provider for components owned by the applicant that will not be needed once the upgrade is complete. The components have a fair market value of $7,000.

The effect of this arrangement is that the applicant obtains a larger discount than that to which it is entitled; that is, it would pay or transfer property with a combined value of $12,000, which is less than what is appropriate for the applicant's 20% share of the total cost. Therefore, the Funding Request is in violation of program rules and would be denied.

As a more general matter regarding trade-in allowances, if the components involved with the trade-in were obtained using discounts through the Schools and Libraries Support Mechanism, the funds or credit from the trade-in can only be used to reduce the pre-discount cost of new components to be obtained through this Mechanism.

The only way that a trade-in can be used to reduce the applicant share is if (1) the components involved in the trade-in were not originally obtained with discounts through the Schools and Libraries Support Mechanism, and (2) the amount for the trade-in is clearly based on fair market value. If the trade-in amount is above fair market value, then the pre-discount cost must be reduced by the portion of the trade-in allowance that is in excess of fair market value.

Example 7: A service provider donates funds to a grant organization, earmarked for an applicant for which it is providing services.

Assume that an applicant that qualifies for an 80% discount seeks an eligible technology upgrade that costs $100,000. The service provider donates $10,000 to a grant organization, with a stipulation for how the funds are to be disbursed in a way that violates program rules. For example, the stipulation could indicate that funds are to be disbursed to a particular school that has a Funding Request under the Schools and Libraries Support Mechanism that cites that service provider.

Because of the additional transaction involving the grant, the cost of the service is not truly $100,000. A Funding Request for the full $100,000 pre-discount cost is in violation of program rules.

Program rules do not restrict applicants from accepting grants from bona fide organizations, nor do they restrict service providers from attempting to help applicants obtain grants from such organizations, so long as the grants or organizations are independent of the service provider.

Additional requirements and restrictions

The examples provided in this Advisory are representative. Similar arrangements that fall into the prohibitions given in the first paragraph of this document would also be violations of program rules.

Any party with a potential financial interest in the Schools and Libraries Support Mechanism is subject to the guidance provided in this Advisory. For example, a subcontractor to a service provider may not engage in the prohibited activities described in this document.

Applicants are required to maintain records of the competitive bidding process, including all bids obtained and the factors used in evaluating the responses and making the determination of the winning bidder. These records must be provided to SLD on request.

Content Last Modified: January 4, 2002

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PRICE COMPARISON Real Costs Vs Bid Costs Vs Judy Green (471) Costs

Vendor. - CISCO PRODUCTS Ingram Price = Educational Wholesale Pricing

FORM 471 (121155)			UNIT PRICE			DIFFERENCE PER UNIT			DIFFERENCE PER TOTAL		
471 QTY	DESCRIPTION	CISCO PART NUMBER	INGRAM UNIT PRICE	VEN BID UNIT PRICE	FORM 471 UNIT PRICE	471 & INGRAM DIFFERENCE / UNIT	471 & VEN BID DIFFERENCE / UNIT	VEN & INGRAM DIFFERENCE / UNIT	471 & INGRAM DIFFERENCE / TOTAL	471 & VEN BID DIFFERENCE / TOTAL	VEN & INGRAM DIFFERENCE / TOTAL
39	GIGABIT ETHERNET BACKBONE SWITCH WS-C5509 CATALYST 5509	WS-C5509-S2G	$ 56,461.42	$108,551.71	$ 99,867.71	$ 52,090.29	$ 47,816.42	$ 3,896,364.69	$ 2,031,521.31	$ 1,864,840.38	
39	8PORT ETHERNET INTERMEDIARY SWITCH WS-C3508G-XL-EN	WS-C3508G-XL-EN	15,405.74	24,437.91	20,873.91	9,032.17	11,847.74	814,316.49	352,254.63	462,061.86	
653	12 PORT 10/100 ETHERNET WORKGROUP SWITCH WS-C3512-XL-EN	WS-C3512-XL-EN	6,402.23	10,281.06	9,493.06	3,878.83	4,614.23	5,545,968.16	2,532,875.99	3,013,092.19	
35	6 PORT ROUTER CISCO 4700 W/ 3 OPEN SLOTS		22,303.08	39,011.14	32,047.14	16,708.06	15,339.08	1,121,649.90	584,782.10	536,867.80	
32	24 PORT FX/24 PORT TX/2 PORT GIGABIT OC3 WS-C5500, 5508 CATALYST 5500	WS-C5500-S2G	134,069.78	209,825.10	199,830.10	75,755.32	124,074.78	6,394,553.20	2,424,170.24	3,970,392.96	
32	12 ATM 25 PORT / 2 OC3 PORT /FAST ETHERNET VSW-2112E	WS-X5167=	19,583.62	30,073.03	29,903.03	10,489.41	9,413.62	335,661.12	301,235.84		
68	12 ATM 25 PORT / 2 OC3 FAST ETHERNET ATM VSW-2112EA	WS-X5167=	19,555.63	30,073.03	29,903.03	10,517.40	9,385.63	715,183.20	638,222.84		
						$ 361,156.92	$ 157,464.67	$ 203,692.25	$ 17,772,859.46	$ 7,925,604.27	$ 9,847,255.19