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CLIENT UPDATE
July 17, 2006

We summarize below upcoming deadlines of interest to our clients in the cable television industry.

FCC AND COPYRIGHT FILING DEADLINES

Cable copyright filings are due August 29, 2006. Copyright filings for the January-June 2006 filing period are due August 29, 2006. The following forms apply:

SA1-2 Short Form - For use by cable television systems whose semiannual gross receipts are less than \$527,600.

SA3 Long Form - For use by cable television systems whose semiannual gross receipts are \$527,600 or more.

If you have not received a preprinted form from the U.S. Copyright Office, download the forms at the following websites:

Short Form: <http://www.copyright.gov/forms/SA1-2-2005.pdf>

Long Form: <http://www.copyright.gov/forms/SA3-2005.pdf>

You must file an original and a copy of the Statement of Account.

You may pay by money order or cashier's check. However, the Copyright Office encourages you to make payments via electronic funds transfer. For more information, please see the circular at <http://www.copyright.gov/circs/circ74.pdf>. Recently, the Copyright Office proposed a rulemaking to amend its rules governing submission of royalty payments to require that these payments be made by electronic funds transfer. Comments were due June 12 and reply comments were due July 11. We will keep you informed of any decisions.

If you have recently acquired new systems, you should consider how the system's location may impact your future copyright royalty payments. Your copyright royalty payments may also be impacted by how you launch DTV signals. If you have questions concerning copyright compliance, please contact Chris Cinnamon or Ly Chhay at 312-372-3930.

FCC Form 477 is due September 1, 2006. If your company provides local exchange services or facilities-based broadband connections (more than 200 kbps in at least one direction), you will need to file FCC Form 477 on or before September 1, 2006.

The FCC uses Form 477 to collect information about broadband deployment and local telephone competition. The form covers information about broadband and local telephone services as of June 30, 2006.

The Form 477 is now available electronically on the FCC's website. You can obtain the form and detailed instructions at <http://www.fcc.gov/Forms/Form477/477.xls> and <http://www.fcc.gov/Forms/Form477/477instr.pdf>. If you have questions or need assistance filing Form 477, please contact Ly Chhay at 312-372-3930.

VoIP and Universal Service Fund filing was due by August 1, 2006. On June 27, the FCC released an Order requiring interconnected VoIP providers to contribute to the Universal Service Fund on an interim basis. The first USF filing was due by August 1, 2006. We summarize the Order below:

- Going forward, VoIP providers will be required to file Form 499s.
 - Prior to August 1, 2006, VoIP providers must file a Form 499-A with blocks 1, 2 and 6 completed to register with the FCC and receive a “Filer 499 ID.”
 - VoIP Providers must file a Form 499-Q Telecommunications Reporting Worksheet by August 1, 2006. They need not complete lines 115-118 until they submit their February 1, 2007 Form 499-Q.
- VoIP providers must contribute on all their interstate and international end-user telecommunications revenues. To fulfill this obligation, they may:
 - Use the FCC’s newly-established interim “safe harbor” estimate that 64.9% of revenues are interstate or international; or
 - Report only their actual interstate and international revenues (note that if the VoIP provider has the capability to separate out intrastate revenues, the intrastate portion of the services will be subject to state PUC jurisdiction); or
 - Use a traffic study pre-approved by the FCC. Until the study is approved, the provider must use the interim safe harbor.
- Contributions are based solely on end-user telecommunications revenue and exclude enhanced services (like voicemail) and CPE. Accordingly, for service plans that bundle CPE and enhanced services with the basic VoIP services, the provider may:
 - Report revenues based on the unbundled price of the services, without allocating any of the bundling discount to the telecommunications services portion of the revenue. For example, if voicemail is \$6 as a stand-alone, and basic VoIP without voicemail is \$20, but they are bundled for \$22, the provider would report telecommunications revenue of \$20 per month and non-telecommunications revenue of \$2 per month; or
 - Treat all bundled service revenue as telecommunications revenue; or
 - Use another reasonable allocation method that does not attempt to circumvent the obligation to contribute to the USF on telecommunications revenue. Any alternative method will be subject to FCC audit or enforcement proceedings.
- VoIP providers whose annual universal service contribution is expected to be less than \$10,000 meet the “*de minimis*” exemption and need not contribute to the USF. For the purposes of the August 1, 2006 Form-Q, a VoIP provider will meet this exemption if its 4Q 2006 contribution would be less than \$2,500. Every quarter, the Universal Service Administrative Company (“USAC”) adjusts the percentage of interstate and international revenues that providers must pay into USF based on the projected needs of the Universal Service programs. For Q3 2006, the contribution percentage is 10.5% of interstate and international revenues, which will be discounted by a “circularity factor” of .096841.
- *De minimis* providers must report to any carriers from which they purchase telecommunications that they are exempt from contribution requirements so that the upstream carrier can contribute to the USF on the revenues that the upstream provider receives from the *de minimis* provider.
- VoIP providers may recover part or all of their USF contributions from their customers, but are prohibited from marking up the line-item above the relevant contribution factor.

If you have any questions on the USF or filing a Form 499, please call Nicole Paolini at 312-372-3930.

Please visit our website at www.cinnamonmueller.com to learn more about our lawyers and practice. You can reach Cinnamon Mueller at 312-372-3930. This update is provided by the law firm of Cinnamon Mueller. The document is intended for informational purposes only as a service to clients of Cinnamon Mueller and to the members of the American Cable Association. It is not intended to provide specific legal advice or to substitute obtaining appropriate legal counsel. We encourage you to consult with counsel to address special compliance issues and for assistance in negotiating or handling any such matter referred to in Client Update.