

# **Report to the City of St. Paul, Minnesota**

## **Regarding Qwest Broadband Services, Inc., d/b/a/ CenturyLink - Proposal for a Cable Communication Franchise**

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## **TABLE OF CONTENTS**

<b>INTRODUCTION .....</b>	<b>1</b>
<b>STATUTORY REQUIREMENTS .....</b>	<b>2</b>
<b>PROCEDURE FOLLOWED BY CITY.....</b>	<b>10</b>
<b>INFORMATION REVIEWED .....</b>	<b>11</b>
<b>CENTURYLINK’S LEGAL QUALIFICATIONS.....</b>	<b>12</b>
<b>CENTURYLINK’S TECHNICAL QUALIFICATIONS .....</b>	<b>13</b>
<b>CENTURYLINK’S FINANCIAL QUALIFICATIONS.....</b>	<b>17</b>
<b>RECOMMENDATIONS.....</b>	<b>23</b>
<b>EXHIBIT A COMCAST LETTER</b>	
<b>EXHIBIT B ENTITY DETAILS FROM THE DELAWARE DIVISION OF CORPORATIONS</b>	
<b>EXHIBIT C MINNESOTA SECRETARY OF STATE BUSINESS RECORD DETAILS</b>	
<b>EXHIBIT D MINNESOTA SECRETARY OF STATE UCC/TAX LIEN FILING RECORD SEARCH AND JUDGMENT RECORD SEARCH</b>	
<b>EXHIBIT E PACER CASE LOCATOR SUMMARY AND THE ACTIVE CASE SUMMARY</b>	
<b>EXHIBIT F CORPORATE PARENT GUARANTY</b>	
<b>EXHIBIT G PROPOSED RESOLUTION</b>	

## INTRODUCTION

Qwest Broadband Services, Inc., d/b/a CenturyLink (hereinafter referred to as "CenturyLink") requested the issuance of a cable communications franchise from the City of St. Paul, Minnesota ("City") to provide cable services in the City.

The City contacted Moss & Barnett seeking input regarding the appropriate procedure to be followed to consider the award of a cable communications franchise to CenturyLink or any other applicant. Moss & Barnett reviewed state and federal statutory requirements with City representatives and developed a comprehensive franchise procedure to comply with applicable laws. This report will include a summary of Moss & Barnett's findings and recommendations.

In accordance with Minnesota Statutes Section 238.081, the City published a Notice of Intent to Franchise and requested applications for a franchise from any interested applicants. Applicants were instructed to obtain from the City a Request for Proposal Official Application Form. Prior to the deadline for submitting applications the City received only one (1) application - from CenturyLink.

Pursuant to Minnesota Statutes Section 238.081, the City held a public hearing to receive input from interested parties regarding CenturyLink's application.

This report will review relevant statutory requirements that the City must follow in processing a request for a cable communications franchise. Thereafter, the report will review CenturyLink's legal, technical and financial qualifications to provide cable services in the City and address whether CenturyLink's application complies with State statutory requirements. Finally, this report will provide recommendations for the City Council's consideration in taking action with regard to CenturyLink's application.

## STATUTORY REQUIREMENTS

### A. Federal Regulatory Scheme: Competition Among Cable Television Providers and the Federal Cable Act

The Cable Communications Policy Act of 1984, as amended by the Cable Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996 (hereinafter collectively referred to as the “Cable Act”), contains many provisions relevant to the application before the City. According to the Cable Act, one of its primary purposes is to:

*promote competition in cable communications and minimize unnecessary regulation that would impose an undue economic burden on cable systems.<sup>1</sup>*

Furthermore, 47 U.S.C. Section 541(a)(1) provides that a franchising authority may award one or more franchises within its jurisdiction. To that end, the Cable Act states:

*that a franchising authority may not grant an exclusive franchise and **may not unreasonably refuse to award an additional competitive franchise.**<sup>2</sup>*

Any applicant whose application for a second franchise has been denied by a final decision of a franchising authority is not without recourse. The applicant may appeal an adverse decision pursuant to the provisions of Section 635 of the Cable Act.

The Cable Act also provides that a city may require certain assurances from the prospective franchisee. Subsection 4 of 47 U.S.C. Section 541(a) provides that:

*in awarding a franchise, the franchising authority –*

- a. *shall allow the applicant’s cable system a reasonable period of time to become capable of providing cable service to all households in the franchise area;*
- b. *may require adequate assurance that the cable operator will provide adequate public, educational, and governmental access channel capacity, facilities, or financial support; and*
- c. *may require adequate assurance that the cable operator has the financial, technical, or legal qualifications to provide cable service.*

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<sup>1</sup> 47 U.S.C. Section 521(b).

<sup>2</sup> 47 U.S.C. Section 541(a)(1) (emphasis added).

When Congress passed the 1992 amendments to the Cable Act, Congress suggested that it favors competition in the delivery of cable communications services. The Senate report that accompanied the amendments concluded that:

*Based on the evidence and the record taken as a whole, it is clear that there are benefits from competition between two cable systems. Thus, the Committee believes that **local franchising authorities should be encouraged to award second franchises**. Accordingly, [the Cable Act as amended], prohibits local franchising authorities from unreasonably refusing to grant second franchises.<sup>3</sup>*

## **B. Federal Communications Commission Observations on Competition in the Cable Television Industry**

The Federal Communications Commission's ("FCC's") annual competition reports in video markets have found that subscribers have generally benefited from "head-to-head" competition in the delivery of cable services. Benefits enjoyed by consumers as a result of the increased competition include:

- a. lower monthly charges for services and equipment;
- b. additional program offerings;
- c. access to alternative sources of telecommunications and Internet services;
- d. new digital services; and
- e. better customer service from the incumbent cable operator.

The FCC completed rulemaking proceedings on competition in the video marketplace resulting in the FCC's issuance of what is now known as the FCC 621 Order.<sup>4</sup> The Sixth Circuit affirmed the FCC 621 Order in 2008.<sup>5</sup> In the 621 Order the FCC summarized the evidentiary record in the following manner:

*The record indicates that in today's market, new entrants face "steep economic challenges" in an "industry characterized by large fixed and sunk costs," without the resulting benefits incumbent cable operators enjoyed for years as monopolists in the video services marketplace. According to commentators, "a competitive video provider who enters the market today is in a fundamentally different situation" from that of the incumbent cable operator: "[w]hen incumbents installed their systems, they had a captive market," whereas new entrants "have to 'win' every*

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<sup>3</sup> (emphasis added). S. Rep. No. 102-92, June 28, 1991, reprinted in 1992 U.S. Code Cong. & Admin. News 1133, 1141, 1146, 1151; H.Conf. Rep. No. 102-862, reprinted in 1992 U.S. Code Cong. & Admin. News 1231, 1259.

<sup>4</sup> See *In the Matter of Implementation of Section 612(a)(1) of the Cable Communications Policy Act of 1984*, 22 FCC Rcd 5101 (Mar. 5, 2007).

<sup>5</sup> See *Alliance for Community Media v. FCC*, 529 F.3d 763 (6th Cir. 2008).

*customer from the incumbent” and thus do not have “anywhere near the number of subscribers over which to spread the costs.”*

### **C. Minnesota Statutory and Judicial Treatment of Competition in the Cable Television Industry**

#### Minnesota Statutes

In addition to the requirements contained in the Cable Act, Minnesota has several statutory provisions that must be carefully followed by the City when considering the award of a franchise. In particular, Minnesota Statutes Chapter 238.08, titled ***Franchise Requirement***, states that a municipality must require a franchise or extension permit of any cable communications system providing service within the municipality. Further, Minnesota Statutes Section 238.081, ***Franchise Procedure***, provides a precise procedure to be followed by a municipality when requesting applications for a cable communications franchise.

The text of Section 238.08 and Section 238.081 is set forth below to provide the City with the exact requirements of state law on this matter.

**Minnesota Statute Section 238.08, *Franchise Requirement***, provides in pertinent part:

#### ***Subd. 1. Requirement; conditions.***

*(a) A municipality shall require a franchise or extension permit of any cable communications system providing service within the municipality.*

*(b) No municipality shall grant an additional franchise for cable service for an area included in an existing franchise on terms and conditions more favorable or less burdensome than those in the existing franchise pertaining to: (1) the area served; (2) public, educational, or governmental access requirements; or (3) franchise fees. The provisions of this paragraph shall not apply when the area in which the additional franchise is being sought is not actually being served by any existing cable communications system holding a franchise for the area. Nothing in this paragraph prevents a municipality from imposing additional terms and conditions on any additional franchises.*

***Subd. 2. Other requirements.*** *Nothing in this chapter shall be construed to prevent franchise requirements in excess of those prescribed unless such requirement is inconsistent with this chapter.*

***Subd. 3. Municipal operation.*** *Nothing in this chapter shall be construed to limit any municipality from the right to construct, purchase, and operate a cable*

*communications system. Any municipal system shall be subject to this chapter to the same extent as would any nonpublic cable communications system.*

***Subd. 4. Fee, tax or charge.*** *Nothing in this chapter shall be construed to limit the power of any municipality to impose upon any cable communications company a fee, tax or charge.*

\* \* \* \*

**Minnesota Statute Section 238.081, *Franchise Procedure*,** provides in pertinent part:

***Subd. 1. Publication of Notice.*** *The franchising authority shall have published once each week for two successive weeks in a newspaper of general circulation in each municipality within the cable service territory, a notice of intent to consider application for a franchise other than a franchise renewal pursuant to the United States Code, Title 47, Section 546.*

***Subd. 2. Required information.*** *The notice must include at least the following information:*

- (1) the name of the municipality making the request;*
- (2) the closing date for submission of applications;*
- (3) a statement of the application fee, if any, and the method for its submission;*
- (4) a statement by the franchising authority of the desired services to be offered;*
- (5) a statement by the franchising authority of criteria and priorities against which the applicants for the franchise must be evaluated;*
- (6) a statement that applications for the franchise must contain at least the information required by subdivision 4;*
- (7) the date, time, and place for the public hearing, to hear proposals from franchise applicants;*
- (8) the name, address, and telephone number of the individuals who may be contacted for further information.*

***Subd. 3. Other recipients of notice.*** *In addition to the published notice, the franchising authority shall mail copies of the notice of intent to franchise to any person it has identified as being a potential candidate for the franchise.*

***Subd. 4. Contents of franchising proposal.*** *The franchising authority shall require that proposals for a cable communications franchise be notarized, and contain, but not necessarily be limited to, the following information:*

- (1) *Plans for channel capacity, including both the total number of channels capable of being energized in the system and the number of channels to be energized immediately;*
- (2) *A statement of the television and radio broadcast signals for which permission to carry will be requested from the Federal Communications Commission;*
- (3) *A description of the proposed system design and planned operation, including at least the following items:*
  - (i) *the general area for location of antennae and the head end, if known;*
  - (ii) *the schedule for activating two-way capacity;*
  - (iii) *the type of automated services to be provided;*
  - (iv) *the number of channels and services to be made available for access cable broadcasting; and*
  - (v) *a schedule of charges for facilities and staff assistance for access cable broadcasting;*
- (4) *the terms and conditions under which particular service is to be provided to governmental and educational entities;*
- (5) *a schedule of proposed rates in relation to the services to be provided, and a proposed policy regarding unusual or difficult connection of services;*
- (6) *a time schedule for construction of the entire system with the time sequence for wiring the various parts of the area requested to be served in the request for proposals;*
- (7) *a statement indicating the applicant's qualifications and experience in the cable communications field, if any;*
- (8) *an identification of the municipalities in which the applicant either owns or operates a cable communications system directly or indirectly, or has outstanding franchises for which no system has been built;*
- (9) *plans for financing the proposed system, which must indicate every significant anticipated source of capital and significant limitations or conditions with respect to the availability of the indicated sources of capital;*
- (10) *a statement of ownership detailing the corporate organization of the applicant, if any, including the names and addresses of officers and directors and the number of shares held by each officer or director, and intracompany relationship including a parent, subsidiary or affiliated company; and*
- (11) *a notation and explanation of omissions or other variations with respect to the requirements of the proposal.*

*Substantive amendments may not be made in a proposal after a proposal has been submitted to the franchising authority and before award of a franchise.*



**Subd. 5. Time limits to submit applications.** *The franchising authority shall allow at least 20 days from the first date of published notice to the closing date for submitting applications.*

**Subd. 6. Public hearing on franchise.** *A public hearing before the franchising authority affording reasonable notice and a reasonable opportunity to be heard with respect to all applications for the franchise must be completed at least seven days before the introduction of the franchise ordinance in the proceedings of the franchising authority.*

**Subd. 7. Award of franchise.** *Franchises may be awarded only by ordinance.*

**Subd. 8. Costs of awarding franchise.** *Nothing in this section prohibits a franchising authority from recovering from a successful applicant the reasonable and necessary costs of the entire process of awarding the cable communications franchise.*

\* \* \* \*

In addition to the above referenced state statutes, Minnesota Statutes Section 238.084 identifies the required contents of a franchise ordinance. Given that the City has an existing cable franchise with Comcast (the "Comcast Franchise") that complies with the requirements of Section 238.084, the City may, if it so determines, grant substantially the same ordinance to CenturyLink if the City finds that CenturyLink is a qualified applicant.

In this proceeding the applicant, CenturyLink, was provided a copy of the Comcast Franchise. The reason for using substantially the same franchise as the base document to begin negotiations is to ensure that any and all entities providing cable communications service within the City are generally regulated in a similar manner. Both the Comcast Franchise and Minnesota Statutes Section 238.08 include provisions requiring some form of level playing field obligation which the City must consider before the award of a second, competitive cable franchise.

Specifically, the Comcast Franchise at Section 405(e) contains a requirement that permits the City to grant competitive franchises:

Section 405(e) - Competitive Equity

*The City reserves the right to grant additional franchises or similar authorizations to provide video programming services via cable systems or similar wireline systems located in the public rights of way. It is not the City's intent to treat competitors in a discriminatory manner and to advantage one competitor over another by regulation. If the City grants*

*such an additional franchise or authorization to use the public rights of way to provide such services and Company believes the City has done so on terms materially more favorable than the obligations under this Franchise, then the provisions of this paragraph will apply.*

*As part of the Company's franchise, the City has agreed upon the following terms as a condition of granting the franchise which terms may place the Company at a significant competitive disadvantage if not required of a competitor: a 5% franchise fee, PEG funding, PEG channels, and customer service obligations (hereinafter "Material Obligations").*

*Within one year of the adoption of the competitor's franchise or similar authorization, Company must notify the City in writing of the Material Obligations in Company's franchise that exceed the Material Obligations of the competitor's franchise to similar authorization. The City shall have sixty (60) days to agree to allow Company to adopt the same Material Obligations provided to the competitor, or dispute that the Material Obligations are different. In the event the City disputes the Material Obligations are different, Company may bring an action in federal or state court for a determination as to whether the Materials Obligations are different.*

*Nothing in this section is intended to alter the rights or obligations of either party under state law, and it shall only apply to the extent permitted under applicable FCC orders. In no event will the City be required to refund or to offset against future amounts due the value of benefits already received.*

*This provision does not apply if the City is ordered or required to issue a franchise on different terms and conditions, or it is legally unable to do so; and the relief is contingent on the new franchisee actually commencing provision of service in the market to its first customer. This provision does not apply to open video systems, nor does it apply to common carrier systems exempted from franchise requirements pursuant to 47 U.S.C. Section 571; or to systems that serve less than 5% (five per cent) of the geographic area of the City; or a system that only provides video services via the public Internet.*

**D. Judicial Treatment: The Minnesota Court of Appeals' Decision Regarding Minnesota's Cable Statutes and Competing Cable Television Franchises**

In its report accompanying the 1992 amendments to the federal Cable Act, the United States Senate observed that:

*In addition to mergers between an incumbent cable system and a potential competitor, incumbent cable systems often wage legal battles to prevent cities from awarding second franchises or building their own franchises.<sup>6</sup>*

In 1999, the Minnesota Court of Appeals addressed one of these “legal battles” referenced by the Senate Report. In *In Re Application of Dakota Telecommunications Group, d/b/a Dakota Telecom, Inc., for a Cable Television Franchise in Marshall, Minnesota* (hereinafter “Dakota Telecom”), the incumbent franchise, Bresnan Communications (“Bresnan”), challenged the City of Marshall’s (“Marshall”) grant of a competing franchise to Dakota Telecommunications Group. Bresnan argued, among other things, that Marshall acted “arbitrarily and capriciously” when it granted the competing franchise and that Marshall violated Bresnan’s due process rights.

The Court of Appeals rejected Bresnan’s arguments and generally determined that an incumbent franchisee may not challenge the general fitness of a competing franchise. In its opinion, it noted that Minnesota’s cable statutes were “enacted to encourage such competition.” The opinion further recognized that:

*Although [Minnesota’s] Cable Act . . . intends to further the public’s interest by only awarding franchises to responsible cable operators, it does not support an incumbent franchisee’s attempt to secure a monopoly by challenging the fitness of new, competing franchises.*

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<sup>6</sup> S. Rep. No. 102-92, June 28, 1991, reprinted in 1992 U.S. Code Cong. & Admin. News 1133, 1141, 1146, 1151; H. Conf. Rep. No. 102-862, reprinted in 1992 U.S. Code Cong. & Admin. News 1231, 1259.

## **PROCEDURE FOLLOWED BY CITY**

CenturyLink requested that the City institute the required proceedings to consider the award of a cable communications franchise to CenturyLink. After consultation with Moss & Barnett, a detailed procedure was prepared to comply with applicable state and federal laws regarding the processing of CenturyLink's request.

The City Council authorized publication of a Notice of Intent to Franchise a Cable Communications System. The notice was published once each week for two successive weeks in the City's local newspaper of general circulation. The Notice was first published in the St. Paul Legal Ledger on March 30, 2015, and was thereafter published on April 6, 2015. Copies of the Notice of Intent to Franchise are available upon request from the City Clerk's office.

The Notice of Intent to Franchise referenced the City's Request for Proposals - Official Application Form that was made available on request at the office of the City Clerk. Copies of the Notice of Intent to Franchise and Official Application Form were sent to CenturyLink as well as the incumbent cable operator, Comcast. A copy of the Official Application Form is available upon request from the City Clerk's office.

Pursuant to Minnesota Statutes Section 238.081 the City established a deadline for submitting applications on April 24, 2015, at least twenty (20) days following the first date of publication.

The City published a Notice of a Public Hearing to receive input on CenturyLink's application. The Public Hearing was held on May 6, 2015 at 3:30 p.m. All interested parties had an opportunity to comment.

## INFORMATION REVIEWED

Below is a listing of all information received and reviewed by Moss & Barnett. Each document listed below was reviewed and considered in the preparation of this report, and are hereby incorporated into this report by reference. The information contained within these documents is part of the City's record on which the City's decision is based.

1. Notice by the City of its Intent to Franchise a Cable Communication System published on March 30, 2015 and April 6, 2015.
2. The City's Request for Proposals-Official Application form.
3. Official Application submitted to City from CenturyLink.
4. Supplement information provided by CenturyLink in response to questions raised by Moss & Barnett (see Financial Qualifications section for complete list of financial information review).
5. Letter to City from Comcast dated May 4, 2015 regarding CenturyLink's Video Franchise Application (attached hereto as Exhibit A).

## CENTURYLINK'S LEGAL QUALIFICATIONS

The legal qualifications standard relates primarily to an analysis of whether CenturyLink is duly organized and authorized to provide cable services within the City.

We have reviewed and received the following information with respect to Qwest Broadband Services, Inc. as of the dates listed below and in the attached Exhibits:

- Delaware Incorporation/Good Standing. The Delaware Division of Corporations' Entity Details shows that Qwest Broadband Services, Inc. was incorporated on May 10, 1999 and is in good standing as of May 13, 2015. See attached Entity Details from the Delaware Division of Corporations attached hereto as Exhibit B.
- Minnesota Foreign Registration. Qwest Broadband Services, Inc. is registered as a foreign corporation in the State of Minnesota and is active and in good standing. Minnesota Business and Lien System, Office of the Minnesota Secretary of State Business Record Details dated May 13, 2015 attached hereto as Exhibit C.
- Minnesota UCC/Tax Lien/Judgment Search. Qwest Broadband Services, Inc. is not subject to any UCC filing/tax lien/judgment in the State of Minnesota. Minnesota Business and Lien System, Office of the Minnesota Secretary of State UCC/tax lien filing record search and judgment record search attached hereto as Exhibit D.
- Civil Actions. Qwest Broadband Services, Inc. has been a party to a number of civil cases, including all of the cases listed on the PACER Case Locator summary for periods from formation to May 13, 2015. Qwest Broadband Services, Inc. was also a party in a bankruptcy matter that was dismissed on January 29, 2002. Qwest Broadband Services, Inc. is party to an active patent infringement case entitled United Access Technologies, LLC v. CenturyTel Broadband Services, LLC, et al. in the State of Delaware. PACER Case Locator Summary and the active Case Summary attached hereto as Exhibit E.

## CENTURYLINK'S TECHNICAL QUALIFICATIONS

The technical qualification standard relates to the technical expertise and experience of CenturyLink to provide cable services. This report offers no opinion related to the technology used by CenturyLink to offer cable services.

CenturyLink is offering its Prism service in approximately fifty-eight (58) cities, within ten (10) states, including: Alabama, Arizona, Colorado, Florida, Iowa, Missouri, Nebraska, Nevada, North Carolina and Wisconsin. Currently, CenturyLink provides its Prism service to approximately 240,000 customers.

In May 2015, we interviewed seven (7) cities in four (4) states where CenturyLink provides its Prism service in order to ascertain the following:

1. The nature and quality of the relationship between CenturyLink and the city;
2. Whether CenturyLink worked well with the city in resolving cable service problems;
3. Whether subscribers appear to be satisfied with the services they receive from CenturyLink; and
4. The extent that CenturyLink supports public, educational and governmental access programming.

The city official from each community listed below was contacted and asked the following questions. A summary of the interviews is provided below.

<i>City, State</i>	<i>City Official, Title</i>
Gulf Shores, AL	Mike Holly, IT Director
Glendale, AZ	Mark Gibson, Construction Engineering Manager
Colorado Springs, CO	Kathy Lake, Information Technology
Denver, CO	Julie Martinez, Director Media Services
Eagle, CO	Jon Stavney, Town Manager
Omaha, NE	Buster Brown, City Clerk
Papillion, NE	Eliza Butler, City Clerk and Karla Rupiper, City Attorney

### SUMMARY OF INTERVIEWS

1. Approximately when (month/year) did your City award CenturyLink a cable franchise?

*Responses ranged from August 2012 to present.*

2. What percentage of the City (approximately) did CenturyLink first provide cable service to?

*All cities responded that the details are outlined in the franchise, but some recalled 15-20% initially.*

3. Has CenturyLink expanded its service area to provide cable service to more subscribers since the grant of the franchise?

*All replied they were either unsure or yes, expansion has occurred since the city granted the franchise to CenturyLink.*

4. Does the CenturyLink franchise require complete build out or a certain percentage of build out within a set period of time?

*All responses were a certain percentage with details outlined in the franchise.*

5. What percentage of the City may be unable to subscribe to cable service from CenturyLink?

*Most cities were uncertain of this %; however, one city replied 100% of city was served within 18 months.*

6. Have there been any amendments to the Franchise granted to CenturyLink? If so, what was the reason for the franchise amendment?

*The majority of the responses were no. Most of these cities just recently granted franchises to CenturyLink.*

7. Is there a local office for CenturyLink in your city? If not, how far away is the nearest CenturyLink office?

*Most cities replied "Yes" and that it is required under the franchise to have a local office in the city. One city replied "No - however, the closest office is a 10 minute drive."*

8. Does the City have public, educational and governmental access channels? If yes, how many?

*Most replied "Yes", one replied "No" and one replied "Unsure".  
# of PEG channels responses ranged from 1-7.*

9. Does CenturyLink make the City's PEG access channels available on its cable system?



*All cities with PEG channels replied "Yes".*

10. Did the City have to spend any money on equipment or facilities to make its PEG channels available to CenturyLink?

*All cities with PEG channels replied "No". One city reported replacing all equipment with upfront dollars provided by CenturyLink.*

11. Have there been any issues or concerns with the manner in which PEG channels are cablecast by CenturyLink? Are there any differences in the way subscribers obtain PEG channels on CenturyLink's system versus the cable system operated by the incumbent operator?

*No known issues reported.*

*No differences reported.*

12. Does CenturyLink provide PEG financial support? If yes, how much?

*Responses included amounts of \$.20/sub/mo to \$1.05/sub/mo. One city reported up to \$1.80 upon advanced notice and another reported a % (unsure of number).*

13. Does CenturyLink provide any other type of PEG financial support – such as upfront grants, in-kind services, particular equipment, etc.?

*Responses included upfront dollars, a one-time payment, a reasonable amount of on demand programming per state statute and one reported no financial support for PEG.*

14. Has the City received any complaints about CenturyLink's cable service? If so, what types of complaints are most often reported to the City?

*The majority of the cities interviewed received no customer complaints regarding CenturyLink. One city has a separate customer service ordinance applicable to cable operators, and another city reported some complaints were received when CenturyLink rolled out its Prism service but they seem to have had ample staff on board to resolve the issues.*

15. Does the City receive any complaints about the construction of the CenturyLink cable plant in the right-of-way or placement of above ground cable facilities in the right-of-way?

*The majority of the cities interviewed receive no complaints regarding ROW issues. One city reported complaints related to phone and internet services.*

16. Does CenturyLink satisfactorily resolve subscriber complaints?

*Responses were "Yes" and that CenturyLink has plenty of staff.*

17. Does CenturyLink pay its franchise fees to the City on time? Any issues regarding franchise fee payments by CenturyLink?

*All cities reported that franchise fees were paid on time.*

18. How would you describe the City's relationship with CenturyLink? Are there any specific problems or concerns?

*Responses received were: "good working relationship", "no problems or concerns", and "good relationship."*

19. Do you think the City would seek to require any different franchise obligations on CenturyLink now that the City has experience observing CenturyLink's cable service in the City?

*One city replied that they will add security fund language to the next franchise. Several cities replied that they are unsure as they recently renewed or signed the franchise.*

20. Any other issues, concerns or compliments you would like to offer regarding CenturyLink's cable service offering in your City?

*One City replied they would like the copper technology replaced with fiber to all residents.*

## **CENTURYLINK'S FINANCIAL QUALIFICATIONS**

### **I. SCOPE OF REVIEW**

Qwest Broadband Services, Inc. d/b/a CenturyLink, ("QBSI"), a Delaware corporation, is an applicant for a competitive cable franchise agreement (hereinafter referred to as the "Franchise Agreement") for the City. CenturyLink, Inc. ("CenturyLink"), a Louisiana corporation, indirectly wholly owns QBSI. QBSI operates cable television systems that provide cable services throughout the United States. QBSI has requested the City's approval of a competitive cable franchise agreement. At the request of the City, Moss & Barnett has reviewed selected financial information that was provided by QBSI and CenturyLink or publicly available to assess the financial qualifications of QBSI to obtain and operate a competitive cable franchise.

The financial information that was provided or available through other public sources and to which our review has been limited, consists solely of the following financial information (hereinafter referred to collectively as the "Financial Statements"):

1. Application of Qwest Broadband Services, Inc. d/b/a CenturyLink for a Competitive Cable Franchise dated April 24, 2015, along with such other exhibits as provided therewith (the "Application");
2. Form 10-K for CenturyLink, Inc. filed with the Securities and Exchange Commission on February 24, 2015, for the fiscal year ended December 31, 2014;
3. Form 10-Q for CenturyLink, Inc. filed with the Securities and Exchange Commission on May 6, 2015 for the three-month period ended March 31, 2015;
4. The audited financial statements of CenturyLink, Inc. and subsidiaries as of December 31, 2014 and 2013, including Consolidated Balance Sheets as of December 31, 2014 and 2013, Consolidated Statements of Operations, Comprehensive (Loss) Income, Cash Flows and Stockholder Equity for the years ended December 31, 2014, 2013 and 2012, and the Independent Auditors' Report of KPMG LLP dated February 24, 2015; and
5. Such other information as we requested and that was provided by QBSI and CenturyLink relating to the Application.

Our procedure is limited to providing a summary of our analysis of the Financial Statements in order to facilitate the City's assessment of the financial capabilities of QBSI to operate a cable system in the City.

### **II. OVERVIEW OF QWEST BROADBAND SERVICES, INC.**

Since 2008, Qwest Broadband Services, Inc., a Delaware corporation, has been providing cable video services and currently provides full video services under the

Prism™ platform to 14 markets in the United States,<sup>7</sup> including in the States of Arizona, Colorado, Florida, Nebraska, Nevada, and North Carolina.<sup>8</sup> QBSI's affiliates provide a broad range of other communication services including broadband, hosting and colocation, VoIP, Ethernet, Internet services, and voice services to residential and commercial customers in various markets in the United States.<sup>9</sup> QBSI was formed on May 10, 1999 and is a wholly owned subsidiary of CenturyTel Broadband Services LLC, a Delaware limited liability company, which is wholly owned by CenturyLink, Inc.<sup>10</sup> As of December 31, 2014, QBSI passed approximately 2.4 million potential customers and served approximately 240,000 cable customers.<sup>11</sup> CenturyLink employs approximately 3,000 employees in Minnesota with about 200 of the 500 network technicians trained in providing services to QBSI's Prism™ cable television platform.<sup>12</sup> QBSI's operational management team has practical experience in the cable industry.<sup>13</sup>

Cable providers and telecommunication companies operate in a competitive environment and the financial performance of cable television operators, like QBSI, is subject to many factors, including, but not limited to, the general business conditions, programing costs, incumbent operators, digital broadcast satellite service, technology advancements, changes in consumer behavior, regulatory requirements, advertising costs, and customer preferences, as well as competition from multiple sources, which provide and distribute programming, information, news, entertainment and other telecommunication services.<sup>14</sup> QBSI has a limited operating history and is dependent upon CenturyLink for all of its funding and the financing of its operations.<sup>15</sup> The cable business is inherently capital intensive, requiring capital for the construction and maintenance of its communications systems. Each of these factors could have a significant financial impact on QBSI and its ability to operate a cable system in the City.

### III. FINDINGS

Based upon the above information, we have analyzed the historical financial statements of QBSI's parent entity, CenturyLink, Inc., in evaluating the financial capabilities of QBSI. QBSI declined to provide us with its stand-alone financial statements or projected financial information for its future operations and the cost to integrate Prism™ into its existing infrastructure in the City. We specifically requested that QBSI provide information on QBSI's capital expenditures and cash flow budget, but QBSI

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<sup>7</sup> Application at p. 14.

<sup>8</sup> Application – Exhibit D.

<sup>9</sup> Form 10-K for CenturyLink, Inc. filed with the Securities and Exchange Commission on February 24, 2015 for the fiscal year ended December 31, 2014 ("Form 10-K") at p. 6.

<sup>10</sup> Application – Exhibit E.

<sup>11</sup> Application at p.14.

<sup>12</sup> Application at p. 1.

<sup>13</sup> Application at pp. 14-17.

<sup>14</sup> Form 10-K at pp. 17-27.

<sup>15</sup> Application at p. 18.

declined to provide that information to us.<sup>16</sup> With respect to our request for projected financial information, QBSI stated "...it does not provide forward looking information at the individual market level because it could lead to incorrect or inappropriate assumptions or conclusions...".<sup>17</sup> CenturyLink's historical audited financial statements do not separately provide the financial information for QBSI.

As such, we are reporting our Findings hereunder based upon CenturyLink's historical financial information.

## 1. Analysis of Financial Statements.

Federal law and FCC regulations provide franchising authorities, such as the City, with limited guidance concerning the evaluation of the financial qualifications of an applicant for a cable franchise. In evaluating the financial capabilities of a cable operator, we believe it is appropriate to consider the performance of an applicant based on the applicant's historical performance and its projected or budgeted financial information along with its financial capabilities (for funding and financing its entire operation). We were not provided with this information for QBSI. As such, we believe a general review of CenturyLink's financial information may provide some insight into the general financial operations of CenturyLink with respect to the Application, but we note that there are many unanswered questions regarding QBSI's operations going forward.<sup>18</sup>

As noted above, CenturyLink's and its subsidiaries' operations include both cable television video services and non-cable television services. According to CenturyLink's Financial Statements, QBSI's customers represent a small portion of CenturyLink's overall customers.<sup>19</sup> The CenturyLink financial information discussed below includes all of the CenturyLink operations, including the non-cable television video services. We have analyzed CenturyLink's Financial Statements as of March 31, 2015 and as of December 31, 2014 and 2013 in providing the information in this Section.

## 2. Specific Financial Statement Data and Analysis.

a. *Assets.* CenturyLink had (i) current assets of \$3,468 million, \$3,576 million, and \$3,907 million; (ii) working capital of a negative \$111 million, a negative \$342 million, and a negative \$502 million; and (iii) total assets of \$49,520 million, \$50,147 million, and \$51,787 million as of

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<sup>16</sup> Correspondence to author from Patrick Haggerty, Director of State Regulatory and Legislative Affairs of CenturyLink, dated May 5, 2015 ("Correspondence") at p. 2.

<sup>17</sup> *Id.*

<sup>18</sup> Correspondence at pp. 1-2.

<sup>19</sup> Form 10-Q for CenturyLink, Inc. filed with the Securities and Exchange Commission on May 6, 2015 for the three month period ending March 31, 2015 ("Form 10-Q") at p. 21 and Application at p. 1.

March 31, 2015 and December 31, 2014 and 2013, respectively.<sup>20</sup> Working capital, which is the excess of current assets over current liabilities, is a short-term analytical tool used to assess the ability of a particular entity to meet its current financial obligations in the ordinary course of business. The working capital trend shows a slight decrease in the negative working capital from December 31, 2013 to March 31, 2015, which suggests that CenturyLink's cash flow may be getting stronger. CenturyLink's current ratio (current assets divided by current liabilities) as of March 31, 2015, of 0.97/1.0 is near the generally recognized standard of 1:1 for a sustainable business operation.<sup>21</sup> As of March 31, 2015, CenturyLink had \$155 million of cash on its balance sheet.<sup>22</sup> Approximately one-third of its cash is held off shore and is subject to restrictions on usage.<sup>23</sup> As noted above, QBSI did not provide us with any budget of cash flow or cost with respect to its expansion of the Prism™ service or any of its other potential cash capital needs. As such, it is difficult to predict what amount of free cash on hand is needed to bring the Prism™ system online in the City (and other cities in which QBSI is rolling out its video service). We also note that approximately fifty-five percent (55%) of CenturyLink's assets are comprised of its intangible Goodwill.<sup>24</sup>

b. *Liabilities.* CenturyLink's Financial Statements report (i) current liabilities of \$3,579 million, \$3,918 million and \$4,409 million; (ii) long-term debt of \$20,254 million, \$20,121 million and \$20,181 million; and (iii) deferred obligations of \$10,922 million, \$11,085 million and \$10,006 million as of March 31, 2015 and December 31, 2014 and 2013, respectively.<sup>25</sup> According to CenturyLink, it has \$1.7 billion available on its \$2 billion revolving credit facility as of March 31, 2015 (which matures on December 31, 2019).<sup>26</sup> CenturyLink's credit facilities include affirmative and negative covenants, that if violated, could result in a cascade of defaults under its debt obligations and an immediate cash and/or financing needs.<sup>27</sup> According to the Financial Statements, CenturyLink is not in default of these requirements at the current time.<sup>28</sup> CenturyLink has in excess of \$2.5 billion of debt maturing in the next 3 years which if

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<sup>20</sup> Form 10-K at p. 69 and Form 10-Q at p. 5.

<sup>21</sup> Form 10-Q at p.5.

<sup>22</sup> Form 10-Q at p. 30.

<sup>23</sup> Form 10-Q at p. 30.

<sup>24</sup> *Id.*

<sup>25</sup> Form 10-K at p. 69 and Form 10-Q at p. 5.

<sup>26</sup> Form 10-Q at pp. 30 and 32.

<sup>27</sup> Form 10-Q at p. 32.

<sup>28</sup> *Id.*

not paid or refinanced could have a significant impact on the financial viability of CenturyLink.<sup>29</sup> Any additional debt, including by drawing on its available revolving credit facility, will require CenturyLink to generate additional cash flow, including through its operations, to fund its debt service. In order to bring the video system online in the City, QBSI claims that no additional financing is needed and the QBSI operation will be funded with CenturyLink's current cash flow.<sup>30</sup>

c. *Income and Expense.* CenturyLink's Statements of Operations report (i) revenue of \$4,451 million, \$18,031 million and \$18,095 million; (ii) operating expenses of \$3,802 million, \$15,621 million and \$16,642 million; and (iii) net income (loss) of \$192 million, \$772 million and (\$239) million for the three-month period ending March 31, 2015 and the years ending December 31, 2014 and 2013, respectively.<sup>31</sup> CenturyLink is reporting net income in 2015 and 2014.<sup>32</sup> The ability to generate cash is important for CenturyLink due to its leveraged operations. With the expansion of Prism™, CenturyLink may be required to incur significant expenditures for the assimilation of its video services into its existing platform along with additional programming costs to obtain and maintain its programming in the future. Over the last 3 years, CenturyLink has been able to generate cash flow from operations to cover its investing and financing activities.<sup>33</sup>

#### IV. SUMMARY

We are not aware of any state or federal standards by which to assess the financial qualifications of a competitive cable operator seeking an initial franchise in the City. The FCC has provided a minimal standard to consider when assessing the qualifications of a prospective transferee when a cable system is sold or control of the franchise changes. This FCC financial qualification standard is found in FCC Form 394. Using the FCC Form 394 to establish an absolute minimum standard of financial qualifications that a proposed applicant must demonstrate in order to be qualified to obtain and operate a cable system, QBSI has the burden of demonstrating to the City's satisfaction that QBSI has "sufficient net liquid assets on hand or available from committed resources" to obtain and operate the system in the City, together with its existing operations, for three (3) months. This minimum standard is not easy to apply to a company that is in aggressive growth mode and expanding its operations.

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<sup>29</sup> Form 10-K at p. 82.

<sup>30</sup> Correspondence at p. 1.

<sup>31</sup> Form 10-K at p. 68 and Form 10-Q at p. 4.

<sup>32</sup> *Id.*

<sup>33</sup> Form 10-K at p. 70 and Form 10-Q at p. 6.

Based solely on CenturyLink's (QBSI's indirect parent entity) financial information that we reviewed, CenturyLink appears to have sufficient funding to finance, operate and bring its cable system online in the City. Based on the foregoing and limited strictly to the financial information analyzed in conducting this review, we do not believe that QBSI's request for application for a Competitive Cable Franchise in the City can reasonably be denied based solely on a lack of financial qualifications of QBSI and CenturyLink. Due to the many uncertainties and lack of information regarding the proposed funding and future operations, there is not enough information that has been made available to make any conclusions regarding the financial qualifications of QBSI to operate a system serving the City. The determination as stated above is based solely upon the CenturyLink Financial Statements.

In the event the City elects to proceed with approving the issuance of a competitive cable franchise, the assessment of QBSI's, and its parent entity CenturyLink's, financial qualifications should not be construed in any way to constitute an opinion as to the financial capability or stability of QBSI or CenturyLink to (i) operate under a competitive Franchise Agreement, and (ii) operate its other operations. The sufficiency of the procedures used in making an assessment of QBSI's and CenturyLink's financial qualifications and its capability to operate a competitive system in the City is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures used either for the purpose for which this analysis of financial capabilities and qualifications was requested or for any other purpose.

Lastly, in order to ensure compliance with its obligations to operate the cable system in the City and since we have based all of our analysis on CenturyLink's Financial Statements, the parent entity, the City may seek to require a corporate parent guaranty as part of issuing a competitive Franchise Agreement to QBSI in a form as set forth in Exhibit E or as otherwise mutually agreeable to QBSI and the City.



## RECOMMENDATIONS

Based on our review of CenturyLink's legal, technical and financial qualifications, we believe that the City cannot reasonably withhold approval of CenturyLink's request for a cable communications franchise. We recommend the City consider adoption of the attached resolution which will establish findings of fact regarding CenturyLink's qualifications.

If the City adopts the resolution attached as Exhibit F, the City will then be in a position to consider the grant of a franchise to CenturyLink at a future City Council meeting, assuming mutually acceptable franchise terms can be reached with CenturyLink.

**EXHIBIT A  
COMCAST LETTER**



**VIA ELECTRONIC AND U.S. MAIL**

May 4, 2015

Mr. Michael Reardon  
Cable Communications Officer  
City of St. Paul  
68 City Hall  
15 Kellogg Blvd. West  
St. Paul, MN 55102

Re: CenturyLink Video Franchise Application

Dear Mr. Reardon:

The City of St. Paul ("the City") issued a Notice of Intent to Franchise (herein the "Notice") an additional cable system operator last month. The Notice states that the City will hold a public hearing on May 6 at 5:30 p.m. regarding all applications that it receives. It is our understanding that this public hearing is to establish the record for the City's vote regarding whether it will commence franchise negotiation discussions, and under what terms, with the applicants based on the applicant's response to the Notice. I am writing to provide you with Comcast's position in regard to the process going forward and limited record in front of you today.

At the outset, let me state clearly that Comcast welcomes a fair and robust competitive marketplace made up of responsible competitors, and we do not oppose the granting of an equitable cable franchise to CenturyLink. Consumers can choose from numerous video options today, including Comcast, DirectTV, DISH Network, and "over the top"-services like Netflix, Amazon, Apple TV and Hulu. This fiercely competitive landscape is challenging, but it brings out the best in each company – at least when competitors face a level playing field that treats similar providers in a similar manner.

**I. Comcast's Interest in This Proceeding.**

Comcast has made substantial financial investments in its cable system over the years to serve the City with a state-of-the-art network. In order to provide cable services and locate its cable system within public rights-of-way, Comcast has operated under a cable franchise most recently renewed by the City in February of 2015. The Franchise Agreement has required much of Comcast, including notably:

- A requirement that Comcast offer cable service to customers throughout St. Paul (Comcast Franchise Section 108), specifically to every residential dwelling unit within 200 feet of Comcast's feeder cable (Comcast Franchise Section 403.(a).1);
- A requirement to ensure that at least 17% of its Twin Cities workforce works within the

10 River Park Plaza St Paul, MN 55107

City of St. Paul (Comcast Franchise Section 204.(c).);

- A requirement to provide half of the rent, property taxes, and operating charges for the City's designated PEG entity at 375 Jackson Street through December 31 2015 (Comcast Franchise Sections 304.(c).1-3.);
- A discount of \$1 per month or 10% per month, whichever is greater, on Basic service for Senior citizens, Persons with disabilities, or the Economically disadvantaged (Comcast Franchise Section 111.(g).);
- A customer service center located in the City of St. Paul (Comcast Franchise Section 208.(b)(1)); and
- Courtesy cable services to approximately 200 schools, municipal buildings and government offices in St. Paul (Comcast Franchise Section 305).

CenturyLink's franchise application either rejects or is silent regarding whether and to what extent it will agree to many of the franchise obligations that have been required of Comcast.

## **II. Level Playing Field Requirements and the FCC's 621 Order.**

Minnesota's extensive cable franchising statutory scheme is clear that: "No municipality shall grant an additional franchise for cable service for an area included in an existing franchise on terms and conditions more favorable or less burdensome than those in the existing franchise pertaining to: (1) the area served; (2) public, educational, or governmental access requirements; or (3) franchise fees." Minn. Stat. § 238.08, subd. 1(b).

Since "applicant is still finalizing its initial footprint for the deployment of cable services within the St. Paul service area," the applicant did not provide any information regarding the area it is proposing to serve. Comcast, therefore cannot comment on if CenturyLink's franchise proposal is "more favorable or less burdensome" than Comcast's franchise obligations. It is concerning, however, that it does not appear that CenturyLink's buildout commitment will be consistent with the Minnesota Cable Act. Even more concerning is that CenturyLink hasn't accepted even the minimal obligations that it has made in its own applications. For example, in the application submitted to the City of Minneapolis, CenturyLink proposed an initial 30% buildout; in the actual franchise, however, CenturyLink committed to building only 15% of the City.

We want to be very clear that the FCC's 621 Orders that CenturyLink relies upon in its response does not preempt Minnesota's Cable Act. As recently as January 2015 the FCC explained again:

**We clarify that those rulings were intended to apply only to the local franchising process, and not to franchising laws or decisions at the state level.<sup>1</sup>**

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<sup>1</sup> *Implementation of Section 621(a)(1) of the Cable Communications Policy Act of 1984 as amended by the Cable Television Consumer Protection and Competition Act of 1992*, Order on Reconsideration, at para.7 (rel. Jan 21, 2015).

Mr. Michael Reardon  
May 4, 2015  
Page 3 of 3

It is inaccurate to say that the City must choose between following state law and policy or following federal law and policy – the two coexist. The FCC expressly allows build out requirements in franchise agreements so long as they are “reasonable.” What constitutes “reasonable” is left to the franchising authority to determine.

While we have not yet seen an actual draft CenturyLink franchise, we expect it to contain a reasonable full-service requirement – consistent with Minnesota law and the FCC’s 621 Order – so that, eventually, all neighborhoods in St. Paul would have the same availability of service and access to cable competition, and so that all providers bear similar obligations.

Imposing reasonable, binding, and enforceable requirements to serve the entirety of St. Paul will protect competitive and consumer equity and prevent selective service deployment. It will equalize the investment that all providers will be required to make in return for access to the public rights of way. It will ensure that competition develops according to which provider can best serve subscribers and not according to which provider enjoys the most advantageous regulatory requirements.

#### **IV. Conclusion.**

Again, Comcast does not oppose CenturyLink’s entry into the local market. We are concerned that competing providers who make use of the same rights-of-way as Comcast, and who are subject to the same federal law, the same state law and the same local regulatory authority, should be held to the same reasonable level of due diligence and procedure, as well as member city-wide service requirement standards, similar to what Comcast has been held to.

There are many factual and legal questions raised by CenturyLink’s franchise application. Comcast has important interests at stake in this proceeding and requests that St. Paul establish a fair, orderly, and open process that allows for meaningful public review and input.

Again, thank you for the opportunity to share our views with you on this important issue. Please do not hesitate to contact me if you have any questions, or if you need any additional information.

Sincerely,



Karly Baraga Werner  
Director Government Affairs

# **EXHIBIT B** **ENTITY DETAILS FROM THE** **DELAWARE DIVISION OF CORPORATIONS**

## Entity Details

File Number: **3040574**
Incorporation Date / Formation Date: **05/10/1999**  
 (mm/dd/yyyy)

Entity Name: **QWEST BROADBAND SERVICES, INC.**

Entity Kind: **CORPORATION**
Entity Type: **GENERAL**

Residency: **DOMESTIC**
State: **DE**

Status: **GOOD STANDING**
Status Date: **05/10/1999**

### **TAX INFORMATION**

Last Annual Report Filed: **2014**
Tax Due: **\$ 0.00**

Annual Tax Assessment: **\$ 175.00**
Total Authorized Shares: **100**

### **REGISTERED AGENT INFORMATION**

Name: **THE CORPORATION TRUST COMPANY**

Address: **CORPORATION TRUST CENTER 1209 ORANGE ST**

City: **WILMINGTON**
County: **NEW CASTLE**

State: **DE**
Postal Code: **19801**

Phone: **(302)658-7581**

### **FILING HISTORY (Last 5 Filings)**

<u>Seq</u>	<u>Document Code</u>	<u>Description</u>	<u>No. of pages</u>	<u>Filing Date</u> (mm/dd/yyyy)	<u>Filing Time</u>	<u>Effective Date</u> (mm/dd/yyyy)
1	0240	Amendment; Domestic	1	07/07/2000	17:00	07/07/2000
	<b>Former Name:</b>	U S WEST BROADBAND SERVICES, INC.				
2	0250S	Merger; Survivor	2	02/28/2000	13:00	03/01/2000
3	0250S	Merger; Survivor	2	12/29/1999	16:30	12/31/1999
4	0240	Amendment; Domestic	1	06/01/1999	16:30	06/01/1999
	<b>Former Name:</b>	U S WEST CABLE VENTURES, INC.				
5	0102S	Incorp Delaware Stock Co.	2	05/10/1999	12:30	05/10/1999

**EXHIBIT C**  
**MINNESOTA SECRETARY OF STATE BUSINESS RECORD DETAILS**

Minnesota Business and Lien System, Office of the Minnesota Secretary of State Transaction

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**Business Record Details »**

Minnesota Business Name  
**QWEST BROADBAND SERVICES, INC.**

**Business Type**  
Business Corporation (Foreign)

**MN Statute**  
303

**File Number**  
98066

**Home Jurisdiction**  
Delaware

**Filing Date**  
07/13/1999

**Status**  
Active / In Good Standing

**Renewal Due Date**  
12/31/2015

**Registered Office Address**  
100 S 5th Str #1075  
Mpls, MN 55402  
USA

**Registered Agent(s)**  
C T Corporation System Inc

**Chief Executive Officer**  
Glen F. Post, III  
100 CenturyLink Drive  
Monroe, LA 71203  
USA

Filing History

## Filing History

Select the item(s) you would like to order: Order Selected Copies

<input type="checkbox"/>	Filing Date	Filing	Effective Date
<input type="checkbox"/>	07/13/1999	Original Filing - Business Corporation (Foreign)	

	07/13/1999	Business Corporation (Foreign) Business Name
<input type="checkbox"/>	09/29/2000	Business Corporation (Foreign) Business Name
<input type="checkbox"/>	04/10/2007	Registered Office and/or Agent (Global) - Business Corporation (Foreign)

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**EXHIBIT D**  
**MINNESOTA SECRETARY OF STATE**  
**UCC/TAX LIEN FILING RECORD SEARCH AND JUDGMENT RECORD**

Minnesota Business and Lien System, Office of the Minnesota Secretary of State Transaction

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JCC / Tax Lien Filing Record Search »

**Debtor Name Search Results**

No results matching search criteria.

Data current through 5/8/2015 5:00 PM

This search was performed on 5/13/2015 with the following search parameters:

**SEARCH:** UCC Debtor Name

**NAME:** Qwest Broadband

**INCLUDE LAPSED FILINGS:** No

**CITY:** None Specified

**DATE RANGE:** None Specified

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Minnesota Business and Lien System, Office of the Minnesota Secretary of State Transaction

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JCC / Tax Lien Filing Record Search »

**Debtor Name Search Results**

No results matching search criteria.

Data current through 5/8/2015 5:00 PM

This search was performed on 5/13/2015 with the following search parameters:

**SEARCH:** Tax Lien Debtor Name

**NAME:** Qwest Broadband Services

**CITY:** None Specified

**DATE RANGE:** None Specified

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## Judgment Records Search Results

[Skip to Main Content](#) [Logout My Account](#) [Search Menu](#) [New Judgment Search](#) [Refine Search](#)

Location : All MNCIS Sites - Case Search Help

Record Count: 0

Exact Name: on Party Search Mode: Business Name Business Name: Qwest Broadband Services\* Show Inactive and Satisfied

Judgments: on Sort By: Filed Date

Case No./Location	Entered/Docketed	Debtor(s)	Creditor(s)	Details
-------------------	------------------	-----------	-------------	---------

No judgments matched your search criteria.

# EXHIBIT E

## PACER CASE LOCATOR SUMMARY

## AND THE ACTIVE CASE SUMMARY



All Court Types Party Search

Wed May 13 10:14:15 2015  
10 records found

User: mb0066  
Client: 46687.7  
Search: All Court Types Party Search Name Qwest Broadband Services All Courts Page: 1

### Bankruptcy Results

Party Name ▼	Court	Case	Ch	Date Filed	Date Closed	Disposition
1 Qwest Broadband Services Inc (dft)	wawbke	<a href="#">2:01-sp-01499</a>		09/22/2001	03/15/2002	Dismissed or Settled Without Entry of Judgment 01/29/2002
Wood and Qwest Advanced Technologies Inc						

### Civil Results

Party Name ▼	Court	Case	NOS	Date Filed	Date Closed
2 Qwest Broadband Services, Inc. (pla)	codce	<a href="#">1:2000-cv-00542</a>	890	03/10/2000	07/20/2001
Qwest Broadband Svcs, et al v. City of Boulder					
3 Qwest Broadband Services, Inc. (dft)	codce	<a href="#">1:2009-cv-02848</a>	190	12/07/2009	02/01/2013
Grosvenor v. Qwest Corporation et al					
4 Qwest Broadband Services, Inc. (dft)	codce	<a href="#">1:2009-cv-01840</a>	370	08/04/2009	02/27/2013
Vernon et al v. Qwest Communications International Inc. et al					
5 Qwest Broadband Services Inc. (dft)	dedce	<a href="#">1:2011-cv-00339</a>	830	04/15/2011	
United Access Technologies LLC v. CenturyTel Broadband Services LLC et al					
6 Qwest Broadband Services Inc (cc)	caodce	<a href="#">2:2007-cv-02134</a>	830	04/02/2007	06/21/2013
Ronald A Katz Technology Licensing L P v. Time Warner Cable Inc					
7 Qwest Broadband Services Inc (dft)	wawdce	<a href="#">2:2008-cv-01516</a>	370	10/15/2008	07/16/2009
Vernon et al v. Qwest Communications International Inc et al					
8 Qwest Broadband Services Inc (cc)	caodce	<a href="#">2:2007-mi-01816</a>	830	03/30/2007	12/23/2014
In re Katz Interactive Call Processing Patent Litigation					
9 Qwest Broadband Services Inc (dft)	caodce	<a href="#">2:2007-mi-01816</a>	830	03/30/2007	12/23/2014
In re Katz Interactive Call Processing Patent Litigation					
10 Qwest Broadband Services Inc. (dft)	dedce	<a href="#">1:2006-cv-00546</a>	830	09/01/2006	04/11/2007
Ronald A. Katz Technology Licensing, L.P. v. Time Warner Cable Inc. et al					
11 Qwest Broadband Services Inc (dft)	caodce	<a href="#">2:2007-cv-02134</a>	830	04/02/2007	06/21/2013
Ronald A Katz Technology Licensing L P v. Time Warner Cable Inc					
12 Qwest Broadband Services Inc. (cc)	dedce	<a href="#">1:2006-cv-00546</a>	830	09/01/2006	04/11/2007
Ronald A. Katz Technology Licensing, L.P. v. Time Warner Cable Inc. et al					
13 Qwest Broadband Services Incorporated (dft)	azdce	<a href="#">4:2011-cv-00390</a>	360	06/27/2011	01/10/2012
Grabowski et al v. Qwest Communications Company LLC et al					

### Appellate Results

Party Name ▼	Court	Case	NOS	Date Filed	Date Closed
14 Qwest Broadband Services, Inc. (pty)	10cae	<a href="#">01-1389</a>	3890	08/21/2001	09/20/2001
Qwest Broadband v. City of Boulder					
15 Qwest Broadband Services, Inc. (pty)	10cae	<a href="#">12-1095</a>	4190	03/20/2012	08/14/2013
Grosvenor v. Qwest Corporation, et al					
16 Qwest Broadband Services, Inc. (pty)	10cae	<a href="#">13-0701</a>	1	03/11/2013	05/01/2013
Vernon, et al v. Qwest Communications, et al					

Receipt 05/13/2015 10:14:17 169211678

User mb0066  
Client 46687.7  
Description All Court Types Party Search  
Name Qwest Broadband Services All Courts Page: 1  
Pages 1 (50/10)

**1:11-cv-00339-LPS** United Access Technologies LLC v. CenturyTel Broadband Services LLC et al  
Leonard P. Stark, presiding  
**Date filed:** 04/15/2011  
**Date of last filing:** 05/06/2015

## Case Summary

<b>Office:</b> Wilmington	<b>Filed:</b> 04/15/2011	
<b>Jury Demand:</b> Plaintiff	<b>Demand:</b>	
<b>Nature of Suit:</b> 830	<b>Cause:</b> 35:271 Patent Infringement	
<b>Jurisdiction:</b> Federal Question	<b>Disposition:</b>	
<b>County:</b> XX US, Outside State	<b>Terminated:</b>	
<b>Origin:</b> 4	<b>Reopened:</b> 03/25/2015	
<b>Lead Case:</b>	None	
<b>Related Case:</b>	None	<b>Other Court Case:</b> 14-1347[]
<b>Defendant Custody Status:</b>		
<b>Flags:</b> MEDIATION-CJB,PATENT		

  

<b>Plaintiff:</b> United Access Technologies LLC	<b>represented by</b>	Stamatios Stamoulis	<b>Phone:</b> (302) 999-1540 <b>Email:</b> stamoulis@swdelaw.com
<b>Plaintiff:</b> United Access Technologies LLC	<b>represented by</b>	Richard Charles Weinblatt	<b>Phone:</b> 302-999-1540 <b>Email:</b> weinblatt@swdelaw.com
<b>Defendant:</b> CenturyTel Broadband Services LLC	<b>represented by</b>	Gary William Lipkin	<b>Phone:</b> (302)657-4903 <b>Fax:</b> (302) 657-4901 <b>Email:</b> glipkin@eckertseamans.com
<b>Defendant:</b> CenturyTel Broadband Services LLC	<b>represented by</b>	Matt Neiderman (Designation Retained)	<b>Phone:</b> (302) 657-4920 <b>Email:</b> mneiderman@duanemorris.com
<b>Defendant:</b> CenturyTel Broadband Services LLC	<b>represented by</b>	Benjamin A. Smyth	<b>Phone:</b> 302-984-6300 <b>Email:</b> bsmyth@mccarter.com
<b>Defendant:</b> Qwest Corporation	<b>represented by</b>	Gary William Lipkin	<b>Phone:</b> (302)657-4903 <b>Fax:</b> (302) 657-4901 <b>Email:</b> glipkin@eckertseamans.com
<b>Defendant:</b> Qwest Corporation	<b>represented by</b>	Matt Neiderman (Designation Retained)	<b>Phone:</b> (302) 657-4920 <b>Email:</b> mneiderman@duanemorris.com
<b>Defendant:</b> Qwest Corporation	<b>represented by</b>	Benjamin A. Smyth	<b>Phone:</b> 302-984-6300 <b>Email:</b> bsmyth@mccarter.com
<b>Counter Claimant:</b> Qwest Corporation	<b>represented by</b>	Matt Neiderman (Designation Retained)	<b>Phone:</b> (302) 657-4920 <b>Email:</b> mneiderman@duanemorris.com
<b>Counter Claimant:</b> Qwest Corporation	<b>represented by</b>	Benjamin A. Smyth	<b>Phone:</b> 302-984-6300 <b>Email:</b> bsmyth@mccarter.com
<b>Counter Claimant:</b> CenturyTel Broadband Services LLC	<b>represented by</b>	Matt Neiderman (Designation Retained)	<b>Phone:</b> (302) 657-4920 <b>Email:</b> mneiderman@duanemorris.com
<b>Counter Claimant:</b> CenturyTel Broadband Services LLC	<b>represented by</b>	Benjamin A. Smyth	<b>Phone:</b> 302-984-6300 <b>Email:</b> bsmyth@mccarter.com

**Counter Defendant:**  
United Access  
Technologies LLC

**represented by** Stamatios Stamoulis

**Phone:**(302) 999-1540

**Email:** stamoulis@swdelaw.com

**Counter Defendant:**  
United Access  
Technologies LLC

**represented by** Richard Charles  
Weinblatt

**Phone:**302-999-1540

**Email:** weinblatt@swdelaw.com

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Transaction Receipt			
05/13/2015 11:15:56			
PACER Login:	mb0066:2592544:0	Client Code:	46687.7
Description:	Case Summary	Search Criteria:	1:11-cv-00339-LPS
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**EXHIBIT F**  
**CORPORATE PARENT GUARANTY**

## **CORPORATE PARENT GUARANTY**

**THIS AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, 201\_\_ (this "Agreement"), by and among CenturyLink, Inc., a Louisiana corporation (the "Guarantor"), the City of \_\_\_\_\_, Minnesota ("Franchising Authority"), and Qwest Broadband Services, Inc., a Delaware corporation ("Company").

### **WITNESSETH**

**WHEREAS**, on \_\_\_\_\_, 20\_\_ the Franchising Authority adopted Ordinance No. \_\_\_\_\_ granting a Competitive Cable Television Franchise to the Company (the "Franchise"), pursuant to which the Franchising Authority has granted the rights to own, operate, and maintain a competitive cable television system in the City ("System"); and

**WHEREAS**, pursuant to Resolution No. \_\_\_\_\_, dated \_\_\_\_\_, 2015, Franchising Authority conditioned its consent to the issuance of a Competitive Cable Franchise Agreement on the issuance by Guarantor of a corporate parent guaranty guaranteeing certain obligations of the Company under the Franchise; and

**WHEREAS**, the Company is indirectly wholly owned by Guarantor, as the parent entity of a consolidated group which includes the Company.

**NOW, THEREFORE**, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in consideration of the approval of the issuance of a Competitive Cable Franchise Agreement, Guarantor hereby unconditionally and irrevocably agrees to provide all the financial resources necessary for the observance, fulfillment and performance of the obligations of the Company under the Franchise and also to be legally liable for



**EXHIBIT F**  
**PROPOSED RESOLUTION**



# **CITY OF ST. PAUL, MINNESOTA**

## **RESOLUTION NO. \_\_\_\_\_**

### **Regarding Findings of Fact with Respect to the Proposal of Qwest Broadband Services, Inc. d/b/a CenturyLink, Inc. for a Cable Communications Franchise**

#### **RECITALS:**

1. Qwest Broadband Services, Inc., d/b/a CenturyLink, Inc. ("CenturyLink") requested that the City of St. Paul, Minnesota ("City") commence proceedings to consider the award of a cable communications franchise to CenturyLink.
2. Minnesota Statutes Section 238.08(a) mandates that a city require a franchise for any cable communication system providing service within the city.
3. Federal law at 47 U.S.C. Section 541(a) provides that a city "may not unreasonably refuse to award an additional competitive franchise."
4. The City retained the law firm of Moss & Barnett, a Professional Association, to assist the City in conducting the procedure required under Minnesota Statutes Section 238.081 and reviewing any applications submitted to the City.
5. The City followed the franchise procedure required by Minnesota Statutes Section 238.081 by publishing once each week (March 30, 2015 and April 6, 2015) for two successive weeks in the St. Paul Legal Ledger a Notice of Intent to Franchise a Cable Communications System.
6. The Notice stated all eight (8) criteria outlined in Minnesota Statutes Section 238.081, Subd. 2.
7. In addition to the published Notice, the City provided copies of the Notice of Intent and the Official Application Form to CenturyLink and to the City's existing cable operator, Comcast of St. Paul, Inc. ("Comcast").
8. The City's Official Application Form required that proposals for a cable communications franchise contain responses to each of the items identified in Minnesota Statute Section 238.081, Subd. 4.

9. The City's closing date for submission of applications was set for April 24, 2015 which complied with the statutory minimum of twenty (20) days from the date of first publication.
10. Upon the deadline for submitting applications, April 24, 2015, the City received only one (1) application, from CenturyLink.
11. The City Council determined to call a Public Hearing to consider the application received from CenturyLink at its regularly scheduled May 6, 2015 meeting.
12. Prior to the Public Hearing the incumbent franchised cable operator serving the City, Comcast, submitted a letter to the City setting forth Comcast's position regarding CenturyLink's application.
13. All interested parties were provided an opportunity to speak to the City Council and to present information regarding this matter.
14. The City carefully reviewed all information and documentation presented to it regarding CenturyLink's proposal and qualifications to operate a cable communications system within the City.
15. Based on information and documentation made available to the City and the report dated May 29, 2015 prepared by Moss & Barnett with respect to CenturyLink's application, the City Council has reached conclusions regarding CenturyLink's legal, technical and financial qualifications.

**NOW THEREFORE**, the City of St. Paul, Minnesota hereby resolves as follows:

1. The City hereby finds that CenturyLink's application of April 24, 2015 complies with the requirements of Minnesota Statute Section 238.081.
2. The City finds that CenturyLink possesses the requisite legal, technical and financial qualifications to operate a cable communications system within the City.
3. City staff is authorized to negotiate with CenturyLink to attempt to reach mutually acceptable terms for a cable television franchise to be introduced to the City Council for consideration and action.
4. The City finds that its actions are appropriate and reasonable in light of the mandates contained in Chapter 238 of Minnesota Statutes and applicable provisions of federal law including 47 U.S.C. Section 541(a).

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2015

**CITY OF ST. PAUL, MINNESOTA**

\_\_\_\_\_

Its: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Its: \_\_\_\_\_